

CHALET HOTELS LIMITED

CIN: L55101MH1986PLC038538

Raheja Tower, Plot No. C-30, Block 'G', Next to Bank of Baroda,
Bandra Kurla Complex, Bandra (E), Mumbai 400051.

Tel:- 91-22-26564000

website: www.chalethotels.com

Policy on Related Party Transactions

Preamble

The Board of Directors (the Board) of Chalet Hotels Limited (the Company or CHL) hereby adopts the policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee shall review and may suggest amendments to this policy from time to time, for Board approval. This Policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company.

Purpose

This Policy is intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company, are at Arms' Length and in the Ordinary Course of Business. Any exceptions are subject to approval.

Definitions

"Arm's Length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

"Audit Committee" means Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 (Act) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

"Board" means Board of Directors of the Company.

"Key Managerial Personnel" means key managerial personnel as defined under the Act and includes:

- a. Chief Executive Officer / Managing Director / Manager
- b. Whole-time Director
- c. Chief Financial Officer
- d. Company Secretary
- e. such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- f. such other officer as may be prescribed;

"Material Modification" of a related party transaction, means a variation in the terms of a transaction with a related party, which variation exceeds 30% of the consideration value originally agreed upon of such transaction.

"Material Related Party Transaction" means a transaction with a related party if the transaction/ transactions or contracts to be entered into individually or taken together with previous transactions during a financial year, which exceeds the lower of Rs. 1000 Crores (One Thousand Crores) or 10% (ten percent) of the annual standalone turnover of the Company as per the last Audited financial statements of the Company.

Notwithstanding the above, a transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% of the annual standalone turnover of the Company as per the last Audited financial statements."

"Policy" means Policy for Related Party Transactions.

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“Related Party” means and includes:

1. “Related Party” under Section 2(76) of the Companies Act, 2013:
 - (i) a director or his relative;
 - (ii) key managerial personnel or his relative;
 - (iii) a firm, in which a director, manager or his relative is a partner;
 - (iv) a private company in which a director or manager or his relative is a member or director;
 - (v) a public company in which a director or manager is a director and holds along with his relatives, more than two percent of its paid-up share capital;
 - (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
 - (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act;
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
 - (viii) any body corporate which is-
 - (a) a holding, subsidiary or an associate company of such Company;
 - (b) a subsidiary of a holding company to which it is also a subsidiary; or
 - (c) an investing company or the venturer of the Company;
 - (ix) such other person as may be prescribed.
2. “Related Party” under Clause 2(1)(zb) of the Listing Regulations:
means a related party as defined under Section 2(76) of the Act or under the applicable Accounting Standards;
Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% (10% with effect from April 1, 2023) or more of shareholding in the listed entity shall be deemed to be a related party.
3. Related Party under the IndAS 24 (Indian Accounting Standards) is a person or entity that is related to the entity that is preparing its financial statements ('reporting entity') as follows:
 - (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control of the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
 - (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

“Related Party Transactions” means any transaction, directly or indirectly, involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

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“Relative” means relative as defined under the Act and includes anyone who is related to another if:

- (a) They are members of a Hindu Undivided Family
- (b) They are husband and wife
- (c) Father (including stepfather)
- (d) Mother (including stepmother)
- (e) Son (including stepson)
- (f) Son’s wife
- (g) Daughter
- (h) Daughter’s husband
- (i) Brother (including stepbrother)
- (j) Sister (including stepsister)

Policy

Related Party Transactions and subsequent material modifications thereto must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy. Approval of the Board of Directors shall be sought only in case where it is applicable or necessary.

Related Party Transaction not attracting compliances under Section 188 of the Act

Fourth proviso to sub-section (1) of Section 188 provides exemption u/s 188:

Provided also that nothing in this sub-section shall apply to any transactions entered into by the Company in its ordinary course of business other than transactions which are not on an arm’s length basis.

In view of the above, Related Party Transactions which are in the Ordinary Course of Business and at Arm’s Length shall not require any approval from Audit Committee / Board of Directors / Shareholders.

Fifth proviso to sub-section (1) of Section 188 provides exemption u/s 188:

Provided also that the requirement of passing the resolution under first proviso shall not be applicable for transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

In view of the above, Related Party Transactions between a Holding Company and its Wholly Owned Subsidiary shall not require any approval from Audit Committee / Board of Directors / Shareholders.

It is clarified that for this purpose, with regards to the Company, transactions entered in the Ordinary Course of Business shall be such transactions that are in accordance with the line of business at present being pursued by the Company and any allied transaction towards furtherance of the business that the Company is involved in. It may be also clarified that any excess material procured by the Company for use in the Hotels/Real Estate Development business may be sold by the Company to a Related Party if it cannot be profitably used and such a sale will also be deemed to be a transaction in the ordinary course of business.

There could be deviations in exempt transactions with Group Companies under the following circumstances:

- (a) Economic reasons including Corporate Debt Restructuring, Financial conditions and other extraordinary circumstances
- (b) Obligations of the Company as a Promoter / Joint Venture Partner of a Project and a Consortium Member
- (c) Regulatory enactments / obligations, if any

The business activities including all types of payments, services availed and/or rendered to Related Parties shall be deemed to be considered in the Ordinary Course provided it fulfils any of the following parameters:

- (i) Main and ancillary/incidental Business defined in Memorandum of Association

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- (ii) Business Practice precedent
- (iii) Regulatory obligations
- (iv) Covenant obligations
- (v) Reputational Risk element
- (vi) Frequency of the transaction undertaken and purpose of the same
- (vii) Ensuring business confidentiality and continuity of inter-dependent business of the Group

In the absence of any specific regulatory guidelines / definition on the "Ordinary Course of Business", the above provision would be recommendatory guidelines for review of Related Party Transactions and accordingly from point no (i) to (vii) would form part of the Ordinary Course of Business.

Limits as per Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014

For the purpose of first proviso to sub-section (1) of Section 188 of Act except with the prior approval of the company by an Ordinary Resolution, the Company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into involve:

- (A) contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of Section 188 with criteria as mentioned below-

Section	Nature of Transaction	Limit
188(1)(a)/(e)	sale, purchase or supply of any goods or materials, directly or through appointment of agent therefor	amounting to 10% or more of the turnover of the Company
188(1)(b)/(e)	selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	amounting to 10% or more of the net-worth of the Company
188(1)(c)	leasing of property of any kind	amounting to 10% or more of the turnover of the Company
188(1)(d)/(e)	availing or rendering of any services, directly or through appointment of agent	amounting to 10% or more of the turnover of the Company

Explanation – It is hereby clarified that the limits specified above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- (B) appointment to any office or place of profit in the Company, its Subsidiary Company or Associate Company at a monthly remuneration exceeding two and half lakh rupees as mentioned in Section 188(1)(f); or
- (C) remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the networth as mentioned in Section 188(1)(g)
- Explanation – (1) The Turnover or Networth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statements of the preceding financial year.

- (2) In case of a wholly owned subsidiary, an Ordinary Resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between the wholly owned subsidiary and the holding company.
- (3) The Explanatory Statement to be annexed to the Notice of a General Meeting convened pursuant to Section 101 of the Act shall contain the following particulars, namely:
- (a) name of the Related Party;
 - (b) name of the Director or Key Managerial Personnel who is related, if any;
 - (c) nature of relationship;
 - (d) nature, material terms, monetary value and particulars of the contract or arrangement;
 - (e) any other information relevant or important for the members to take a decision on the proposed resolution.

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Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her relative, including any additional information about the transaction that the Board / Audit Committee may reasonably request. Board / Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

Prohibitions related to Related Party Transactions

All Related Party Transactions shall require prior approval of Audit Committee. Further, all material Related Party Transactions shall require approval of the shareholders through Ordinary Resolution and the Related Parties shall abstain from voting on such resolutions.

Determination of Arms' Length

- a) The parameters for Arm's Length are to be gauged based on any one or more of the following criteria:
 - Market Price, if readily available and if market exists for the same item;
 - Price charged by the Company to unrelated parties for the same item;
 - Independent Valuations by a professional;
 - Obtaining 2 to 3 comparative quotes from Unrelated Parties for similar transactions;
 - Regulatory and other obligations, as applicable.
- b) Arm's Length criteria/process to be observed:
 - In order to ensure compliance with the principle of arms' length pricing in terms of Section 188 of the Act, Originator of such approval, memorandum or transaction or the Head of the Department from where the transaction originated shall provide comparative analysis of the similar transaction with an unrelated party.
 - The responsibility of ensuring that the transaction with related party is undertaken at arm's length basis rests with the respective Heads of Departments originating the transaction.
- c) Any transactions with the Related Parties shall primarily be reviewed by any one the RPT Reviewers, i.e. the team comprising of:
 - Managing Director & CEO / Whole time Director
 - Chief Financial Officer
 - Chief Operating Officer
 - Company Secretary
 - Asset Management Head
 - Legal Head
 - Chief Internal Auditorand such other person as deemed appropriate in the given situation/ transaction possessing relevant expertise and experience to assess the RPT.

Review and Approval of Related Party Transactions

Related Party Transactions and subsequent material modifications thereto will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction. The said transaction shall also require subsequent approval by the Board of Directors.

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Omnibus Approval

All related party transactions shall require approval of the Audit committee. However, considering the nature of Company's operations, there could be circumstances, where it may not be practicable to seek prior approval of the Audit Committee. Moreover, if these transactions are repetitive in nature and in the Ordinary Course of Business, the Audit Committee may make Omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to specific criteria for making the Omnibus Approval as approved by the Board.

Omnibus approval shall not be obtained for transactions involving selling or disposing of the undertaking of the Company.

Procedure for review of Related Party Transactions

- (a) All Related Party Transactions or changes therein must be reported by the Heads of Departments, Finance Departments of the Hotels / Commercial / Residential Buildings / Units and Head of Accounts Department to the Company Secretary or Chief Financial Officer and referred for approval of the Audit Committee in accordance with this Policy.
- (b) The Audit Committee will undertake an evaluation of the Related Party Transaction. If that evaluation indicates that the Related Party Transaction would require the approval of the Board, or if the Board in any case elects to review any such matter, the Audit Committee will report the Related Party Transactions, together with a summary of material facts, to the Board for its approval.
- (c) If the Board is of the view that the Related Party Transaction and subsequent material modifications needs to be approved at a General Meeting of the shareholders by way of Ordinary Resolution pursuant to Act and any other applicable law, the same shall be put up for prior approval by the shareholders of the Company.
- (d) If prior approval of the Audit Committee / Board / General Meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board / General Meeting, if required, within 3 months of entering in the Related Party Transaction. Provided that where prior approval of the Audit Committee cannot be obtained due to unforeseen circumstances, the same may be considered for approval under the Omnibus Approval route of the Audit Committee.
- (e) In any case where either the Audit Committee / Board / General Meeting determines not to ratify a Related Party Transaction that has been commenced or concluded without approval, the Committee or Board or the General Meeting, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee / Board has the authority to modify or waive any procedural requirement of this Policy.
- (f) In determining whether to approve or ratify a Related Party Transaction, the Audit Committee / Board will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on such terms not less favourable than the terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the Related Party's interest in the transaction.
- (h) If a Related Party Transaction will be ongoing, the Audit Committee may resolve to grant Omnibus Approval in line with the Policy on Related Party Transactions of the Company and such approval shall be in respect of transactions which are repetitive in nature.
- (i) The Audit Committee shall satisfy itself of the need for such omnibus approval and that such approval is in the interest of the Company.

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- (j) The omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any; and (iii) such other conditions as the Audit Committee may deem fit.

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

- (k) Thereafter, the Audit Committee, shall review on a periodic basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
- (l) The omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- (m) In addition, the Audit Committee / Board may review any Related Party Transactions involving Independent Directors as part of the annual determination of their independence. However, only those members of the Audit Committee, who are independent directors, shall approve related party transactions.
- (n) Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

Standards of Review

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- The Related Party's interest in the transaction
- The approximate value of the amount involved in the transaction
- The approximate value of the amount of the Related Party's interest in the transaction
- Whether the transaction was undertaken in the ordinary course of business of the Company
- Whether the terms of the transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party
- Whether the Related Party Transaction would affect the independence of an Independent Director
