

ASIAN HOTELS (NORTH) LIMITED

POLICY FOR RELATED PARTY TRANSACTIONS

(Amended w.e.f. 11th February, 2016)

Preamble

The Board of Directors of Asian Hotels (North) Limited acting upon the recommendation of the Audit Committee, has adopted the following policy and procedures with regard to Related Party Transactions. The objective of this Policy is to ensure substantive transparency in conducting such transactions by providing adequate and appropriate disclosures relating thereto and by following procedural compliances with various applicable provisions, rules and regulations as encapsulated in the Companies Act, 2013 (the Act) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations), as may be amended or re-stated from time to time.

Applicability

This Policy shall come into force with effect from the date of its approval by the Board of Directors of the Company.

Definitions

“Act”:

“Act” means the Companies Act, 2013

“Audit Committee”:

“Audit committee” means a committee of the Board of Directors of the Company constituted in terms of Section 177 of the Act and Regulation 18 and other applicable provisions of the Listing Regulations read with Part C of Schedule II to the said Regulations, as may be amended or re-stated from time to time.

“Board” or “Board of Directors”:

“Board” or “Board of Directors” means collective body of directors of the Company

“Control”:

“Control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

“Policy”:

“Policy” means Policy for Related Party Transactions.

“Related Party”:

An entity shall be considered as related to the Company if:

- (i) such entity is a related party under Section 2(76) of the Act;
or
- (ii) such entity is a related party under the applicable accounting standards.

Explanation:

In terms of Section 2(76) of the Act, “related party” with reference to a Company means:

- (i) a director or his relative;
- (ii) a 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) & (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any Company which is:
 - a. a holding, subsidiary or an associate company of such Company; or
 - b. a subsidiary of a holding company to which it is also a subsidiary;
- (ix) such other person as may be prescribed i.e. a director (other than an independent director) or key managerial personnel of the holding company or his relative.

“Relative”:

As per Section 2(77) of the Act read with Rule 4 of Companies (Specification of definitions details) Rules, 2014, a person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:

1. They are members of a Hindu Undivided Family
2. Spouse
3. Father, provided that the term “Father” includes step-father
4. Mother, provided that the term “Mother” includes step-mother
5. Son, provided that the term “Son” includes step-son
6. Son’s wife
7. Daughter
8. Daughter’s husband
9. Brother, provided that the term “Brother” includes step-brother
10. Sister, provided that the term “Sister” includes step-sister

“Key Managerial Personnel”:

As per Section 2(51) of the Act, “key managerial personnel” in relation to a Company means:

- (1) the Chief Executive Officer or the Managing Director or the manager;
- (2) the Company Secretary;
- (3) the Whole-time Director;
- (4) the Chief Financial Officer; and
- (5) such other officer as may be prescribed.

“Associate Company”:

Section 2(6) of the Act defines an, “Associate Company”, in relation to another company, as a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation – “significant influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement.

“Related Party Transactions” to which this Policy applies:

As per Section 188 of the Act, a related party transaction is any contract or arrangement with a related party with respect to:

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) such related party’s appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company.

Regulation 2(1)(zc) of the Listing Regulations defines a “related party transaction” as a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged; and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract.

“Material Related Party Transactions”:

“Material Related Party Transaction” means a transaction with a related party, if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Arm’s length transaction”:

As per Section 188 of the Act, the expression “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.

“Office or place of profit”:

As per Section 188 of the Act, “Office or place of profit” means any office or place –

- (i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

Procedure to ascertain Related Parties

Following information is required to identify the Related Parties:

1. Declaration/Disclosure of interest by all the Directors in Form MBP-1 and similar information for KMPs.
2. Declaration of relatives by all Directors and KMPs.
3. Declaration about a firm in which a Director, Manager or his relative is a partner.
4. Declaration about a private company in which a Director or Manager or his relative is a member or director.
5. Declaration regarding a public company in which a Director or Manager is a director and holds along with his relatives more than 2% of the paid up share capital.
6. Notices from Directors of any change in particulars of Directorship or in other positions during the year.
7. Declaration by holding company regarding its Directors/KMPs and their relatives.
8. Details of 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 of the Company.
9. Details of any person on whose advice, directions or instructions a Director or a Manager is accustomed to act:

Provided that nothing in point no. (8) & (9) shall apply to the advice, directions or instructions given in a professional capacity.

10. Details of any company which is:
 - a) a holding, subsidiary or an associate company of such company; or
 - b) a subsidiary of a holding company to which it is also a subsidiary.
11. Persons/entities identified under the applicable Accounting Standard.

On the basis of the above information, a comprehensive list of Related Parties needs to be prepared by the Secretarial Department. The Secretarial Auditors may be called upon to verify the process of ascertaining the Related Parties and their correct recording / listing in Register of

Contracts / Arrangement etc. as per Section 189 of the Act, and Rules thereof as well as their classification regarding whether they are on arm's length basis.

The aforesaid list shall be circulated to CMD / CFO / all Divisional Heads / Statutory Auditor and Internal Auditor.

Procedure for seeking approval

All Division Heads shall submit to the CFO and Company Secretary the details of proposed transactions with details / draft contract / draft agreement or other supporting documents justifying that the transactions are on an arm's length basis in an ordinary course of business. Based on this note, the Company Secretary will appropriately take it up for necessary prior approvals from the Audit Committee at its next meeting and convey back the decision to the respective Division Head.

Once approved by the Audit Committee, the said transaction(s) shall be reported to the Board for its information.

If the proposed transaction is not in the ordinary course of business but at an arms' length basis, or where the transaction is in the ordinary course of business but not on an arms' length basis then, the respective Division Heads shall give a detailed note with justification to CFO and CS for entering into such transaction(s) along with details of proposed transaction(s) with draft agreement/MOU/other supporting documents. Based on this note, the CFO and CS will discuss the matter with CMD so as to further take up the matter for respective prior approvals of the Audit Committee and Board, and if required propose appropriate resolutions for the prior approval of the shareholders.

Approval of transactions

Approval of transactions through Audit Committee

It is pertinent to note that prior approval of the Audit Committee must be obtained for all Related Party Transactions.

However, the Audit Committee may grant an omnibus approval for a period not exceeding one year for those proposed related party transactions, which being repetitive in nature, are in the ordinary course of business and at an arms' length, subject to the condition that a proposal containing the following information be placed before the Audit Committee for its perusal:

- The name(s) of the related party(ies),
- Nature of transactions,
- Period of transactions,
- The indicative base price/current contracted price and the formula for variation in the price, if any, and
- Maximum amount of transaction(s) that can be entered into during the tenure of the proposal.

Based on the above information, the Audit Committee shall satisfy itself as to the need for such omnibus approval and that such approval is in the interest of the Company.

In case transactions, purely in the ordinary course of business and at an arm's length, which can not be predicted or foreseen previously, are required to be entered into with related parties, the Audit Committee may grant an omnibus approval for all such transactions provided such transactions do not exceed a sum of Rupees one crore in a financial year.

All transactions entered into under the above omnibus approval shall be put up to the Audit Committee on quarterly basis for its review.

In case of non-repetitive transactions, the agenda of the Audit Committee at which the item is proposed to be moved shall disclose-

- a) the name of the related party and nature of relationship;
- b) the nature, duration of the contract and particulars of the contract or arrangement;
- c) the material terms of the contract or arrangement including the value, if any;
- d) any advance paid or received for the contract or arrangement, if any;
- e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
- g) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.; and
- h) Statement of transactions relevant as per the contracts/arrangements.

The CMD should certify whether the contracts/transactions/ are at an arms' length.

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

Approval of the Board is required:

1. For all contracts / arrangements / transactions which are not on an arms' length basis or are not in the ordinary course of business (irrespective of the amount involved);
2. For all "material related party transactions" irrespective of the fact that these were in the ordinary course of business and also on an arms' length basis; and
3. For all such transactions which require shareholder's approval in terms of Section 188 of the Act read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014.

Approval of transactions through Board of Directors

The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-

- a) the name of the related party and nature of relationship;
- b) the nature, duration of the contract and particulars of the contract or arrangement;
- c) the material terms of the contract or arrangement including the value, if any;
- d) any advance paid or received for the contract or arrangement, if any;
- e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;

- f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
- g) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction; and
- h) Statement of transactions relevant as per the contracts/arrangements.

Where any director is interested in any contract / arrangement with a related party, such director should not be present at the Board meeting during deliberations relating to such contract or arrangement.

Approval of transactions through shareholders

Except with the prior approval of the shareholders by an Ordinary Resolution, the Company shall not enter into:

- A. Any "material related party transactions" irrespective of the fact that these were in the ordinary course of business and also on an arms' length basis; and
- B. any transaction or transactions, which are not on an arms' length basis or are not in the ordinary course of business and where such transaction or transactions to be entered into as contracts or arrangements:

(a) is with respect to Clauses (a) to (e) of Section 188(1) of the Act with the criteria as mentioned below:

- (i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding ten percent of the turnover of the Company or Rs. 100 crore, whichever is lower, as mentioned in Clause (a) and Clause (e) respectively of sub-section (1) of Section 188;
- (ii) selling or otherwise disposing of or buying property of any kind, directly through appointment of agent, exceeding ten percent of net worth of the Company or Rs. 100 crore, whichever is lower, as mentioned in Clause (b) and Clause (e) respectively of sub-section (1) of Section 188;
- (iii) leasing of property of any kind exceeding ten percent of the net worth of the Company or ten percent of turnover of the Company or Rs. 100 crore, whichever is lower, as mentioned in Clause (c) of sub-section (1) of the Section 188;
- (iv) availing or rendering of any services, directly or through appointment of agent, exceeding ten percent of the turnover of the Company or Rs. 50 crore, whichever is lower, as mentioned in Clause (d) and Clause (e) respectively of sub-section (1) of Section 188.

Explanation – It is hereby clarified that the limits specified in sub-clause (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

(b) is for 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 clause (f) of sub-section (1) of Section 188;

or

(c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding one percent of net worth as mentioned in Clause (g) of sub-section (1) of Section 188.

Explanation – The Turnover or Net Worth as referred hereinabove shall be computed on the basis of Audited Financial Statement of the preceding Financial Year.

The explanatory statement to be annexed to the Notice of a general meeting convened pursuant to Section 101 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 particular of the contract or arrangement;
- e. any other information relevant or important for the members to take a decision on the proposed resolution.

It is pertinent to note that in terms of the provisions of the Act related party transactions that are in the ordinary course of the business and are at an arm's length would, irrespective of the amount involved, only require prior approval of the Audit Committee and reporting to the Board. However, under the Listing Regulations, even related party transactions that are in the ordinary course of business and are at an arm's length would require shareholders' approval by way of an ordinary resolution if they are 'material' within the meaning of Regulation 23 of the Listing Regulations. In this regards, Regulation 23 of the Listing Regulations states that "a transaction with a related party shall be considered material if the transaction /transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover as per the last audited financial statements of the Company".

Thus, CFO and CS will keep a track of all the related party transactions done in the financial year and take shareholders' approval well in advance so as to ensure compliance of Regulation 23 of the Listing Regulations on material related party transactions.

Notes:

1. Any director who is concerned or interested in any contracts / transactions with a related party, such a Director shall not be present at the Audit Committee / Board meeting discussion on the subject matter of the resolution related to such contract / transactions and shall not be entitled to vote for such item in general meeting if he is a shareholder of the Company.
2. No member of the Company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the Company, if such member is a related party.

In case the proposed transaction(s) are with the Company's wholly owned subsidiary, the resolution passed by the Company shall be sufficient for the purpose of entering into the transaction between the Company and its wholly owned subsidiary.

Reporting Related Party Transactions

The Finance Department shall provide a list of transactions with related party on a quarterly basis to the Secretarial Department and Statutory Auditor within seven days of close of the quarter and the same shall be reviewed by them and placed before the Audit Committee.

Disclosures

1. Details of contract(s) or arrangement(s) have to be disclosed in the Board's report along with justification as per Form AOC-2 (Place the said form before Audit Committee for its review and then to the Board as part of Directors' Report for approval).
2. Company shall keep a register in Form MBP-4 [Pursuant to Section 189 (1) and Rule 16 (1)] giving the particulars of all contracts or arrangements in such manner and containing particulars and after entering the particulars, the same shall be authenticated by the CFO and the Company Secretary of the Company and thereafter the same shall be placed before the next meeting of the Board and signed by all the directors present at the meeting.
3. Necessary disclosures be made in the Annual Financial Statements as required under the applicable Accounting Standard. Further, as required under Clause 10(a) of Para C of Schedule V to the Listing Regulations, necessary details/disclosures of all materially significant related party transactions, which may have potential conflict with the interests of the Company at large, be also given in 'Report on Corporate Governance' section in Annual Report.
4. Details of all material transactions with related parties shall be disclosed quarterly along with compliance report on Corporate Governance.
5. The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web-link thereto shall be provided in the Annual Report.

Company's policy on certain transactions in the ordinary course of business

Since the Company is operating a five star deluxe hotel, as a policy matter, the Company allows its employees a discount of 50% on food and non-alcoholic beverages in certain outlets, and the employees can avail of this facility up to a specified financial limit which is linked to his base monthly salary. As a gesture, the directors of the Company are also allowed a similar discount whenever they wish to avail of this facility.

Further, whenever officials of various subsidiaries or the companies having one of our directors on their Board travel for business purposes and stay at Hyatt Regency Delhi, such companies may be allowed corporate rates in the normal course of business as the Company may allow to its other corporate clients - the touch stone being that none of such companies shall be given a rate lower than the minimum rate given to other non-related corporates on that day.

The Company is of the firm view that the transactions mentioned above, besides being in the normal course of business, are also on an arm's length basis as no preferential treatment is being extended to such related parties.

In any case, following the trade practices, the Company has different pricing policies for various segments of clients namely, airline crews, travel agents & tour operators, corporate clients etc.

Based on the above trade practices and pricing bench-mark, the Audit Committee of the Company may grant an omnibus approval up to specified amounts for a specified financial year for those related parties which are likely to avail of the services rendered by the Company.

Related Party Transactions not previously approved

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy, the transaction shall be placed as promptly as practicable before the Audit Committee or Board of Directors or the Shareholders as may be in accordance with this Policy for review or ratification.

The Audit Committee or Board of Directors or the Shareholders shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including but not limited to ratification, revision or termination of such transaction and the Company shall take such action as the Audit Committee deems appropriate under the circumstances.

Review / Amendment

The Board/Audit Committee may amend, abrogate, modify or revise any or all clauses of this Policy.

Interpretation

In any circumstance where the terms of the Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over these policies and procedures until such time as these Policies and Procedures are changed to conform to the law, rule, regulation or standard.

Note: The Original Policy effective 8th March, 2015, was amended and approved by the Board on 11th February, 2016.