

India Tourism Development Corporation Limited

Policy on Related Party Transaction and Materiality of Related Party Transactions

In compliance with the relevant provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which lay down the framework for governance, reporting and the procedure to be followed for entering into Related Party Transactions. SEBI (LODR) Regulations, 2015 ("Regulation 23") requires that the Company shall formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions. Pursuant to this requirement of SEBI (LODR) Regulations, 2015, Company has adopted and revised this Related party Transaction Policy dealing with the identification, review and approval of Related Party Transactions from time to time.

APPLICABILITY:

This Policy shall be applicable to all transactions between the Company and its Related Parties.

SCOPE AND PURPOSE:

This Policy has been framed to comply with the applicable/relevant provisions of Companies Act, 2013 and of the SEBI (LODR) Regulations, 2015. Any subsequent amendment/modification in the applicable provisions of Companies Act, 2013 or the rules made thereunder or in the SEBI (LODR) Regulations, 2015 in this regard shall be deemed to be automatically incorporated in this Policy and the same shall be placed before the Board of Directors for consideration on the recommendations made by the Audit Committee.

DEFINITIONS:

"**Act**" shall mean the Companies Act, 2013 and Rules framed there under, including any modifications, amendments, clarifications, circulars or re-enactment thereof.

"**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.

"**Associate Company**", in relation to another company, means 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 – for the purposes of this clause,-

- a) "Significant Influence" means Control of at least twenty percent of total voting power or Control of, or participation in business decisions under an Agreement.
- b) "Joint Venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

"Board Level Audit Committee" or "Committee" means "Audit Committee" of the Board of the Company constituted under the provisions of Companies Act, 2013 and Listing Obligations & Disclosure Requirements (LODR)

"Board of Directors" or "Board" in relation to a Company, means a collective body of Directors of the Company (*Section 2(10) of the Companies Act, 2013*)

"Company" means India Tourism Development Corporation Limited.

"Key Managerial Personnel" means Key Managerial Personnel of the company in terms of the Companies Act, 2013 and the rules made there under.

"Material Related Party Transactions": means a transaction with a related party where a transaction/transactions to be entered into individually or taken together with previous transactions with Related Party during a financial year, exceeds Rupees One thousand crore or ten percent of the annual consolidated turnover of the company as per the last audited financial statement of the Company, whichever is lower.

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 two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

"Material Modifications" In relation to a Related Party Transaction approved by the Audit Committee, Board of Directors or a material related party transaction approved by the Shareholders, as the case may be, material modification means any variation having an impact on the monetary limits already approved by the Audit Committee or Shareholders as the case may be, exceeding 20% of transactions, in each case, over and above the approved limits.

"Ordinary Course of Business" means the usual transactions, customs and practices undertaken by the company to conduct its business operations and activities in normal course and includes all such activities which the Company can undertake as per Memorandum & Articles of Association.

"Policy" means Related Party Transactions Policy of the company as amended from time to time.

“Related Party” means a person or an entity:

- (i) which is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) which is a related party under Regulation 2(1)(zb) of SEBI(LODR) Regulations
- (iii) which is a related party under the applicable accounting standards

As per Companies Act 2013: Section 2(76) of the Act and rules made there under, Related Party is as under-

- (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) anybody 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 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; or
- (C) an investing company or the venturer of the company;";

Explanation.—For the purpose of this clause, “the investing company or the venture of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.]

As per SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015: Regulation 2(1)(zb) states that related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

Provided that

- (a) any person or entity forming part of the promoter or promoter group of listed entity; or
- (b) any person or entity holding equity shares:

- (i) of twenty percent or more; or
- (ii) of ten percent or more, with effect from April 1, 2023;

in the listed entity either directly or on beneficial interest basis as provided under section 89 of the Companies Act 2013, at any time during the immediate preceding financial year, shall be deemed to be a related party.

As per Applicable Accounting Standards: Related Parties are as follows:

- a) Enterprises that directly or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding Companies, subsidiaries and fellow subsidiaries);
- b) associates and joint ventures of the reporting enterprise and the investing party or venture in respect of which the enterprise is an associate or a Joint Venture;
- c) individuals owning, directly or indirectly, an interest in the voting power of the enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- d) key Management Personnel and relatives of such personnel; and
- e) enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises that have a member of Key Management in common with the reporting enterprise.

Clause 10 of the aforesaid Accounting Standards, defines certain terms which are also pertinent for ascertaining related party relationships and the same are as follows:

Related party

Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decision.

Related Party Transaction

A transfer of resources or obligations between related parties regardless of whether or not a price is charged.

Control

- (a) Ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or
- (b) control of the composition of the Board of directors in the case of a Company or of the composition of the corresponding governing body in case of any other enterprise, or
- (c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

Significant Influence

Participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.

An Associate

An enterprise in which an investing reporting party has significant influence and which is neither a subsidiary nor a Joint Venture of that party.

A Joint Venture

A contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

Joint Control

The contractually agreed sharing of power to govern the financial and operating policies of an economic activity so as to obtain benefits from it.

“Related Party Transactions (RPT)”: As per Section 188 of the Companies Act, 2013 read with Regulation 2(zc) of SEBI (LODR) Regulations as amended from time to time, shall mean any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether the price is charged and includes:

- 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 agency 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 associated company; and
- g. Underwriting the subscription of any securities or derivatives thereof, of the Company.

A transaction involving transfer of resources, services or obligations between the Company or any of its subsidiaries on one hand and a related party of Company or any of its subsidiaries on the other hand 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.

Such other transaction as specified under the provisions of the Companies Act, 2013 read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Indian

Accounting Standards including any amendment or modifications thereof, as may be applicable.

Provided that the following shall not be related party transactions:

(a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(b) the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

- i. payment of dividend;
- ii. subdivision or consolidation of securities;
- iii. issuance of securities by way of a rights issue or a bonus issue; and
- iv. Buy-back of securities.

“Relatives”, with reference to any person, means anyone who is related to another, if

- (i) They are members of a Hindu Undivided Family;
- (ii) They are husband and wife; or
- (iii) One person is related to the other person as :

- (a) Father (including step-father)
- (b) Mother (including step-mother)
- (c) Son (including step-son)
- (d) Son's wife
- (e) Daughter
- (f) Daughter's husband
- (g) Brother (including step-brother)
- (h) Mother (including step-mother)

“SEBI” means Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992).

“Transaction”: A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, SEBI (LODR), Securities Contracts (Regulations) Act, 1956 or any other applicable law and regulation, including any amendment or modifications thereof, as may be applicable.

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

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 Rupees one thousand crore or ten percent of the annual consolidated turnover of ITDC as per the last audited financial statement of ITDC, whichever is lower.

POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS

Review and Approval of Related Party Transactions

- All Related Party Transactions and subsequent material modifications shall be subject to the prior approval of the Audit Committee of the Company whether at a meeting or by resolution by circulation or through electronic mode. It is clarified that any modification of an existing Related Party Transaction shall also require approval of Audit Committee. A member of the Committee who (if) has a potential interest in any Related Party Transaction may remain present in the meeting but shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not and shall not be counted in determining the presence of a quorum when such transaction is considered.
- Provided further that a related party transaction to which the subsidiary of the Company is a party but Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company.
- However, the approval of Audit Committee would not be required for transaction(s), other than the transaction(s) referred in Section 188 of the Act,
 - ❖ transactions entered between two government companies;
 - ❖ transactions entered between the Company and its wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders of the Company at the general meeting for approval;
 - ❖ or transactions entered into between two wholly-owned subsidiaries of the holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval
- All material related party transactions and subsequent material modifications shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not. All contract, arrangement or transaction, between a related party (as defined under the Act) and the Company, as specified under

Section 188(1) of the Act, which is either “not on an arm's length basis” or “not in the ordinary course of business” (“Specified RPT”), shall also require approval of Board as per the provisions of Section 188(1) of the Act and the applicable provisions of the Rules.

A. Audit Committee:

A1. The Audit Committee shall consider all relevant factors while deliberating on the RPTs for its approval as under:

- i. Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
- ii. The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
- iv. Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.

A2. Any member of the Committee who has a potential interest in any related party transaction will recuse himself and abstain from discussion and shall not vote to approve the related party transaction. A related party transaction which is

- i. not in the ordinary course of business, or
- ii. not at arm's length price, would require approval of the Board of Directors or of shareholders as discussed subsequently.

A3. The Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under the provisions of LODR and such other conditions as it may consider necessary in line with this policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year. The omnibus approval shall specify:

Sr. #	Particulars
1	The name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into

2	The indicative base price / current contracted price and the formula for variation in the price if any
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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 rupees one crore per transaction.

- A4.** Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to the omnibus approval. In connection with any review of a related party transaction, the Committee has authority to modify or waive any procedural requirements of this policy.
- A5.** RPTs entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification.
- A6.** Subject to the applicable laws, the Audit Committee shall have the power to ratify, revise or terminate the RPTs, which are not in accordance with this Policy.

Board of Directors

- i.** In case any RPTs are referred by the Company to the Board for its approval due to the transaction being
 - (i) not in the ordinary course of business, or
 - (ii) not at an arm's length price, such transactions shall be affected only with prior approval of the Board of Directors of the Company, on recommendation of Audit Committee.
- ii.** The Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances.
- iii.** Any member of the Board who has any interest in any related party transaction will recuse himself and abstain from discussion and shall not vote to approve the related party transaction.

Shareholders' Approval:

- i.** If a related party transaction is
 - (i) a material transaction as per the provisions of LODR, or
 - (ii) not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013, it shall require shareholders' approval by a resolution. In such a case, any member

of the Company who is a related party shall not vote to approve such related party transaction.

- ii. The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:
 - a. A summary of the information provided by the management of the Company to the audit committee as specified in point A3 above;
 - b. Justification for why the proposed transaction is in the interest of the Company;
 - c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified above;
 - d. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
 - e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
 - f. Any other information that may be relevant.

Transactions which do not require approval

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee:

- i. Any transaction involving the providing of compensation to a director or Key Managerial Personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

Transactions not in the ordinary course of business or not at arm's length

All Related Party Transactions in excess of the limits prescribed under the Companies Act, 2013 and rules made thereunder, which are not in the ordinary course of business or not at Arm's Length shall also require the prior approval of the shareholders through ordinary resolution and the Related Parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

Provided that the requirement of taking audit committee approval and passing the shareholder's resolution shall not be applicable for:

- (i) Transactions entered into between two government companies*;

(ii) Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

(iii) Transactions entered into between two wholly-owned subsidiaries of the holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Explanation*. "Government Company (ies) means Government Company as defined in sub-section (45) of section 2 of the Companies Act, 2013.

Disclosure and Reporting of RPTs

i. Every Related Party Transaction entered into by the Company shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction. The Chief Financial Officer shall be, responsible for such disclosure. The Company Secretary /Compliance Officer shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

ii. The Company shall disclose to the stock exchange along with the compliance report on corporate governance on a quarterly basis details of all material transactions with Related Parties.

iii. The Company shall submit within specified time limit as stated in SEBI (LODR) the disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

iv. Director's report shall contain details of Related Party Transactions as required under the Act and Regulation 23 of the SEBI Listing Regulations.

RPTs not previously approved

i. In the event the Company becomes aware of a RPT that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy and in compliance with the applicable laws and regulations as may be amended from time to time.

ii. The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such 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 Committee deems appropriate under the circumstances.

It is further submitted that generally ITDC has transactions with the following related parties:

Directors and KMPs: ITDC is a CPSE. In CPSE, the appointment of all directors is done by the Administrative Ministry which is the Ministry of Tourism in our case. Government Nominee Directors are the employees of the Government of India hence no remuneration is paid to the Government Nominee Directors. The Chairman & the Managing Director and functional directors are the whole time employees of the Corporation and are being given salary/perks and other facilities (including mobile, laptop and office bag for functional directors for official use as per ITDC Administration Division circular dated 22.01.2020) according to the terms of appointment and the rules of the Corporation. Independent Directors are paid sitting fee only.

Ex-Directors of the Company, when they had served in ITDC Board for a minimum period of one year or more, are allowed certain concession & discount in ITDC Hotels as decided by the ITDC Board from time to time.

Joint Venture Subsidiary Companies: All the Joint Venture Subsidiary Companies of ITDC are the Government Companies as defined under Section 2(45) of the Companies Act, 2013.
