



**Tourism Finance
Corporation of India Limited
Related Party Transaction Policy**

The Companies Act, 2013 have mandated that any related party transactions as specified under Section 188 needs prior approval of the Audit Committee of the Board of Directors so as to avoid a potential/actual conflict of interests and to ensure that the transaction associated with the related parties be consistent with Company's and its shareholders best interests. Considering the aforesaid mandatory requirement, the regulator viz. SEBI has amended Clause 49 of the listing agreement. As per the requirements, each listed company is required to have a defined policy on related party transactions duly approved by the respective Board of Directors.

In the light of the above, TFCI proposes to adopt the policy as defined hereinafter which would be reviewed and amended by the Audit Committee of TFCI as and when required subject to the approval of the Board.

1. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out

- (a) The manner of dealing with the transaction between TFCI and its related parties based on the Act, Clause 49 of the Listing agreement and any other laws and regulations as may be applicable to the Company and
- (b) The materiality thresholds for related party transactions.

2. APPLICABILITY AND LEGAL FRAMEWORK

The Policy on Related Party Transactions shall be governed by the Act read with rules made thereunder, as may be in force from time to time, as well as Clause 49 or such other Rules/regulations, as may be notified by SEBI from time to time.

3. DEFINITIONS

"Act" shall mean the Companies Act 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

“Arm’s length transaction (ALP) means a transaction between two related parties that is conducted as if they were unrelated, so there is no conflict of interest.

“Associate Company” shall be as defined in the Act and the applicable Accounting Standards.

“Audit Committee” means the Audit Committee constituted by the Board in accordance with the Section 177 of the Act read with Clause 49 of the Listing Agreement.

“Key Managerial Personnel” in relation to a Company, shall be as defined in the Act.

“Related Party” with reference to a Company, shall have the same meaning as defined in Section 2(76) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

“Related Party Transaction (RPT) means-

- for the purpose of the Act, specified transaction mentioned in clause (a) to (g) of sub-section 1 of Section 188;
- for the purpose of Clause 49 of the Listing Agreement, any transaction 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.

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

“Material; Related Party Transaction” is a transaction with a Related Party which shall be considered material if the transaction/transactions to be entered into individually or taken together with previous transactions during the financial year exceed ten percent of the annual turnover of the company as per the last audited financial statements of the Company.

4. IDENTIFICATION OF POTENTIAL RELATED PARTIES 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. The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

5. POLICY ON RELATED PARTY TRANSACTIONS

As per the Company's Act, 2013, all Related Party Transactions shall require prior approval of the Audit Committee. TFCI proposes to follow the act in letter and spirit and would seek approval of the Audit Committee before entering into any related party transaction save and except as specifically provided/exempted in the policy described hereinafter. The Audit Committee is also authorised to grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- c) Such 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 further 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. Accordingly, we propose that omnibus approval be granted for transaction upto Rs.1 Crore per transaction. However, these transactions would also be reported for information to the Audit Committee in its next meeting.

Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and all entities falling under the definition of Related Parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

6. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

Related Party Transactions 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.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. 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:

- (1) Whether the terms of the Related Party 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
- (2) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- (3) Whether the Related Party Transaction would affect the independence of an independent director;
- (4) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- (5) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- (6) Whether the Related Party Transaction would present an improper 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, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the on-going nature of any proposed relationship and any other factors the Board/Committee deems relevant.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.

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

- i. Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel in connection with his or her duties to the Company which is subject to approval of the shareholders of 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 corporate benefits associated with such securities.
- iii. Any transaction in which the Company's Related Party's interest arises solely from ownership of securities issued by other related parties and company receives corporate benefits associated with such securities applicable to all holders.

7. DISCLOSURES

TFCI shall disclose, in the board Report, transactions prescribed in Section 188(1) of the Companies Act, 2013 with related parties, which is not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

8. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a Related Party Transaction which has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall

take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.