CRITERIA FOR MAKING PAYMENTS TO NON-EXECUTIVE DIRECTORS

INTRODUCTION:

Schedule V read with Regulation 34 (3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (hereinafter referred as "Listing Regulations"), requires every Company to publish its criteria of making payments to Non- Executive Directors in its annual report. Alternatively, as per Regulation 46 (2) of Listing Regulations, this may be put up on the Company's website and reference may be drawn thereto in its annual report.

Regulation 17(6) (a) of Listing Regulations require the approval of the shareholders of a Company for making payment all fees or compensation to its Non-Executive Directors (hereinafter referred as "NEDs").

However, the requirement of obtaining approval of shareholders in general meeting shall not apply to payment of sitting fees to non-executive directors, if made within the limits prescribed under Companies Act, 2013 for payment of sitting fees.

Accordingly, the following criteria is laid down for Lloyds Engineering Works Limited (hereinafter referred as "the Company").

In keeping with the above, any Consultancy fee/Charges/remuneration payable to the NEDs of the Company shall abide by the following:

OBJECTIVE:

This policy is framed as per the requirements of Regulation 23 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [including any modification(s) / amendment(s) / re-enactment(s) thereof] ("Listing Regulations") and in terms of Section 188 of the Companies Act, 2013 and is intended to ensure proper approval, disclosure and reporting requirements of transactions between the Company and its Related Parties.

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

DEFINITIONS:

"Act" means the Companies Act, 2013 including the rules, schedules, clarifications, and guidelines issued by the Ministry of Corporate Affairs and any amendment thereto and/or modification thereof from time to time.

"Audit Committee or Committee" means "Audit Committee" constituted by the Board of Directors of the Company under provisions of SEBI LODR and Companies Act, 2013 as amended from time to time.

"Arm's Length Pricing ('ALP') Transaction" means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest or where based on the business requirements and then prevailing economic conditions, the relevant stake holders have approved the terms of proposed related party transactions or where a regulator provides for any conditions impacting the market price of such transaction (for example in the case of an Advance Pricing Agreement) etc.

"Associate Company" means any other Company, in which the 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 purpose of this clause
"Significant Influence" means control of at least twenty per cent of total share capital, or business decisions under an agreement.

"**Board**" means Board of Directors of the Company.

"Company" means Lloyds Engineering Works Limited.

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

"Material Related Party Transaction" in terms of SEBI LODR means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year:

- Any transaction(s) with a related party if the amount exceeds Rs 1,000 crores or 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower.
- In the case of brand usage or royalty payments, any transaction(s) exceeding 5% of annual consolidated turnover of the Company as per its last audited financial statements.

"Material modification" means an enhancement to an existing RPT exceeding 20% of the value approved earlier by the Audit Committee, Board, or shareholders as the case maybe.

"Net Worth" shall have the meaning assigned to it in Sec□on 2(57) of the Companies Act

2013.

"Ordinary Course of Business ('OCB')" means a transaction which/wherein:

- is carried out in the normal course of business envisaged in accordance with the Memorandum of Association ('MoA') of the Company as amended from time to time, or
- is as per historical practice with a pattern of frequency, or
- is in connection with the normal business carried on by the Company, or
- the income, if any, earned from such activity/transaction is assessed as business income in the Company's books of accounts and hence is a business activity, or
- is common commercial practice, or
- meets any other parameters / criteria as decided by the Board/Audit Committee.

"Policy" means Related Party Transaction Policy.

"Relative" shall have the same meaning as defined under Section 2(77) of the Act and Regulation 2(1)(zd) of the SEBI LODR.

"Related Party" means a person or entity defined under Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI LODR.

"Related Party Transaction" shall mean transactions as defined under the Act and Regulation 2(1)(zc) of the SEBI LODR.

"Senior Management Personnel" shall have the same meaning as prescribed under the Code of Conduct for Board Members and Senior Management Personnel of section 2 of the Companies Act, 2013.

"SEBI" means the Securities and Exchange Board of India.

"Transaction" with a related party shall be construed to include a single transaction or a group of transactions.

"Turnover" shall have the meaning assigned to it in Sec□on 2(91) of the Act;

All other words and expressions used but not defined in this Policy, shall have the same meaning as assigned to it under the Companies Act 2013, SEBI Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015 or any other applicable law or regulation.

MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS:

a) Identification of related parties:

The Company shall identify and update the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 2(1)(zb) of the SEBI Listing Regulations.

b) Identification of related party transactions:

The Company shall identify related party transactions in accordance with Section 188 of the Act and Regulation 2(1)(zc) of the SEBI Listing Requirements. The Company shall determine whether the transaction is in the ordinary course of business and valued at arm's length pricing basis and for this purpose, the Company may seek external professional opinion, if necessary.

PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS:

a) Approval of the Audit Committee:

- Every Related Party Transactions and subsequent Material Modifications shall be subject to the prior approval of the Audit Committee of the Company.

- Members of the Audit Committee, who are independent directors, shall only approve related party transactions.

- The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiaries subject to compliance of the conditions contained in the Companies Act, 2013 and SEBI LODR Regulations 2015 as amended from time to time.

- The Company shall place following information / documents before the Committee for its consideration of request for omnibus approval of Related Party Transactions:
  a) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into;
  b) the indicative base price / current contracted price and the formula for variation in the price if any; and
  c) such other conditions as the audit committee may deem fit.

Provided that, where the need for Related Party Transaction(s) 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.

- The Audit Committee shall review, at least on a quarterly or half yearly basis, the details of related Party Transactions entered into by the Company or its subsidiaries pursuant to each of the omnibus approvals given.

- The omnibus approval shall be valid for a period of one year from the date of approval.

b) Approval of the Board of Directors of the Company:

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

a) Transactions which may be in the ordinary course of business and at arm's length basis, but which are, as per the Policy, determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;

b) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;

c) Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval;

d) Transactions meeting the materiality thresholds laid down in the Policy, which are intended to be placed before the shareholders for approval.

c) Approval of the Shareholders of the Company:

Material Related Party Transactions and Material Modifications thereto, laid down in the Policy, are placed before the shareholders for approval.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which
(a) are not at Arm's Length or not in the ordinary course of business; and
(b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

For this purpose, none of the related parties of the Company shall vote to approve on such shareholders' resolution irrespective of whether the entity is a related party to the particular transaction or not.

REPORTING AND DISCLOSURE:

- Quarterly disclosure of material RPTs in Audit Committee and Board meetings.
- Information as specified in the Industrial Standards and the Annexures issued by SEBI from time to time shall be placed before the Audit Committee.
- Quarterly reporting to stock exchanges with corporate governance reports.
- Publication of RPTs Policy on the Company's website and link thereto shall be provided in Annual Report.
- Board's Report to include RPT disclosures as per the Act and Listing Regulations.
- Dissemination of this Policy to all relevant employees and stakeholders.

RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY:

If any Related Party Transaction is entered without prior approval, the Company Secretary must be informed immediately.

The matter will be placed before the Audit Committee/Board for ratification or appropriate action within three months or at the next meeting, whichever is earlier, subject to following conditions:

(i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;

(ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;

(iii) rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification;

(iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the SEBI LODR;

(v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the Audit Committee and if the transaction is with a related party to any Director, or is authorised by any other Director, the Director(s) concerned shall indemnify the listed entity against any loss incurred by it.

AMENDMENT:

Any subsequent amendment / modification in the Listing Regulations or the Act or any other governing Act / Rules / Regulations or re-enactment, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and / or amended to that extent, even if not incorporated in this Policy.

REVIEW:

This Policy will be reviewed as and when required but atleast once in three years.

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