

# **POLICY ON RELATED PARTY DISCLOSURES**

**Policy on Related Party Disclosure in Lloyds Metals And Energy Limited under Companies Act, 2013 & Clause 49 of Listing Agreement and Applicable Accounting Standard of AS -18 as amended from time to time.**

**Lloyds Metals And Energy Limited**

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# LLOYDS METALS AND ENERGY LIMITED

## RELATED PARTY TRANSACTIONS POLICY

### 1. Introduction

Lloyds Metals And Energy Limited (the “Company”) is committed to upholding the highest standards of professional and ethical conduct in fulfilling its responsibilities and recognizes that related party transactions can present potential or actual conflicts of interest of Directors, Key Managerial Personnel, Senior Management, etc. with the interest of the Company.

In order to ensure that the transactions entered into with related parties (as defined below) are in the best interests of the Company and the shareholders, the Board of Directors of the Company adopts this policy regarding review and approval of Related Party Transactions and to set forth the procedures under which certain transactions must be reviewed and approved or ratified.

### 2. Objective

This policy is framed as per the provisions of the Companies Act, 2013 and the Rules framed thereunder, including any statutory modifications or re-enactment thereof and as per the requirements of Clause 49 of the Listing Agreement. Provisions of this policy are designed to ensure transparency in the approval process and reporting and disclosure requirements, in terms of the applicable laws.

The Board of Directors reserves the power to review and amend this policy from time to time as and when necessary.

### 3. Definitions

- **Audit Committee (the “Committee”)** means Committee of Board of Directors of the Company constituted under the provisions of Listing Agreement and the Companies Act, 2013.
- **“Board”** means the Board of Directors of the Company
- **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- **“Policy”** means Related Party Transactions Policy

## A. Definitions under the Companies Act, 2013

- **Key Managerial Personnel**

As per the provisions of Section 2(51) of the Companies Act, 2013, “Key Managerial Personnel” means:

- (i) Chief Executive Officer or the Managing Director or the Manager;
- (ii) Company Secretary;
- (iii) Whole Time Director;
- (iv) Chief Financial Officer

- **Related Party**

As per the provisions of Section 2(76) of the Companies Act, 2013 “Related Party” 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) 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;
- (ix) Such other person as may be prescribed (For the purposes of this sub-clause (ix) of Clause (76) of section 2 of the Act, a director, other than an independent director, or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party).

- **Relative**

- **Companies Act, 2013**

As per the provisions of Section 2(77) of the Companies Act, 2013, "Relative" means-

- (i) They are members of a Hindu Undivided Family;
- (ii) They are husband and wife;
- (iii) One person is related to the other in such a manner as may be prescribed.

- **Companies (Specification of definitions details) Rules, 2014**

As per Rule 4 of the 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:

- 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. Sister (including step-sister)

- **Related Party Transactions**

As per the provisions of Section 188 of the Act, transactions/ contracts/ arrangement between the company and related parties with respect to-

- (i) Sale, purchase or supply of any goods or materials;
- (ii) Selling or otherwise disposing of, or buying, property of any kind;
- (iii) Leasing of property of any kind;
- (iv) Availing or rendering of any services;
- (v) Appointment of any agent for purchase or sale of goods, materials, services or property;
- (vi) Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (vii) Underwriting the subscription of any securities or derivatives thereof, of the company.

- **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** 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;

## B. Definitions under clause 49 of Listing Agreement

- **Related Party Transactions**

A Related Party Transaction 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.

- **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 Companies Act, 2013; or
- (ii) Such entity is a related party under the applicable accounting standards (AS 18)

- **Material 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 ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

## C. Definitions under Accounting Standard (AS) 18-Related Party Disclosures

- **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 decisions.

In the context of the AS 18, the following are deemed NOT to be related parties:

(a) two companies simply because they have a director in common, notwithstanding the following paragraphs:

- i. key management personnel and relatives of such personnel; and
- ii. enterprises over which any person described above or any individual owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual; is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

(unless the director is able to affect the policies of both companies in their mutual dealings);

(b) a single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence; and

(c) the parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings (although they may circumscribe the freedom of action of the enterprise or participate in its decision-making process):

- (i) providers of finance;
- (ii) trade unions;
- (iii) public utilities;
- (iv) government departments and government agencies including government sponsored bodies

- **Related Party Relationships**

(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 venturer in respect of which the reporting enterprise is an associate or a joint venture;
- (c) individuals owning, directly or indirectly, an interest in the voting power of the reporting 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 owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

#### D. Ambit of Ordinary Course of Business

- The Companies Act, 2013 does not define the phrase “Ordinary Course of business”. However, the following definitions may be considered for understanding the term “ordinary course of business”:

- (i) *Black's Law dictionary* defines “Ordinary Course of Business” as the usual course and routine of business;
- (ii) *P. RamanathaAiyar's Advanced Law Lexicon* says that the term “ordinary course of business” means the transaction of business according to the common usages and customs of the commercial world generally or of the particular community or (in some cases) of the particular individual whose acts are under consideration. Term used in connection with sales made by a merchant as part of his regular business and in contrast with a sale in bulk which is regulated by statute, e.g. U.C.C. In general, any matter which transpires as a matter of normal and incidental daily customs and practices in business.
- (iii) In a matter decided by the Andhra Pradesh High Court- *PeddiVirayyavsDoppalapudiSubbaRao and anr (AIR 1959 AP 647)*, the High Court observed that:

The meaning of the word 'course' as given in Chamber's 20th Century Dictionary is "habitual method of procedure". Some of the meanings of the word 'ordinary' as contained in the Oxford English Dictionary are "Regular course of custom or practice belonging to the regular or usual order of course; in an ordinary manner or as a matter of regular practice."

One of the meanings of the expression in the course of according to the same Dictionary is "in regular process of; in the ordinary sequence of events." The expression "in the ordinary course of business" is susceptible of one meaning



viz., that there should be a series of transactions as distinguished from one transaction. A stray transaction may not be said to constitute an ordinary course of business.”

- The definition of the term “ordinary course of business” is subjective and the totality of facts and circumstances surrounding a transaction will need to be looked at to ascertain whether or not a transaction is in the ordinary course of business.

The Audit Committee may apply the following attributes for confirming whether a related party transaction is in the ordinary course of business:

- Usual transactions, customs and practices of a certain business or the company;
  - Activity considered normal and otherwise not unremarkable;
  - Frequency of activity;
  - Regularity of activity;
  - Financial outlay from the activity
  - Activity (ordinarily) generates revenue;
  - Resources committed to the activity
- The Institute of Chartered Accountants of India has issued a Standard on Auditing 550 (as a guidance to auditors for audit of related party transactions) which sets out a few examples of significant transactions outside the normal course of business, which are as follows:
    - Complex equity transactions, such as corporate restructurings or acquisitions.
    - Transactions with offshore entities in jurisdictions with weak corporate laws.
    - The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged.
    - Sales transactions with unusually large discounts or returns.
    - Transactions with circular arrangements, for example, sales with a commitment to repurchase.
    - Transactions under contracts whose terms are changed before expiry.

## 4. Procedure

### 1. Identification of potential related party transactions:

Every director of the Company, who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into, with a body corporate in which such director or such director in association with any other director, holds more than two percent shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate or with a firm or other entity in which such director is a partner, owner or member; shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such discussion.

Provided that where any director who is not concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose such concern or interest at the first meeting of the Board held after he becomes concerned or interested.

The Board, after receiving the required disclosures and other additional information, if any, determine whether the transaction does constitute a Related Party Transaction. The Related Party list shall be updated whenever necessary and shall be reviewed at least once a year.

### 3. Review and Approval of Related Party Transactions:

➤ Transactions not in the ordinary course of business or on arm's length basis

As per the terms of reference of the Audit Committee, all Related Party Transactions will be placed before the Audit Committee for its review. The Audit Committee may call for such additional information as may be required and thereafter recommend the same for approval to the Board.

Any director, who is in any way interested or concerned in the transaction, shall not be present at the meeting during discussion on such transaction and he shall abstain from voting on such resolution.

➤ Transactions in the ordinary course of business or on arm's length basis

All transactions in the ordinary course of business and on arm's length basis, along with the expert opinion and certification from the Chief Executive Officer or the Chief Financial Officer or the Company Secretary confirming that the transaction is in the ordinary course of business or on arm's length basis, shall be periodically disclosed to the Audit Committee/ Board. In case of transactions which are frequent and regular in

nature and are in the ordinary course of business of the Company, the Audit Committee may fix up limits within which the management may carry out such transactions without any approval of the Committee. Further, it shall periodically review and revise the limits as and when required.

➤ Material Related Party Transactions

All material related party transactions as per Clause 49 of the Listing Agreement (exceeding ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company) and all transactions exceeding the threshold limits prescribed under Section 188 of the Companies Act, 2013 and the Rules made thereunder, which are not in the ordinary course of business and on arm's length basis, and approved by the Board, shall require prior approval of the shareholders by way of a special resolution. Any member who is in any way interested or concerned shall abstain from voting on such resolution.

➤ Transactions not requiring approval of the Audit Committee or Shareholders

The following Related Party Transactions shall not require the approval of the Audit Committee or the Shareholders:

- a. 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 or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- b. 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.
- c. Transactions available to all employees generally
- d. Transactions entered into between two government companies
- e. 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.

➤ Omnibus Approval by Audit Committee

The Audit Committee may 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 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.
- d. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

#### 4. Information to be placed before the Audit Committee and Board of Directors for approval of Related Party Transactions:

- the name of the related party and nature of relationship;
- the nature, duration of the contract and particulars of the contract or arrangement;
- the material terms of the contract or arrangement including the value, if any;
- the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- 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; and
- any other information relevant or important for the Board to take a decision on the proposed transaction.

#### 5. Factors to be considered by the Audit Committee and Board of Directors while approving Related Party Transactions:

- 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;
- 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;
- The materiality of the transaction;
- The extent of the Related Party's interest in the Related Party Transaction;
- The actual or apparent conflict of interest of the Related Party participating in the Related Party Transaction;

- Whether the Related Party Transaction would affect the independence of an independent director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- 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 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, Chief 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 ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

## 6. Related Party Transactions not previously approved:

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit 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 Audit 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.

Further, if the Related Party Transaction is not ratified within three months from the date on which such contract or arrangement is entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

The Company may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

## 5. Disclosures

1. Every contract or arrangement entered into shall be referred to in the Board's Report to the shareholders along with justification for entering into such contract or arrangement.
2. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
3. The Company shall disclose this Policy on its website and a web link shall be provided in the Annual Report.

## 6. Amendments

The Board reserves its right to amend or modify this policy in whole or in part, at any time without assigning any reason whatsoever. However, no such amendment or modification shall be inconsistent with the applicable provision of the Listing Agreement, Act or any law for the time being in force.