

## BUSINESS RESPONSIBILITY REPORT

### BACKGROUND

SEBI vide notification dated December 22, 2015 on SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) has mandated India’s top 500 listed entities based on market capitalisation on BSE Limited (“BSE”) and National Stock Exchange of India Limited (“NSE”), to include a Business Responsibility Report (“BRR”) in the annual report.

In accordance with the requirements stated above, the Company presents its BRR for FY 2018-19. L&T Finance Holdings Limited (“LTFH”) was incorporated by Larsen & Toubro Limited (“L&T”) on May 1, 2008, with the strategic intent of holding all investments of the L&T Group in the financial services businesses. It is registered with the Reserve Bank of India (“RBI”) under Section 45-IA of the RBI Act, 1934, as a Non-Banking Financial Institution-Core Investment Company. The equity shares of LTFH are listed on the BSE and NSE.

LTFH is a listed, financial holding company offering a focused range of financial products and services across rural, housing and wholesale finance sectors, as well as mutual fund products and wealth management services, through its wholly-owned subsidiaries. As on March 31, 2019, the Company has 12 subsidiary companies including step-down subsidiary companies.

### Section A: General Information about the Company

| No. | Particulars   | Company Information  |
|-----|---|--|
| 1.  | Corporate Identification Number (CIN) of the Company  | L67120MH2008PLC181833  |
| 2.  | Name of the Company   | L&T Finance Holdings Limited   |
| 3.  | Registered Office   | Brindavan, Plot No. 177, C.S.T Road, Kalina, Santacruz (East), Mumbai – 400098.  |
| 4.  | Website   | <a href="http://www.ltfs.com">www.ltfs.com</a>   |
| 5.  | E-mail ID   | <a href="mailto:igrc@ltfs.com">igrc@ltfs.com</a>   |
| 6.  | Financial year reported   | March 31, 2019   |
| 7.  | Sector(s) that the Company is engaged in (industrial activity code-wise)                      | Non-Banking Financial Institution – Core Investment Company (NBFC-CIC)<br><br>NIC Code - 64200   |
| 8.  | List three key products/services that the Company manufactures/provides (as in balance sheet) | The Company is registered as a Core Investment Company under RBI guidelines and it is not carrying out with any business activity other than investment in its subsidiaries.<br><br>The subsidiaries are engaged in the following businesses : |

| No. | Particulars   | Company Information   |
|-----|---|---|
|     |   | <p>i. Wholesale finance business comprises infrastructure finance and structured corporate finance.</p> <p>ii. Housing finance business comprises home loans and loans against property and real estate finance.</p> <p>iii. Rural finance business comprises farm equipment finance, two wheeler finance and micro loans.</p> <p>iv. Mutual Fund business and Portfolio Management Services</p> <p>v. Wealth management business</p> |
| 9.  | <p>Total number of locations where business activity is undertaken by the Company</p> <p>a) Number of International Locations (Provide details of major 5)</p> <p>b) Number of National Locations</p> | <p><b>Registered Office :</b></p> <p>Brindavan, Plot No. 177, C.S.T Road, Kalina, Santacruz (East), Mumbai – 400098.</p> <p>The Company (through its subsidiaries) caters to the business requirements of its growing customer base through a nationwide network of 230 branches and 1,224 meeting centers.</p>   |
| 10. | Markets served by the Company   | India   |

### Section B: Financial Details of the Company

| No. | Particulars   | Company Information  |
|-----|---|--|
| 1.  | <p>Paid up Capital (INR)</p> <p>Equity Share Capital</p> <p>Preference Share Capital</p>      | <p>Rs. 30,33,21,23,600</p> <p>Rs. 19,98,81,23,600</p> <p>Rs. 10,34,40,00,000</p>         |
| 2.  | Total Turnover (INR in Crore)   | <p>Rs. 526.48 (standalone)</p> <p>Rs. 13,301.52 (consolidated)</p>                       |
| 3.  | Total profit after taxes (INR in Crore)   | <p>Rs. 267.06 (standalone)</p> <p>Rs. 2,232.03 (consolidated)</p>                        |
| 4.  | Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) | The Company has spent Rs. 0.68 crores towards CSR activities which is 2% of profit after |

| No. | Particulars  | Company Information   |
|-----|--|---|
|     |  | tax in terms of Companies Act, 2013. Further, the L&T Financial Services Group (“LTFS”) has spent Rs. 13.38 crores towards CSR activities.  |
| 5.  | List of activities in which expenditure in 4 above has been incurred:- | <ul style="list-style-type: none"> <li>• Integrated Water Resource Management</li> <li>• Digital Financial Inclusion</li> <li>• Disaster Relief</li> <li>• Urban Projects <ul style="list-style-type: none"> <li>○ Road safety</li> <li>○ Healthcare</li> </ul> </li> <li>• CSR administration and NGO capacity building</li> </ul> |

## SECTION C: OTHER DETAILS

1. Does the Company have any Subsidiary Company/ Companies? -

The following are the subsidiaries (direct and indirect) of the Company:

| Name of Company  | Direct / Indirect subsidiary       |
|--|------------------------------------|
| L&T Infrastructure Finance Company Limited             | Direct subsidiary                  |
| L&T Finance Limited                                    | Direct subsidiary                  |
| L&T Housing Finance Limited                            | Direct subsidiary                  |
| L&T Investment Management Limited                      | Direct subsidiary                  |
| L&T Mutual Fund Trustee Limited                        | Direct subsidiary                  |
| L&T Capital Markets Limited                            | Direct subsidiary                  |
| L&T Financial Consultants Limited                      | Direct subsidiary                  |
| L&T Infra Investment Partners Advisory Private Limited | Indirect subsidiary <sup>(1)</sup> |
| L&T Infra Investment Partners Trustee Private Limited  | Indirect subsidiary <sup>(1)</sup> |
| L&T Infra Debt Fund Limited                            | Indirect subsidiary <sup>(2)</sup> |
| Mudit Cement Private Limited                           | Indirect subsidiary <sup>(3)</sup> |
| L&T Capital Markets (Middle East) Limited              | Direct subsidiary                  |

<sup>(1)</sup> Subsidiary of L&T Infrastructure Finance Company Limited

<sup>(2)</sup> L&T Infrastructure Finance Company Limited holds 48.36% and L&T Finance Limited holds 28.28%

<sup>(3)</sup> Subsidiary of L&T Financial Consultants Limited

2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s):

The Company is a holding company and as such carries out its business through its wholly owned subsidiaries (directly or indirectly). The Company along with all its subsidiaries stated above, forms LTFS. The policies and processes adopted across all the companies within LTFS are uniform except as required basis applicable regulations and / or market practice.

3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]

The Company endeavors to encourage its suppliers/ distributors (wherever possible) to participate in the initiatives towards business responsibility and to adopt practices which would help them to carry out business in a fair manner.

#### SECTION D: BR INFORMATION

1. Details of Director / Director responsible for implementation of BR and Details of the BR head

| No. | Particulars                | Details  |
|-----|----------------------------|--|
| 1   | DIN Number (if applicable) | 03545900                                       |
| 2   | Name                       | Mr. Dinanath Dubhashi                          |
| 3   | Designation                | Managing Director & Chief Executive Officer    |
| 4   | Telephone number           | 022 6212 5000                                  |
| 5   | Email id                   | <a href="mailto:igrc@lfs.com">igrc@lfs.com</a> |

2. Principle-wise (as per NVGs) BR Policy/policies

- (a) Details of compliance (Reply in Y/N)

| Sr. No. | Questions  | P1  | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|---------|--|---|----|----|----|----|----|----|----|----|
| 1.      | Do you have a policy/policies for  | Y   | NA | Y  | Y  | Y  | Y  | Y  | Y  | NA |
| 2.      | Has the policy being formulated in consultation with the relevant stakeholders?  | All policies have evolved over a period of time through inputs from time to time from stakeholders.   |    |    |    |    |    |    |    |    |
| 3.      | Does the policy conform to any national / international standards? If yes, specify? (50 words)                             | The policies adopted by the Company are in conformity with the applicable rules and regulations.  |    |    |    |    |    |    |    |    |
| 4.      | Has the policy being approved by the Board? *<br>Is yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director? | Policies wherever stated have been approved by the Board / Committee of the Board / Senior Management of the Company and followed across entities within LTFS. Further, the Policies are regularly reviewed by Board / Committees of the Board / Senior Management. |    |    |    |    |    |    |    |    |

| Sr. No. | Questions   | P1   | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|---------|---|--|----|----|----|----|----|----|----|----|
| 5.      | Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?                                 | Y  | -  | Y  | Y  | Y  | Y  | Y  | Y  | -  |
| 6.      | Indicate the link for the policy to be viewed online?   | As per regulatory requirements the policies of the Company have been uploaded on the website of the Company i.e. <a href="http://www.lfcs.com/investors.html">http://www.lfcs.com/investors.html</a> |    |    |    |    |    |    |    |    |
| 7.      | Has the policy been formally communicated to all relevant internal and external stakeholders?   | Y  | -  | Y  | Y  | Y  | Y  | Y  | Y  | -  |
| 8.      | Does the company have in-house structure to implement the policy/policies.  | Y  | -  | Y  | Y  | Y  | Y  | Y  | Y  | -  |
| 9.      | Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/policies? | Y  | -  | Y  | Y  | Y  | Y  | Y  | Y  | -  |
| 10.     | Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?                                | Y  | -  | Y  | Y  | Y  | Y  | Y  | Y  | -  |

(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

| Sr. No. | Questions   | P1             | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|---------|---|----------------|----|----|----|----|----|----|----|----|
| 1.      | The company has not understood the Principles   | Not applicable |    |    |    |    |    |    |    |    |
| 2.      | The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles |                |    |    |    |    |    |    |    |    |

| Sr. No. | Questions  | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|---------|--|----|----|----|----|----|----|----|----|----|
| 3.      | The company does not have financial or manpower resources available for the task |    |    |    |    |    |    |    |    |    |
| 4.      | It is planned to be done within next 6 months                                    |    |    |    |    |    |    |    |    |    |
| 5.      | It is planned to be done within the next 1 year                                  |    |    |    |    |    |    |    |    |    |
| 6.      | Any other reason (please specify)  |    |    |    |    |    |    |    |    |    |

### 3. Governance related to BR

| Sr. No. | Particulars  | Details  |
|---------|--|--|
| a.      | Indicate the frequency with which the Board of Directors, Committee of the Board or CEO assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year. | The BRR is reviewed on an annual basis.  |
| b.      | Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?   | <p>The Company publishes a BR report in accordance with the guidelines specified by SEBI vide its circular dated November 4, 2015. The BRR is reviewed and published on an annual basis.</p> <p>Further, the Company has issued its first Sustainability Report for FY 2018-19. The information disclosed is aligned to the Global Reporting Initiative's ("GRI") Standards for sustainability reporting, and is in accordance with the Core option. LTFH has applied the principles for defining report content and quality, as prescribed by the GRI Standards while developing this report.</p> <p>The BRR and Sustainability Report has been made available on the website of the Company at <a href="http://www.ltfh.com/investors.html">http://www.ltfh.com/investors.html</a> and the hyperlink has been provided in the Annual Report.</p> |

## **SECTION E: PRINCIPLE-WISE PERFORMANCE**

### **Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability**

LTFH is one of India's most valued and fastest growing NBFCs with a vision to be an admirable, inspirational and sustainable financial institution, creating sustainable value for all our stakeholders. LTFH strives to adopt high standards of corporate governance, ensures adherence to all applicable regulatory guidelines and follows the principle of making fair and transparent disclosures. As the holding company of financial services businesses of LTFS, LTFH considers ethics, transparency and accountability to be its top-most operational priority and these values are ingrained into the daily operations across the organisation. There are regular engagements with the management teams of subsidiaries to reinforce the group values.

The Group has adopted a Code of Conduct for the Company's Directors and Senior Management (including employees) which is available on the website and intranet of the Company and is applicable to all companies within LTFS. The Code of Conduct amongst other matters thrusts importance on respect for human values, individual dignity and adherence to honest, ethical and professional conduct. A confirmation on compliance with Code of Conduct is taken on an annual basis from the Directors and Senior Management and appropriate disclosures are made in the Annual Report.

The Company has adopted a Vigil Mechanism Policy, under which the "Whistle Blower Investigation Committee ("the Committee") has been set up which is applicable to most of Companies in LTFS. The objective of the policy is to establish a redressal forum, which can process all complaints concerning questionable practices and through which the Directors and employees can raise actual or suspected violations.

The Chief Internal Auditor of LTFS acts as an Ombudsman. The role of Ombudsman is to review the grievance at the initial stage and in case the grievance is material, the same is forwarded to the Committee, for investigation. After investigation the complaint with the Investigation Report is forwarded to the Audit committee/Managing Director / Whole-time Director as the case may be. At the Audit Committee, a brief update is presented to the Members for their review. The Committee takes necessary actions of maintaining confidentiality within the organization on matters brought to its attention.

LTFS has also adopted a policy on anti-corruption to address in detail and effectuate the Group's commitment to comply with laws, rules and regulations relating to interactions with government officials related to the Group's business. The purpose of the policy is to help the Group's employees identify and avoid situations that could potentially violate anti-bribery and anti-corruption laws or create any appearance of impropriety.

The Group also has an exhaustive manual on human resources which covers all aspects pertaining to employment with LTFS which encourages principles of ethics, transparency and accountability.

The Group has also adopted necessary procedures and processes to ensure compliance with relevant regulatory guidelines.

### **Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle**

The Company is a Core Investment Company and acts as the holding company of the financial services businesses and the businesses (which include rural finance, housing finance, wholesale finance, asset management and wealth management) are carried by its subsidiaries.

Thus, the Company's main business is making investments (either directly or indirectly) in entities within LTFS. The Company while lending covers aspects of responsible lending. Moreover there is also a process in place to help employees to check the character of customers & counter parties and sensitizes them on the effects of access to funding for criminal and fraudulent activities. These processes ensure adequate customer due diligence and ongoing monitoring of their transactions.

The lending portfolio covers products like rural finance, housing finance, wholesale finance, which has a positive impact on the growth in rural India and progress of the Nation.

LTFS also has a sizable exposure in the renewable energy sector, which is growing year on year.

In its own operations, LTFS has adopted various environmentally friendly initiatives through technological interventions resulting in energy conservation. There is also a conscious shift to digital platforms thereby reducing paper consumption.

### **Principle 3: Businesses should promote the well-being of all employees**

As of March 31, 2019, LTFS had 21,042 permanent employees (across all its businesses / subsidiaries, out of which 1,073 female employees) and there were no employees on a temporary or contractual basis during FY 2018-19. There is no employee association at LTFS. There are 8 employee with permanent disabilities. The group believes its employees are its greatest operational strength. The Group believes that the staffing at LTFS is adequate and commensurate with the scale of the businesses. LTFS invests in the growth and development of all its employees and engages with them on a regular basis by providing trainings at varied frequencies (including at the time of joining LTFS) depending on the roles they perform. Employees are given opportunities to move across the subsidiaries for getting wider exposure depending on the roles they perform.

LTFS has policies and procedures in place to prevent any kind of discrimination. LTFS has a 'Policy for Prevention, Prohibition and Redressal of Sexual Harassment at Workplace' in place to ensure safety and security of its female employees.

The Company did not receive any complaint relating to child labour, forced labour, involuntary labour, sexual harassment or discriminatory employment in FY 2018-19.

### **Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized**

The Company has mapped its stakeholders which include shareholders, customers, employees, regulators and society.

LTFS is an equal opportunity employer. Remuneration practices are based on merit without regard to the person's ethnic background or gender and are periodically updated based on market benchmarks. The Company ensures there is no discrimination of any type against socially disadvantaged sections in the work place.

The Company has a responsibility to communicate effectively with shareholders / investors and provide full and accurate information, in all material respects, about the Company's financial



results and condition of operations. LTFS has adopted practices to ensure full, fair, accurate, timely and understandable disclosure / filing of reports as prescribed by regulatory authorities.

The programmes under the Corporate Social Responsibility initiatives (“CSR”) undertaken by the Company are focused primarily on those sections of the local communities which are disadvantaged, vulnerable and marginalized which are covered in detailed in Principle 8. LTFS is conscious of the impact of the operations on the communities around and strives to contribute positively to improve the standard of living; through the interventions under CSR.

The vision of the Company is to be an admirable, inspirational and sustainable financial institution, creating sustainable value for all stakeholders of the Company.

#### **Principle 5: Businesses should respect and promote human rights**

LTFS is dedicated to uphold the human rights of all its employees, and it strictly ensures compliance with all applicable laws pertaining to human rights. The policy on human resources and Code of Conduct is adopted by all entities within LTFS.

The Group did not receive any complaint relating to violation of human rights in FY 2018-19.

#### **Principle 6: Businesses should respect, protect, and make efforts to restore the environment**

LTFS is committed to conduct its business in a manner that protects the natural environment. Given that LTFH is a holding company with no direct business operations and less number of employees, the Company does not have any significant direct environmental impacts.

However, in line with its commitment to environmental protection, the Company has undertaken the following environmentally responsible initiatives at the registered office located at Kalina.

- Movement sensor based lighting in office premises which automatically turns the lights off when not in use.
- VFD's (Variable Frequency Drives) for air handling units and pumps for optimum use of electricity.
- Energy efficient lighting like LEDs in office premises and also replacing the existing conventional lighting to LEDs in various offices.
- Emergency escape chute which can be used for evacuation at the time of emergencies like fire and etc.
- Sewage Treatment Plant for treatment of waste water to reused for gardening and air conditioning.
- IT assets which are to scrap in terms of usability are identified and disposed off as per the guidelines laid down by Pollution Control Board.

LTFS has taken steps to shift to electronic mode for all internal and external communication and become a paperless organization, and majority of process in the LTFS has been digitalized.

Further, usage of dedicated printers has been discontinued and employees are encouraged to avoid printing.

**Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner**

The Group engages in influencing public and regulatory policy through its participation by way of providing suggestions on the draft notifications / circulars issued by various regulators from time to time and also making representation to various bodies / regulators on matters affecting the industry or society at large.

The Group also provides valuable suggestion to various regulators keeping in mind the larger interests of the industry.

Further, our Managing Director and Chief Executive Officer co-chairs National Committee on NBFCs at the Federation of Indian Chambers of Commerce and Industry. The Members of the our leadership team are also present on the Board/Committee of other industry bodies such as Confederation of Indian Industry, SEBI Mutual Fund Advisory Committee, Indian Banks' Association's Monetary Policy Consultative Group, Indian Institute of Banking and Finance's, Journal Bank Quest and Association of Mutual Funds in India through which valuable suggestions for the betterment of Industry at large is provided.

**Principle 8: Businesses should support inclusive growth and equitable development**

The policy on corporate social responsibility is formulated in compliance with Section 135 of the Companies Act, 2013 and the Company contributed for the activities mentioned as per Schedule VII of the Companies Act, 2013

The Group aspires for an inclusive social transformation of the rural communities and serves by nurturing and creating opportunities for sustainable livelihoods for them.

The Group's mission is to reach marginalized farmers and women micro entrepreneurs in the rural communities and work towards rejuvenating their eco-systems thereby creating sustainable livelihoods and enabling financial inclusion.

The projects covered under thrust areas are as follows:

| <b>Thrust Area</b>                   | <b>Project/s</b>   |
|--------------------------------------|--|
| Digital Financial Inclusion          | Digital Sakhi  |
| Integrated Water Resource Management | Jalvaibhav   |
| Disaster Relief                      | Kerala Disaster Relief Project   |
| Healthcare                           | Access to health services and breast cancer screening  |
| Education                            | Promotion of Road Safety among municipal school children & larger eco system; training and deployment of community youth as traffic wardens. |

The CSR Policy gives an overview of the projects or programmes which are proposed to be undertaken by the Company in the coming years. The Policy is available at [www.ltfs.com](http://www.ltfs.com). For more information, refer to the Annual Report on CSR activities as contained in the Annual Report for FY 2018-19.

**Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner**

LTFH being a holding company doesn't have any direct customers under the scope of this BRR. We have a grievance redressal mechanism for our stakeholders and shareholders.

The Company has formed Stakeholders Relationship Committee of the Board and one of the Independent Director is the Chairperson of the Committee wherein the status of the investors grievance are reviewed and the said Committee advised the Company to take appropriate steps for resolving the grievances of the shareholders. Our shareholders can raise grievance/complaints by writing to us directly or emailing us at [igrc@ltfs.com](mailto:igrc@ltfs.com)

We stringently monitor all complaints we receive, and strive to close any complaints well within stipulated time limits. There are no outstanding complaints as on March 31, 2019.