

L&T FINANCE HOLDINGS LIMITED
**POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION FOR DIRECTORS,
KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES**
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VERSION CONTROL

Version	Date of adoption	Change Reference	Owner	Approving Authority
1.	February 2015	-	Secretarial	Board of Directors
2.	January 2017	Review of the policy due to change in organisational structure.	Secretarial	Board of Directors
3.	October 2017	Review and updation.	Secretarial	Board of Directors
4.	October 2018	Annual review and updation of regulatory provisions.	Secretarial	Board of Directors
5.	October 2019	Annual review and updation of regulatory provisions.	Secretarial	Board of Directors
6.	October 2020	Annual review (Changes to reflect applicable regulatory provisions)	Secretarial	Board of Directors

1. BACKGROUND AND OBJECTIVES:

Section 178 of the Companies Act, 2013 (“the Act”) and Regulation 19 read with Part D of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), as amended from time to time, require the Nomination and Remuneration Committee to formulate a policy relating to remuneration for the Directors, Key Managerial Personnel and other employees of the Company and recommend the same for approval of the Board.

Further, Regulation 19 read with Part D of Schedule II of the Listing Regulations, requires that the remuneration payable to Senior Management Personnel be recommended by the Nomination and Remuneration Committee to the Board.

Further Section 134 of the Act stipulates that the Board Report shall include the company’s policy on directors’ appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and remuneration for KMP and other employees.

This policy is framed in accordance with requirements of the Act and the Listing Regulations (“the Policy”). The Policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and independence of a Director, matters relating to the remuneration, appointment, removal and evaluation of performance of the Directors, Senior Management Personnel/ Key Managerial Personnel and other employees.

The objective of the Policy is:

- i. To guide the Board in relation to appointment and removal of Directors.
- ii. To evaluate the performance of the Members of the Board including Independent Directors.
- iii. To formulate criteria for evaluation of Independent Directors and the Board.
- iv. To determine criteria for payment of remuneration to Directors, Senior Management Personnel / Key Managerial Personnel and Employees.
- v. To recommend to the Board on remuneration payable to the Directors including Senior Management Personnel / Key Managerial Personnel and Employees, if required.
- vi. To ensure relationship of remuneration to performance is clear and meets appropriate performance benchmarks;

2. DEFINITIONS:

“**Board of Directors**” or “**Board**” means the Board of Directors of L&T Finance Holdings Limited, as constituted from time to time.

“**Company**” means L&T Finance Holdings Limited.

“**Committee**” means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.

“**Director**” means a director appointed on the Board of the Company.

“**Independent Director**” means an independent director referred to in Section 149 of the Act and Regulation 16(1)(b) of the Listing Regulations.

“Key Managerial Personnel” / “KMP” means:

- a. Chief Executive Officer or the Managing Director or the Manager
- b. Whole-time Director
- c. Chief Financial Officer
- d. Company Secretary
- e. such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- f. Such other officer as may be prescribed under the Act

“Management” means a Committee consisting of Managing Director & Chief Executive Officer of the Company and Chief Human Resources Officer, L&T Financial Services Group.

“Senior Management Personnel” for this purpose shall mean officers/personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer.

Unless the context otherwise requires, words and expressions used in the Policy and not defined herein but defined in the Act as may be amended from time to time shall have the meaning assigned to them therein.

3. APPOINTMENT OF DIRECTOR(S) – CRITERIA IDENTIFICATION:

- i. The Committee shall identify and ascertain the integrity, professional qualification, expertise and experience of the person, who is proposed to be appointed as a director and appropriate recommendation shall be made to the Board with respect to his/her appointment. The Committee may consider the following while recommending to the Board, the proposal relating to the appointment of the proposed Director on the Board of the Company:
 - 1) Leadership qualities
 - 2) Industry knowledge and experience
 - 3) Experience and exposure in policy shaping and industry advocacy
 - 4) Understanding of relevant laws, rules, regulations and policies.
 - 5) Corporate governance
 - 6) Financial expertise
 - 7) Risk Management
 - 8) Global experience/ International exposure Information Technology
- ii. A person should possess adequate qualification, expertise and experience for the position he/she is considered for appointment. The Committee, on the recommendation of Human Resource Department (“HR Department”), if required, which is in charge of recruitment shall have the discretion to decide whether qualification, expertise and experience possessed by a person is sufficient/ satisfactory for the position concerned.

- iii. Appointment of Independent Directors shall be subject to the provisions of Section 149 of the Act read with schedule IV and rules thereunder and Listing Regulations, as the case may be. Before appointment as Independent Director, the Committee shall satisfy itself that the proposed person satisfies the criteria of independence as stipulated under Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations. The Committee shall ensure that no person shall be appointed or continue the directorship as a non-executive director who has attained the age of seventy five years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.
- iv. No person shall be eligible to be appointed as a Director, if he is subject to any disqualifications as stipulated under the Act or any other law(s) for the time being in force.
- v. Appointment of directors on the Board of a Company shall be subject to the recommendation made by the Committee. However, the decision of the Board with respect to appointment of a director shall be final.
- vi. Appointment of Managing Director and Whole-time Director shall be subject to the provisions of Sections 196, 197, 198 and 203 of the Act read with Schedule V and rules there under. The Committee shall ensure that a person does not occupy position as a Managing Director/Whole-time Director beyond the age of seventy years, unless his/her appointment is approved by a special resolution passed by the Company in general meeting. No re-appointment shall be made earlier than one year before the expiry of the term.
- vii. The Company has framed a Code of Conduct for its Directors. The Directors have to abide by the Code of Conduct and ensure compliance of the same.

4. REMOVAL:

Due to reasons of any disqualification mentioned in the Act or under any other applicable act, rules and regulations there under, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, subject to the provisions and compliance of the said act, rules and regulations.

5. RETIREMENT:

The Director shall retire as per the applicable provisions of the Act and the prevailing policy of the Company, if any. The Board will have the discretion to retain the Director in the same position/ remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company, subject to compliance with regulatory requirements.

6. EVALUATION:

A. Independent Directors/Non-Executive Directors

The Committee shall carry out evaluation of performance of Independent Directors/Non-Executive Directors every year ending March 31st. In case, a Director is a member of the Committee, he/she shall abstain himself from participation, when he/she is being evaluated.

As a part of evaluation, the Committee shall determine the following criteria:

- i. Membership and attendance - Committee and Board Meetings
- ii. Contribution during such meetings
- iii. Active participation in strategic decision making
- iv. Inputs to executive management on matters of strategic importance
- v. Performance of the directors
- vi. Fulfillment of the independence criteria and their independence from the management
- vii. Such other matters, as the Committee/Board may determine from time to time.

B. Executive Directors

The Committee shall carry out evaluation of performance of Executive Directors (“EDs”) every year ending March 31st. In case, a Director is a member of the Committee, he shall abstain himself from participation, when he is being evaluated. The evaluation shall be on the basis of Key Performance Indicators (“KPI”), which would be identified well in advance for EDs and weights assigned for each measure of performance keeping in view the distinct roles of the ED. The identified KPI for the EDs shall be approved by the Board, pursuant to recommendation of the Committee, if required.

C. Senior Management Personnel /KMP/Employees

- i. The HR Department shall assign the responsibility of carrying out the evaluation of the aforementioned persons every year ending March 31st, to the department heads concerned. KPI shall be identified well in advance at the commencement of the financial year. Performance benchmarks shall be set and evaluation of employees would be done by the respective reporting Manager(s)/Management/department heads to determine whether the performance benchmarks are achieved. The payment of remuneration/annual increment to the aforementioned persons shall be determined after the satisfactory completion of the evaluation process.
- ii. The HR Department of the Company is authorized to design the framework for evaluating the EDs/ Senior Management Personnel /KMP and employees. The objective of carrying out the evaluation by the Company is to identify and reward those with exceptional performances during a financial year. Training and development orientation programs on a need basis shall be provided to employees, whose performance during any financial year do not meet the benchmark criteria.

7. MATTERS RELATING TO REMUNERATION, PERQUISITES FOR DIRECTORS, SENIOR MANAGEMENT PERSONNEL /KMP AND EMPLOYEES:

Section 178 of the Act, specifies that the Committee, while formulating the Policy is required to ensure the following:

- i. that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- ii. relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

- iii. remuneration to directors, senior management and KMP involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

As per the Company policy, the remuneration structure for EDs/Senior Management Personnel/KMP and Employees comprises of:

- a) **Fixed base salary**, set at a level aimed at attracting and retaining executives with professional and personal competences required to drive the Company's performance.
- b) **Performance Bonus**, based on achieving the minimum KPI predefined at the commencement of the financial year.
- c) **Retirement benefits** including PF, gratuity, etc.
- d) **Such other emolument(s)** as the HR Department may after consultation with the Management determine from time to time.

8. CRITERIA FOR REMUNERATION:

I. Senior Management Personnel

a) Existing Senior Management Personnel:

Upon satisfactory completion of annual evaluation process and after taking into consideration the performance appraisal of the Senior Management Personnel concerned and also taking into consideration the profitability/performance of the Company, remuneration/salary increments / performance bonus would be decided by the Committee in accordance with the requirements of the Listing Regulations.

b) New joinee appointed as Senior Management Personnel during the year:

Any new Senior Management Personnel appointed during the year would be paid remuneration at the time of joining in accordance with the policy followed by Company for payment of remuneration to any new joinee in the Company. The department head(s) concerned/Management shall have the discretion to determine the quantum of remuneration to be payable to them. Thereafter, the remuneration / performance bonus will be paid as stated above.

II. Other employees and KMP

With respect to the other employees and KMPs not covered under any other section of this Policy, any person appointed during the year would be paid remuneration at the time of joining in accordance with the policy followed by Company for payment of remuneration to any new joinee in the Company. The department head(s) concerned/Management shall have the discretion to determine the quantum of remuneration to be payable to them.

Further, upon satisfactory completion of annual evaluation process and after taking into consideration the performance appraisal of the employee(s) concerned and also taking into consideration the profitability/performance of the Company, remuneration /salary increments/performance bonus would be decided by the department head(s) concerned /Management, as the case may be. The increments/ performance bonus declared shall be solely at the discretion of department head(s) concerned/Management.

The department head(s) concerned /Management shall have the discretion to determine the quantum of remuneration to be payable to the aforesaid.

III. Executive Director(s)

The remuneration / compensation, etc., to EDs of the Company during any financial year shall be determined on the basis of they achieving the KPIs as is set on them at the commencement of every financial year. The remuneration/compensation shall be determined by the Committee after considering the KPI achieved by EDs. The Committee may consider the recommendation of the HR Department while determining the remuneration to be paid to EDs.

The remuneration payable to EDs shall be subject to the provisions of Section 197 and 198 of the Act.

IV. Non-Executive Directors/Independent Directors

The Non-Executive Directors/Independent Directors of the Company shall be paid sitting fees as per the applicable regulations and no sitting fee would be paid to Non-executive, Non Independent Directors who are employees of the L&T Group (including L&T Financial Services Group). Any revision in the quantum of sitting fees shall be subject to approval of Board of Directors of the Company. Further the travelling, boarding and lodging expenses, if any, shall be reimbursed to the Directors.

The remuneration/commission shall be paid to Non-Executive Directors / Independent Directors except Non-executive, Non Independent Directors who are employees of the L&T Group (including L&T Financial Services Group) within the monetary limit approved by the shareholders of the Company and subject to compliance with the provisions of Act and/or Listing Regulations, if any and as approved by the Board. The aforesaid remuneration/commission shall be paid upon satisfying the criteria approved by the Board for receiving remuneration/commission.

The approval of shareholders by special resolution shall be obtained every year, in which the annual remuneration payable to a single Non-Executive Director exceeds 50% of the total annual remuneration payable to all Non-Executive Directors, giving details of the remuneration thereof.

Pursuant to the provisions of the Act, an Independent Director shall not be entitled to any stock option of the Company.

Where any insurance is taken by the Company on behalf of its Managing Director, Whole-time Director, Chief Executive Officer, Chief Financial Officer, Company Secretary and/or any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

9. REVIEW / REVISION OF POLICY:

If at any point a conflict of interpretation / information between the Policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities (“Regulatory Provisions”) arises, then interpretation of the Regulatory

Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions. The Board and/or its Committee reserve(s) the right to alter, modify, add, delete or amend any of the provisions of the Policy.