

**POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION FOR DIRECTORS, KEY  
MANAGERIAL PERSONNEL AND OTHER EMPLOYEES**

The policy on directors' appointment and remuneration for directors, key managerial personnel and other employees ("Policy") is applicable to the following entities:

<b>Sr. No.</b>	<b>Name of the Company</b>
1.	L&T Finance Limited
2.	L&T Infrastructure Finance Company Limited
3.	L&T Housing Finance Limited
4.	L&T Infra Debt Fund Limited

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## VERSION CONTROL

<b>Version</b>	<b>Date of adoption</b>	<b>Change Reference</b>	<b>Owner</b>	<b>Approving Authority</b>
1.	March 2015	-	Secretarial	Board of Directors
2.	October 2017	Review and consolidation in to one policy across LTFS, except L&T Finance Holdings Limited	Secretarial	Board of Directors
3.	October 2018	Annual review and updation of regulatory provisions	Secretarial	Board of Directors
4.	October 2019	Annual review (No change)	Secretarial	Board of Directors

## 1. BACKGROUND AND OBJECTIVES:

Section 178 of the Companies Act, 2013 (‘the Act’) requires the Nomination and Remuneration Committee to formulate a policy relating to remuneration for the Directors, Senior Management / Key Managerial Personnel (“KMP”) and other employees of the Company and recommend the same for approval of the Board. Further, Section 134 of the Act stipulates that the Board Report shall include 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 the requirements of the Act (“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 / KMP 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/ KMP and Employees.
- v. To recommend to the Board on remuneration payable to the Directors including Senior Management / KMP and Employees, if required.

## 2. DEFINITIONS:

“**Board of Directors**” or “**Board**” means the Board of Directors of the Company, as constituted from time to time.

“**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.

“**Policy**” means Nomination and Remuneration Policy.

“**Key Managerial Personnel**” 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

**“Listing Regulations”** shall mean SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), as amended from time to time.

**“Management”** means a Committee consisting of Managing Director and Chief Executive Officer of L&T Finance Holdings Limited and Chief Human Resource Officer, L&T Financial Services.

**“Senior Management Personnel”** for this purpose shall mean 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 executive director(s), including the functional / vertical heads.

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.
- 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 made 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.
- iv. No person shall be eligible to be appointed as a Director, if he/she 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, wherever required, shall be subject to the provisions of Sections 196, 197, 198 and 203 of the Act read with Schedule V and rules made 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 31<sup>st</sup>. In case, a Director is a member of the Committee, he/she shall abstain himself/herself from participation, when he/she is being evaluated.

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

- i. Membership & 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. 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 31<sup>st</sup>. 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 EDs shall be approved by the Board, pursuant to recommendation of the Committee, if required.

### **C. Evaluation of Senior Management/KMP/Employees**

- i. The HR Department shall assign the responsibility of carrying out the evaluation of the aforementioned persons every year ending March 31<sup>st</sup>, 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 / 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/ 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. that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- iii. the remuneration to Directors, senior management and key managerial personnel 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 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/ KMP /other employees**

Upon satisfactory completion of 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, 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)/Management.

Determination of remuneration/performance bonus for Senior Management / KMP and other employees, so far as there are no regulatory requirements, need not be recommended/approved by the Committee/Board. The department head(s) concerned /Management shall have the discretion to determine the quantum of remuneration to be payable to Senior Management / KMP and other employees, as the case may be. Regulatory compliance, if any, needs to be complied appropriately before determining/approving remuneration.

### **II. 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 Human Resource department while determining the remuneration to be paid to EDs.

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

### **III. Non-Executive Director/Independent Director**

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 within the monetary limit approved by the shareholders of the Company and subject to compliance with the provisions of the Act, 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.

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