

## POLICY ON FIT AND PROPER CRITERIA FOR DIRECTORS

The policy on fit and proper criteria for directors (“Policy”) is applicable to the following entities:

<b>Sr. No.</b>	<b>Name of the Company</b>
1.	L&T Finance Holdings Limited (“LTFH”)
2.	L&T Finance Limited (“LTF”)
3.	L&T Infra Credit Limited (formerly known as L&T Infra Debt Fund Limited) (“LTICL”)

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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 & Compliance	Board of Directors
2.	July 2015	Revision to reflect changes in guidelines on Corporate Governance issued by RBI.	Secretarial & Compliance	Board of Directors
3.	October 2017	Changes due to amendments in the regulatory provisions and consolidation in to one policy across LTFS (RBI regulated entities).	Secretarial & Compliance	Board of Directors
4.	October 2018	Annual review and updation of regulatory provisions/ reference.	Secretarial & Compliance	Board of Directors
5.	October 2019	Annual review and updation of regulatory provisions/ reference.	Secretarial & Compliance	Board of Directors
7.	October 2020	Annual review (no change).	Secretarial & Compliance	Board of Directors
8.	October 2021	Annual Review: <ul style="list-style-type: none"> <li>• LTFH, LTF and LTICL: <ul style="list-style-type: none"> <li>○ standardization of the clause on review/ revision of Policy.</li> </ul> </li> </ul>	Secretarial & Compliance	Board of Directors

## **1. BACKGROUND, PURPOSE AND APPLICABILITY:**

### **A. BACKGROUND AND PURPOSE:**

Reserve Bank's (RBI's) Master Direction on - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 as amended from time to time requires NBFCs to have a policy in place for ascertaining the fit and proper criteria for Directors at the time of their appointment and thereafter during their tenure as the Director of the Company.

The purpose of this policy is to provide guidelines and other formalities to be complied with by a Director before and after appointment as a Director whether Executive or Non-Executive on the Board of Directors of the Company ("the Board").

### **B. APPLICABILITY:**

- i. All the Directors, whether Executive or Non-Executive Directors including Independent Directors.
- ii. At the time of appointment / renewal of appointment (i.e. re-appointment) and thereafter during the tenure as a Director of the Company.

## **2. TERMS OF THE POLICY:**

### **A. Fit and proper criteria for Directors:**

The Company is required to ensure that Directors on the Board of the Company at all times satisfy the following criteria:

- i. He/she is of sound mind
- ii. He/she has not been declared as insolvent or has applied to be adjudicated as an insolvent and/or such application is pending;
- iii. He/she has not been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and in case of such conviction, a period of five years has elapsed from the date of expiry of the sentence;
- iv. He/she has not been convicted of any offence and sentenced in respect thereof to imprisonment;
- v. No order disqualifying his/her appointment as a Director has been passed by a court or tribunal and the order is in force;
- vi. He / she has not defaulted in payment of any calls in respect of any shares of the company held by him/her, whether alone or jointly with others, and six months have elapsed from the last day, fixed for the payment of the call;
- vii. He/she has not been convicted of offence dealing with related party transactions under Section 188 of the Companies Act, 2013 ("the Act");
- viii. He/she has complied with the provisions of Section 152(3) of the Act;
- ix. He/she has complied with the provisions of Section 165 (1) of the Act;
- x. He/she is not a director on the Board of any company which has not filed financial statements or annual returns for any continuous period of three financial years or has failed to repay the deposits accepted by it or pay interest thereon or to redeem any

debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more and period of five years has not elapsed since date of said default.

**B. Procedure - prior to appointment of a Director:**

- i. Before appointing any individual as a Director, the Company is required to undertake due diligence to determine the suitability of the proposed candidate based upon his/her qualification, expertise, track record and integrity. For the purpose the Company is required to obtain necessary information and declaration from the proposed/existing director for the purpose in the format as given in Annex XII (1) as per, Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and as updated from time to time.
- ii. The profile of the individual proposed to be appointed as Director as referred above, is required to be placed before the Nomination & Remuneration Committee (“NRC”) of the Company.
- iii. The NRC of the Company is required to scrutinize the aforesaid information and declaration and recommend the appointment to the Board on the basis of fit and proper criteria as referred above in addition to such other parameters as the NRC may deem necessary.
- iv. Based on the recommendation of the NRC, the Board to take a final decision on appointment, in terms of the provisions of the Act including any amendments thereof.

**C. Age limit for Independent/Non-Executive Directors:**

The age criteria for Independent/Non-Executive Directors shall be governed by the provisions, if any, as stated in the Act and Securities Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015.

**D. Procedure - post appointment of a Director:**

- i. The Board of the Company shall ensure that the nominated/ elected Director execute the deed of covenant in the format as provided in Annex XV of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and as updated from time to time.
- ii. Obtain a declaration and undertaking from the directors giving additional information on the directors. The declaration and undertaking shall be on the lines of the format given in Annex XIV of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit Taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and as updated from time to time.
- iii. Furnish a quarterly statement on change of directors, and a certificate from the Managing Director/Manager of the Company as may be applicable that fit and proper criteria in selection of the directors has been followed to the regional office of the Department of

Non-Banking Supervision of the Bank where the company is registered, within 15 days of the close of the respective quarter. The statement submitted by the Company for the quarter ending March 31, shall be certified by the auditors.

- iv. Annually on March 31, the Company is required to obtain a simple declaration from all the Directors confirming that the information already provided has not undergone any change and in case of any change, the Director concerned is required to submit revised declaration.
- v. The Board is required to ensure that proper due diligence process is conducted at the time of renewal of appointment/ re-appointment of director by obtaining Annex XII and Annex XIV of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit Taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and updated from time to time. In this regard, at the time of renewal of appointment/ re-appointment of the Director, the Company to ensure that Directors satisfy the fit and proper criteria as mentioned in Section A above.
- vi. The Directors are required to ensure compliance with Code of Conduct framed by the Company (as modified from time to time) for Executive and Non-Executive Directors including Independent Directors at all times.

#### **E. Provisions of the Act:**

Requirements of the Policy are in addition to the requirements of the Act pertaining to appointment and re-appointment of Directors read with Companies (Appointment and qualification of Directors) Rules, 2014 and any other regulatory requirements.

#### **3. 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.