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	*www.ltfs.com*
5.	E-mail ID	*igrc@ltfs.com*
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) 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. The subsidiaries are engaged in the following businesses :

No.	Particulars	Company Information
		i. Wholesale finance business comprises infrastructure finance and structured corporate finance. ii. Housing finance business comprises home loans and loans against property and real estate finance. iii. Rural finance business comprises farm equipment finance, two wheeler finance and micro loans. iv. Mutual Fund business and Portfolio Management Services v. Wealth management business
9.	Total number of locations where business activity is undertaken by the Company a) Number of International Locations (Provide details of major 5) b) Number of National Locations	**Registered Office :** Brindavan, Plot No. 177, C.S.T Road, Kalina, Santacruz (East), Mumbai – 400098. 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.
10.	Markets served by the Company	India

Section B: Financial Details of the Company

No.	Particulars	Company Information
1.	Paid up Capital (INR) Equity Share Capital Preference Share Capital	Rs. 30,33,21,23,600 Rs. 19,98,81,23,600 Rs. 10,34,40,00,000
2.	Total Turnover (INR in Crore)	Rs. 526.48 (standalone) Rs. 13,301.52 (consolidated)
3.	Total profit after taxes (INR in Crore)	Rs. 267.06 (standalone) Rs. 2,232.03 (consolidated)
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:-	• Integrated Water Resource Management
		• Digital Financial Inclusion
		• Disaster Relief
		• Urban Projects
		  ○ Road safety
		  ○ Healthcare
		• CSR administration and NGO capacity building

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[(1)]
L&T Infra Investment Partners Trustee Private Limited	Indirect subsidiary[(1)]
L&T Infra Debt Fund Limited	Indirect subsidiary[(2)]
Mudit Cement Private Limited	Indirect subsidiary[(3)]
L&T Capital Markets (Middle East) Limited	Direct subsidiary

[(1)] Subsidiary of L&T Infrastructure Finance Company Limited
[(2)] L&T Infrastructure Finance Company Limited holds 48.36% and L&T Finance Limited holds 28.28%
[(3)] 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	*igrc@ltfs.com*

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? * 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. http://www.ltfs.com/investors.html								
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?	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. 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. The BRR and Sustainability Report has been made available on the website of the Company at http://www.ltfs.com/investors.html and the hyperlink has been provided in the Annual Report.

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:

Thrust Area	**Project/s**
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*. 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*

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.



Sustainability Report 2018-19

L&T Finance Holdings

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Dear Stakeholder,



DINANATH DUBHASHI
Managing Director & CEO
L&T Finance Holdings

> “In tune with the Triple Bottom Line concept, the theme of the report is **'Creating Value, Together'.** We are aligned to the principle of growing while making the world stronger, empowered and sustainable.”

The concept of the Triple Bottom Line was first enunciated in 1994. It advocated that the performance of a business be measured by its impact on the People, Planet and Profits. Since then there has been much progress in taking this idea forward. The Millennium Development Goals promulgated in 2000 by the United Nations gave way to the more globally participative Sustainable Development Goals in 2015, rallying the world towards a future which will not be betrayed by the way we live in our present.

It is against this backdrop and with great pleasure, we present to you our first Sustainability Report. Elaborating on our journey for FY2018-19 and in tune with the Triple Bottom Line concept, the theme of the report is 'Creating Value, Together'. We are aligned to the principle of growing while making the world stronger, more empowered and sustainable.

That any business should create value for its shareholders is a given. But unless it also creates value for the community at large, the value creation for its shareholders will, at best, be short term.

Three years ago, we launched an organisation-wide transformation that hinged on identifying the 'Right Businesses' to emphasise on. De-focusing from a multitude of products, the aim was to develop and design a sustainable business model which would allow the organisation to win in the market and achieve long-term, top quartile Return on Equity (RoE) for its shareholders.

Though the ensuing transition has been challenging, I believe we have emerged successful. How this is creating value for our shareholders will, of course, be dealt with in far more depth in our Annual Report for the year. For the purposes of this report, let me focus on the larger impact of our business transformation.

Each of our business verticals is addressing a key need of the India growth story. Our three main lending businesses - Rural, Housing and Wholesale Finance - address clearly defined economic needs of our transforming nation. Our asset management businesses not only help create long - term wealth for our customers, but also help channel savings into productive investments for the growth of the economy.

We believe that there is tremendous value to be created across rural India, which is transforming at a rapid pace, through the “Retailisation” of our lending business. It is a time-tested principle that an empowered woman is able to transform her family's fortune. I am happy to report that through our significant rural presence, we have helped over 59 Lakh women micro loan customers become micro-entrepreneurs, thereby positively impacting their families. We have also enabled over 3 Lakh farmers to improve their livelihoods through tractor financing. Similarly, our two-wheeler loans have added impetus to the mobility and economic aspirations of customers across the country.

In urban India, we have financed over 30,000 customers enabling them to purchase their own homes and transformed landscapes in six cities. We have helped over 30 Lakh mutual fund investors to move towards attaining their financial goals.

The role of a financier is that of a catalyst. We believe that while making purchase decisions, the borrowers should not be burdened with the dynamics of getting a loan. Towards this end 'Digitisation' is an important step. We use digital platforms and data analytics to be adaptable, inclusive and nimble, identify the right set of customers and enhance our outreach to new customer segments. Our goal is to emerge as the most preferred financial partner for our customers, a key tenet of which is being the fastest to meet their needs.

India has set itself a goal of producing about 160 gigawatts of solar and wind power by the year 2022. It is our belief that to tackle global warming, there is a need to accelerate the shift to cleaner and greener energy resources. Therefore, green finance is a key business priority for us and consequently our Wholesale Finance business has focused on investing in renewable energy and is the largest financier to the sector.

During the reporting year, we have financed 7,746 MW of solar and wind energy projects across the country. Most of these are fully operational, saving 13.9 million tonnes of carbon emissions a year. In recognition of this achievement, the Renewable Energy Investment and Finance Forum awarded us the 'Best Renewable Energy Financier of the Year 2017' for both the Solar and Wind Sectors.

The Right Business segments are further supported by the Right Structure and Right People - helping the organisation improve its RoE from 9.78% in FY2015-16 to 17.92% in FY2018-19. Our adherence to the highest standards of Corporate Governance is what lies at the heart of the success of our businesses. As a part of the L&T family, trust and integrity are paramount to us. This is further enhanced by a governance structure that incorporates stringent measures laid down by an independent, gender-agnostic Board to ensure ethical and accountable business practices. We believe in taking responsible decisions in the present day to avoid being in a vulnerable position in the future.

> “Our culture of **'Ownership'** and **'Results not Reasons'** has enabled achieve 100% alignment. This will help build continuity and value for perpetuity.”

We are creating a young and vibrant organisation, providing aspirational roles and responsibilities to our employees. LTFH's culture of 'Ownership' and 'Results not Reasons' has enabled us to achieve 100% alignment. This will help build continuity and value for perpetuity.

Our commitment to the community is as important to us as our commitment to achieve the targeted RoE value. Our Corporate Social Responsibility initiatives are designed to address specifically identified needs of the communities that we operate in. Our efforts are focused on creating sustainable rural livelihoods through digital financial inclusion and literacy, as well as integrated water resource management. Approximately 2 Lakh rural households have benefited from our CSR contributions as on 31st March, 2019.

We believe that this is just a beginning in the journey of 'Creating Value, Together'. Going forward, we will continue to invest in ecosystems that enable our customers reach their goals, while increasing our own sustainability efforts in accordance with the principles of the United Nations Global Compact.

Thank you.

Dinanath Dubhashi
Managing Director & CEO
L&T Finance Holdings Ltd.

About the report

Introduction

Sustainability has always been an integral part of the Larsen & Toubro (L&T) Group's legacy, paving the path for our endeavour to contribute to an inclusive future. Our internal re-engineering over the past three years has made us more focused and confident in committing ourselves to build a better tomorrow and create value for all our stakeholders.

Value creation as a journey is a well-synchronised exercise that has taken into consideration the aspirations and sensitivities of our stakeholders. This report conveys how we are 'Creating Value, Together' through various diversified business lines that we operate in. This report also highlights our sustainability initiatives and business models that are not silos but co-exist and seamlessly blend into each other's realms.

This is our first Sustainability Report and covers the reporting period of FY2018-19 i.e. 1st April 2018 to 31st March 2019. 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.

In an effort to compile information that is accurate, complete and well-balanced, the content of each chapter has been developed around the material topics identified and prioritised. The process followed for stakeholder engagement and materiality assessment has been detailed in the sections ahead. Moreover, the information presented in the report has been mapped to relevant Sustainable Development Goals (SDGs).

Scope and Boundary

This report covers the overall environmental, social and economic performance of our organisation including subsidiaries spanning across our corporate office headquartered in Mumbai, 230 branches and 1,224 micro loan meeting centers.

All the qualitative and quantitative disclosures provided have been collated by individual business units and validated by our internal stakeholders including executive and senior management members.

Precautionary Principle

The precautionary principle adopted by our organisation has been expressed for all the material topics in terms of the internal controls implemented. Management systems are in place for mitigating risk and effectively monitoring our economic, environmental and social performance periodically.

LTFH: DELIVERING VALUE

Delivering assurance to all stakeholders

SHAREHOLDERS

- Cycle-resilient business model with steady growth
- Delivering top quartile RoE consistently



CUSTOMERS

- Dependable delivery of quality products and services
- Responsible lending backed by data analytics



EMPLOYEES

- Creating a workplace built on clarity,transparency and fairness
- Linking rewards to performances against transparent goal-setting



SOCIETY

- Businesses mapped to key economic, environmental and employment needs of the country
- CSR efforts targeted towards capacity building in rural India



SUSTAINABILITY HIGHLIGHTS FOR FY2018-19

ECONOMIC

- Key business segments are aligned to the needs of the nation
- Increase in RoE - 9.78% in FY2015-16 to 17.92% in FY2018-19
- Net Profit - ₹ 2,226 Cr.
- Loan Book - ₹ 99,121 Cr. and Assets under Management/ Assets under Service - ₹ 99,108 Cr.
- Increased focus on 'Retailisation' for both assets and liabilities
- Served 110 Lakh+ customers
- Initiated macro-prudential provisioning to be built during growth periods and to be drawn upon during challenging macro-economic events
- Raised money from the International Finance Corporation (IFC) to fund Greenfield solar projects

SOCIAL

- Micro Loans extended to 59 Lakh+ women, of which 20 Lakh+ were first time borrowers
- Enhanced incomes of 30,000+ farmers through the 'Jalvaibhav Programme'
- Created a cadre of 400 'Digital Sakhis' and up-skilled 3,500+ women entrepreneurs
- Outreach to 2 Lakh+ community members and their households through CSR
- 85%+ employees engaged in rural businesses
- 100% disbursements through digital channels aiding financial inclusion

ENVIRONMENT

- Financed 7,746 MW of wind and solar power
- 13.9 million tonnes of CO2e GHG emissions avoided
- Ranked No. 2 (APAC ex Japan) in mandated lead arranger for green loans by Bloomberg
- Emissions intensity per employee (Scope 1&2 - 0.25 tCO_2e
- Received LEED - Gold certification for our corporate headquarters

Organisational Profile

Our Organisation at a Glance

L&T Finance Holdings Ltd (LTFH) is one of India's most valued and fastest-growing Non-Banking Financial Companies (NBFCs). We offer a diverse range of financial products and services in rural, housing and wholesale sectors. We also offer investment management and wealth-management services. We are a part of the Larsen & Toubro Group, one of the country's largest conglomerates, which has business interests in engineering, construction, financial services and technology.

Headquartered in Mumbai, the company caters to the business requirements of its growing customer base through a nationwide network of:

- 230 branches
- 1,224 meeting centers
- 110 Lakh+ customers
- Employed 21,000+ people across all its operations and subsidiaries

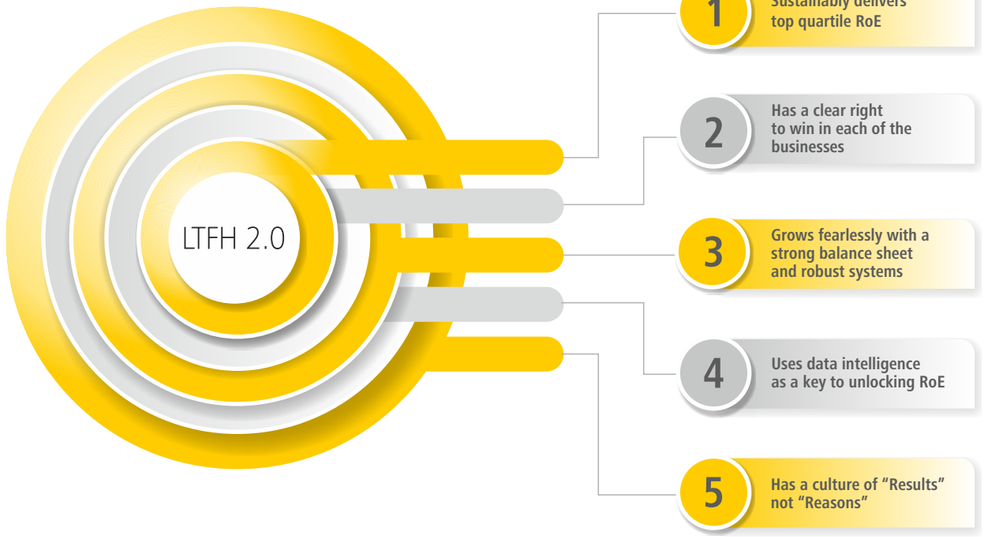
Vision

To be an admired and inspirational financial institution, creating sustainable value for all our stakeholders.

Values

Ambition
Pride
Discipline
Integrity

Our commitment is to be an organisation which :



Types of Businesses

LENDING BUSINESSES

Rural Finance

- Farm Equipment Finance
- Two-Wheeler Finance
- Micro Loans

Housing Finance

- Home loans
- Loan against Property
- Real Estate Finance

Wholesale Finance

- Infrastructure Finance
- Structured Corporate Finance
- Infra Debt Fund

NON-LENDING BUSINESSES

- Investment Management
- Wealth Management

Our Business **Strategy**

In 2008, we were incorporated as a holding organisation for L&T's financial services businesses and in 2011, we became a publicly listed company. Our organisation is registered with the RBI as a non-banking financial company - core investment company ("NBFC-CIC")

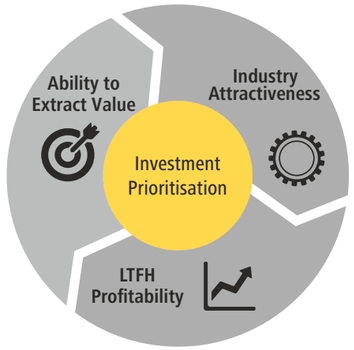
In April 2016, our senior management launched a four-year strategy roadmap in order to maximise shareholder returns. The single-most important metric chosen by our company to deliver this was Return on Equity (RoE).

Transform

Our company transformed from being spread across multiple businesses to building distinctive positions in select businesses. The strategic choice was clear-concentrate on what we are good at and completely exit non-core businesses. This simplicity and clarity of strategic intent has been the hallmark of our transformational journey.

Focus

To achieve this transformation, our company focused on an ideal balance of **Right Businesses**, **Right Structure** & **Right People**.







Right Businesses

KEY PROPOSITION

Right Structure

SIMPLICITY

Right People

ALIGNMENT

Right Businesses

Profitable growth was the key focus of the selected businesses. Through much thought and introspection, we decided that the three main pillars of our growth should be - lending, investment management and wealth management. We believe that we have the right blend of products to help us achieve the desired level of profitability.

Right Structure

Our focus on achieving the right structure was two-pronged:

Optimising the allocation of capital: We allocated more capital towards high RoE-generating businesses. The strategy of divesting non-core businesses helped the company to unlock invested capital. We have also established a strong sell-down desk to optimise capital allocation and balance our portfolio risk.

Consolidating multiple legal entities: We have merged four of our subsidiaries in the past three years and are working to further simplify our corporate structure. This has led to the optimal utilisation of capital and management bandwidth.

Right People

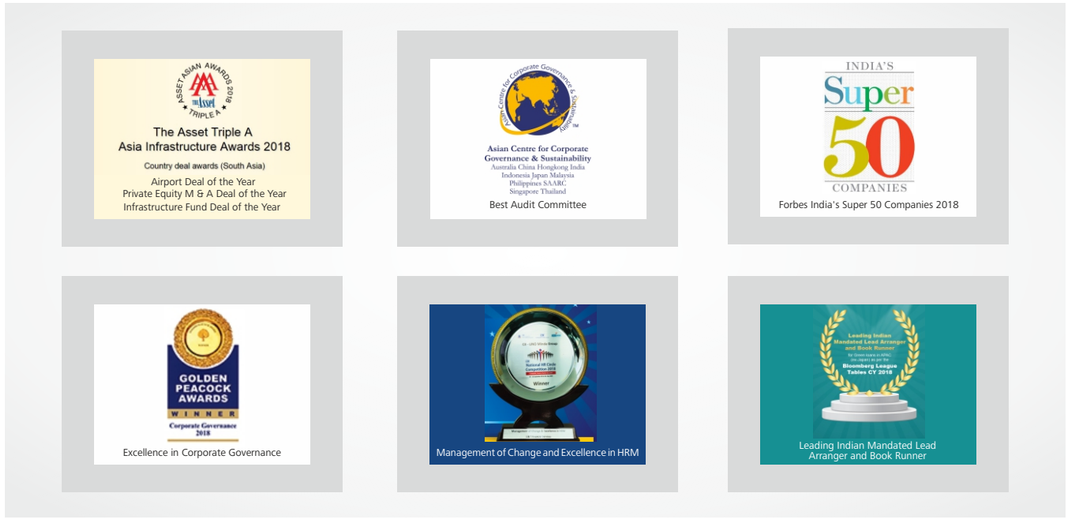
Our company's focus is on building a strong and sustainable institution by developing an engaged, skilled and productive workforce. The organisation structure went through a complete overhaul to deliver higher productivity, speed and efficiency. Clear roles and responsibilities were defined in accordance with the new strategy.

Deliver

Our company built a strong execution engine to convert this strategy to action. Specific "Centres of Excellence" (CoE) were launched under the leadership of chosen middle management executives to deliver on every aspect of the strategy. Clear planning, strong execution and transparent measurement has led to these CoEs delivering on their objectives.

AWARDS

Awards are a public recognition of our efforts. During the reporting period, we were conferred with several awards for various aspects of our businesses, which include:



Our Sustainable
Business Model



Overview

India has emerged as one of the fastest-growing countries in the world with a nominal GDP of $2.7 trillion and a growth rate of 7% during FY 2018-19. The country's economic growth is dependent on three primary sectors i.e. the Agriculture and Allied sector, the Industry sector and the Services sector.

We believe that our company's long term sustainable growth hinges on aligning with sectors that are the growth engines of the Indian economy and actively contribute to the GDP. This philosophy is embodied in the core business model of LTFH's lending and non-lending businesses.
Our lending proposition in the Rural business contributes to the Agriculture and Allied sector while Housing business has products serving the need of the Construction sector, with the Wholesale business segment focusing on supporting the Infrastructure sector. Our asset-management propositions through investment and wealth-management businesses, help tap and channel the savings potential of the country.

Our presence in these sectors not only helps the organisation align its business goals with national priorities, but also creates long term value for its stakeholders. We believe that shared value for all our stakeholders can only be created through holistic and self-sustaining business models. Also, our diversified portfolio across business segments, geographical regions and customer groups has allowed us to achieve a high level of adaptability thereby insulating against uncertainties and cyclical market dynamics.

Mapping **LTFH'S growth** to **GDP growth**

Agricultural and Allied Sector - Driving rural development

India is predominantly a rural economy with two-thirds of its population living in rural areas. This sector comprises of 70% of the workforce and contributes 46% to the national income, thereby making economic development a key government prerogative. The 'core agricultural' activities include crop production while 'allied activities' include dairy, poultry, horticulture, fisheries and aquaculture.

The growth rates of the core agricultural and allied sectors share a symbiotic relationship and contribute to the increase in household income at the grassroots level.

It may be noted that the compounded annual growth rate (CAGR) of 'allied activities' during the past decade is 5.4% as compared to 1.9% in 'core agriculture'. As a result, the share of 'allied activities' in agriculture Gross Value Added (GVA) has increased from 34% to 41% during this period. Understanding this complex and inter-linked growth pattern, we have strived to enhance our presence in both the agricultural and allied sectors.

Our micro loans offering, which caters to the allied sectors, is availed through a Joint Liability Group (JLG) format, thereby fostering micro-entrepreneurship and self-sufficiency amongst rural women. It also contributes to their financial wealth by providing a key source of income to them by ushering financial inclusion and literacy. Our portfolio mirrors the allied sector development, whereby ~ 24% of micro loan customers are engaged in the occupation related to animal husbandry acting as an effective mitigant to the inherent cyclicality of agriculture.

Farmer's income is a key catalyst affecting the core agricultural sector. The Government of India too has emphasised the need for increasing farmer's income and doubling it by 2022. This can be facilitated through a combination of the following means: increasing agricultural output, increasing minimum support price (MSP) and developing rural infrastructure. Tractors and allied farm mechanisation act as an important medium towards achieving these policy objectives. We at LTFH have identified this to provide livelihood financing. With this, we strive to become a significant partner in the farmers' journey to prosperity.

It is interesting to note that over the years, tractor usage has also expanded to non-agricultural activities. With this, the correlation between demand for tractors and the monsoon has weakened considerably. In line with this change, we have calibrated the direction of our Farm Equipment Finance business by using deep data analytics to identify potential areas.

Construction - Housing Finance and Real Estate Sector : A harbinger for growth

The construction sector is the second-largest employer in India. As per the economic survey of 2017-18, this sector is slated to employ approximately 67 million people by 2022. Growth in the construction sector has a multiplier effect on the overall economic activity, thus, generating increased demand across various related sectors such as cement and steel.

The construction sector broadly consists of real estate, infrastructure construction and industrial construction. In Real Estate, the Residential/Housing sector has an 80% contribution and is being increasingly financed by NBFCs and Housing Finance Companies (HFCs).

Over the years, macro-economic regulations like demonetisation, GST implementation and the introduction of the Real Estate Regulation and Development Act, 2016 (RERA), have caused temporary slowdown in sectoral growth. At the same time, these measures have provided that much-required accountability and transparency, resulting in market consolidation and improved consumer confidence. This is expected to create a long-term positive impact on the prospects of the housing finance industry.

Through our real estate financing business, we provide wide-ranging solutions to address funding requirements of developers. Our main focus is on prominent developers with strong execution skills and performance track record. Our parent, L&T's, knowledge repository is an important enabler in our evaluation of prospects and projects.

Our consistent engagement with real estate developers and timely delivery of customised financing solutions has helped us become a preferred financier. This has translated in us becoming a trusted partner for their customers who seek home loans. Our presence in this segment extends to prominent urban locations. Additionally, we have developed a strong marketing and distribution network with an impetus on direct origination.

Infrastructure Sector

The infrastructure sector is one of the most important growth engines for the Indian economy. India has an investment requirement of $777.73 Billion for infrastructure development by 2022. Through various policy initiatives, the Government has established a long term roadmap for development. Within the Infrastructure sector, we focus on renewable energy, operating roads and power transmission for the growth of our business.

Renewable Energy - A Green financing initiative

We recognize that there is a need to meet the burgeoning power requirements of an emerging economy like India and understand the importance of the role played by renewable energy sources (e.g. wind and solar) to meet the demand of 862 GW by 2030.

Over the years, viability around renewable project implementation has received a boost due to reduced input costs and favourable government policies, thereby mitigating land acquisition and evacuation risks.

We have emerged as a leading financier in the renewable energy space through a combination of our strong underwriting abilities, sell-down capabilities and group synergies. Our impact through financing of green projects goes beyond our actual book. Through regular sell-down, we have built an ecosystem comprising leading banks and financial institutions, thereby giving them an opportunity to take part in the Green Energy initiative.

Mutual Funds - A vital savings aggregator and financier

During the past decade, the Indian mutual fund industry witnessed an average growth rate of 12.5% which is more than double the rate of growth reported by the developed countries. The Assets Under Management (AUM) of the domestic mutual fund industry is 11% of India's GDP compared to the world average of 62%, which underscores its huge potential for growth.

Through our asset-management businesses, we tap into the savings potential of the country by providing investment avenues and channelizing them into productive financial instruments. Through our investor-education initiatives, we reach out to a diverse set of individuals helping them understand the risk and benefits of long-term investments in Mutual Funds. Multiple educational programmes are also being targeted towards investors in Tier-2 and Tier-3 cities. Depending on the demographic segment, we customize our communication methods and mediums. Our efforts are aimed at enabling and further strengthening the digital literacy and financial-inclusion initiatives of the Government of India.

Over the past few years, there has been an increased participation by retail investors in the Indian equity markets through the Systematic Investment Plan (SIP) route. Our share in SIPs have witnessed a robust growth from 1.8% in FY2014-15 to 5.5% in FY2018-19.

Our participation in sectors that exhibit long-term growth contributes towards making our business model sustainable whilst accruing benefits such as income generation, employment generation, financial inclusion, livelihood generation and energy security.



Our Businesses: Creating Value, Together

GDP COMPONENTS

- AGRICULTURE AND ALLIED
- CONSTRUCTION
- INFRASTRUCTURE
- HOUSEHOLD SAVING

OUR BUSINESSES

- RURAL FINANCE — Book - 25,577
- HOUSING FINANCE — Book - 25,519
- WHOLESALE FINANCE — Book - 47,178
- INVESTMENT MANAGEMENT — AAUM - 70,994
- WEALTH MANAGEMENT — AUS - 28,164

OUTPUTS

OUTPUTS

- INCOME GENERATION
- EMPLOYMENT GENERATION
- LIVELIHOOD GENERATION
- NATIONAL FOOD SECURITY
- FINANCIAL INCLUSION
- HOUSING
- INFRASTRUCTURE DEVELOPMENT
- NATIONAL ENERGY SECURITY
- CHANNELIZED SAVING

VALUE CREATION

- SHAREHOLDERS
- CUSTOMERS
- EMPLOYEES
- SOCIETY

All figures are in ₹. Cr and as on 31st March 2019



Corporate Governance

Corporate governance is a significant pillar for the existence and sustainable growth of any organisation. Our corporate governance structure is built on the prescribed regulatory framework. It is firmly rooted in our core values of Pride, Integrity, Discipline and Ambition. These values guide our decision-making at all times, helping us to shape our work culture and brand reputation. This is duly supported by a foundation of ethics, transparency and accountability by each and every employee at LTFH.

Most importantly, we are aware that being a part of India's leading conglomerate, L&T, we are responsible to uphold and protect the brand's legacy and reputation.

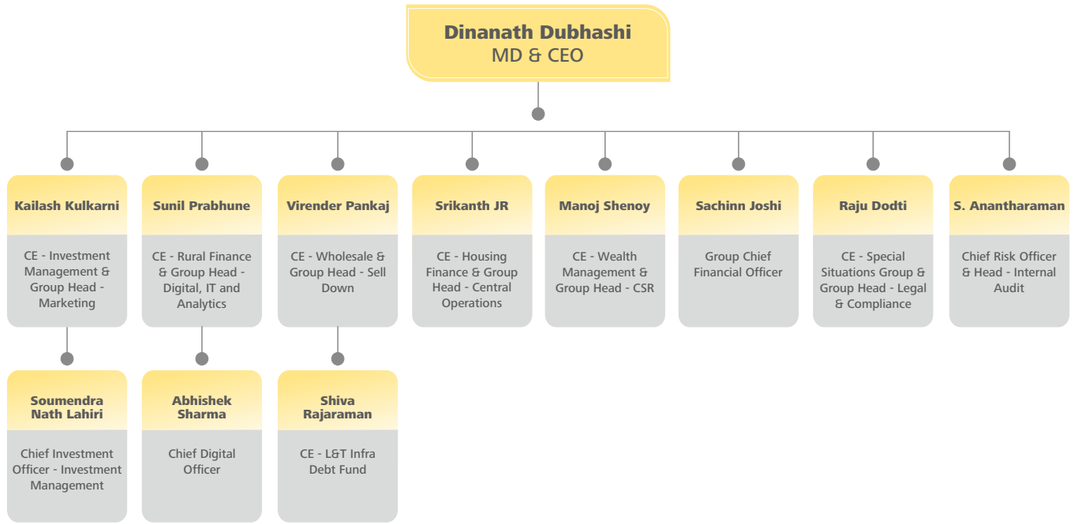
Governance Structure

Our Board of Directors plays an important role in promoting organisational values and ensuring that an appropriate governance structure is in place, to support our operations and protect stakeholders' interests. The Board's responsibilities are discharged through various committees, some of which have been constituted voluntarily, to ensure that all facets of the organisation's structure are governed to the utmost standards.

At LTFH, the Chairman of the Board is an independent Director and his roles and responsibilities are distinct from those of the Managing Director & CEO.

In addition to the Board-nominated committees in accordance with the regulatory framework, we have formed a senior management body, the Group Executive Committee (GEC), to oversee key strategic and operational initiatives. The GEC, comprising the Managing Director & CEO, Chief Executives (CE) of the five business verticals and heads of key departments, ensures that the organisation achieves its stated goals within the governance framework.

GEC Structure



Board Composition

The composition of our Board represents an optimal mix of professionalism, diversity, knowledge and experience. Our Board comprises of eminent personalities from diverse fields as stated below:

- **Entrepreneurs / Professionals**
- **Private Sector / Public Sector**
- **Social Sector / Commercial Sector**
- **Banking Sector / Non-Banking Sector**

True to the spirit of gender diversity, our Board has two women independent Directors as against one, as stipulated under the law. Of the total strength of 9 directors, over 50% of the Board comprises independent directors.

Name of Director	Designation
Mr. S. V. Haribhakti	**Non - Executive Chairman (Independent Director)**
Mr. Dinanath Dubhashi	**Managing Director & CEO**
Mr. R. Shankar Raman	**Non-Executive Director**
Mr. P. V. Bhide	**Independent Director**
Mr. Thomas Mathew T.	**Independent Director**
Ms. Nishi Vasudeva	**Independent Director**
Dr. (Mrs.) Rajani R. Gupte	**Independent Director**
Mr. Pavninder Singh	**Nominee Director**
Mr. Prabhakar B.	**Non-Executive Director**

As on date

Committees of the Board

The key committees of the Board constituted to help in effective discharge of Board responsibilities, include:

Mandatory as per statute	Function	Voluntary	Function
Audit Committee	Financial reporting, internal audit, risk management	IT Strategy Committee	IT framework, cyber security arrangements
Nomination & Remuneration Committee	Appointment, remuneration, performance evaluation		
Corporate Social Responsibility Committee	CSR policy and initiatives		
Stakeholders Relationship Committee	Redressal of stakeholder's grievances		
Risk Management Committee	Risk management framework, early warning signals, risk appetite statements, cyber security		

LTFH had a Risk Management Committee on a voluntary basis from 2012 till March 31, 2018

Governing Sustainability Practices

The responsibility of governing sustainability rests with the Board of Directors. However, specific activities have been delegated to committees as deemed appropriate. The Sustainability Committee is responsible for formulating and executing the sustainability strategy, which is reviewed and discussed with senior management, periodically.

Policies and frameworks

Our policies and frameworks guide our actions which in turn enable us to create value across various forms of capital viz. Financial, Intellectual, Human, Social & Relationship and Natural.

Risk Management Framework

In FY2016-17, we embarked on a project to enhance our risk-management framework. A globally renowned risk-management consultant was commissioned to assist the internal risk team in designing and benchmarking our enterprise risk-management strategy. The entire process helped improve our capabilities in establishing the following:

- **Creation of Risk-Appetite Statement**
- **Setting up of Risk Limits and Hotspots**
- **Risk Dashboards**
- **Early Warning Signal Mechanism**
- **Establishment of Liquidity Buffers for handling Black Swan Events**

The Board of Directors through the Risk Management Committee has an oversight over the Risk Management Framework.

Code of Conduct (CoC)

Our Code of Conduct is applicable to employees and Directors and emphasises on ethics, fair employment practices, creating a safe and healthy working environment, anti-money laundering, whistle-blower policy, and avoiding conflict of interest. Additionally, we also have an independent CoC for our non-executive directors focusing on upholding professional competence and avoiding any conflict of interest.

Vigil Mechanism Policy

The vigil mechanism policy empowers Directors and employees to raise actual or suspected violations. The implementation of the policy is monitored through an internal committee - Whistleblower Investigation Committee. It addresses all concerns raised on questionable practices. The policy covers the following:

1. **Vigil mechanism**
2. **Applicability guidelines in terms of acts of wrongdoings**
3. **Ombudsman**
4. **Meetings and records**
5. **Procedure for reporting**
6. **Assurance of protection of vigilant person/ whistle-blower/ tipster**

The chairperson of the Whistle Blower Investigation Committee is the Chief Ethics Officer who is responsible for receiving, validating, investigating and reporting to the Audit Committee.

Anti-corruption policy

A policy on anti-corruption to address and effectuate our commitment to comply with the law, rules and regulations related to our businesses has been adopted. The purpose of this policy is to help our employees identify and avoid situations that could potentially violate anti-bribery and anti-corruption laws or creates any appearance of impropriety.

Employee Welfare Policies

We have well-defined policies and procedures in place to prevent any kind of discrimination. Our policies are gender neutral, inclusive of every employee except where gender-specific policy intervention is required - for example, we have a separate section called 'Women Friendly Working Norms' which include, a separate child-care policy, part-time working and leave of absence to take care of personal exigencies in addition to the regular maternity benefits stipulated. The extended maternity benefits provided by our organisation, predates the statutory changes. Further, we also offer child care leave to our employees. A 'Policy for Prevention, Prohibition and Redressal of Sexual Harassment at Workplace' is in place to ensure safety and security of our female employees.

During the reporting period, there have been no material non-compliances with applicable regulations.

Our Differentiator

The accountability of our GEC is reflected in the decision of linking compensation structure and roles to organisational goals.

Variable Compensation

Commitment of the GEC that their variable compensation is linked to achievement of stakeholder value creation.

ESOPs

With an aim to synchronise organisational goals with long term employee commitment, ESOPs are used as an important retention tool. Options under our ESOP scheme are granted at the prevailing market price and not at a discount, vesting over a period of 4 years.

Additional responsibilities

Senior management has been provided additional responsibilities other than their stated job profile. This gives them an additional and holistic purview of the organisation.

Weekly meetings of the GEC

The weekly periodicity, and the detailed cross-disciplinary discussions and deliberations at these meetings are an important mechanism of keeping the organisation in line and abreast on latest developments throughout the various business lines. They also act as a think tank to critically analyse each other's views thereby converging towards a holistic solution.

Macro Prudential Provisioning

Unanticipated event risks are a part and parcel of any organisation's journey. Key action lies in preparing for and building reserves during phases of unhindered growth, which can then be depended upon if and when market conditions remain unfavorable. This helps in breaking "procyclicality" and increases resilience during economic downturns. After the implementation of IndAS in the first quarter of FY 2019, it was towards fulfilling this objective that LTFH initiated a macro prudential provisioning to be amassed during strong economic performance and to be drawn upon during challenging macro-economic events. This corpus will act as a contingency for any unanticipated events of unforeseen risks, and is over and above the expected credit losses on GS3 assets and standard asset provisions.

These macro prudential provisions will be built over a period of time subject to a cap of 1.25% of the risk weighted assets. The quantum of creation or drawdown of these provisions in a quarter is decided by a committee of Chief Risk Officer, Chief Financial Officer, Chief Executive of respective businesses as well as the Managing Director & CEO and is presented to the Audit Committee along with the quarterly financial results.

The creation of this provisionary corpus is a symbol of our commitment to build a sustainable business which can deliver long term value and returns to all stakeholders. At present, there is no regulatory stipulation for NBFCs on "Floating Provisions" from the RBI.

Memberships and Associations

As an organisation that aims to continuously strengthen its presence across business segments, we interact and collaborate with various industry bodies to deliberate and share knowledge on important policy matters. Our Managing Director and CEO co-chairs the National Committee on NBFCs at The Federation of Indian Chambers of Commerce and Industry (FICCI). Members of our leadership team are also present on the Board/ Committees of other industry bodies such as Confederation of Indian Industry (CII), SEBI Mutual Fund Advisory Committee, the Indian Banks' Association's Monetary Policy Consultative Group, Indian Institute of Banking and Finance's (IIBF) Journal Bank Quest and Association of Mutual Funds in India (AMFI).

Stakeholder Engagement and Materiality Assessment



Stakeholder Engagement

We focus on forging strong relationships with our stakeholders as they directly impact overall business performance and long-term growth. These relationships are based on trust and our ability to deliver. Our key stakeholders include customers, employees, shareholders and investors, regulatory authorities and community. Being aware of the diverse needs of these stakeholders, we actively engage with each group periodically.

During these interactions, are centered around key topics of concerns, expectations and opportunities of improvement. A Stakeholder Relationship Committee of the Board assists us in maintaining healthy relationships with stakeholders - especially addressing the grievances put forth by our shareholders. This helps us in prioritising expectations and developing an inclusive and comprehensive sustainability strategy.

Stakeholder Engagement Approach

Stakeholder Identification

Key stakeholders are identified as those individuals or groups of individuals who are directly impacted by our activities and vice versa.

Stakeholder Prioritisation

Prioritisation of stakeholders is based on the extent of their influence on our business activties and functions as well as the extent of impact of our organisation's activities on them.

Stakeholder Engagement

The engagement process is carried out through various forums and discussion platforms.

Since this is our first sustainability report, the stakeholder engagement process for the report development was limited to its internal stakeholders i.e. employees and senior management members. However, the viewpoint of external stakeholders was assessed by taking inputs from these internal stakeholders who are continuously engaging with relevant external stakeholder groups and understand their expectations.

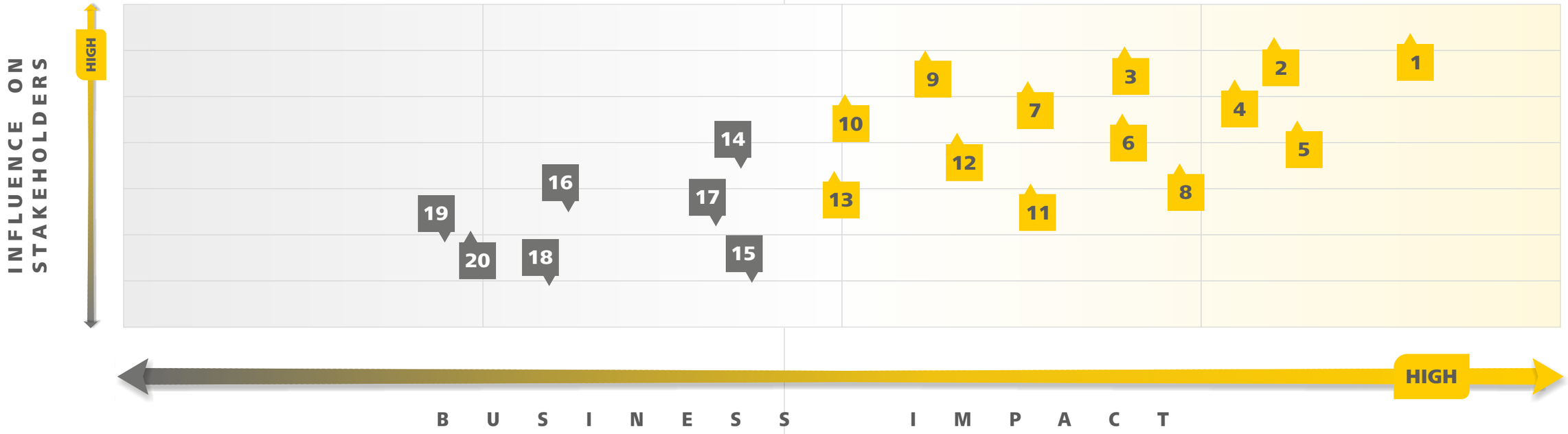
Stakeholder Group	Mode of Engagement	Frequency of Engagement	Key Topics Covered
Customers	• Customer satisfaction surveys • Regular business interactions • Dealer meets and engagement activities • Press releases • Regular media interactions • Ad campaigns • Social media	**Ongoing**	• Requirements with respect to our products and services • Borrowing profile of customers • Credit worthiness • Customer data privacy and security • Transparent and fair advice • Grievance redressal mechanism
Employees	• Regular interactions • Training sessions • Performance appraisal • Employee development initiatives • Annual reward and recognition programmes - Star awards	**Ongoing**	• Productivity • Talent management • Learning and development • Internal mobility • Training
Shareholders and Investors	• Annual general meetings • Quarterly and annual results • Investor and analyst quarterly meetings and con calls • Investor conferences • Non-deal road shows • Annual report • Quarterly results communications through social media and ad campaigns etc.	**Need based, Quarterly, Annually**	• Financial performance • Business strategy • Return on Equity • Long-term business performance • Goals and targets • Risk assessment and management
Regulatory Authorities	• Performance reports shared with SEBI and RBI • Compliance reports • Industry Bodies	**Quarterly, Annually**	• Regulatory compliance • Operational efficiency • Financial performance • Business strategy • Long-term business performance
Community	• Co-creating CSR programmes with implementing partners • Capacity building workshops • Local, State and Central level Stakeholder workshops	**Need Based**	• Baseline and need assessments • Region-wise CSR intervention • Business adjacency • Digital Financial Literacy, • Integrated Water Resource Management and Disaster Relief

Materiality Assessment

Compared to our industry peers, we are in a unique phase of growth and expansion. Through the execution of our business strategy, we have been steadily making a mark in the industry and increasing the market share for each of our business segments.

Our vision for long term growth and focus on top quartile RoE coupled with other strategic objectives have contributed to the identification and categorisation of relevant material issues. A bucket list of material issues was developed based on secondary literature survey, peer review and global and regional industry trends. Extensive interactions with the Managing Director & CEO, other members of the senior management as well the core Sustainability Task Force were organised, based on which, 20 potentially material topics were shortlisted for further prioritisation. The material topics were ranked on a scale of low, medium and high importance by members of the senior management which resulted in the prioritisation of the material issues as depicted in the matrix below.

Material topics categorised under Tier-1 fall under the critical (High-High) importance category. The Tier-2 issues are of High - Medium importance respectively. A large portion of the information presented in this report focuses on the critical material topics. However, additional information has been mapped to some of the topics listed in Tier-2 as well.



HIGH-HIGH IMPORTANCE

- 1 Return on Equity/ Return to shareholders
- 2 Sustainable business model
- 3 Digital and data analytics
- 4 Corporate governance & compliance
- 5 Rural livelihood
- 6 Enterprise risk management
- 7 Human capital
- 8 Upholding brand reputation
- 9 Maintenance of credit ratings
- 10 Climate change and GHG emissions
- 11 Providing transparent and fair advice to stakeholders
- 12 Enhancing access to housing loans
- 13 Financial inclusion and literacy

HIGH-MEDIUM IMPORTANCE

- 14 Global economy and policy
- 15 Product innovation
- 16 Community initiatives
- 17 Non-discrimination
- 18 Human rights
- 19 Representation with regulators
- 20 Waste management

GRI disclosures and boundaries considered for each identified material topic are as follows:

Sr. No.	Material Topic	Material Aspects	GRI Indicators	Boundary
1	Return on Equity	Economic Performance	201-1	Internal
2	Sustainable Business Model	Economic Performance	201-1	Internal and external
3	Digital and Data analytics	_	Non - GRI	Internal and external
4	Rural Livelihood	Indirect Economic Impacts	203-1	Internal and external
5	Corporate Governance & Compliance	General Disclosures	102-18	Internal
6	Enterprise Risk management	General Disclosures	102-15	Internal
7	Human Capital	Talent Management and Development, Diversity and Equal Opportunity	404-1, 404-2, 405-1	Internal
8	Upholding Brand and Reputation	Marketing and Labelling	417-2, 417-3	Internal and external
9	Maintenance of Credit ratings	_	Non - GRI	Internal and external
10	Climate change/ carbon emission	Economic Performance, Emissions, Energy	201-2, 305-1, 302-1, 302-4, 305-2, 305-3	Internal and external
11	Providing Transparent and fair advice to stakeholders	Marketing and Labelling	417-1	Internal and external
12	Financial inclusion and literacy	Indirect Economic Impact	203-2	External
13	Enhancing access to housing loans	_	Non - GRI	External

Financial Capital



OVERVIEW OF OUR ECONOMIC PERFORMANCE

Financial capital is the basis for the sustainable existence of an organisation. It is the medium through which an organisation transacts and influences stakeholders, thereby contributing to economic growth. The robustness of a company's financial capital and its adequacy is essential for operational success.

There are mainly two types of capital that an organisation deploys to generate returns i.e. Equity and Debt. Equity providers demand the highest level of accountability and capital efficiency from organisations, due to the inherent risks. At LTFH, we are cognizant of this and are committed to efficient capital allocation amongst our businesses.

For financial institutions, debt capital is the fundamental raw material. Our ability to effectively access and raise debt was due to our parentage, robust business model and our consistent track record. L&T Finance (subsidiary of LTFH), launched first tranche of NCD public issue, which was successfully oversubscribed on day 1 and had an early closure.

As a prudent company, we constantly strategise to raise capital from diverse sources through economical and efficient means and deploy it across businesses. Over the past three years, LTFH has focused on increasing the retailisation of its financial portfolio towards a more equitable distribution between its lending businesses i.e. rural, housing and wholesale business segments. This book is well funded by a mix of non-convertible debentures (NCDs), other market borrowings, funding from banks etc. As a step towards further strengthening our Asset Liability Management (ALM), we are constantly working on the diversification of our sources of funds and have thus initiated the retailisation of our borrowings as well.

For FY2018-19, each of our business segments have witnessed a considerable improvement in their operational performance. This has led to an increase in RoE over the past three years from 9.78% in FY2015-16 to 17.92% for FY2018-19.

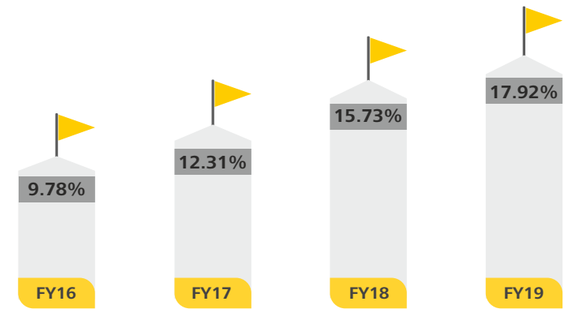
For detailed financial information about our organisation and its subsidiaries, please refer to our website www.ltfs.com

IFC Investment

Our commitment towards sustainability has been further demonstrated by funding from multilateral agencies like IFC. IFC- a sister organisation of the World Bank and member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries. They have invested across our lending businesses which have a direct linkage on environmental sustainability and socio-economic development.
In FY2017-18, IFC invested in the 1st ever green bond (under SEBI guidelines) issued in India by L&T Infrastructure Finance (subsidiary of LTFH), proceeds of the same were deployed in greenfield solar projects. In FY2018-19, IFC invested in L&T Housing Finance (subsidiary of LTFH) towards the financing of affordable housing.

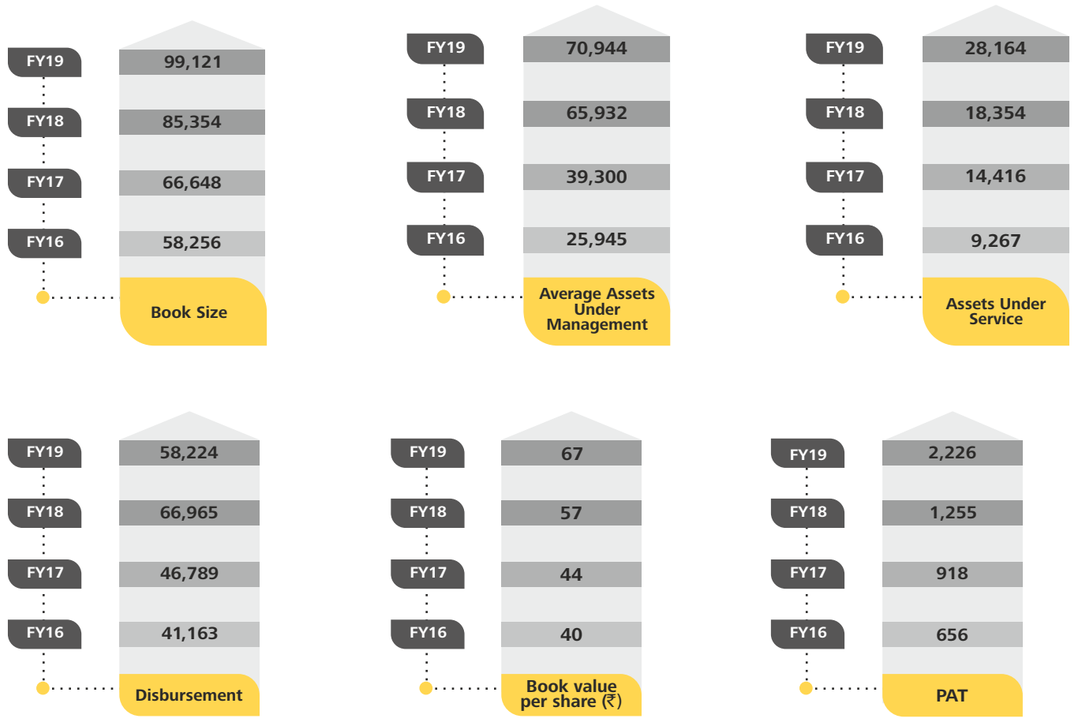
Our operational highlights have been encapsulated as under:

Top quartile RoE Trajectory



Our Performance Indicators

LTFH (consolidated) ₹ Cr.



PROFILE AND PERFORMANCE OF INDIVIDUAL BUSINESS SEGMENTS

Rural Finance

The rural finance business comprises of farm equipment finance, two wheeler finance and micro loans.

Farm Equipment Finance

We seek to enhance the livelihood of our farmers through our farm equipment finance business. Our pedigree in this space spans over 14 years leading to the creation of a pan India rural network across 20 states and 194 branches. The differentiator for this business exists in the strong Original Equipment Manufacturer (OEM) relationships and the dealer network that we have nurtured. Our tie-up with 3,000+ farm equipment dealers allows us to provide on-site financing and seamless services to our customers.



Two Wheeler Finance

We entered the two wheeler finance segment in 2012 and have since then expanded the business to 21 states in India. Our differentiation lies in the effective use of algorithm-based lending decisions and mobile-based solutions. Our close relationship with 3,000+ two wheeler dealerships has helped us effectively partner and serve our customers.



Micro Loans

Our micro loans business covers 14 states through a network of 1,224 meeting centers across rural India. This business works on a data analytics-based sourcing and monitoring model which takes into account local demographics and socio-economic factors, along with both village and borrower-specific credit appraisals.

For FY2018-19, we recorded an overall loan disbursement of ₹ 19,735 Cr. under the rural finance business segment.



OUR PRESENCE IN ECONOMICALLY DISADVANTAGED REGIONS

We provide services in economically disadvantaged regions, helping enhance the living standards of our customers.

Farm Equipment Finance

States	Branches	Customers
Assam	1	385
Bihar	10	18,150
Chhattisgarh	8	9,765
Jharkhand	3	384
Karnataka	15	28,446
Madhya Pradesh	32	50,433
Odisha	6	9,440
Uttar Pradesh	13	28,899

Two Wheeler Finance

States	Branches	Customers
Assam	4	1,12,826
Bihar	3	35,788
Chhattisgarh	1	3,194
Jharkhand	2	29,357
Karnataka	3	1,16,019
Madhya Pradesh	1	28,504
Odisha	3	89,057
Uttar Pradesh	3	12,456

Micro Loans

States	Meeting Centers	Customers
Assam	56	3,01,244
Bihar	89	6,09,342
Chhattisgarh	31	1,25,678
Karnataka	128	6,24,977
Madhya Pradesh	76	2,63,998
Odisha	148	6,64,471
Uttar Pradesh	39	98,255

Number and Percentage of Population below Poverty Line by states – 2011-12
based on Tendulkar Methodology http://planningcommission.gov.in/news/pre_pov2307.pdf

Competitive Strengths

Farm Equipment Finance

- Differentiated value proposition through best-in-class turnaround time (TAT) to customers and dealers on decisioning and disbursement
- Data-driven collection based on portfolio and macro-economic factors
- Extensive focus on early bucket collections to maintain portfolio quality

Two Wheeler Finance

- Best-in-industry TAT and technology for customer selection and on-boarding
- Effective use and implementation of data analytics along the customer life cycle
- Ability to execute strategy on ground with required scale

Micro Loans

- Deep-market penetration and rural presence across geographies
- Risk mitigation through various market and credit checks
- Robust early warning systems with triggers in place to maintain delinquencies
- Extensive use of analytics for centralised underwriting and collection



Housing Finance

Our growth strategy in the Home Loan and Loan Against Property (LAP) business is to focus on geographical locations with growing urbanization, income and demand for housing. We emphasize on direct sourcing of customers through in-house sales teams. Our presence spans across 12 states through 24 branches.

Real Estate Finance

Our real estate finance business is present in six select urban locations, i.e., Mumbai, Pune, NCR, Bangalore, Chennai and Hyderabad. Our offerings are focused on prominent real estate developers having robust delivery and performance records.

For FY2018-19, we recorded a loan disbursement volume of ₹10,439 Cr under this business segment.

Competitive Strengths

Housing loan /LAP

- Digital lending model to provide best-in-class TAT
- Comprehensive use of analytics for business generation and portfolio risk management

Real Estate Finance

- Strong structuring and underwriting capabilities with a focus on project completion
- Comprehensive and robust Early Warning Signal (EWS) framework
- Comprehensive product suite to address funding requirements of top developers

Wholesale Finance

The wholesale finance business comprises infrastructure finance, structured corporate finance and infra debt fund. In the infrastructure finance segment, we concentrate on financing renewable energy, transportation and power transmission projects. This business segment leverages our domain expertise and underwriting skills in the infrastructure sector to provide customised debt financing. It also includes an Infrastructure Debt Fund (IDF) which exclusively finances operational infrastructure projects.

Over the last couple of years, we have created a robust sell-down desk that is actively involved in under-writing and debt syndication. This sell down desk serves a twin purpose of earning fee income and efficient capital management.

Under the structured corporate finance business, we provide high-yield financing products such as acquisition financing, priority lending, debt financing for equity buyouts, private equity exits and loan against shares.

For FY2018-19, we recorded a loan disbursement volume of ₹28,050 Cr.



Competitive Strengths

Wholesale Finance

- Efficient transaction processing, in-depth sector knowledge and management capabilities
- Growing IDF book with industry leading profitability and structuring capabilities
- Robust down-selling desk having strong relationships with banks, both public and private financial institutions

Investment Management

Our Mutual Funds offering comprises over 27 open ended schemes which include debt and equity. We have a pan-India presence with 65 branches covering 59 cities in India, and approximately 30,000 distributors. The distribution network comprises of independent financial advisors, foreign banks, Indian private and public sector banks, broking companies and national distributors. Our experienced fund managers and competent research personnel rigorously examine investment opportunities keeping in mind prevalent market conditions.

Competitive Strengths

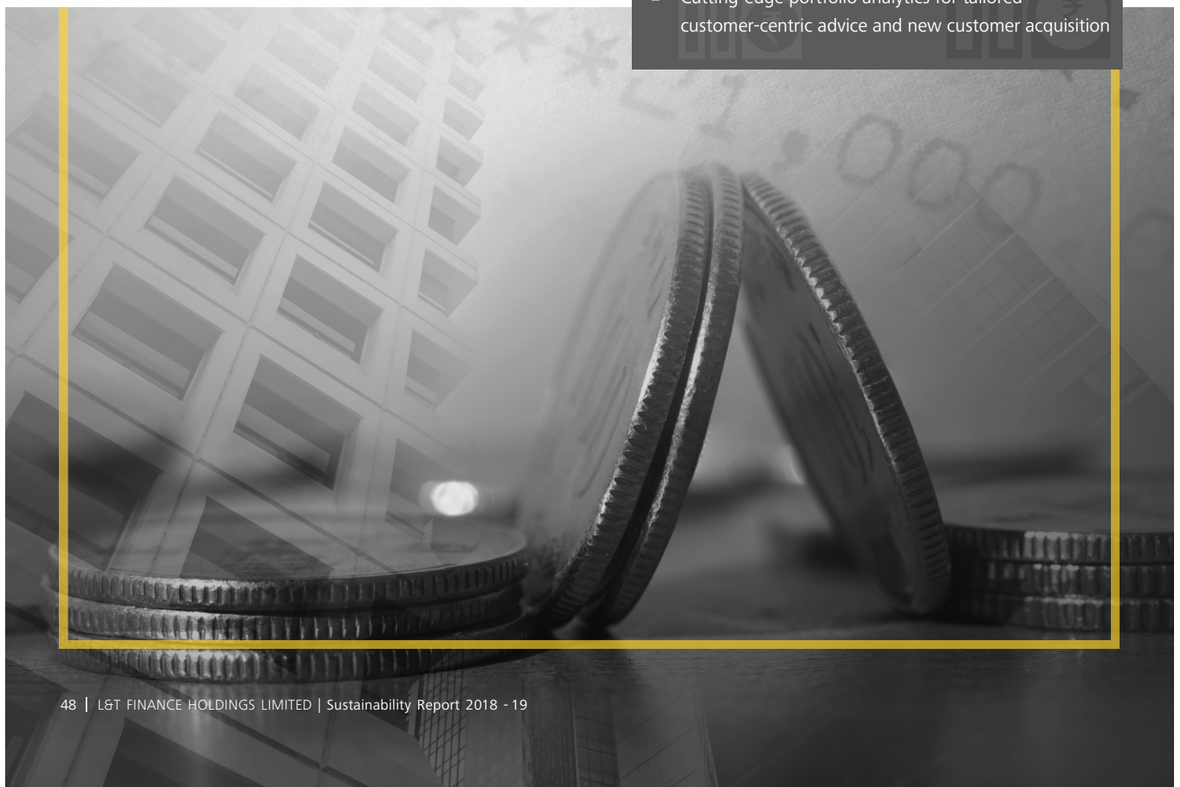
- Robust performance of the fund's equity schemes
- Strong distributor relationships

Wealth Management

The wealth management business offers a wide range of products across most major asset classes servicing 9,000+ clients. We are present in 9 cities in India and have a branch in Dubai, UAE. Our investments recommendations to clients are transparent and without any bias towards any particular type of investment category or product. Our advice is in accordance with their requirements and risk appetite.

Competitive Strengths

- Robust business model based on fundamental tenets of client centricity, intellectual property and execution efficiency
- Strong and expanding distribution reach with a diversified product range
- Cutting-edge portfolio analytics for tailored customer-centric advice and new customer acquisition



OUR CREDIT RATINGS

Credit ratings are a validation of our stable and sustainable business model. Our strong credit ratings prove that we are well equipped to fulfil the financial commitments made to our stakeholders.

	FY2017		FY2018		FY2019	
	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term
ICRA	A1+	AA+	A1+	AA+	A1+	AAA
CARE	A1+	AA+	A1+	AAA	A1+	AAA
India Rating			A1+	AAA	A1+	AAA

Role of Economic Research Division (An Internal Think - Tank)

We understand the importance of data led decision-making in taking the right step at the right time. By providing data analytics led insights in macro-economic aspects, agriculture sector nuances, regulatory policies and asset-liability management policies, the Economic Research Division headed by Group Chief Economist - Dr. Rupa Rege Nitsure supports LTFH's efforts in tapping the right kind of opportunities and swiftly responding to market dynamics.

ECONOMIC VALUE CONTRIBUTION*

Economic Value Generated and Distributed

FY18-19 (in ₹ Cr.)

A. Economic Value Generated	
Domestic turnover	12,989.73
Other income	635.91
Total Economic Value Generated	13,625.64
B. Economic Value Distributed	
Operating cost	1,033.75
Employee wages and benefits	824.73
Payments to providers of capital	7,059.73
Payments to Governments	1,144.26
CSR initiatives	13.38
Total Economic Value Distributed	10,075.85
Economic Value Retained (A - B)	**3,549.79**

*Non-cash items are not considered while calculating economic value retained.
For more information on the entities included in the financials, please visit the website: https://www.ltfs.com/investors.html

Human Capital



INTENT, EXECUTION, CULTURE

Communicating the Intent of our Management

The intent of our management is clear, to deliver top quartile RoE by profitable growth in our focused areas of business. The performance measurement metrics for employees across businesses have been aligned with this intent and are communicated clearly throughout the organisation. The goal-setting process ensures that employees have visibility of their goals at the beginning of the financial year. This brings in clarity on expectations and ensures effective performance planning.

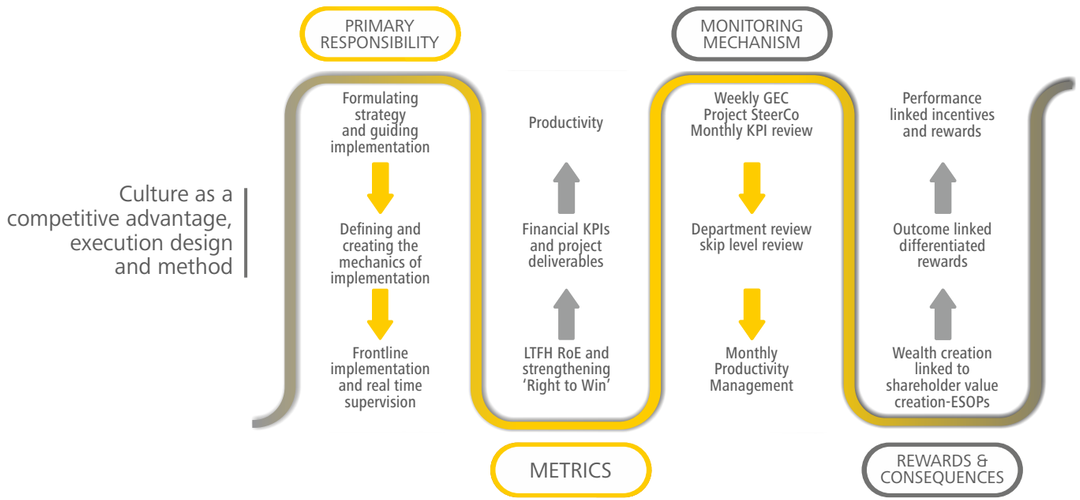
Building a well-honed Execution Engine

Execution is the bridge that translates strategy into results. Our strategic choices are converted into projects – cross-functional teams, led by a senior leader to drive the desired outcomes. Over the years, such projects have driven transformation in many areas across the organisation, while simultaneously helping to spot and develop, future leaders by giving them the required 'stretch' to learn and grow.

'Right People' for 'Right Culture'

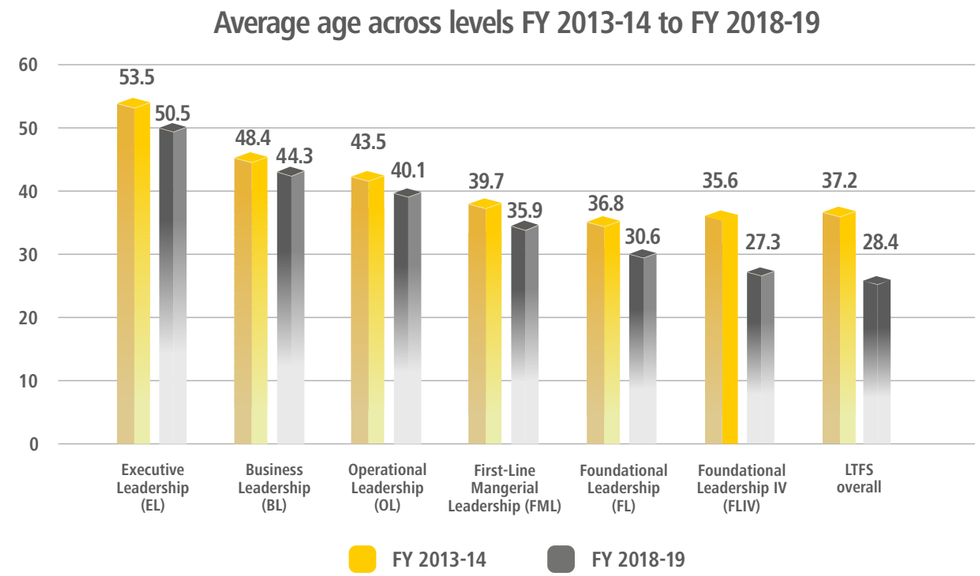
Our culture emphasizes on having a workforce that is:

- **Agile and driven to succeed**
- **Diverse**
- **Clear about what it is expected of them, with management being transparent about how rewards are distributed**
- **Continuously learning through interventions that emphasise functional skill-building and leadership development**



Establishing an Agile and Young Workforce

Our result-oriented culture requires a motivated workforce. Over the years, we have been able to create a blend of youth and experience that mirrors the evolution of the industry. Maintaining this balance, has helped us groom young talent and simultaneously leverage the expertise we have built over the years. From FY2013-14 to FY2018-19, the average age in our organisation has reduced from 37.2 years to 28.4 years.



Key initiatives in this direction include

Bringing in Young Talent through our Management Trainee (MT) Programme

The Management Trainee Programme is designed to create a diverse yet culturally aligned talent pool for 'One LTFS'.

We recruit management trainees from reputed campuses across India and provide them with an intensive induction programme. They interact with senior members of our leadership team, including the Managing Director & CEO and the Chief Human Resources Officer (CHRO) to understand our organisation's priorities, values and expectations from young talent.

This is followed by a three-month induction program in various businesses across the country, where they learn about our customers and work processes, while also being accountable to deliver results. The induction programme is rigorous and competitive. Weekly reviews and stretch assignments drive each MT to deliver their best and move up the learning curve quickly.

Encouraging internal talent to take up complex responsibilities through 'Aspire'

'Aspire' is an internal job opportunity initiative that fulfils the aspirations of our young frontline staff.

This programme is particularly targeted towards our frontline supervisors from the sales teams and has been extended to the support functions. A planned growth opportunity such as this enables us to attract and retain superior performers for frontline roles. Performance, potential and aspiration play a key role in identifying and selecting employees to be promoted.

Subsequent to the promotion, there are various training interventions that support first-time managers in understanding their role and responsibilities. For instance, the 'Varchasva' training programme helps newly appointed managers to:

- **Learn how to manage subordinates**
- **Set targets and give feedback**
- **Identify ways to improve business metrics like disbursements & collection efficiency**

Workplace Diversity

We emphasise on hiring individuals from a wide variety of backgrounds with different characteristics, beliefs and know-hows. It gives us access to a plethora of ideas in order to further enhance our business growth and increase customer satisfaction through better understanding of their needs.

Our processes related to attracting, retaining and developing talent are based on merit, competency of the individual and our business requirements.

We also consider ourselves diverse in terms of how we are distributed across the country. Our geographical presence mirrors India's diversity, which we leverage to serve millions of customers.

Enhancing Employee Productivity

Enhancing employee productivity has been an area of focus in our transition journey and will continue to play a vital role in helping us execute our strategy. Our endeavour is to improve productivity across levels.

Senior Management

Our executive management members have been given responsibility for multiple functions ensuring that we are able to react faster to the needs of our customers and are efficient in making the most of market opportunities. This also helps build synergies across diverse functions and prevents the formation of silos.

Their leadership journeys are further enhanced by one-on-one coaching and leadership sessions with leading international management experts on relevant areas - like growing fearlessly.

Middle management

Through extensive training and individual responsibilities in strategic projects, we focus on enhancing the capabilities of the middle management.

Our 'Transformation Leadership Programme' for example, aims to help mid-level managers become aware of their leadership resources and the strengths or limitations these resources place on their leadership abilities.

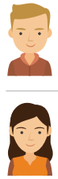
Similarly, our 'Leading Performance' initiative helps them realign their understanding of key performance drivers, performance management at different levels and the cultural anchors on which sustainable performance is based. All mid-level managers are covered in these programmes.

Frontline Management

Our Parichay programme orients new joinees to the organisation and gives them the necessary know-how to move up the learning curve quickly.

Programmes like Varchasva and Lakshya, impact business acumen and help front line supervisors manage their field forces.

Total hours of training received:



Male **2,25,016**

Female **13,528**

Top Management	Senior Management	Middle Management	Junior Management	Frontline Staff
96	**1,664**	**10,632**	**41,912**	**1,84,240**

Average training hours per employee:



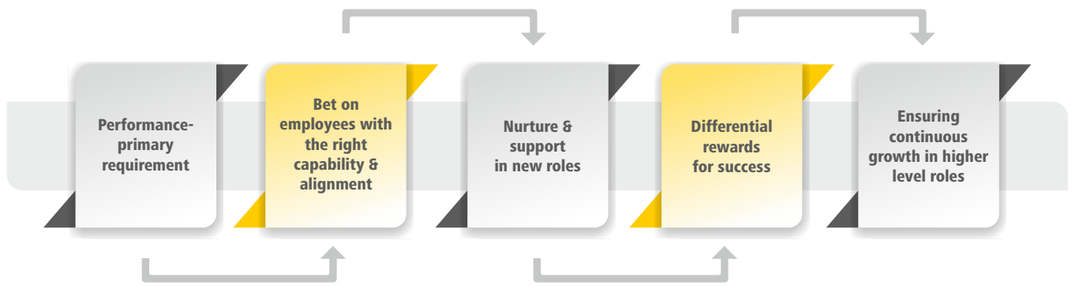
Male - **11.2**



Female - **12.6**

Talent Management and Development

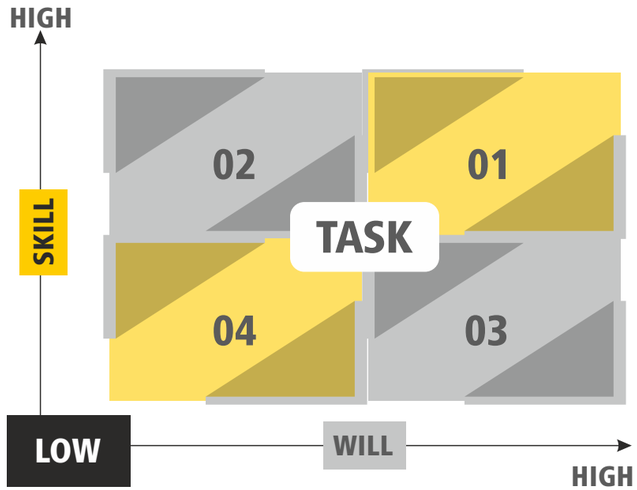
Consistent with our transformation plan, our talent strategy is performance-oriented and in alignment with our goals. From the start, we have focused on employees who have demonstrated the right capability, the right attitude and the desire to 'Step Up'. While domain knowledge and expertise are important, we believe in evaluating the individual's potential and actively encouraging cross-functional movements. Translating these tenets into reality, the leadership team actively identifies employees showing greater drive and capabilities, entrusting them with newer responsibilities to fuel their career growth.



Leadership Vitality Programme

Our leadership vitality programme (LVP) accelerates development of internal leaders. Talent is segmented as per employees' performance and their alignment to the 'Skill-Will' matrix. High performers are put through a set of interventions based on the following anchors:

Classifying employees as per Skill-Will matrix



Talent development and reward initiatives as per classification

LVP	Skill - Will Quadrant				
	Skill - Will Quadrant Nos.				
Experience	Leadership/ Membership of CoE				
	Promotion in the last 24 Months				
	Role Change/ Enhancement in past 1 year				
	ESOP Grant				
	Compensation P50				
Exposure	Facilitator of Townhalls				
	Trainer/ Subject Matter Expert				
	360 Degree Feedback				
Education	Transformational LDP				

Experience

Identified employees are given opportunities to lead strategically important cross-functional projects. Every role change or role enhancement for them is assessed actively to provide them new opportunities to grow. We also ensure that their rewards are commensurate with their talents and contributions.

Exposure

Employees are provided platforms to develop skills outside of their functional domains. For example, they are assigned the task of cascading messages from the organisational leadership to the larger organisation. They become facilitators for 'Town hall Meetings', which are a two-way communication platform to share 360-degree update and inputs on our mission of superior shareholder value creation. These town-hall meetings are organised every quarter across cities, departments, functions and grades.

Education

We have a well-developed and tiered 'Transformational Leadership Development' programme. The contents of the programme are specifically tailored to ingrain the culture of the organisation and required leadership capabilities. Some of the training programmes provided include management development programmes, mentoring sessions and other functional trainings. The leadership orientation sessions help build specific attributes such as perspective, power, interpersonal orientation and ambition.

Performance Management System

At LTFH, the performance culture is designed in such a way that all employees understand the company's mission and goals, and align their performance to achieve them. The individuals and teams are appropriately empowered and are rewarded according to their contributions to the organisation's goals. The following steps are conducted as part of the Performance Management Process:

KPI Setting: At the beginning of the financial year, corporate KPIs are set annually for every platform and functional units within LTFH. These KPIs contribute towards achieving the vision of the organisation.

Individual KRAs: Key Result Areas (KRAs) are the job responsibilities that need to be carried out and for which, one is completely responsible. KRA is set for all the employees at the beginning of the year, post discussion with the immediate supervisor and department head.

Manager Feedback: At LTFH, feedback is an on-going process where the supervisor shares feedback for their team member's performance and helps create development plans.

Attribute Assessment: It measures and assesses results as well as the behavioural attributes (JRA, GRA) that enable the achievement of the expected results. This is applicable for FML and above employees.

Annual Appraisal: This is the assessment of the employees against their KRAs set at the start of the year. The overall rating is finalised in discussion with HR and the Group Executive Committee for annual increment.

Rewards and Recognition

Star Awards

It is imperative that the top performers exemplify our culture, live our values and draw inspiration from them. To celebrate these value champions, we have created STAR Awards, a recognition programme that celebrates our exemplary employees who have:



- Lived and demonstrated the organisation's values
- Contributed to the success of cross-functional teams
- Impacted the transformation agenda

In FY2018-19, of the eligible population of 4,270 employees, 1,229 (876 nominations include nomination for team awards) employees were nominated. Of these, 109 employees won awards under various categories, thus, making it a truly aspirational programme and a shining example of excellence.

Employee Welfare

Employee Benefits

All full-time employees are offered a wide range of benefits which include gratuity, insurance (medical, accident and life), maternity leave, leave encashment, pension and provident funds. All employees are eligible to participate in the Matching Grant Scheme (MGS), a wealth-creation opportunity in which the organisation matches (subject to limits) the investment made by the employee in any of L&T Mutual Fund schemes. Employees are also entitled to parental leave as per our policy. During the reporting period, a total of 42 females and 137 males took parental leave.

Of the 179 employees, 178 returned to work after the parental leave ended and 143 employees were employed with us 12 months later.

Ensuring the safety of our people is a vital part of our business operations. We organise periodic training sessions to ensure that there is complete awareness with regard to health and safety practices across the organisation. Regular mock evacuation drills are also conducted to ensure preparedness in case of fires, earthquakes and other natural disasters.

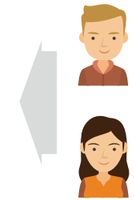
Our Workforce Dashboard

We employ a large workforce with the requisite qualifications, skill sets and capabilities to meet our diverse business requirements. The total workforce for FY2018-19 was 21,042 with an approximate male to female ratio of 19:1. About 75% of our overall employee base consists of frontline staff, largely placed in semi-urban and rural areas, comprising a primarily male workforce.

Total workforce by employee category

Top Management	Senior Management	Middle Management	Junior Management	Frontline Staff
12	48	914	4,223	15,845

Total workforce



Male **19,969**

Female **1,073**

Total 21,042

New employees hired



Male **14,785**



Female **650**

Below 30	30 to 50
12,429	3,006

Employee turnover

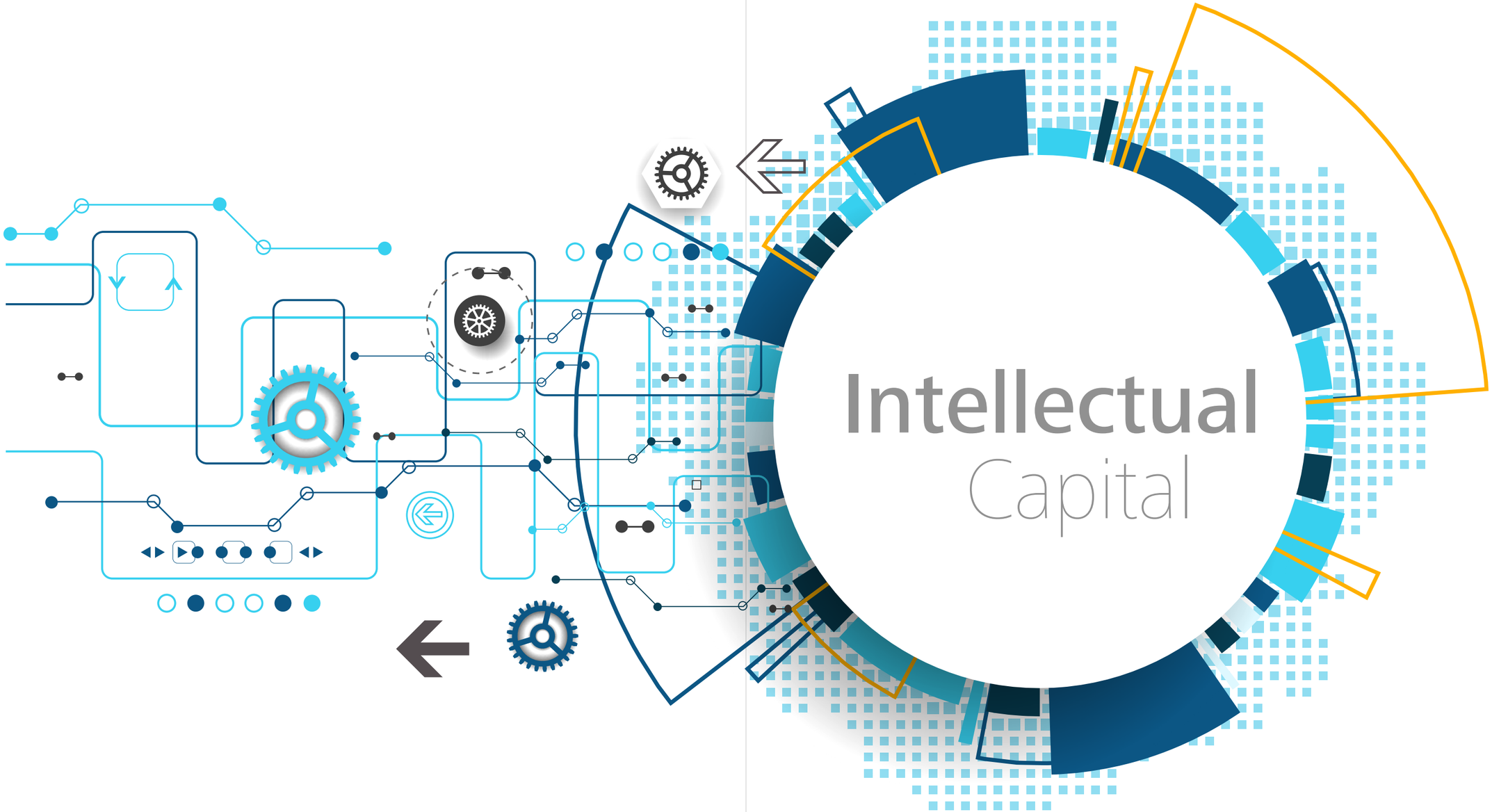


Male **5,686**



Female **319**

Below 30	30 to 50	Above 50
4,425	1,578	2



Intellectual Capital

Digital and Data Analytics

India is in the midst of a digital revolution, which is transforming the country through inclusive growth, creation of new businesses and job opportunities. The country's financial sector has expanded in the past five years on the back of the digital revolution, with banks and other financial services firms rapidly adopting technology in every aspect of their operations. The realm of digital opportunities runs across various aspects of financial services, including marketing, customer engagement, channels of acquisition, process re-engineering, cost optimisation, superior risk management, product development and even completely new business models.

In response to these developments, we have completely revamped our information technology architecture. Our approach has always been proactive and we endeavour to be ahead of the market. We have developed an architecture to enhance our 'Right to Win' in all the focused products by offering the best Turn Around Time (TAT). At LTFH, our aim is to inculcate Digital & Analytics into our culture by rewiring the complete business operation in a way that technology orchestrates all the processes. This digital transformation is focused on making business processes robust through the use of data intelligence. This will help us achieve multi-fold improvement in 'Scale', 'Cost Effectiveness' and 'Customer Experience'.

We have undertaken the following initiatives to revamp the entire IT architecture to create a technology-driven workspace ensuring sustainable growth at a rapid pace.

Continuous Improvement of LTFH Security Posture

- Implemented 3-tier security architecture with multiple layers of defense & security
- Leveraging latest technology to secure end points from advanced cyber threats

Leveraging Advanced Analytics in every critical business decision

- Identification of risk metrics for Micro Loans
- Collection strategy & Application Score Card - Gen 4 for TW
- Helping farmers through innovative schemes for working-capital needs

Optimise IT Operations & Services

- Leveraging Google Cloud for better space optimisation
- Implementation of strict controls on production access

Simplify Data Architecture & Enable Live reporting

- Leveraging the power of Google Cloud and big query for Data Analytics and Enterprise Data Warehouse (EDW)

Enhanced Focus on Risk Management

- Mandatory audit controls embedded with each change
- Information best practices introduced right from development stage

The digital transformation journey that we have embarked upon will lead to multifold benefits. Some of the steps that have had a direct positive impact on the RoE are:

Cost of Collection/ Credit Cost

Robust customer differentiation and credit decisioning capabilities using data analytics

Early warning detection techniques to identify potential losses and exposures proactively

Cost of servicing

Seamless multichannel proposition for fulfilment of on-demand service requests

Elimination of manual data entry

Cost of Acquisition/ Onboarding

Interdisciplinary and agile processes across products

Paperless on-boarding and verification using e-KYC, e-sign, e-stamping

Productivity Enhancements

Tech-empowered frontline staff for real-time algorithm-based decisions

Dynamic target allocation to tap business opportunities

Growth

USP around best-in-market turnaround time (TAT)

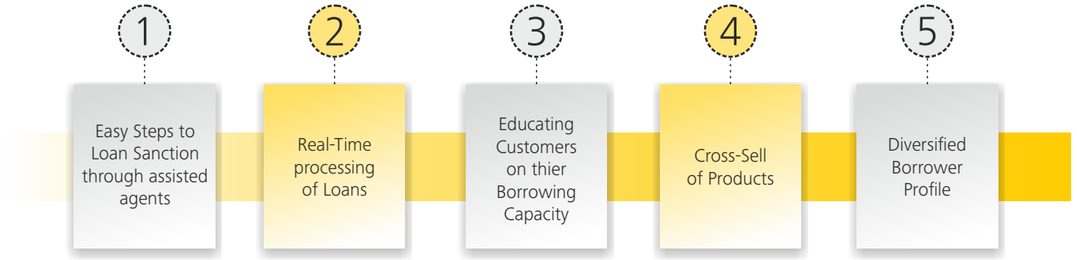
Value proposition for higher customer wallet share

Leverage Digital and Data Analytics to create Long-Term Customer Value

The strict regulations governing the banking industry do not allow customers with bad credit scores to avail loans. The customer may have defaulted previously for some reason, affecting the credit score and also the possibility of availing a loan in the future. In such cases, we have established seamless fraud detection and loan disbursements processes to new customer segments through its assisted Mobile App technology, bringing about 'Anytime Anywhere' banking to its users.

In a country that has a large un-banked population, our organisation has focused on lending responsibly to people with little or no credit history or who may be under-served by traditional and formal banking channels. Microcredit, focuses on informal, usually women-owned microenterprises, provides shorter-term loans and helps develop strong relationships between loan officers and borrowers. Significant steps have been taken by us in this space to help people build more stable economic lives.

FEW STEPS AIMED IN THIS REGARD ARE AS FOLLOWS:



We aim to offer value propositions to all our customers across business segments. However, the maximum positive impact through technological interventions has been created in the rural finance segment. With inputs from our historical portfolio trends, we have built analytics-based algorithms and evaluation metrics. This includes macro-economic indicators, demographics, credit repayment history, credit bureau data and asset selection that assists in evaluation of the credit-worthiness of a borrower. Our credit decisions for these businesses are therefore largely standardised, template-driven and objective.

Key Case Studies

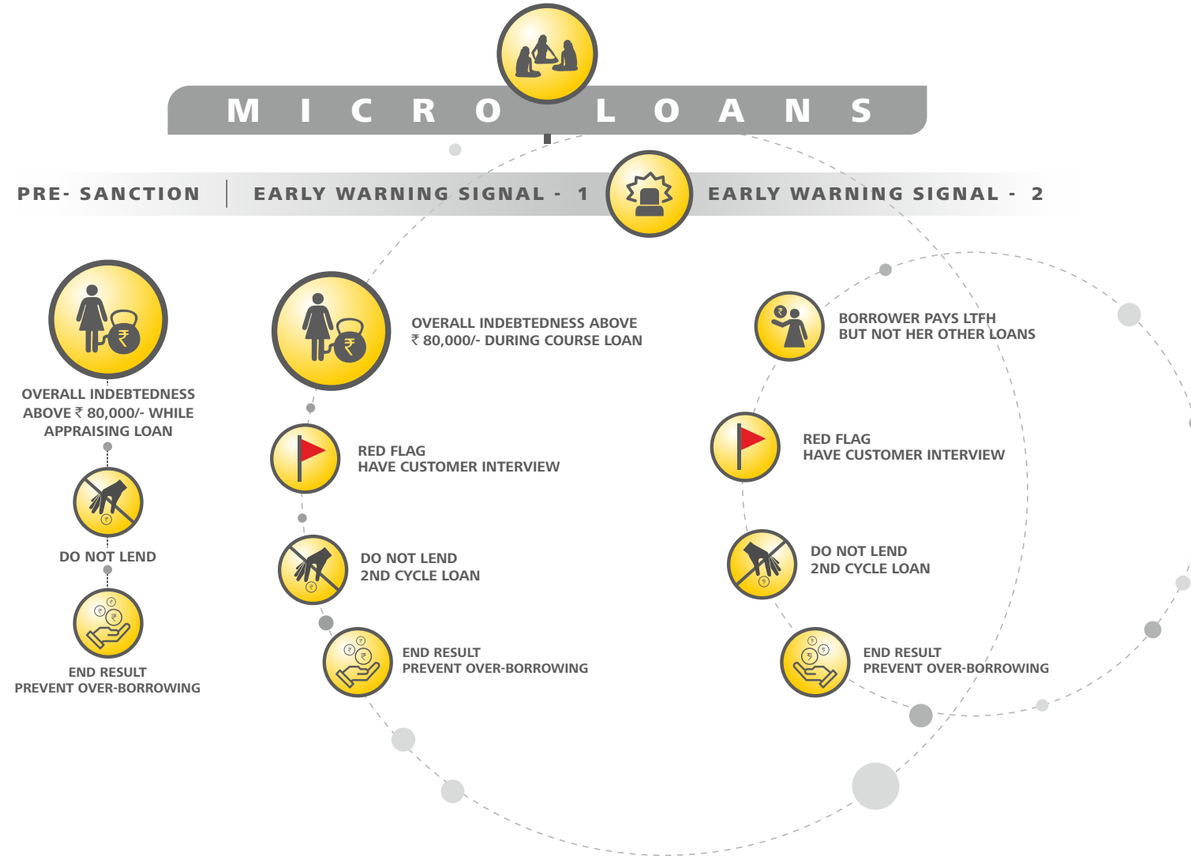
Micro Loans

Financial inclusion through deep data analytics

We use our digital transformation and investment in technology to foster responsible financial inclusion. While we originate business using mobile phones, we apply algorithm-based data analysis for making lending decisions.

We understand that the customers in rural areas have low levels of financial awareness and often tend to over-borrow.

In order to ensure that customers do not exceed their borrowing requirements, there are training programmes that are an inherent component of our pre-disbursal process. Additionally, we have put in place 'early warning signals' guided through in-depth data analytics to prevent over-borrowing.



Digital Advancement - Bringing in Ease and Efficiency

Digital advancement and technology have helped us bring financial services to the doorstep of individual customers.
An assisted smart mobile app catering to customer needs has led to a reduction in TAT for loan sanctioning and disbursement.
Few more offerings that come along with it are:

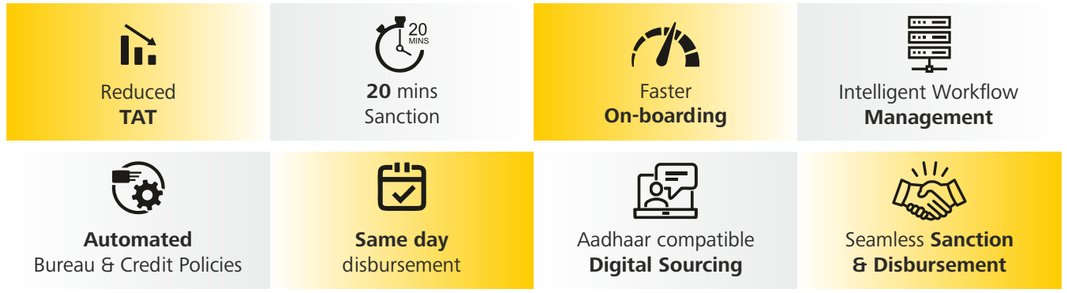
- Implementation of straight-through-processing in middle and back-office functions.
- Increased integration of third-party providers into operations to improve cost efficiency and build capabilities.
- Transformation from manual, time-consuming, human judgement-based underwriting process using technology advances to provide instant, real-time approvals.
- Training of front-line collectors to represent organisational values and maintain a customer-centric approach.
- Education of borrowers on their responsibilities.
- Smarter decision-making and ensuring availability of credit for the customers at the best rates at all times.

Case Study - Two - Wheeler Finance

Sangam TAT report [Jan'19 - Mar'19]

Sanction TAT in minutes	Count of logins	% of Biz	Cumulative biz %
<1	1,13,374	56%	56%
<2	81,222	40%	96%
<3	3,428	2%	98%
<4	2,380	1%	99%
>=4	2,255	1%	100%
TOTAL VOLUME	2,02,659		

Case Study - Home Loans (Salaried Loans)



Analytics-Led Sourcing to Counteract Impact of Climate Change on Agricultural Practices and Rural Economy

Climate change has hastened the transition of our rural customers towards sustainable farming practices. Our strategy is defined by the impact that climate change has on: changing cropping pattern, precipitation patterns, ground water levels, reservoir levels etc. for each of the regional markets we want to penetrate. These factors have been used to formulate our data analytics algorithm. We have a dedicated team which analyses data and develops financial models using different variables as inputs to assess business dynamics in any specific region. We also analyse data gathered to provide us district-wise inputs on these metrics, which are used for loan disbursement and assessing collection patterns, credit stress on borrowers and likelihood of default. This data also helps us identify and focus on areas for our integrated water resource management programmes undertaken by the CSR team in rural areas.

Information Security

Increasingly, organisations are relying on emerging technologies for sustainable development. Companies are adopting digital transformation to enable a data-driven decision-making process and to enhance their businesses. However, integration of new technology with existing business systems comes with new security challenges. With faster and more efficient technology, the damages caused by a security threat can also be accelerated. For organisations that collate personal data, such as financial institutions, it is becoming imperative to enhance focus on data security, customer privacy and more comprehensive compliance requirements. As cyber-attacks continue to become more sophisticated and damaging, regulatory bodies have mandated stringent rules and regulations to protect customer data.

As an organisation that is constantly leveraging digital technology to drive business growth, we have instituted security protocols such as firewalls and intrusion prevention system to detect and stop cyber threats. We have also developed separations for internet facing applications and critical internal applications. The entire IT infrastructure and applications are periodically assessed to identify potential security threats and immediately remedy them. Critical applications and systems are continuously assessed for any suspicious activity.

Internal policies have been established for the acceptable use of corporate systems, confidential data, email, mobile devices and passwords. Tools such as Data Loss Prevention (DLP) and Identity and Access Management (IAM) have also been deployed to tackle different threats and unauthorised access to the systems and networks.
A disaster recovery system has been established for all business critical applications.

Social & Relationship Capital



Community Development

In our commitment towards good corporate citizenship, we are determined to create a positive social change. Corporate Social Responsibility (CSR) attempts to transform the landscape of our businesses with a focus on creating value for indigent communities that desire a secure future by creating sustainable livelihoods for them.

We consider stakeholder inclusivity as a critical driver for conceptualising projects. Broadly categorising stakeholders as internal and external, we interact and communicate with each group, valuing every standpoint and suggestion. Every CSR programme is co-created through continuous engagement with internal (employees and senior management) and external (implementation partners, government authorities and rural communities) stakeholders. Our CSR committee has devised a group-wide policy that outlines the activities to be undertaken by our Company for creating value for communities. Our social responsibility agenda is aligned with United Nation's global development agenda of Sustainable Development Goals (SDG) particularly 'No Poverty' (SDG -1), 'Gender equality' (SDG -5), 'Climate Action' (SDG 13) and 'Partnership for the goals' (SDG 17). The CSR policy transcends individual inclinations to bring together all stakeholders into one-fold. They are prioritised based on their degree of impact on LTFH and vice versa. This focussed approach enables us to direct our efforts and channel our energy to the identified set of programmes.



CSR Vision

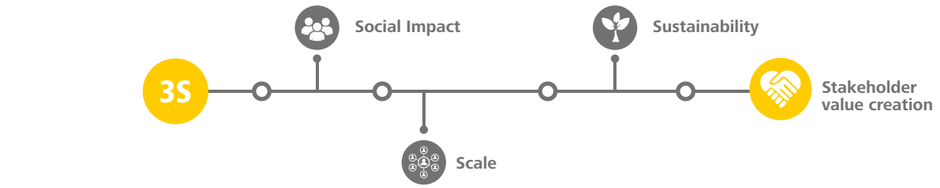
We aspire for an inclusive social transformation of the rural communities we serve by nurturing and creating opportunities for sustainable livelihoods for them.

CSR Mission

Our mission is to reach marginalised farmers and women micro-entrepreneurs in the rural communities that we serve and work towards rejuvenating their eco-systems thereby creating sustainable livelihoods and enabling financial inclusion.

Our 3-S CSR approach is aligned to the organisation's purpose of using the ideal balance of Right Businesses, Right Structure and Right People, to maximise stakeholder value.

A framework of 3S, i.e., Social Impact, Scale and Sustainability are the key elements to implement our CSR projects



Right Projects
Improve quality of life for farmers & rural women entrepreneur

Right Structures
Availability of sufficient quantity of water in rainfed areas 365 days a year and capacity building of rural eco-system

Right Partners
The number of beneficiaries impacted in villages

Focus on Social Returns on investment for Stakeholder Value Creation

Project-based approach

We follow a project-based accountability approach to emphasise on the long-term sustainability of our CSR interventions. Our action plan is clearly defined for mid-term and long-term projects wherein we conduct baseline, midline and end-line surveys with clearly defined measurable outcomes.



Project **monitoring**

Each programme is aligned to generate certain deliverables that are derived with a clear co-creation exercise with implementing agencies. We follow the Logical Framework Analysis with regards to our CSR projects with defined output, outcome and impact indicators. The project Memorandum of Understanding (MoU) enunciates each activity and aligns deliverables to the objectives of the project. To support clear understanding, the outcome and impact indicators are clearly mapped in the MoU as well. In order to standardise data from the fields of intervention, reporting and monitoring, templates have been developed for each CSR project. The implementing agency has to submit quarterly programme reports as per the formats. The CSR team interacts with the implementation partners of the respective projects on a weekly basis to monitor progress .

Our **CSR Thrust** areas

Responding to the need to create a sustainable and inclusive ecosystem, our key CSR efforts are woven around Sustainable Livelihoods for rural communities facilitated by two thematic areas of intervention - Integrated Water Resource Management and Digital Financial Inclusion for Women Empowerment. We also work in the areas of Disaster Relief and Road Safety.



Integrated Water Resource Management (IWRM)

Water being a key lifeline for rural livelihoods, we are committed to chart out long-term innovative solutions benefitting water-deprived communities. The IWRM programme engages with the communities to prepare and implement interventions which address their core need of water availability and enhance the rural economy through agriculture and allied activities. We gained an in-depth understanding of the water scarcity and related distress faced by farmers and the community at large, subsequent to the severe drought faced by the Marathwada region of Maharashtra in FY2014-15.

The Jalvaibhav programme

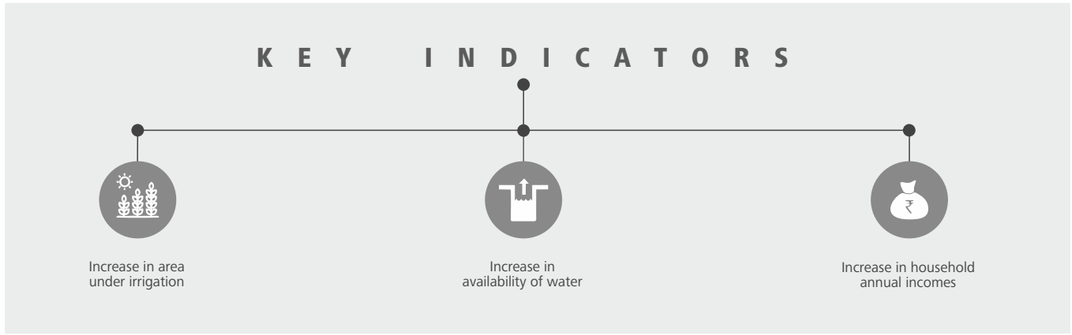
As a response to this long-term effect of climate change, we extended support to these communities to ensure drought mitigation and resilience building activities in 62 villages of Beed, Latur, Osmanabad and Solapur districts by designing a programme called 'Jalvaibhav'.



The objective of the programme was to not only create water structures, but also to strengthen resilience and adaptive capacity to climate-related hazards amongst the community. To improve education, awareness and institutional capacity on climate change mitigation and adaptation and to further enhance livelihood of the community, the programme strategies included:

- Components of early warning and drought monitoring
- Contingency crop planning for drought proofing
- Integrated watershed management by creation of structures
- Improved agronomic (water saving) practices
- Alternative land use systems
- Livestock management activities
- Animal health and nourishment
- Fodder resources and socio-economic impacts





Impact and outcomes

- **23% increase in ground water levels (in Meters) - 0.73 to 0.90**
- **25% increase in water storage (in Thousand Cubic Meter) - 1,115 to 1,412**
- **19% increase in Rabi crop area (in Hectares) - 5,482 to 6,507**
- **4% increase in irrigated area for cultivation (in Hectares) - 4,199 to 4,383**
- **16% increase in household annual incomes (₹ 60,500 to ₹ 70,320)**

Digital Financial Inclusion

Our efforts are to create livelihood opportunities for farmers and women, and educate them to imbibe the nuances of financial literacy. This leads to enhanced absorption of facilities and schemes granted by the Government and other financial institutions. This also helps to percolate the national agenda of creating a cashless economy by bringing in digital modes of payment into their daily lives. This will be a timely intervention in the current context with numerous catalysts being enabled by the Government towards a Digital India.

The Digital Sakhi programme



We have established a rural finance portfolio wherein the business directly engages with the rural community. This enables us to understand the challenges faced by farmers, women entrepreneurs and the community at large. Baseline and Needs Assessment (BAN), a scientific study, was conducted to ascertain the socio-economic indicators, the existing infrastructure and prevalent practices amongst communities. The findings of this study were compared with the secondary data sources available in the public domain. The results were conclusive that the geographies fared poorly on human development indicators such as education levels, income levels and most importantly women empowerment. Multiple data points suggested that most women from the identified geographies lacked any kind of contribution in household financial decision-making, despite being actively involved in income-generation activities.

In light of this, we designed a programme called 'Digital Sakhi', which focuses on **Sustainable Development Goal (SDG) 5. – Gender Equality**. Believing that women, when empowered with relevant skills can become efficient change agents in their community, we created the programme for the under-resourced communities.

Under this programme, 100 women, Digital Sakhis, are identified from the community and trained extensively on digital financial literacy (DFL), leadership and technology. Each of these women are equipped with a mobile tablet with pre-loaded DFL modules. Leveraging strengths from within the organisation, the DFL modules were prepared in-house by a cross-functional team. This helped disseminate information throughout the community on digital payments and other relevant government schemes.

Additionally, this programme selects 1,000 women entrepreneurs practising goat rearing, poultry, dairy and tailoring and provides training in their respective trades to yield better produce. These women entrepreneurs are also meticulously trained on enterprise development wherein they are taught to collaboratively develop market linkages and ascertain higher bargaining rights. Simultaneously, these 1,000 women entrepreneurs are trained to perform their business transactions through digital modes by the 100 Digital Sakhis.

This programme began in June 2017 across 30 villages of Pune, Osmanabad and Solapur districts of Maharashtra. It was later scaled up to 32 villages of Dhar and Bharwani districts of Madhya Pradesh, 20 villages of Villupuram district of Tamil Nadu and 20 villages of Boudh and Balangir districts of Odisha in FY2019.

Digital Sakhis

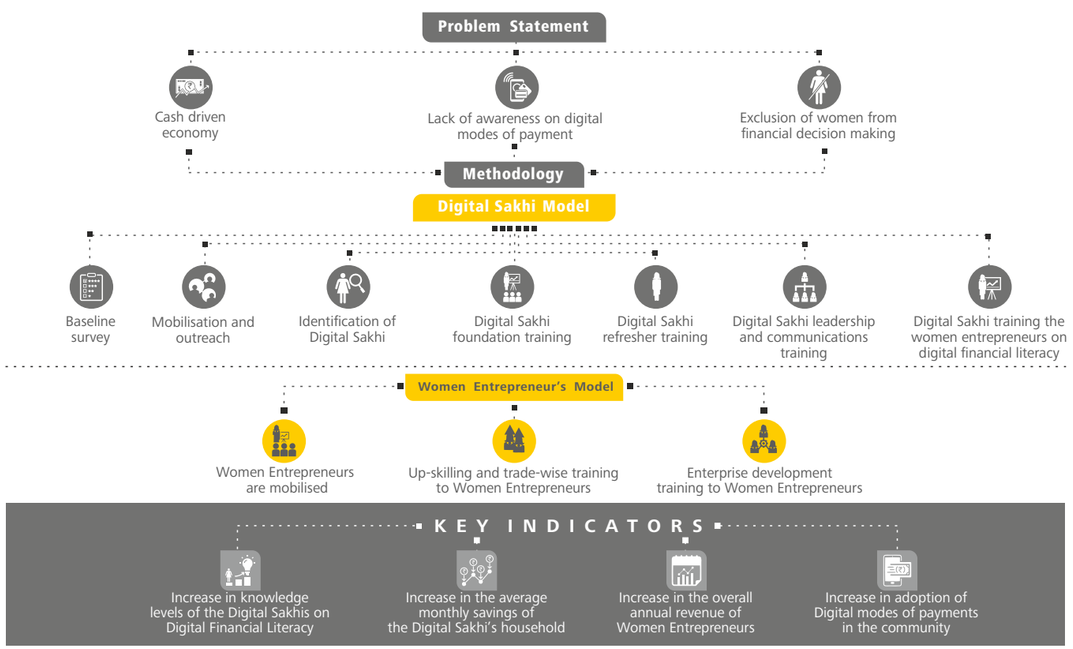


Certain data points of the BAN study suggested that Financial Inclusion can only be augmented by livelihood enhancement of the community. To ensure that the learnings imparted to the women entrepreneurs through up-skilling, leadership and EDP training are being put to practice, we organised a Business Plan Competition (BPC) in Maharashtra wherein we encouraged all our rural women entrepreneurs (WEs) to apply.

The BPC is a unique initiative as it resembles the real-world process of launching, developing and scaling up a business venture in a rural ecosystem. 521 rural WEs from the three districts participated in the competition, out of which 24 women were short-listed and awarded at the event. Prizes worth ₹ 10.6 lakh were distributed amongst the 24 WEs which will help them scale up their businesses. The top three winners of the competition were:



- 1st Prize - ₹ 1,50,000/- Ms. Anuradha Kamble, Taluka- Karmala, Dist- Solapur, Trade - Goatery
- 2nd Prize - ₹ 1,00,000/- Ms. Pratibha Girme, Taluka- Daund, Dist- Pune, Trade - Goatery
- 3rd Prize - ₹ 75,000/- Ms. Sarika Tope, Taluka- Kalamb, Dist- Osmanabad, Trade - Dairy



Impact and outcomes

- **13.86% increase in knowledge level of Digital Sakhis (50% to 63.86%)**
- **11.6% increase in household average monthly savings of the 100 Digital Sakhis (₹ 1,848 to ₹ 2,063)**
- **36% increase in usage of digital modes of payments in our project villages (27% to 63%)**
- **13.24% increase in annual profits of the women entrepreneurs (₹ 25,548 to ₹ 28,930)**

Disaster Relief

The frequency as well as severity of disasters, natural or man-made are increasing day-by-day and we, as part of the community, have a significant role to play in mitigating the impacts of these disasters. Taking cognisance of this, relief and rehabilitation of communities coping with after-effects of these disasters, has become an important component of LTFH's CSR policy. We have been contributing to disaster relief through relief campaigns where employees also participate directly.

Recently, Kerala suffered from one of the most frightful floods in its history and our employees volunteered to support the relief programme. A group of our employees worked tirelessly to ensure that relief packets were provided to the affected people.



Road Safety

Every year, thousands of lives are lost on the roads nationwide. Creating awareness about road safety among our younger generation has become imperative to reduce the perils of unsafe driving practices.

In an attempt to promote safety on roads, LTFH along with its implementing partners is working towards spreading awareness on road safety amongst school children and community members. In addition to this, LTFH has also partnered with the Mumbai Traffic Police to support and strengthen the existing road traffic management and facilitate seamless traffic control. Also, youth traffic wardens are being supported under this programme, which is leading to additional employment generation.



'Boondein'- Employee Volunteering Programme

Engaging the key stakeholder group i.e. our employees, into the larger structure of the organisation allows for an interactive and participative environment that is aligned to our work culture. We believe that the effort put in by each employee is a 'Boond' (droplet) which has the potential to create incremental yet impactful changes in the lives of those in need. Through Boondein, we attempt to create a culture of sharing wherein employees directly work towards social changes by building capacities of the lesser privileged communities.



Impact and Outcomes

- **768 employee volunteers**
- **2,200+ hours contributed towards CSR activities**
- **Reaching out to 20,000+ beneficiaries**

During the reporting period, we spent a total of ₹ 13.38 Cr. on our CSR initiatives.

CSR activities undertaken

Digital Financial Inclusion - Maharashtra, Madhya Pradesh, Tamil Nadu and Odisha

Integrated water resource management (Jalvaibhav) - Maharashtra - Beed, Latur, Solapur and Osmanabad districts

Relief and Rehabilitation - Kerala

Road safety - Mumbai, Maharashtra

Access to health services and breast cancer screening - Nagpur, Maharashtra

OVERALL CSR HIGHLIGHTS

Outreach to
2,00,000+
community members and their households

Created a cadre of
400
Digital Sakhis across Maharashtra, Madhya Pradesh, Tamil Nadu and Odisha

Up-skilled
3,500+
Women Entrepreneurs

Enhanced incomes of
30,000+
farmers

Relief and Rehabilitation provided to about
16,216
beneficiaries in Kerala and Tamil Nadu

Breast Cancer screening for
26,000
women in Maharashtra

Capacity Building of Implementation Partners

Workshops are organised with our implementation partners to create project models which imbibe the ethos of the identified communities. In order to enhance the execution capabilities of the implementation partners, we encourage them to apply for national- and state-level conferences and seminars of repute which are often funded by us.

One such event was 'Convergence' - an annual event from 29 th to 31st August 2018, wherein implementing partners of our Digital Financial Inclusion and Integrated Water Resource Management programmes were invited to the L&T Leadership Development Academy at Lonavala. The event was organised to explore opportunities to collaborate with each other in order to maximise the social impact of LTFH's CSR programmes. A Social Return on Investment (SRoI) practitioner training was also part of this event. All of our CSR implementation partners are now certified SRoI practitioners and can measure the impact of our programmes from an impact-oriented lens.



Communicating Progress to Stakeholders

Communication plays a significant role in articulating our long-term commitment to the communities which are identified for CSR interventions. We ensure that a momentum is created within the organisation through regular communication on the achievements, milestones and impact created through the CSR programmes. An active internal employee portal named 'MyLTFS' is also used to ensure that all facets of our CSR activities are communicated across the organisation. This fosters a sense of ownership among the employees and motivates them to whole-heartedly participate in these initiatives.

Moreover, our corporate website also encapsulates the progress of programmes for the benefit of our external stakeholders. News articles on programmes, social media bulletins on workshops and other events are prepared at regular intervals to ensure that the interested readers get updated about our CSR achievements.

To present our learnings garnered over two years of implementing the Digital Sakhi - Digital Financial Literacy programme, we released a white paper based on the learnings in Maharashtra, Madhya Pradesh, Tamil Nadu and Odisha in February 2019. The paper titled "Finclusion - Empowering Women through Digital Financial Inclusion" identifies the issues and barriers, especially for rural women, in adopting digital finance and offers tangible solutions to facilitate more women into the world of digital finance. The event was conducted at **TERI School of Advanced Studies**, New Delhi and was inaugurated by **Mr. Suresh Prabhu, Honorable Minister** of **Commerce & Civil Aviation** through a video message. The white paper was released at the Digital Financial Inclusion Round Table, organised by us in the presence of **Mr. Prasanta Kumar Swain, Jt Secretary, Ministry of Agriculture, Mr. Manoj Shenoy, CE, Wealth Management & Group Head CSR - L&T Financial Services, Guest of Honour, Mr. Gokul Patnaik. (Retd IAS) and Dr. Leena Srivastava, Vice Chancellor, TERI School of Advanced Studies.** The release of the white paper was followed by two participatory dialogues on 'Partnerships for Effective Delivery of Financial Inclusion' and 'Role of Women Change Agents in Empowering Communities through Digital Finance.'

Our IWRM programme in Beed - Jalvaibhav, was selected as a case study in December, 2018 by the United Nations Global Compact - India at the 2nd Sustainable Global Summit- Leveraging CSR for SDG held in Mumbai. The case study was presented jointly with our NGO partner. Our primary focus was on addressing SDG 13- Climate action through our soil and water management techniques.



Natural Capital



Our organisation believes in striking a balance between driving financial growth and protecting the environment. We take steps towards efficient management of our environmental impact through various initiatives which include investing in renewable energy, managing resource consumption and driving energy efficiency.

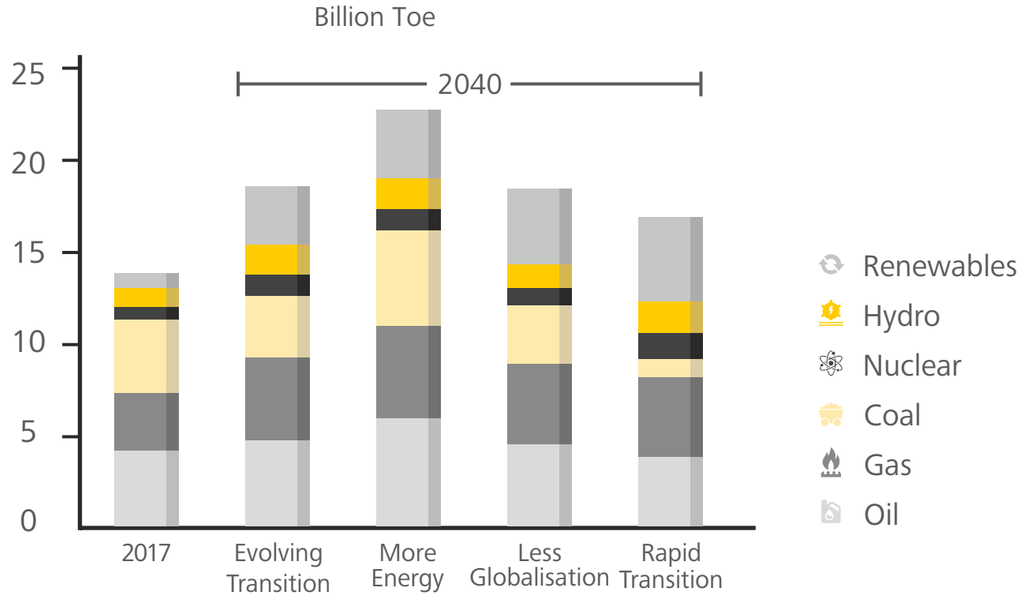
Lending to Renewable Energy - A viable business case

As per the recent British Petroleum (BP) Energy Outlook Report 2019, global energy demand is expected to grow by 33% by 2040. Renewables account for around two-thirds of the increase in power generation, with their share in the global power sector increasing to around 30%. It is expected that by 2040 renewables will become the primary source of energy in the global power sector with 29% of all primary energy generation.

Approximately 67% of the increase in energy demand is driven by the emerging markets. China's transition to a more sustainable pattern of economic growth means that by the mid-2020s, India will surpass China as the world's largest growth market, accounting for over a quarter of the growth in global energy demand. Even so, China will remain the largest market for energy: roughly double the size of India in 2040.

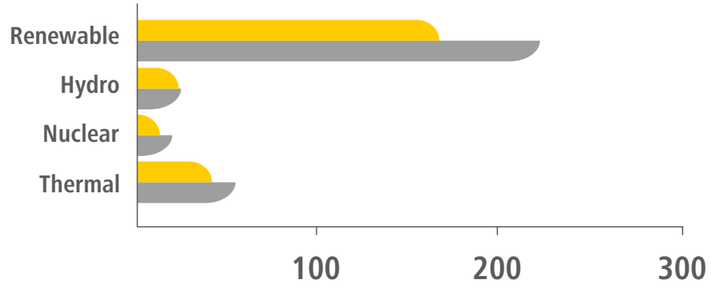
In India, the power demand has increased at 5.1% CAGR over the past 10 years as against GDP growth of 6.9% CAGR. Against this backdrop, power demand is expected to reach 1,863 Billion Kwh in 2027. With limitations of coal thermal plant commissioning, this burgeoning demand is expected to be met through installation of 156 GW of renewable energy projects.

Primary energy consumption by fuel



India has already established itself as a strong player in the renewable energy market. Under the Paris climate agreement, our country has committed to reduce its carbon emission intensity (emission per unit of GDP) by 33-35% and produce 40% of its installed electricity capacity from non-fossil fuels source by 2030.

Estimated Capacity Addition by FY2027 in GW



	Thermal	Nuclear	Hydro	Renewable
LTFH Estimates	35	5	19	156
Govt. Estimates	48	10	19	218

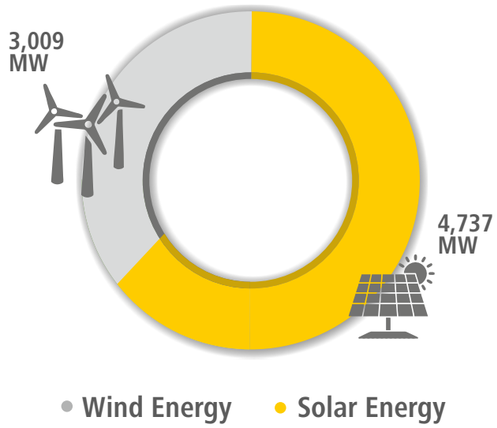
In line with this proposition, we have built renewable energy financing as a core offering in the infrastructure financing space based on following major parameters:

- **Scope for growth**
- **Viability of projects**
- **Lowest cost medium for power production**
- **Favourable environmental impact.**

We are currently the largest financier of renewable power in the country. During FY2018-19, we have financed 7,746 MW of wind and solar power. By doing so we have helped avoid approximately 13.9 million tonnes of CO_2e GHG emissions from being released into the atmosphere. Our renewable energy loan book size for the reporting period was approximately ₹ 19,508 Cr.

We were awarded the "Best Renewable Energy Financier of the Year 2017" by the Renewable Energy Investment and Finance Forum in Solar and Wind Sector.

LTFH - Renewable Energy Financed



Energy Consumption within the Organisation

Over a period of time, organisations have evolved from managing negative impacts of their operations to actively enhancing efficiencies to optimise the use of the 'natural capital'. This has enabled companies to use their resources efficiently and do 'more' with 'less'. We have a similar outlook when it comes to managing our environmental performance. We take cognizance of the need to closely monitor our energy consumption in an effort to improve our energy management systems.

We have undertaken the following initiatives within our Corporate headquarters in Mumbai, which is a Leadership in Energy and Environment Design (LEED), Gold-certified building as well:

- **Installing sensor-based lighting within the office premises which automatically turns the lights off when not in use.**
- **Setting up Variable Frequency Drives (VFD's) for Air Handling Units and pumps for optimum use of electricity.**
- **Installing LED-based energy efficient lighting fixtures in our office premises.**
- **Installing a Sewage Treatment Plant (STP) for treatment of waste water to be reused for gardening and air conditioning.**

The primary source of energy for our organisation is electricity purchased from the grid for our Corporate headquarters, regional offices and branches. Our offices are also equipped with diesel generators primarily for emergency power requirements.

Total Energy Consumed Within the Organisation	FY2018-19
Total Energy Consumption (GJ)*	23,796.63

**Total Energy consumption refers to electricity and fuel consumption*

Energy Saving Initiatives

We have implemented several technological solutions to conserve electricity and enhance efficiency. These include installation of energy efficient equipment like sensor-based lighting in office premises, VFD's for air handling units, replacing the existing conventional lighting to LED's and shutting down of air-conditioners beyond operational hours. Engagement with employees is also carried out on a regular basis to spread awareness about the impact they have on the environment.

In the FY2018-19, our organisation utilised 23,021.59 GJ of electricity pan-India.

Electricity Saved (in KWh)	Emission reduced (in Tonnes of CO_2 eq)
12,13,799.83	995.31

Water Management

Currently, we are monitoring the total volume of water being consumed primarily within the corporate office and are working on development of mechanisms and systems that will help to improve the water management across our regional and branch offices. Further, we are also in the process of designing initiatives which will help in recycling and conservation of water. A Sewage Treatment Plant (STP) is used for treatment of waste water, at our Corporate office, and the treated water is reused for gardening and air conditioning purposes.

Water Consumption	FY2018-19
Total Water Consumption (KL)	17,462.8

Emissions

We believe that our operational efficiency will be further enhanced by measuring, managing and mitigating Greenhouse Gas (GHG) emissions. The total carbon footprint is categorised into Scope 1, Scope 2 and Scope 3 emissions. We are also in the process of phasing out the ozone-depleting substances (ODS) by reducing our use of them. We remain committed to reducing our GHG emissions and the related impacts in the following years.

GHG Emissions	Units	FY2018-19
Scope 1	tCO_2 eq	57.43
Scope 2	tCO_2 eq	5,243.8
Total Emission (Scope 1 + Scope 2)	tCO_2 eq	5301.23
Scope 3	tCO_2 eq	5,248
Total No of employees	Nos	21,042
Scope 1 & 2 intensity per employee		0.25
Ozone Depleting Substances (ODS)	Kg	2848.17

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	102-7	Scale of the organisation	10
	102-8	Information on employees and other workers	55
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	102-49	Changes in reporting	This is LTFH's first Sustainability Report therefore not applicable
	102-50	Reporting period	4
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	36 - 37
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	36 - 37
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	103-3	Evaluation of the management approach	26, 34 - 35

SDG Mapping

SDG #	SDG Description	GRI Topic	GRI Standard Indicator
1	End poverty in all its forms everywhere	Local Communities Indirect Economic Impact	GRI 413-1 GRI 203-1
4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Training and Education Local Communities	GRI 404-1 GRI 413-1
5	Achieve gender equality and empower all women and girls	Diversity and Equal Opportunity	GRI 405-1
7	Ensure access to affordable, reliable, sustainable and modern energy for all	Energy	GRI 302-1
8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Diversity and Equal Opportunity Training and Education Energy	GRI 405-1 GRI 404-1 GRI 302-1, 302-4
9	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Local Communities	GRI 413-1
12	Ensure sustainable consumption and production patterns	Energy	GRI 302-1, 302-4
13	Take urgent action to combat climate change and its impacts	Energy Emissions Economic Performance	GRI 302-1, 302-4 GRI 305-1,305-2,305-3 GRI 201-2
17	Strengthen the means of implementation and revitalise the global partnership for sustainable development	Non- GRI	

Glossary

AC	Audit Committee
ALMLC	Asset Liability Management Committee
AAUM	Average Assets Under Management
AMF	Association of Mutual Funds
BAN	Baseline and Needs Assessment
BOD	Board of Directors
BP	British Petroleum
BSE	Bombay Stock Exchange
CAGR	Compound Annual Growth Rate
CARE	Credit Analysis & Research
CEA	Central Electricity Authority
CEO	Chief Executive Officer
CII	Confederation of Indian Industry
CO2e	Carbon Dioxide Equivalent
COD	Committee of Directors
COE	Centers of Excellence
CSR	Corporate Social Responsibility
DFL	Digital Financial Literacy
DLP	Data Loss Prevention
e-NAM	Electronic National Agriculture Market
ESG	Environmental, Social & Governance
ESOP	Employee Stock Ownership Plan
EWS	Early Warning Signal
FICCI	The Federation of Indian Chambers of Commerce and Industry
FY	Financial Year
GDP	Gross Domestic Product
GEC	Group Executive Committee
GHG	Green House Gas
GJ	Giga Joule
GRI	Global Reporting Initiative
GST	Goods and Services Tax

GVA	Gross Value Added
GW	Giga Watt
HFC	Housing Finance Companies
IAM	Identity and Access Management
ICRA	Investment Information and Credit Rating Agency
ID	Independent Director
IDF	Infrastructure Debt Fund
IFC	International Finance Corporation
IIBF	International Institute of Banking and Finance
INR	Indian Rupee
IT	Information Technology
IWRM	Integrated Water Resource Management
JLG	Joint Liability Group
KPI	Key Performance Indicator
KRA	Key Responsibilities Areas
KWh	Kilo Watt Hour
L&T	Larsen & Toubro
LAP	Loan Against Property
LED	Light Emitting Diode
LEED	Leadership in Energy and Environment Design
LTFH	L&T Finance Holdings Ltd
MD	Managing Director
MF	Mutual Funds
MoU	Memorandum of Understanding
MT	Management Trainee
MW	Mega Watt
NBFC	Non-Banking Financial Company
NBFC CIC	Non-Banking Financial Company - Core Investment Company
ND	Nominee Director
NED	Non-Executive Director
NH	National Highways
NIMS	Net Interest Margins Securities

NPA	Non-Performing Assets
NRC	Nomination & Remuneration Committee
NSE	National Stock Exchange
ODS	Ozone Depleting Substance
OEM	Original Equipment Managers
PAT	Profit After Tax
POSH	Prevention of Sexual Harassment
RAS	Risk Appetite Statement
RBI	Reserve Bank of India
RERA	Real Estate Regulation Act
RMC	Risk Management Committee
RoE	Return on Equity
SDG	Sustainable Development Goals
SEBI	Securities and Exchange Board of India
SRC	Stakeholders Relationship Committee
SRI	Socially Responsible Investment
STP	Sewage Treatment Plant
TAT	Turn Around Time
UAE	United Arab Emirates
VFD	Variable Frequency Drive
WBIC	Whistle Blower Investigation Committee
TAT	Turn Around Time
UAE	United Arab Emirates
VFD	Variable Frequency Drive
WBIC	Whistle Blower Investigation Committee

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NOTES

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