

SUSTAINABILITY REPORT 2009



*Conditions apply

This planet we call home is like no other in the galaxy. No other body in orbit has the cocoon of atmosphere that sustains life; nowhere else do waters flow from summit to sea, nourishing civilisations along the way. This unique, beautiful and bountiful world of ours has helped mankind flourish across time. It can certainly provide for us far into the future, but...
conditions apply.

We approach the often used 'conditions apply' from a different perspective. We study the prevalent 'conditions' of the physical and business environment and thereafter 'apply' focussed measures to combat challenges and ferret out opportunities for a more sustainable future.



2008-09 will go down as one of the most turbulent times in recent history. Risks took centre stage while returns receded in the shadows. Financial meltdown stared global economy in the face. Impacts of climate change gained severity. Job loss and confidence meltdown pushed social inequalities to the fore. Trying times that really put the sustainability of many an organisation to test.

L&T demonstrated its ability to navigate through these adverse economic, environmental and social conditions by applying effective organisation level strategies. Bringing into play its acumen, expertise and experience, L&T responded rapidly to this period of economic tumult, putting in place a slew of measures to counter the emerging challenges and turned some of them into opportunities.

Our second sustainability report shares in detail the initiatives we undertook and the results achieved.

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message
from CMD



“The financial crisis in 2008 is a warning that whenever organisational interests are not aligned to sustainable goals, it can bring down the biggest of business goliaths.”

Dear Reader,

I am happy to present our second Sustainability Report. We at L&T view 'sustainability' as an inseparable part of doing business, and have all along ensured that our business agenda today does not compromise the interests of the future. For us 'sustainability' is not just 'survivability' but 'thrivability'. During this difficult period, we not only overcame challenges but transformed some of them into opportunities to post an impressive performance across the triple bottom line.

Throughout the year, we responded by seeking progressive platforms that would provide sustainable growth, and future-ready technologies; we fostered a work culture to inspire innovation, speed and efficiency. We continued to fulfill our social responsibilities and lay the foundations for a sustainable future.

In our sustainability journey, the biggest milestone we crossed during the year was the formulation of concrete targets and timelines in specific areas like energy & water conservation, training & skill development, safety, health and people engagement. Each Operating Division is committed to achieve these sustainability targets. We have also extended the scope of the report to cover additional locations including operations of L&T Infotech.

Our Sustainability Levers

At L&T, we have adopted a twin pronged approach to the practice of sustainability. As India's leading Engineering & Construction Company, we believe that the greatest contribution we can make through our sustainable efforts is to develop 'sustainable infrastructure' and a 'sustainable product portfolio'.

In an effort to develop sustainable infrastructure we have ingrained environmental enhancement, resource conservation, pollution prevention/control and waste management techniques into our business processes.

We have invested extensively in setting up manufacturing facilities for cleaner and sustainable energy generation equipment, such as Supercritical boilers & turbines and forgings for nuclear and hydrocarbon reactors. Plans are also underway to tap into more renewable energy sources such as Solar.

We are also minimising the environmental impact of our existing products by becoming more resource efficient and introducing sustainable practices across the product life cycle. Through stringent monitoring of activities at project sites and manufacturing locations we are working towards reducing our carbon footprint.

Our vision is to become a technological growth engine that will power the country's future across core sectors such as infrastructure, defense, aerospace and nuclear energy.

Sustainability - A Human Aspect

Talent is the most critical resource today and nurturing it occupies our undivided attention. We lead and empower this resource to perform at peak potential. L&T continues to remain a sustainable and stable career destination, despite uncertainty in the employment market.

We employ an integrated approach to develop employees. We help them progress professionally and personally through capacity building, training programs, career planning, constant feedback and appreciation.

Strong emphasis is laid on identifying and honing potential leaders. By creating a team of leaders we are not just building our talent pool but also augmenting the talent quotient of the industry.

Laying the Foundation for a Stronger Society

India is a constellation of cities, towns and villages categorised by isolated and uneven growth. This growing divide between the rich and poor economies has serious social implications for the country. It is imperative that India aims for inclusive growth. On our part, we are leveraging our countrywide presence and capabilities to reduce disparities through specific interventions in education and healthcare. Our regular and close interactions with the local community members have enabled us to identify their pressing needs and we have strategically aligned our interests with those of the community.

We view skill building and training as the most potent means of empowerment. Our 'Construction Skills Training Institutes' provide the unemployed rural workforce access to certified training and thereby helps them increase their employability and secure a livelihood. We are also working in close coordination with several state governments including Gujarat, Rajasthan and Maharashtra to extend the reach and coverage of our skill building initiative.

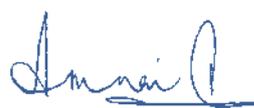
As part of another social initiative, we reached out to over 170,000 mothers and children across India through our health centres and programs to ensure they receive regular medical attention.

A thrust area this year was 'harnessing the power of our employees as change agents' and in response our employee volunteering movement L&Teers - gathered further momentum.

The Future

We are aware that the coming times can hold challenges of unexpected complexity, and we are proactively taking steps to be future ready. We will actively strive to play a leadership role in sustainability by constantly seeking alternative growth platforms, accentuating our efforts to develop the competencies and attitudinal skills of our people. The values that form the foundation of our business practices are part of our heritage, and we are committed to carry them forward. We will harness sustainability drivers in our unique way to create an organisation that will innovate and lead.

We encourage active involvement of all our stakeholders as we march ahead in our sustainability journey.



A. M. Naik
Chairman & Managing Director



VISION

L&T shall be a professionally-managed Indian multinational, committed to total customer satisfaction and enhancing shareholder value.

L&T-ites shall be an innovative, entrepreneurial and empowered team constantly creating value and attaining global benchmarks.

L&T shall foster a culture of caring, trust and continuous learning while meeting expectations of employees, stakeholders and society.

LARSEN & TOUBRO LIMITED

L&T's Chairman & Managing Director, Mr. A. M. Naik was conferred one of the country's most coveted honours - the Padma Bhushan for his contribution to Indian industry, and the role that the Company played in nation building.



“Leading a company that is helping to build the nation is a matter of pride in itself. To receive high national recognition for this service is indeed heartening. It is my privilege to accept the Padma Bhushan on behalf of all the employees of the Company for whom the L&T story is always interwoven with the larger interests of India.”



message from executive directors

Top management commitment drives sustainability at L&T, and is integral to our strategy of strengthening our competitive position and make a significant difference to society.



Y.M. Deosthalee
Finance & HR

The significance of the “Triple Bottom Line” is being felt today as never before. L&T acknowledges its responsibility in playing an instrumental role in this period of change. We understand that the social & environmental challenges are as dynamic as the financial issues. We have therefore put in place a robust structure to address them effectively and ensure that the commitment to conduct business with an innate sense of responsibility is disseminated throughout the organisation.

The emphasis is not solely on increasing profits but also improving the efficiency of business decisions to minimise the environmental and social costs.



K.V. Rangaswami
Construction Division

There is a growing realisation that “Sustainability” is not just another “Environmental” or “Social Policy”. It represents a business opportunity which simultaneously enables us to meet stakeholder needs. The ECC Division continued its growth momentum across the year and prioritised action on resource conservation and training & development of our staff and contractworkmen.

We have outlined the following thrust areas which are dovetailed to the corporate sustainability roadmap:

- Design and construction of ‘Green Buildings’
- Use of alternative material in lieu of virgin material
- Strengthening the stakeholder engagement process
- Cascading the training and awareness creation process to improve safety standards
- Enhancing the rigour in reviewing and reporting on sustainability



K. Venkataramanan
E&C Projects Division

We believe that profitability and sustainability go together, and recognise the importance of ensuring an equitable future one which is in greater harmony with the environment.

As a division which executes critical projects for core sectors, we have always remained at the forefront of advocating and implementing technological advancements in process engineering and project execution & management. We execute projects in an environmentally and socially responsible manner.

We shall continue to seek, develop, and acquire new technologies that will bolster our commitment to sustainable development.



M.V. Kotwal
Heavy Engineering Division

HED meets global benchmarks in manufacturing a wide range of critical equipment for domestic and international customers. This calls for a sustained effort on the safety, health, environment & social fronts. A strategic priority, therefore, is to reinforce action on our sustainability goals.

Conserving resources, reducing the use of hazardous substances and minimising air, water & land pollution will remain our prime objectives. We are also addressing community needs in the vicinity of our operations through an array of social initiatives.

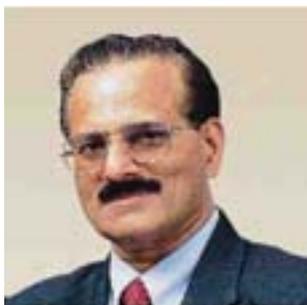


R.N. Mukhija
Electrical & Electronics Division

As India's largest switchgear manufacturer, we remain committed to sustainable development. For us, social responsibility and concern for the environment, go hand in hand with business development.

Environmental concerns are of high priority as we introduce innovative products that are RoHS compliant, energy efficient and eco friendly. We have sharpened our focus on key areas - cost competitiveness, process excellence, innovation and employee engagement.

Going forward, we plan to extend sustainable practices across the supply chain.



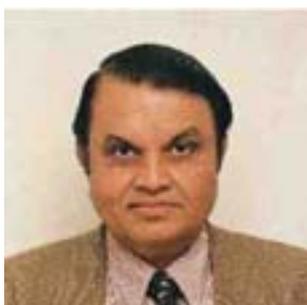
J.P. Nayak
Machinery & Industrial
Products Division

Our products, equipment and processes play a vital role across diverse sectors. This gives us the opportunity to implement sustainability practices across multiple stakeholders.

We seek to intensify our efforts to:

- Improve the energy efficiency of products through in-house capabilities
- Achieve higher levels of import substitution
- Invest in facilities for manufacture of components for wind turbines
- Increase training for customer personnel to propagate energy efficient practices and safe use of products

We are working towards enhancing the knowledge domain across industry forums and integrating efforts to achieve shared goals.



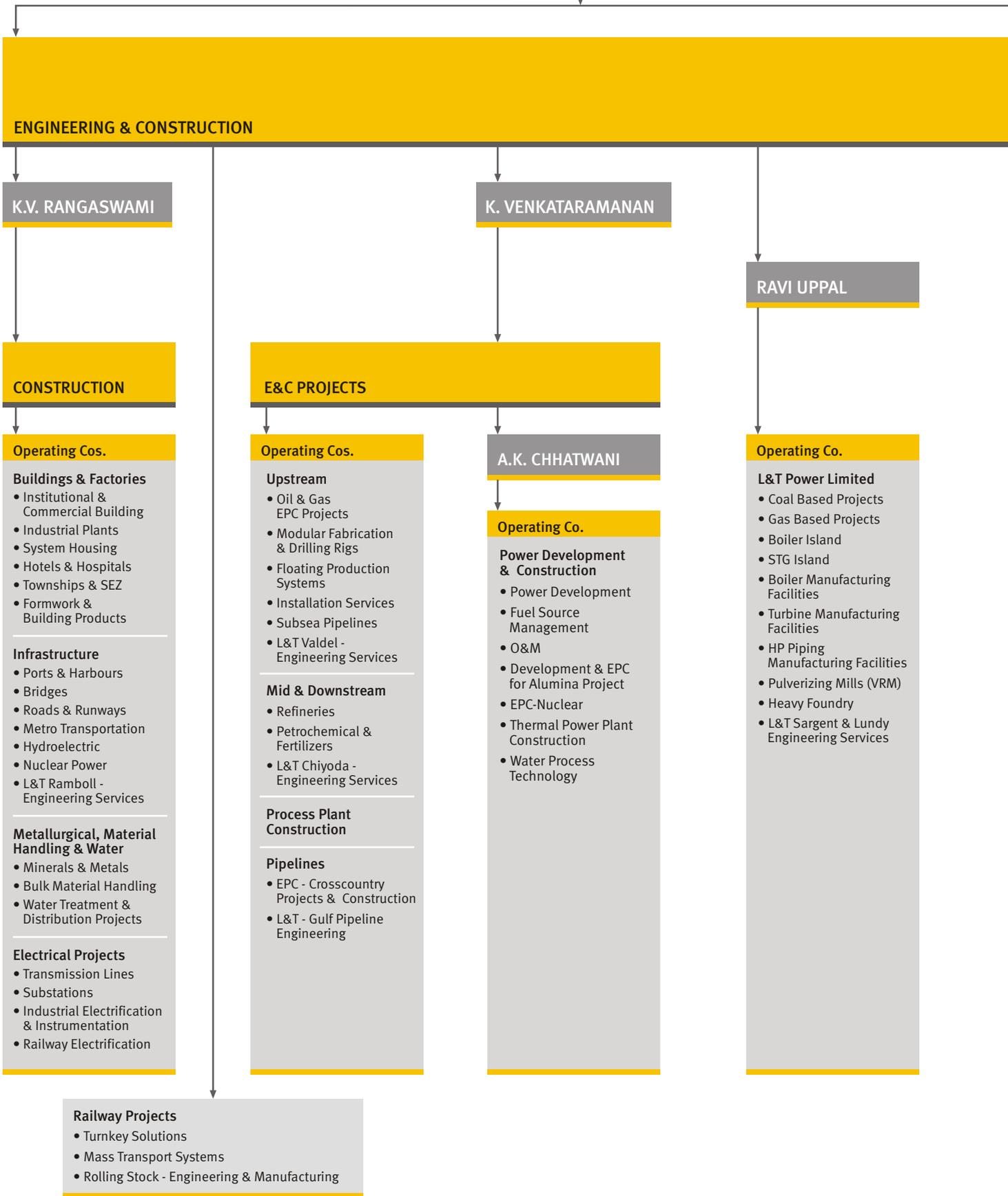
V.K. Magapu
L&T Infotech

We provide customised end-to-end IT solutions across several business verticals. Our solutions help in enhancing plant and people productivity and accelerating business processes.

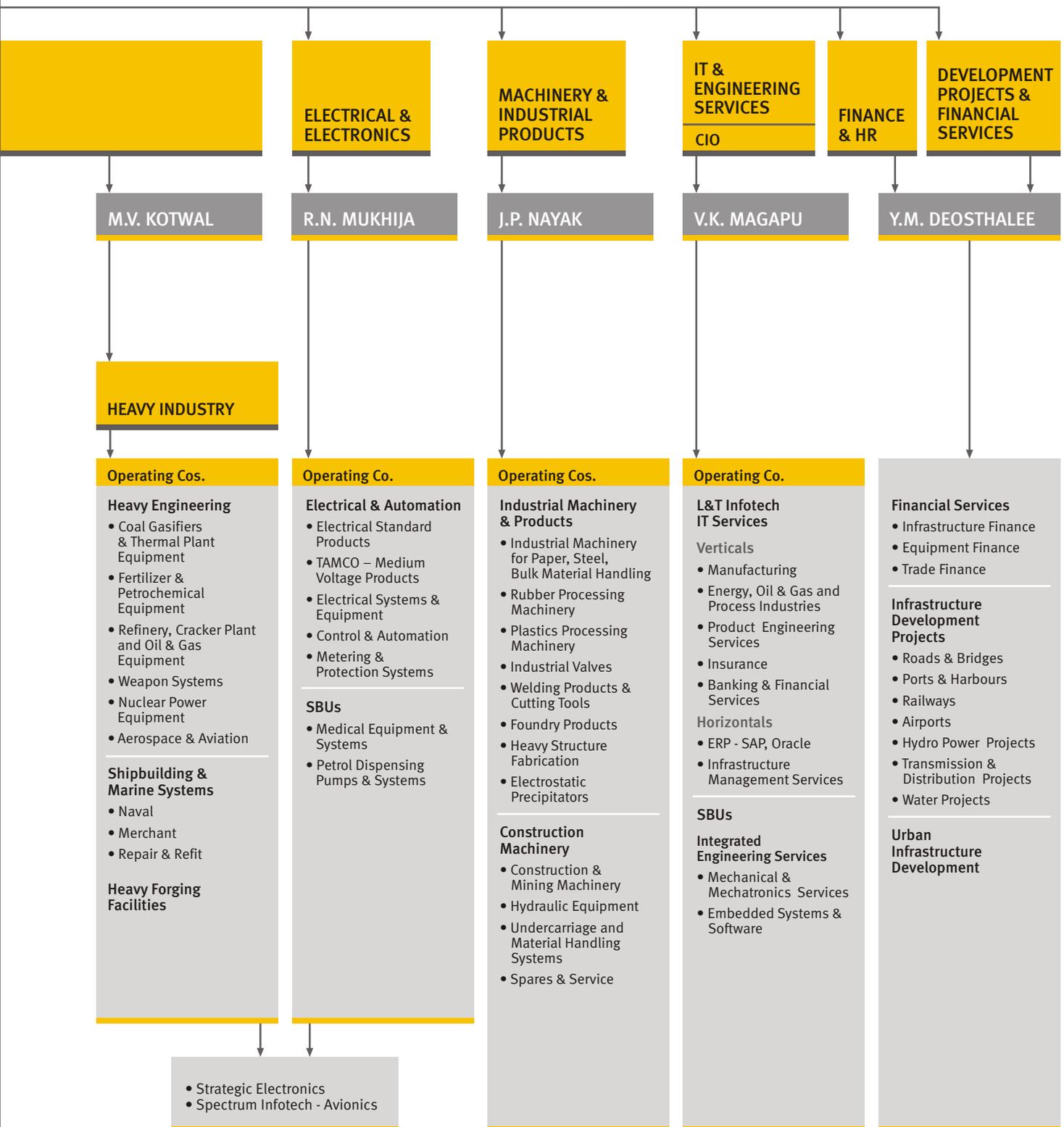
Sustainability is being propagated as a way of life at L&T Infotech. We have initiated a structured approach to our sustainability reporting, capturing the material economic, social and environment indicators.

Moving ahead, we shall monitor these indicators and set tangible targets.

A.M. NAIK
Chairman & Managing Director



INTERNATIONAL BUSINESS - L&T is consolidating its presence in the Middle East, Africa



and South East Asia by ramping up capabilities in EPC, Construction and Manufacturing



Engineering, Construction & Contracts Division - (ECCD)

The Engineering Construction & Contracts Division of L&T is India's largest construction organisation. Its leading edge capabilities cover every discipline of construction civil, mechanical, electrical and instrumentation. The Division plays a crucial role in the development of India's infrastructure. Many of the country's prized landmarks - its exquisite buildings, tallest structures, largest industrial projects, longest flyovers, highest viaducts, longest pipelines have all been built by L&T. The projects undertaken are large scale and call for advanced capabilities in project implementation, timely completion, inflation management, quality and safety. L&T has also expanded its focus to the Middle East, South East Asia, Russia, CIS, Mauritius and African & SAARC countries.



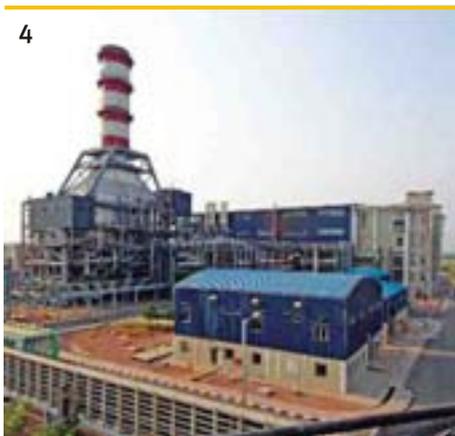
Engineering & Construction (Projects) Division - E&C (P)

It executes projects that engage its expertise in process technology, engineering (basic and detailed), modular fabrication, procurement, project management, construction and commissioning. It offers single-point responsibility under stringent delivery schedules across varied sectors hydrocarbon, nuclear power, mineral and water management among others. The Division manages lump sum turnkey projects. A safe workplace environment, reinforced by technical and managerial training, has helped retain talent and enhance productivity.



Heavy Engineering Division - (HED)

It is one of the world's leading manufacturers of technology-intensive, custom-made equipment & systems for core sectors such as refinery, petrochemical, fertiliser, chemical, oil & gas, power (thermal & nuclear) as well as shipbuilding, defense and aerospace. HED has established a reputation for quality, based on its strong engineering capabilities and state-of-the-art manufacturing facilities. New products and manufacturing technologies are developed at three Technology Development Centers. Having designed, manufactured and supplied critical hi-tech equipment & systems to more than 40 countries, HED has established a "Preferred supplier" relationship with many clients worldwide.



Power

L&T has synergised its internal strengths developed over decades in the areas of project management, engineering, manufacturing & construction and is focusing on opportunities in coal-based and gas-based power projects. This business provides turnkey solutions for setting up utility power plants, co-generation and captive power plants on EPC basis. L&T has formed two joint ventures with Mitsubishi Heavy Industries, Japan to manufacture supercritical boilers and steam turbine generators. In FY 2008-09, significant progress was made in setting up manufacturing facilities for supercritical boilers and turbines at Hazira.

1	Bangaluru International Airport	
2	Process platform installation & pipeline modification at Heera Complex of ONGC Limited	5 Control hub of a process plant
3	Methylamine converter for Chemanol - MA / DF plant	6 Mechanical & hydraulic tyre-curing press
4	388.5 MW natural-gas-fired combined-cycle power plant	7 Software Development Center, Navi Mumbai



5

Electrical & Electronics Division - (EBG)

It designs, manufactures and markets low and medium-voltage switchgear, switchboards, control and automation systems, metering and protection systems, petroleum dispensing pump and medical equipment. EBG products address the growing needs of diverse customers comprising farmers, urban households and commercial buildings. Besides, its products are required in healthcare equipment as well as a growing need for advanced protection, control and automation in a number of industries.



6

Machinery & Industrial Products Division - (MIPD)

L&T manufactures, markets and provides service support for critical construction and mining machinery - surface miners, hydraulic excavators, aggregate crushers, loader backhoes and vibratory compactors; supplies a wide range of rubber processing machinery and injection moulding machines; and markets valves and allied products and a range of sophisticated application-engineered welding alloys.



7

Information Technology

Larsen & Toubro Infotech Limited, a 100% subsidiary of L&T, offers comprehensive, end-to-end software solutions and services with a focus on Manufacturing, BFSI and Communications & Embedded Systems. It provides a cost cutting partnership in the realm of offshore outsourcing, application integration and package implementation. Leveraging the heritage and domain expertise of the parent company, its services encompass a broad technology spectrum, catering to leading international companies across the globe.



- ★ Registered Office
- Campus - covering facilities for manufacturing, modular fabrication, shipbuilding and centres for design engineering, software development and technology
- Proposed shipbuilding Yard
- 🏠 Management Development Centre
- Offices
- ◆ Knowledge City

The pictorial representation does not purport to be the political map of India

Global Presence



- ★ Offices
- Engineering & Construction Projects
- ▲ Product & Equipment Supply
- Manufacturing / Fabrication Facilities
- Agents

Note: Map is broadly representative of L&T's global presence.

mighty eagle

As storms approach, lesser birds head for cover, but the eagle spreads its wings and rides the powerful updrafts, soaring to greater heights. The eagle is an excellent example of turning adversity into opportunity.



Confidence Meltdown

Along with business confidence, society's confidence in businesses too hit an all time low. The fall of haloed institutions was accompanied by a yawning trust deficit. Businesses were being viewed with cynicism.



conditions apply

Good Governance and Enhanced Transparency

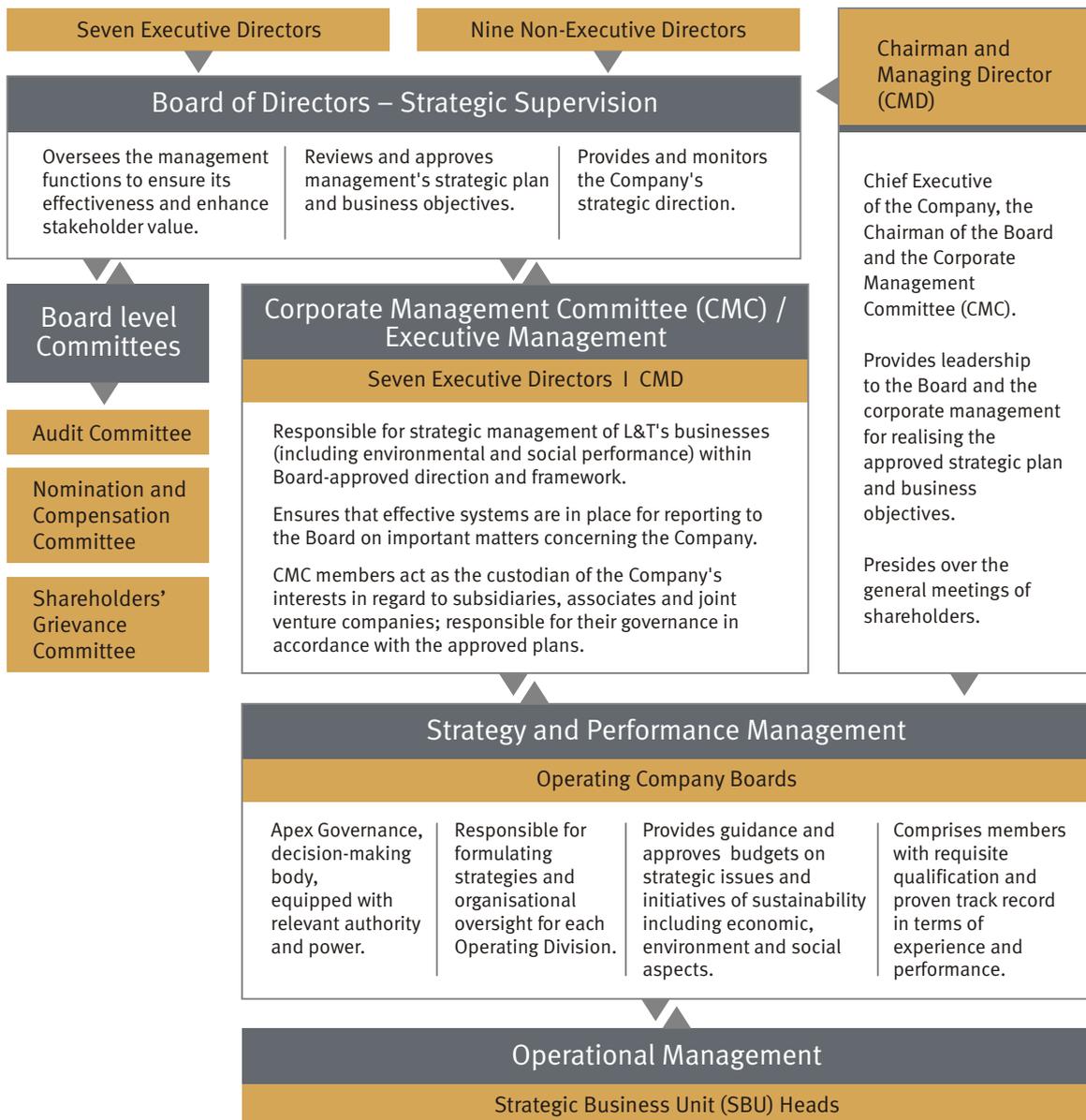
L&T has always been a beacon of good governance; one of the few professionally managed large companies of India where management is divorced from the ownership; we continued to demonstrate 'the practice of' and 'our commitment to' high standards of accountability and ethics.

**corporate
governance**

Governance is a key component of corporate leadership. At L&T we are guided by the diktats of good governance and filter every action through integrity and fairness. In the spectra of a 'trust crisis' emerging across sectors, the only antidote is transparency. We give highest priority to the visible accountability across financial & non-financial matters and processes on or off the field - without exception.

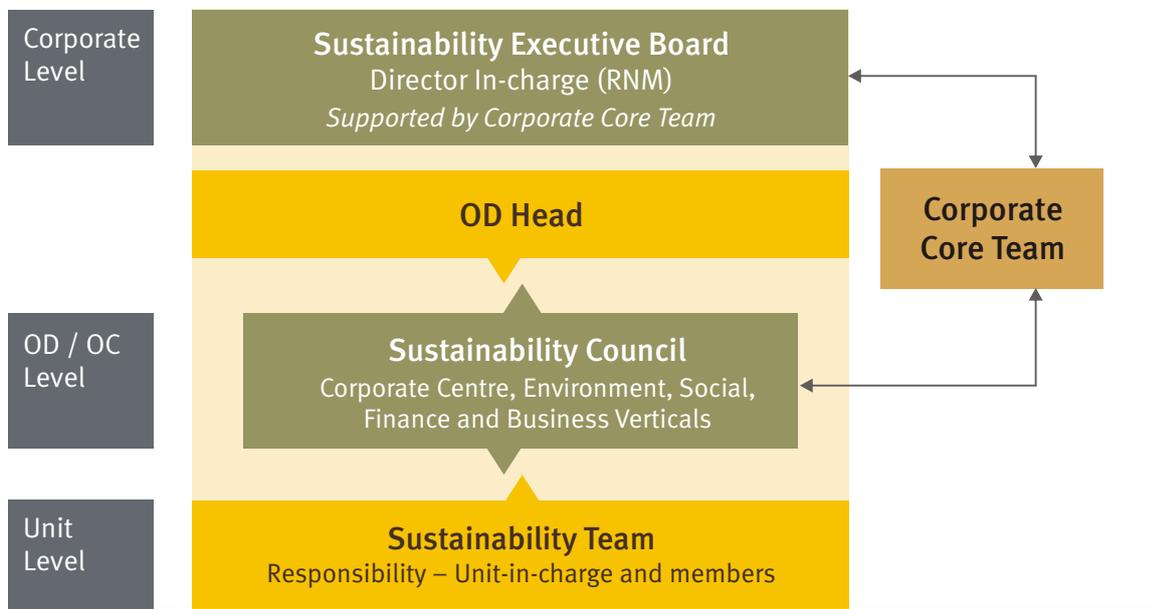
Governance Structure

Our intention to run transparent and accountable businesses requires effective implementation. This responsibility is vested in a balanced team of Executive and Non-Executive Directors on the Board of Directors, the highest decision-making body within the organisation. All directors on the Board are Indian and above 50 years of age.



Sustainability Structure

The importance of sustainability has been formally acknowledged by the establishment of a Sustainability Executive Board, which consists of members from the CMC. The institution of the Board is a part of our top-down approach to increase the resources dedicated to our sustainability program. It is the Board's responsibility to ensure that sustainability percolates across the organisation, through every OD and Unit.



Remuneration Policy

We believe that people perform best in an environment where their efforts and achievements win public recognition. We recognise that monetary compensation is also a key motivation. Our remuneration policy is designed to motivate employees to excel and to attract and retain key personnel and knowledge owners.

Our aim is to ensure that our overall remuneration package is competitive. It largely consists of base remuneration, perquisites and performance incentives. The components of remuneration vary for different grades, and are governed by industry patterns, qualifications, experience, responsibilities and individual performance, etc.



Leadership Team



Processes in Place

The strategic mission of the Group is to continually boost stakeholder satisfaction, project profitability as well as the effectiveness and efficiency of processes.

Towards this, 'Project Prithvi' was instituted as our umbrella initiative to measure, monitor, document and report our economic, environmental and social performance as per Global Reporting Initiatives (GRI)-G3 guidelines.

One of our prime objectives is to manage the environmental performance of our Operating Units in line with the requirements of the ISO 9001 and ISO 14001 standards. This is further complemented by integrating certifications and standards like OHSAS 18001 and Six Sigma for business processes across many of our locations. We have strengthened our environmental stewardship through material, energy and water conservation initiatives, recycling and use of renewable energy.

We have decentralised our governance mechanisms to benchmark performance against predetermined targets, review impacts, risks and challenges, besides identifying and implementing corrective and preventive action plans.

To achieve profitable growth, on a sustainable basis, we charted a strategic plan through 2005-10 named 'PROJECT LAKSHYA'. Its objective is to generate sustainable growth by progressively upgrading our capabilities, systems, processes and services.

Code of Conduct and Risk Management Framework

L&T adheres to a set of principles that underpin every practice. These are, prescribed in a code of conduct for all its Board members and Senior Management personnel (one level below the Executive Directors including functional heads) of the Company. This code is our framework for conducting an economically sound, responsible and ethical business. The code of conduct is available on the Company's website, www.larsentoubro.com. The annual declaration about its compliance by the Company is also given by the CMD.

In addition to the code of conduct, we have in place a comprehensive series of policies, procedures and guidelines that are applicable across the Company.

- **Codified guidelines on corporate communication**
- **Securities dealing code**
- **Protection of women's rights in the workplace**
- **Corporate Information Technology Security manual and procedures**
- **Whistleblower Policy**



To the Shareholders of Larsen & Toubro Limited

Sub: Compliance with Code of Conduct

I hereby declare that all the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors.

Handwritten signature of A.M. Naik

A.M. Naik
Chairman & Managing Director

Date: May 26, 2009
Place: Mumbai

We strictly adhere to Section 299 of the Companies Act, 1956, under which every Director of a company who is in any way concerned or interested in a contract or arrangement, is required to disclose the nature of his concern or interest at a meeting of the Board of Directors. A general notice is given once in a year to the Board by a director to the effect that he is a director or a member of a specified body corporate or is a member of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may, after the date of the notice, be entered into with that body corporate or firm.

Any change in directorship is also reported to Board immediately. This information is shared with the accountants of all the Operating Divisions to ensure that no transactions are entered with such companies. Also the statutory auditors report is provided on the compliance of this provision.

In line with the provisions of Clause 49 of Listing Agreement, every person covered by this code, needs to confirm, on a yearly basis, that he has complied with the Company's Code of Conduct as applicable to Board Members and Senior Management of the Company. Senior officers of the Company are required to confirm whether they or any of their specified relatives have entered into any transaction with the Company.

Internal Control System

Our internal control mechanism comprehensively includes documented policies, authorisation guidelines commensurate with the level of responsibility and standard operating procedures specific to the respective businesses. The mechanism is reviewed by our Corporate Audit Services Department, an apex body, in addition to independent evaluations.

The significant observations made in internal audit reports on business processes, systems, procedures and internal control and the implementation status of recommended remedial measures, are regularly presented to and reviewed by the Audit Committee of the Board.

Corruption

Corruption is viewed as a possible risk factor in the organisation's overall risk assessment. Guidelines for financial transactions and non-financial documents have been set by the Top Management and communicated to employees. The Code of Conduct and the Whistleblower Policy are explained to all employees. No incident of corruption was reported during the reporting year.

Public Policy Advocacy

We influence various practices and standards across sectors through our involvement in various forums. Our senior executives participate in a number of industry forums for public policy formulation.

Anti-competitive Behaviour

We comply with all relevant statutory requirements including anti-competitive behaviour. No legal actions in this regard were initiated against us in FY 2008-09.

Compliance

We adhere to ethical professional practices, complying with all applicable laws and regulations. In the reporting year, no financial or non-monetary sanctions were imposed upon us.

Operating Division Corporate Centre

We instituted corporate centres at individual Operating Divisions to enhance performance through the following initiatives:

- Analysing economic trends and investment scenarios
- Tracking policy changes and legal issues
- Formulating risk management initiatives
- Analysing performance of the competition
- Benchmarking our performance with international best practices
- Initiating mergers and acquisitions
- Creating roadmaps and monitoring strategic plan initiatives
- Addressing environmental and social issues

Performance Measurement and Review Mechanisms

Strong corporate governance systems and processes were established for measuring and reviewing our performance. Moreover, financial and non-financial data was collated through project reports; the MIS for each project was reviewed at various levels.

We applied the latest information technology to enhance our compliance with organisational systems, eliminate redundant processing, optimise productivity and reduce costs. Other modes for gathering qualitative internal performance indicators include:

- Information from completed projects
- Information from technical audits of plants, project sites and offices
- Sharing the best practices and learning from mistakes
- Innovations and R&D reports
- Information from global sources
- Information from partners / collaborators



Precautionary Approach

We instituted mechanisms to inform our Board members about initiatives for risk assessment and minimisation as well as a periodic review that would strengthen our risk governance. Our framework facilitates building an early-stage understanding of the exposure to various risks and uncertainties, leading to timely response and effective mitigation. The system comprises of the risk management structures, procedures and policies at the corporate and divisional levels. We implemented a risk policy through a comprehensive checklist for each project type at the operation stage and also through a quality management system.

Commitment to External Initiatives

We follow the Global Reporting Initiative (GRI) framework to report our economic, environmental and social performances.

In addition, we comply with International Labour Organisation and United Nations Directives covering the following:

Statutory and Regulatory compliance

Business Ethics

Fair and equal opportunity to all employees

Improving employee lifestyles through training

Labour Camps

Medical Facilities at Project Sites

Measuring, Monitoring and Conserving materials & energy sources



Memberships

We contribute to the policy-making process in the country through memberships across associations and institutes

Construction Industry Development Council (CIDC)

Indian Electrical and Electronics Manufacturers Association

Bureau of Indian Standards

Confederation of Indian Industries - infrastructure panel, Southern Region

Bangalore Chamber of Industry and Commerce (taxation committee)

National Safety Council

Indian Institute of Technology, Madras

Process Plant and Machinery Association of India

American Society of Mechanical Engineers (ASME)

Heat Transfer and Fluid Flow Stimulation Software (HTFS) associations

Indian Institute of Chemical Engineers (IChE)

Chemtech Foundation

Confederation of Indian Industry (CII)

disclosure on management approach

economic

Financial achievements are a success if and only if they are delivered in a sustainable manner. This confluence of economic goals with societal care is deeply ingrained in our value system and is clearly articulated in our vision statement.

We diligently scan the business environment for emerging opportunities and challenges and review our business portfolio so as to ensure focus on businesses, which are scaleable and enjoy inherent competitive advantages.

L&T will continue to engineer and execute products / projects with consistent quality, cost and delivery to meet or exceed customer expectations, enhance shareholder value and address the expectations of employees, stakeholders and society.

Our strategic plan aims to build L&T into an Indian multi-national with a global footprint, an organisation that can continuously enhance value and set global benchmarks, and a company that can attract and retain the right kind of talent.

It also covers the development of technologies and products to enhance efficiency and minimise environmental impact.

This strategic plan is being monitored continuously under a company-wide initiative, using the latest and rigorous program management tools.

Apart from effective risk management, achieving cost efficiency is another significant contributor to our sustained growth in profitability. Various initiatives like global sourcing, lean manufacturing and standardising repetitive operations and processes have been adopted to achieve targeted cost efficiencies.

environmental

We are gearing up ourselves to seize the business opportunities arising out of 'low carbon future'. We aim to follow a two-pronged strategy. First optimise the carbon efficiency of existing assets, operations, products, services and supply chains. Second create and participate in new low carbon solutions especially by incubating technological shifts and developing new product lines.

We are adopting a structured and systematic process to reduce environmental impacts arising out of our operations, products and services and are focussed to garner the optimal use of material, energy and water.

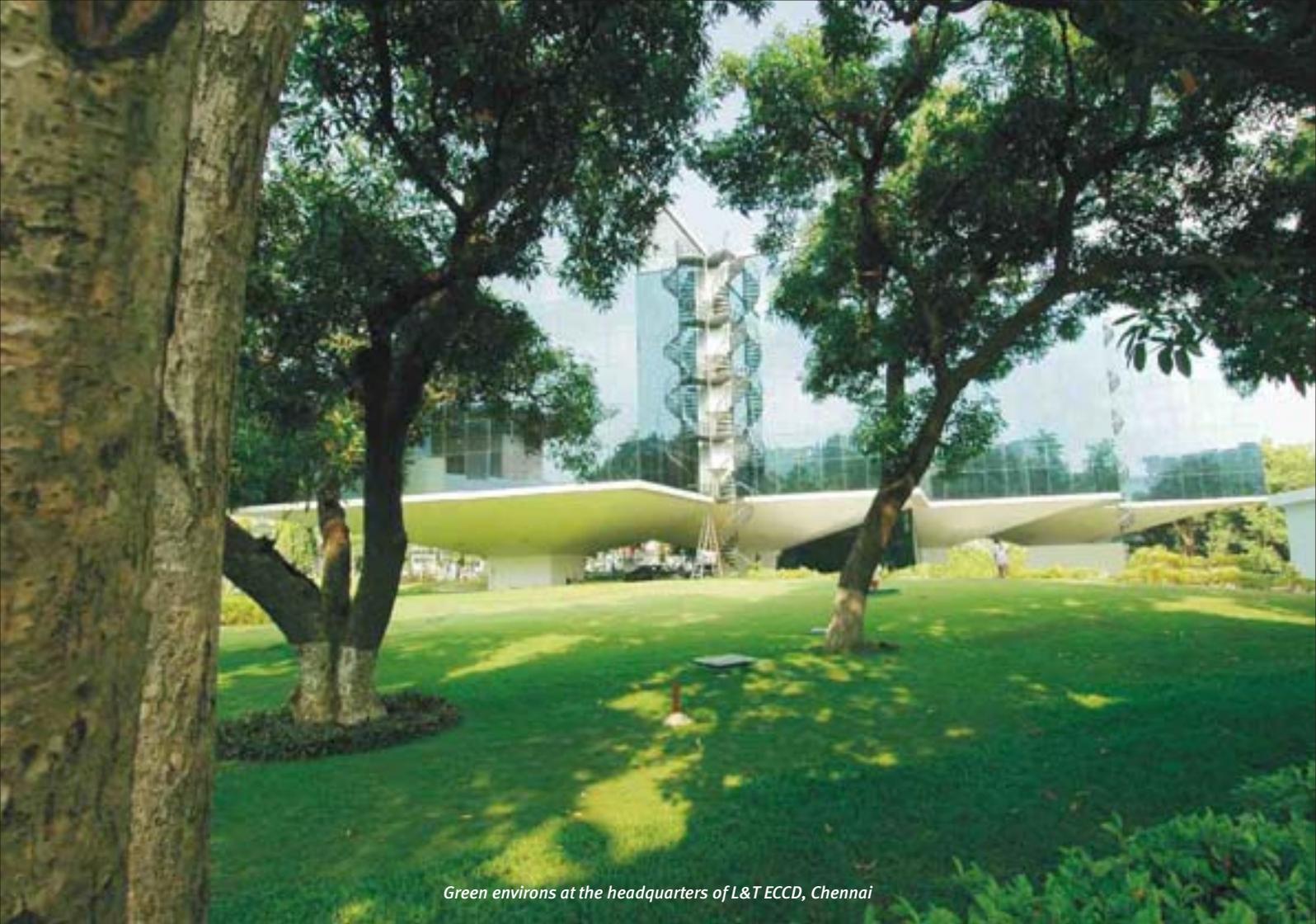
The implementation of eco-friendly energy efficient alternatives and practices accrues on us the twin benefits of environmental conservation and economy.

We meet customer-specific and applicable regulatory requirements, while working at our Plants and at customer sites. Project managers are responsible for optimising material and energy consumption at project sites, while the local administration ensures this in our offices.

The policies of our Operating Divisions cover quality, environment, health and safety aspects and are applicable across all locations and strategic business units. Our objective is to progressively increase the use of clean and green technologies and reduce pollution through deployment of superior design / operation and maintenance processes.

Policy Implementation is facilitated through our Corporate Management Committee, Operating Company Boards, Business Unit Heads and other Department Heads. External audits by accreditation agencies (ISO 14001 and OHSAS 18001) for plant / project locations and design centres, supplement periodic internal audits.

Environment, health and safety training is conducted regularly to upgrade competency and renew commitment.



Green environs at the headquarters of L&T ECCD, Chennai

Corporate Environment, Health & Safety (EHS) Policy

As an integral part of our business philosophy, we are committed to conserving the environment and providing a safe and healthy workplace to our employees and stakeholders. Towards this, we shall:

- Incorporate EHS considerations in all business decisions
- Prevent adverse environmental impacts and occupational health and safety risks
- Conserve natural resources, minimise waste generation and environmental emissions
- Ensure compliance to statutory and other requirements
- Impart structured training for employees and stakeholders for effective EHS performance
- Encourage communication, consultation and collaboration with all the stakeholders

We shall strive for continual improvement in our EHS performance.

social

Labour Practices and Human Rights

Talent management at L&T is about creating a system where talent is rewarded, retained, enhanced and enriched. Our people are conditioned to meet the ever changing facets of businesses.

We believe mere compliance is not enough and aim to set new benchmarks. Our practices reflect high ethical and human rights standards that extend beyond statutory requirements. We comply with all local laws and uphold the spirit of human rights as per regulatory requirements - conventions of the International Labour Organisation (ILO), Factories Act, Building & Other Construction Workers (Regulation of Employment & Conditions of Service) Act, 1996, and Central Rules, 1998, Industrial Disputes Act, etc.

The responsibility for sound employment and EHS practices rests at the very top with the Corporate Management Committee, OC Boards and Senior Management. A well-defined structured cascading of authority and responsibility ensures efficient implementation across hierarchies.

Induction training programs, interactive sessions, intranet sites, policy manuals and posters are deployed to communicate the policies in letter and spirit to all employees. Managers from IR, HR and EHS ensure effective implementation. Issues related to workplace sexual harassment are addressed by regional complaints committees and reviewed by the Apex Committee.

Our employee performance is monitored in annual performance-review meetings; workmen and safety-related issues are reviewed at project locations in monthly Site Management Committee meetings.

Societal Commitment

Society today expects more from business. The terms of contract between business and society have undoubtedly become more extensive and complex. Social pressures are on the rise. But instead of viewing them as obstacles, at L&T we look at them as untapped opportunities to make a difference. We seek to lead rather than just react to the ongoing debate.

We view our large geographical footprint as an advantage that allows us to make a larger contribution to society and touch more lives.

L&T has a dedicated Corporate Social Initiatives department that engages with local community, identifies their needs and implements efficient high-impact programs leveraging local participation. Employees along with their families are encouraged to engage in social development. Active support is lent to employee participation in public policy formulation and networking with NGOs, government agencies, chambers of commerce and academic institutes for effective knowledge sharing.

Social pressures often indicate the existence of unmet social needs or consumer preferences. Ongoing close interaction with society helps us develop symbiotic solutions.

A social perspective to our business enables us to harness long term opportunities, win the trust of stakeholders, accelerate our investments in innovation and explore new growth vistas.

Product Responsibility

Our products constitute the largest interface that we have with our stakeholders. They benefit and impact large sections of society.

We work hard to ensure that our products are manufactured, stored, transported, and used in a manner that shows high regard for human health, safety and environmental stewardship.

Our OC board members ensure that our products and services are built around sound engineering practices. Good sustainable practices are a vital design input into our products. We take necessary approvals from relevant authorities on the product / process, wherever necessary, for a complete adherence with statutory norms.

Product and service quality are continuously enhanced through investments in research, and through regular customer feedback. At all times, customer confidentiality is maintained.

To ensure that the full potential of our products is realised, we impart training to customers and their employees in plant operation as well as product usage and maintenance.



Corporate Human Resource Policy

We believe that people are our most valuable resource, and play a pivotal role in helping us realise our Vision. We are committed to:

- Acquiring, developing and retaining a pool of high calibre talent
- Enabling and empowering our employees to be creative and innovative
- Respecting ethics, values and good governance
- Establishing systems and practices for maintaining transparency, fairness and equity
- Creating a culture of continuous learning, competitiveness and excellence through change management

We will protect our environment and uphold in letter and spirit the United Nations Universal Declaration of Human Rights and the fundamental Human Rights Conventions of International Labour Organisation.

Sustainability Framework

We are working on a sustainability strategy based on building foundations for a better future.

This is translated in the way we conduct our businesses, our approach to stakeholder concerns, our transparent governance structure, develop our human assets, manage environmental resources and in our contribution towards the sustainable growth of our neighbouring communities.

For us, sustainability commitments mean that we remain engaged in the positive cycle of setting goals and demonstrating results across the three 'Ps': Planet, People and Profit.

planet

L&T is integrating environmental protection across all its operational activities.

Through optimal utilisation of energy sources, eliminating waste and wastage, adopting greener processes, developing greener products, adherence to best practices and compliance with emerging international standards, we are ensuring that along with a robust business performance, our planet too remains in good health.





people

We appreciate the value of our most valuable assets, both within our operations and among our neighbourhoods. Ensuring safety and providing growth opportunities for our employees, being alert to needs of the local communities, addressing healthcare and empowering the youth through training & employment are key to becoming a truly sustainable organisation. This has been our philosophy for the last seven decades and will remain so in the future.



profit

Economic sustainability is best proven through performance. A business portfolio that covers core sectors, a rapidly growing order book and strategic investments in sunrise industries will continue to fuel our growth trajectory in the years ahead.



Challenges and Opportunities

Viewing Challenges Through The Prism of Opportunities

The construction industry accounts for around one-tenth of the world's gross domestic product, seven percent of employment, half of all resource usage and up to 40% of energy consumption. Its impact on our daily lives is huge, so are the responsibilities and challenges facing it.

During the reporting period, while the challenges became more complex due to the global financial meltdown, opportunities too got amplified. The urgency to address infrastructure inadequacies in India and continued thrust on infrastructure in the 11th Five Year Plan has helped the construction industry in the country to maintain its growth rate.

L&T's business spans all major sectors which significantly account for India's construction output - Infrastructure Sector, Real Estate Sector, Power Transmission & Distribution Sector, etc. As a leader in the industry, we are well positioned to benefit from these opportunities.

At the same time, we understand that the only way to sustain growth is to build more responsibly, combat challenges and continually seek opportunities across the three bottom lines.

environmental

CHALLENGES

Balancing customer demands and Company objectives to conserve energy and reduce emissions through improved design.

Getting local suppliers to provide required goods and services at competitive costs while adhering to environmental and social standards.

Curtailing carbon footprint by reducing employee travel and utilising more efficient transport of goods.

Conserving resources like water, energy and material (both direct and indirect).

OPPORTUNITIES

Leverage cleaner and advanced technologies to cut emissions, conserve energy and material, reduce operational costs and develop new products like green buildings etc.

Explore market opportunities and increase usage of renewable energy sources.

Apply energy management solutions to help customers be more energy efficient.

Use of audio-video conferencing.

Seek Carbon trading.



social

CHALLENGES

Employee retention.

Ensuring protection of human rights, decent work practices for contract workers employed by our sub-contractors and vendors and ensuring strict conformance to all labour legislations.

Ensuring the health and safety of employees at the workplace.

Minimising adverse social impacts at project sites.

OPPORTUNITIES

Increasing employability of youth through structured training programs.

Reaching out to rural communities at remote locations through the L&T Charitable Trust.

Tapping our human resource potential as agents of social change.

Participating in community building through continued initiatives in the identified thrust areas of mother & child care, education and employee volunteering.



economic

CHALLENGES

The global economic meltdown, crises of confidence, risk aversion, liquidity crunch, fluctuations in foreign exchange rates & commodity prices.

Delays in project implementation.

Cyclical nature of capital formation.

OPPORTUNITIES

Tapping market potential via growing sectors i.e. Oil & Gas, Petrochemicals, Chemicals and Power.

Expanding opportunities in clean fuel technologies.

Widening gap between demand and supply of power.

Depleting freshwater sources, providing opportunities in water projects.

Improving market share through enhanced brand equity.



division wise analysis of the risks, opportunities and specific strategic interventions

Sustainability is a manifestation of the ability to mitigate risks and harness opportunities, adapt to the changing environment and adopt incisive long term and short term strategies.

A risk management system is an integral part of our working process across Operating Divisions and is a key factor in our business success. Systems are in place to ensure that potential and existing challenges / risks are detected early and appropriate measures are deployed immediately to avoid or limit any loss or damage.

ECCD	
Risks & Opportunities	Strategic Initiatives
Delays in project implementation due to factors beyond ECCD's control.	Formulated risk management and contract processes.
Cyclical nature of capital formation.	Diversified portfolio of construction businesses and unique capabilities to handle complex construction projects.
Shortage of skilled manpower.	Proactively reaching out to the rural workforce through construction skills training institutes and cover around 10,000 workmen by 2010.
High levels of risk in construction projects.	Risk management processes, standard operating procedures and appropriate use of technology.
Conservation of material (virgin & secondary), water and energy.	<p>Use of technology to develop new products which consume less material and adopt alternative materials like flyash and crushed sand. Materials like aggregates are also recycled.</p> <p>EPC solutions of green products like green buildings, energy efficient process plants (steel, material handling), Unaccounted For Water (UFW) - leak detection of water and sealing without trench cutting.</p> <p>Water measurement system implemented to monitor water consumption.</p> <p>Equipment are maintained to reduce energy consumption.</p>
Health and safety of our workforce.	Implementation of safety systems and standard procedures across all operating locations and project sites. Increased awareness and training.
Address concerns and needs of the neighbouring communities.	Creating employment for the community. Mitigating negative impact of noise / dust pollution, workmen settlement in colonies etc. through pollution control systems and other social and community related initiatives particularly in the areas of health and education.

HED

Risks & Opportunities	Strategic Initiatives
Ensure good governance.	The risk management cell assesses risks & opportunities for projects through systematic policies & procedures for financial risks.
Reduce GHG emissions from operations, processes, products and services.	LPG / Natural Gas terminals built to continuously reduce the usage of high speed diesel by replacing it with LPG / Natural Gas for heating operations.
Conserve energy to minimise profit leakages.	An energy cell has been formed to identify energy conservation processes. Plans are underway to conduct periodic energy audits at all locations to identify and enhance energy conservation efforts.
Nurture greener attitudes and technologies.	Tree plantation drives are organised at all locations. Continued investment in cleaner technologies besides working towards disposal of waste & treatment of effluents generated during manufacturing activities.
Make HED a desirable workplace.	Launch of an initiative - Enterprise wide Collaboration for Alignment with Strategy (ECAS) to enhance team work and collaboration within the organisation. Secondly to create a welcoming environment where employees can freely communicate with the seniors and contribute to various issues.

Enterprise wide Collaboration for Alignment with Strategy (ECAS)

ECAS was launched during the year to significantly boost the preparedness of the Company to continue its growth momentum and take up new challenges. As a part of the ECAS initiative following actions have been taken:

- A new strategy of “Customer Intimacy” has been adopted to better understand customers and thus strengthen business relationships.
- Foster a culture of collaboration to enhance teamwork.
- Constitution of ten teams comprising of senior employees to address issues related to organisational development and employee engagement.
- Two reputed consultants have been engaged for this initiative.



E&C

Risks & Opportunities	Strategic Initiatives
Enhance operational excellence.	Various capability centers created under Project Kiran are now fully functional. Each department has created SOPs (Standard Operating Procedures) which are in use.
Identify new growth areas.	Formulation of Lakshya 2010 & Perspective Plan 2015. Identifying new markets, geographies for business and growth (Select countries in the Middle East, South America, South East Asia, and Africa).
Risks during bidding and execution for projects.	Structured Risk Management process employed. New approaches to assess environmental impact across projects included.
Risk-sharing and taking advantage of complementary strengths of alliance partners.	Strategic alliances and joint ventures / consortiums are in place.
Develop skills and capabilities of our people.	Instituted capability and leadership development programs and other customised training programs: <ul style="list-style-type: none"> ● Institute of Project Management (IPMA) established at Vadodara . ● Accelerated sharing of learning from various projects through 'Know Net- today's learning'.

MIPD

Risks & Opportunities	Strategic Initiatives
Develop cleaner production systems.	Investment in modern manufacturing facilities at Pithampur.
Reduce use of hazardous material, (particularly ozone depleting substances), hazardous chemicals and non-biodegradable material both in our operations and products.	Move towards non-CFC based refrigerant gases.
Investments in renewable energy.	Set up facilities to manufacture wind turbine components at Coimbatore.

EBG

Risks & Opportunities	Strategic Initiatives
The global economic downturn is resulting in a massive realignment of spends and reappraisal of purchase criteria.	We have sharpened focus on key areas – cost competitiveness, customer focus, process excellence, innovation and employee engagement to remain competitive and sustainable. Establishing value engineering initiatives which have resulted in significant reduction in material consumption.
Rising Customer Expectation.	Created a new Customer Interaction Centre to provide customers a single window access and consistently prompt response.
Emerging demand for sustainable products and a renewed focus on energy in client industries.	Thrust on introducing more RoHS compliant products Designed new products that enable customers to achieve their energy goals, such as “Powerman”.

L&T INFOTECH

Risks & Opportunities	Strategic Initiatives
Radically restructured global economy, rapidly evolving customer needs, changing services and business models and rising stakeholder aspirations	Exploring new verticals: Public sector, healthcare, media utilities and verticals with untapped demand for global outsourcing Exploring new customer segments: Small and medium businesses. Exploring new geographies: BRIC, GCC, Japan and Rest of the World where outsourcing is on the rise
Growth of Domestic Infrastructure sector, Favourable government policies.	Enhanced strategic focus on the untapped domestic market.
Competition from other low cost countries	Working on creating models for communicating business value to the customers. Increased focus on business outcome focused outsourcing rather than effort focused outsourcing.

materiality

Identifying and acting upon issues most material to us and to our stakeholders remains one of the biggest priorities at L&T. This is also amongst our biggest challenges, as our business operations are so diverse that key sustainability issues differ for each Operating Division.

We realise that only by familiarising ourselves with the stakeholder perspective can we identify issues that are a priority across the whole organisation. Prioritising these key issues after collective deliberation was one of the highlights of our sustainability journey during the year.

Our materiality learning curve rose higher as:

- Materiality workshops were conducted with senior management representatives and employees to arrive at the priority issues for individual business segments.
- Individual ODs conducted direct stakeholder interactions and surveys to quantify and prioritise the material issues identified by external stakeholders.

Based on these interactions, the intersecting key material issues between the stakeholders and the organisation were crystallised.

material issues

	Resource Conservation (Energy, Material, Water)
	Employee Welfare including Health & Safety
	Training and Skill Development
	Community Development and Engagement

In order to improve our performance on these issues and increase the acceptability and awareness across all levels of the organisation, we have:

- Set corporate level targets for issues, which are applicable across the organisation. This is aimed to create a baseline and minimum performance standards for our business operations.
- Formulated Division specific targets for remaining issues depending on their relevance to the specific nature of individual businesses.

APPROACH TO MATERIALITY ANALYSIS AND PRIORITISATION

The materiality of report indicators was developed through an inclusive approach considering the following points:

- Key sustainability issues.
- Key organisational values, policies, strategies and existing management systems.
- Relevant laws, regulations, international/voluntary agreements with strategic significance to L&T and its stakeholders.
- Main sustainability topics (future challenges, risks and opportunities).
- Critical factors enabling organisational success.
- Core competencies to drive sustainable development.

report scope

L&T aims to publish a Corporate Sustainability Report annually. Our second report 'Conditions Apply' covers data on performance indicators between April 1, 2008 and March 31, 2009. The reporting framework is in accordance with the Global Reporting Initiative (GRI)-G3 guidelines and the applicable GRI protocols have been followed for reporting on core and additional indicators.

Report Boundary

This report covers our Operating Divisions and L&T Infotech Limited. All other subsidiaries and associates are excluded. The reporting boundary has been increased to cover all the major manufacturing locations and offices across India:

Engineering Construction & Contracts Division

Business operations and India based support processes

Engineering & Construction (Projects) Division

Project locations and offices within India

Heavy Engineering Division

Locations at Powai, Hazira, Ranoli and Talegaon

Electrical and Electronics Division

Locations at Powai, Mahape, Ahmednagar and Mysore

Machinery and Industrial Products Division

Construction Machinery Business, LTM, & Kansbahal units

L&T Marketing Network

Offices in India

L&T Infotech

Offices in India

The data for economic performance has been disclosed as per L&T's financial report of 2008-09.

Assurance

The assurance of a corporate sustainability report is an evolving concept, covering several approaches. L&T's approach focuses on continuous assessments through internal and external audits of operations and financial report. The report follows GRI-G3 Guidelines to measure sustainability performance.

The limited assurance was conducted in accordance with the International Standard on Assurance Engagements ISAE 3000, covering qualitative and quantitative information. The report was assured by Ernst & Young Private Limited, India. Their assurance statement, describing the work undertaken and their conclusions, is included in this report.

Feedback

Questions pertaining to the content of the report may be directed to:

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sustainability-ehs@pgm.ltindia.com



The L&T Sustainability Report 2009, is a GRI Checked Application Level A+ Report, signifying the highest level of transparency.

sustainability targets

Corporate level Objectives and Targets were set for areas applicable across all the ODs. In addition, each OD has set targets specific to their operations.

SUSTAINABILITY AREA	CORPORATE - SHORT TERM TARGETS (2009-2012)
Climate Change	Conducting carbon footprint mapping of L&T operations.
Energy Conservation	To conduct energy audits at all manufacturing locations.
	Improve energy conservation metric by 10%.
	Developing location-wise roadmap for increasing use of renewable energy.
Water Conservation	Adopting Zero-discharge approach.
	Reducing per capita water consumption by 10%.
Safety	Achieving zero accident status at manufacturing locations.
	Reducing FR and SR at project locations by 50%.
Management System	Implementing ISO 14001: 2004 and OHSAS 18001:2007 at manufacturing locations and major design offices.
	Implementing ISO 14001: 2004 and OHSAS 18001:2007 at project sites above Rs. 7.5 Bn.

SUSTAINABILITY AREA	CORPORATE - SHORT TERM TARGETS (2009-2012)
Health	Developing organisation-wide Health Index by implementing WOW (Working on Wellness) Programme.
Community Development	Continuing interventions in CSI Thrust Areas.
	Increasing training and employability of underprivileged youth through Construction Skills Training Institute (CSTI) and L&T Charitable Trust activities.
	Promoting employee volunteering.
	Including EHS parameters in social engagements.



stakeholder connect

L&T's operations extend across the country. The sheer scale of our operations manifests in a vast and diverse set of stakeholders with varied interests. Close interactions with local stakeholders are integral to the nature of our work, and as a result, we possess a fair understanding of the unique needs of each specific subset across this vast stakeholder universe.

Approach

During the first year of reporting, we adopted a top-down approach. We engaged directly with key stakeholders of our various business Divisions through common engagement sessions. The feedback helped identify our stakeholders' expectations and how they define 'sustainability'. It also threw up existing lacunae.

In the second year of reporting we focused on implementing the lessons learnt during our previous exercise and bridging the gaps effectively. For example, aspects of EHS related performance which were not covered in our earlier engagements now have been included in the scope.

This year, high priority sustainability performance issues were identified at the organisation level and the emphasis of the engagement was on gaining insights on how our stakeholders prioritise these issues.



Customer training forms an integral part of our stakeholder interaction process

The main objectives included:

- Educating stakeholders about the Company's efforts on sustainability reporting
- Presenting our sustainability performance
- Soliciting feedback on improvement expectations
- Quantitative feedback on prioritisation of various sustainability issues and mapping the same vis-à-vis the view of the company management

To facilitate interaction, we also introduced a specific email address where stakeholders could post comments / suggestions / queries.

This exercise helped to derive our 'material' issues.

Stakeholder Dialogue

We understand that continuous dialogue and open communication channels across stakeholder groups - employees, customers, suppliers, shareholders, government and regulatory authorities and society in general, are the key to business success.

We strive to adhere to a frequent, fair, constructive, transparent and professional communication strategy. To extend the reach of our communication initiatives we have setup one of the largest corporate communications departments in India and have also stationed communication professionals at individual Operating Divisions. This structure emphasises the pace and accuracy of the communication.

The focus of our ongoing stakeholder interactions has been:

- Business growth and financial performance
- Customer / Employee grievances
- Response on quality, delivery and service aspects of our businesses
- Feedback on effectiveness of our social engagements

We engage with stakeholders at various forums through multiple channels.

EXTERNAL STAKEHOLDERS

AGM (shareholder interaction)

Investor meets

Supplier / Vendor meets

Customer satisfaction surveys

Day-to-day business interactions

INTERNAL STAKEHOLDERS

Employee satisfaction surveys

In-house magazines

Circulars

Welfare initiatives for employees and their families

Social initiatives by promoting volunteering

L&T publishes one of the largest number of in-house magazines, each catering to a distinct audience segment.

L&T-ite

a readership base comprising of all L&T employees and its subsidiary and associate companies

L&T News & Views

addresses employees as well as customers and associates

Powai Pageant

a tabloid directed towards all Mumbai employees

Spot News

an online bulletin that carries all events and developments that are topical in nature

'We R in the News'

an e-mail banner, presents news clippings related to the Company

L&T also subscribes to other location-specific and division-specific print and online magazines

Shareholders

The Investor Relations department regularly communicates with our large base of institutional investors. Periodic personal contact through presentations offers information and insight into the Company's operations.

A steady stream of communication through e-mails, printed literature, and responses to queries over the telephone and video conference greatly aids in building investor confidence.

Quarterly financial results are published in local and mainline newspapers. Also, all our shareholders receive the Company's Annual Financial Report and are invited to attend / participate in the Company's annual general meeting.

Furthermore, the shareholders can approach the highest governance body for sharing feedback or redressing their grievances, if any.

Customers

L&T runs periodic brand-building and product advertising campaigns through diverse media (print, television, outdoor and online). Depending on the nature of advertising, the communication highlights corporate goals and performance as well as product attributes and benefits. Apart from advertisements, L&T also publishes brochures, leaflets, folders etc. The Annual Review, a synopsis of the Annual Report, is also mailed to select customers.

Surveys

In our product business, we engage reputed market research agencies to conduct customer, dealer and other stakeholder surveys with the prime objective of measuring satisfaction levels.

In our project management services, we obtain a structured feedback from the client following the completion of each project. This helps identify the project's strong points as well as the loose ends and issues that need to be addressed.

Last year, we initiated a brand-tracking study to map the perceptions of customers, engineering & management students, investors and the media.

Our response to stakeholders concerns & expectations

CONCERNS	EXPECTATIONS	OUR RESPONSE
Environment		
Environmental performance and its assimilation as an essential criterion in the selection of suppliers	Proceeding towards carbon footprint reporting	Commissioned Carbon footprint mapping study of our operations as per the ISO 14064 Guidance Standard, to identify GHG baseline and emission reduction opportunities for our operations. Started responding to the Carbon Disclosure Project's (CDP) questionnaire. The response can be viewed on CDP's website.
	Demanding environmental and social standards from suppliers and promoting sustainability	L&T deters its suppliers from using child, compulsory or bonded labour. We understand the need to articulate a detailed Sustainability Framework for our supply chain to address our 'Triple Bottom Line' in its entirety. As a first step, we have undertaken an awareness drive on sustainability and environmental performance across all levels in our organisation. Employees committed to the cause will be our champions in building a sustainable supply chain. We intend formulating an action plan for: <ul style="list-style-type: none"> ■ Greening procurement. ■ Helping suppliers strengthen their sustainability practices through implementation of EMS, OHSAS systems etc.
	Providing guidance to suppliers to manage their environmental issues through an audit and evaluation discipline	
	Setting up waste collection centres at project sites to facilitate responsible waste disposal	Provision of 'Debris Chutes' for the collection of wastes from each floor, during construction of high-rise buildings. This has helped to reduce the H&S risk and minimise the environmental impacts. Its significant advantages are as follows: <ul style="list-style-type: none"> ■ Reduced risk of workmen throwing material directly to ground level. ■ Waste is directly collected in the containers which are taken away for disposal. ■ Waste is safely transported to ground level without dust generation. ■ Use of equipment hoist & crane is avoided which saves cost and time.
Economic		
Purchase decisions by customers based on initial cost rather than life cycle cost	Ensure L&T conducts life cycle analysis and persuades customers about overall benefits	Facilitating best available technologies for our customers to reduce the environmental impacts throughout the lifecycle as compared to conventional technologies. Some examples of this approach are: <ul style="list-style-type: none"> ■ Green Buildings constructed by our ECCD. ■ Use of Supercritical technology. ■ Increasing the number of products offered by our EBG that comply with the Restriction of Hazardous Substances (RoHS) standard.
Product Responsibility		
Environmental performance disclosure of products offered	Need for energy ratings by Bureau of Energy Efficiency (BEE) for products, helping customers take informed decisions to reduce their carbon footprint	Our EBG Division has been at the forefront of innovating energy efficient products. Environmental labelling has been identified as a thrust area which will help customers make informed decisions.

CONCERNS	EXPECTATIONS	OUR RESPONSE
Labour Practices		
Employee growth and retention	<p>Need for increased collaboration with technical institutes for workforce development</p> <hr/> <p>Ensuring adequate health and sanitation facilities for contract site labour</p> <hr/>	<p>Training and skill development of our employees has always been a thrust area. L&T has collaborated with leading technological institutes like IIT to use their expertise in training.</p> <p>We have a dedicated Leadership Development Cell.</p> <p>Employees are encouraged to identify their training interests at the beginning of the year and accordingly are nominated for the training programs.</p> <p>We have developed a training needs identification matrix depending on the job-specific training requirements.</p> <p>In order to encourage employees to effectively use the expertise available, we have put a range of training modules on our Any Time Learning (ATL) web-portal which can be accessed by employees even from their homes.</p> <hr/> <p>L&T ECCD provides accommodation to workmen in major sites including some facilities like administration, sanitation, water, canteen, shops, medical aid, entertainment, etc.</p> <p>At our DIAL site, labour colonies have been constructed with pucca houses for around 20,000 workmen.</p> <hr/>
Male dominance in workforce	<p>Employment needs of women to be encouraged</p>	<p>Considering the nature of our operations, we witness male dominance. However, with increasing number of females opting for engineering education and jobs, we are hopeful of having a more balanced workplace.</p> <p>We take efforts to help our female employees take care of their family responsibilities. Powai & Chennai being our major campuses, have crèche facilities for women employees.</p>
Society		
Lack of assurance of support beyond the current financial year	<ul style="list-style-type: none"> • Liaisoning with the government in relocating the project-affected communities • Developing the corpus for social infrastructure <hr/> <p>Participation in providing infrastructure facilities</p> <hr/> <p>Providing emergency care centre for accident victims near L&T campuses</p>	<p>Migrant labour employed at construction sites in India mostly work on daily-wage basis and change organisations frequently. Statutory benefits like PF and Bonus are provided based on eligibility, restricted to their working period which can be encashed after the completion of employment. L&T ECCD has ensured contractor's contribution to the welfare fund for the workmen enrolled at the DIAL site. A Board has also been constituted for this and all the workmen working at our DIAL site have been registered. Pass books have been distributed to them in presence of the Labour Commissioner.</p> <p>The funds shall be utilised for the social upliftment of workers through higher education of their children, hospitalisation expenses, loan for marriage of children etc.</p> <hr/> <p>We build basic infrastructure for rural community such as schools, medical facilities, vocational training facilities etc. We also augment infrastructure in municipal schools etc.</p> <p>We maintain public assets like gardens, access roads and undertake road beautification projects among other things.</p> <hr/> <p>Our major campuses are equipped with Occupational Health facilities including mobile ambulances, which are used in case of emergency for community members also.</p> <p>We have set up Community Health Centres near our campuses where qualified doctors provide medical care for the needy.</p> <p>We have setup a dialysis centre for the community near Mumbai.</p>

bee hive

Busy, persistent, ambitious, productive and above all, team players, bees are an apt metaphor for our people. These tenacious beings have taught us that shared success is the sweetest.



Employment Meltdown

World recession and the setback to many manufacturing and service industries in the domestic sector led to an employment downturn. Appointment sections of newspapers thinned out, job insecurity rose as pink slips turned on the blues. The ILO in its report on Global Employment Trend said that if the economic situation continues to deteriorate, about 200 million workers, mostly in developing economies, could be pushed into extreme poverty. In the absence of an evolved social security system, India could feel the pinch even more.



conditions apply

Bolster Talent Recruitment

The adverse economic conditions worked to our advantage in positioning L&T as a stable career destination.

We bolstered our talent recruitment drives to meet our growing business needs.

We are nurturing this talent pool to create a competitive advantage.

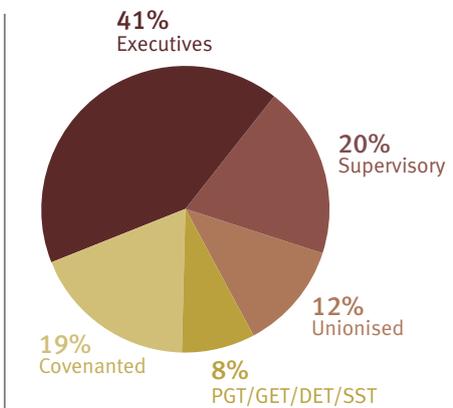
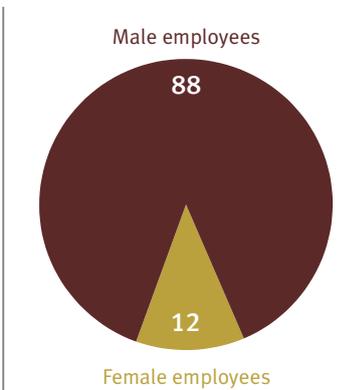
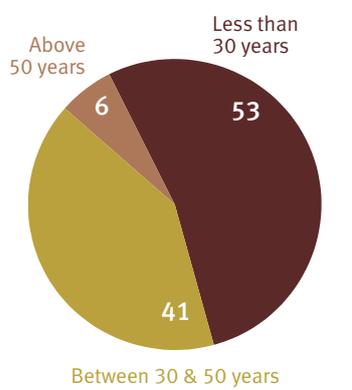
people
performance

L&T is home to one of the country's most elite engineering talent pools. Our people are the pillars of strength upon whom all our endeavours and successes rest. They are our biggest asset and a critical factor in achieving superior results. For us our employees are not people who work for us but people we work with to build a better, more sustainable future.

Total Workforce	L&T 35,606[^]	L&T Infotech 9,701
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[^]L&T OD Total

AGE DISTRIBUTION % GENDER DISTRIBUTION % CADRE DISTRIBUTION %



Employees covered by collective bargain **4,180**

Talent Management

Talent attraction, motivation and retention find prime focus at L&T. Manpower categorisation differs in certain business units as L&T has diverse nature of operations. Talent management initiatives to meet the challenges of skill upgradation, remuneration and career aspirations of talent include structured induction paths, capability building programs, focussed training, differentiated reward systems, career progression plans, leadership development programs and succession planning.

Productivity and job satisfaction are a result of matching individual capabilities to job profiles. We have implemented an efficient skill matching system which includes a 'Position Clarification' exercise. We record the skill matrix of team members and match it with suitable requirements across the organisation. This serves a dual advantage - it enhances the motivation quotient of the team and helps us harness the full potential of our talent pool.

We encourage an open and constructive dialogue with employee representatives. There is regular ongoing consultation between the organisation and its employees as all our unionised employees are covered by collective bargaining agreements.

The minimum notice period being governed by the terms of employment as stated at the particular level, as well as in the collective bargaining agreement.

These best practices and consistent focus on creating symbiotic growth has once again resulted in a retention rate of over 90%.

Employee Turnover

	Male	Female
<30 years	1,948	577
Between 30 & 50 years	1,199	126
>50 years	124	3

Total Employee Turnover 3,977

Talent Acquisition

We are constantly adding fresh talent to our pool from a variety of sources. This year too we brought in high caliber human resources in the areas of project management and execution, manufacturing, engineering, marketing, finance, human resources etc.

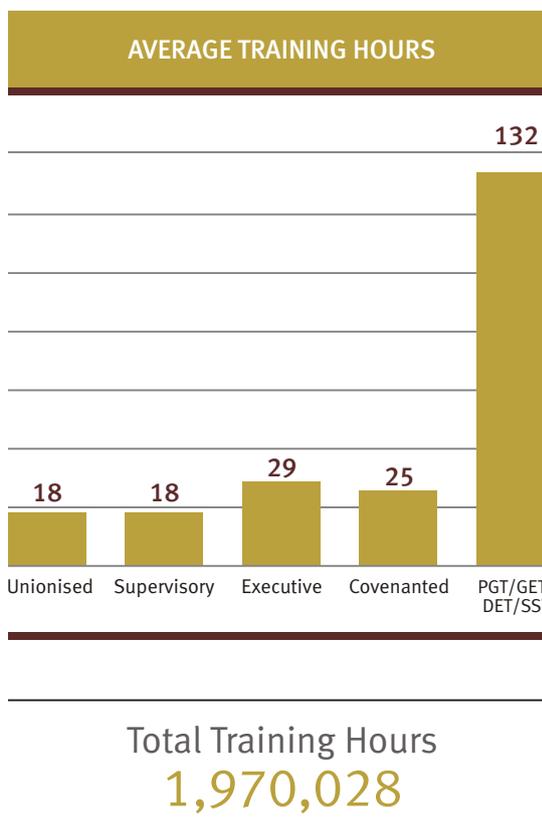
To augment our talent acquisition, we actively participated in academia-industry interface and continued to invest in the L&T brand across campuses.

We inducted young blood from premier engineering and management campuses across India. Talent was also absorbed from Larsen & Toubro Institute of Technology (LTIT) that conducts diploma courses for employees' children.

Talent Recruited 1,163	No. of Institutes 294
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Training

Our success depends on our people. We therefore continuously invest in improving employee skills, capacities, commitment and motivation through comprehensive training programs.



Considering the scale and the diversity of our workforce a critical challenge lies in appropriately identifying and addressing the training needs of each and every employee. At L&T, identification and communication of individual training needs is an integral part of the regular performance and career development reviews.

Based on inputs from these reviews our human resource department draws up an annual training calendar. The training programs span a wide variety of disciplines and include management development programs such as communication and presentation skills, programs on finance, analytical skills as well as technical training through external and internal faculty. The training sessions for workers are provided both on the shop floor and in the class rooms to create a perfect balance of theory and practical applications.

We also partner with reputed technical institutes like IIT - Madras and Delhi, as well as the National Institute of Construction Management & Research (NICMAR), among others to enable our talent pool to remain on the forefront of the latest developments in the field of engineering.

Training is a powerful tool that we employ to increase the value of national production, and transform lives.



We have also undertaken initiatives like an e-learning portal and Any Time Learning (ATL) to facilitate easy paced, convenient and need based self learning by employees on a number of subjects. To encourage employees to train and upgrade their skills we have also made a provision of sabbatical periods with guaranteed return to employment.

Training programs span across their entire career. Programs are conducted for skills management and lifelong learning that support the continued employability of employees. We also go beyond and extend counselling and training which assists them in making post retirement financial plans and an effective transition to a non-working life.

Everyday L&T-ites step out to shape India's future. This is a huge responsibility on their shoulders. And we are making sure we are there to support and guide them.

Employee Benefits

We offer benefits like the provident fund, family pension, gratuity and superannuation fund, the last two being fully funded in accordance with actuarial valuations. Other benefits offered include transport to workplace, subsidised canteens, medical benefits, welfare activities and counselling. LTIT offers 4-year industry integrated diploma courses exclusively for the children of employees and deceased employees.

A quiz contest is more than a Knowledge Test. It is an occasion to foster bonding within the Company while participating in an activity that stimulates increased thought and analysis. The L&T superstar challenger quiz was held for the second successive year. The event which ran for a number of weeks saw large scale enthusiastic participation of employees.

Build India

The Build India Scholarship (BIS), is an initiative introduced by L&T in collaboration with IIT - Madras and Delhi. The scheme entered its 11th year in July 2009.

Its objective is to sponsor fresh, deserving engineering graduates interested in pursuing M. Tech in Construction Technology & Management. Over the last decade, L&T has built up a strong community of more than 400 BIS Scholars. In addition, a fresh group of 50 students have joined the course this year.

The BIS has contributed to the educational, technological and social development of the country through various nation building activities carried out by these young engineers.

Enriching Work Environment

We are conscious of the fact that our employees dedicate their most productive years towards our success. In return we have created an ambience to ensure their professional and personal development. We are building a more positive work environment through a host of initiatives like developmental workshops, talks, activities and training programs directed towards enhancing employee engagement and empowering them to lead a more fulfilling life. These programs are divided under three categories:

Enhancing Wellness and Well-being

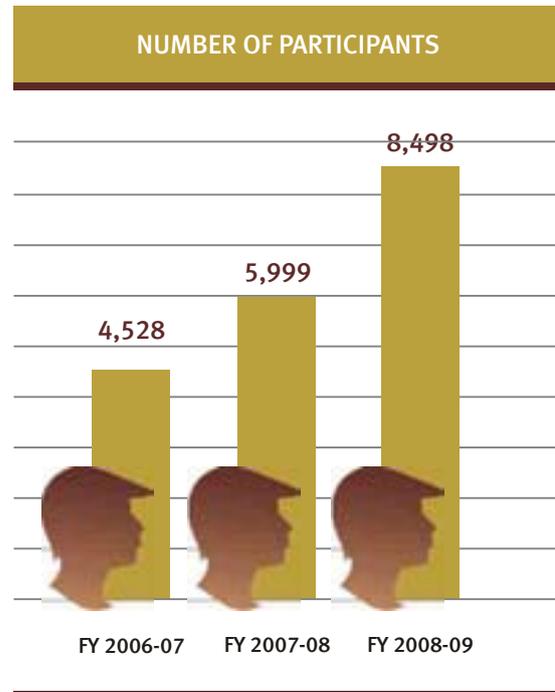
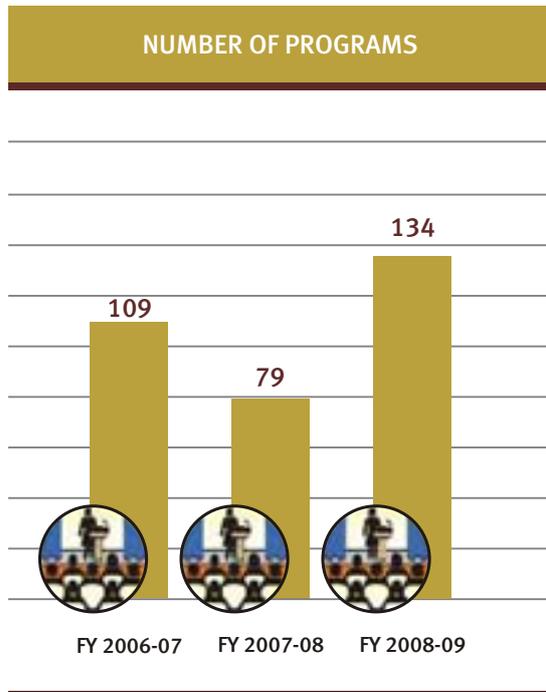
Enrichment sessions are conducted for employees on various topics like team building, lifestyle modification, family life education, diet & nutrition and self management.

Promoting Life Skills

Here we focused on strengthening interpersonal relationships through sessions on parenting, personality development, mental health & well-being, managing emotions, enriching relationships & married life and creativity & thinking skills along with sessions for parents whose children are appearing in board exams or going abroad for higher studies.

Creating a Vibrant Workplace

We engage employees through various workshops on dramatics, origami and music; and camps on personal grooming and corporate dressing along with a number of women-oriented events like *Mangala Gaur*, international women's day, *Dandiya Raas*, traditional day, *Rangoli* competitions etc.



Occupational Health and Safety

Safety continues to get our unremitting attention. Our safety strategy is to nurture a zero accident culture and to reinforce it with fail-safe procedures, the best protective gear and vigilant inspection.

It is our commitment to provide a clean, safe and healthy workplace and to enlist the active support of all employees in achieving these ends. The EHS department conducts awareness programs, mock drills, first aid training, safety induction program, safety audits, occupational disease control and periodic medical check up for workmen engaged in hazardous operations.

Safety committees with 50% workforce representation are in place across operating locations. In addition, safety review committees closely monitor and provide guidance on occupational health and safety programs at Plant (facility) level and Company level.

Safety Training

- Safety training has always played an important role and numerous courses have been held over the years in order to train personnel both in general concepts and in risks which are specific to the sector.
- We have well-equipped training centres to conduct safety training for workmen and staff in a classroom setting. These are organised regularly for contractor's employees as well. The training topics include use of protective gear, first aid, emergency evacuation and preventive practices for specific high-risk activities.
- We conduct training sessions through professional safety organisations to help various business units in enhancing safety conditions at their respective workshops.

Precautions

- Our units remain alert and proactively identify potential hazards and reduce risks. New projects / expansion plans are reviewed by Corporate and / or Divisional EHS experts. The engineering control measures are designed at this stage and installed during the implementation of the project.
- A complaint mechanism is in place to ensure that unsafe conditions and work practices, if any, are reported for necessary action by the EHS department.

Monitoring

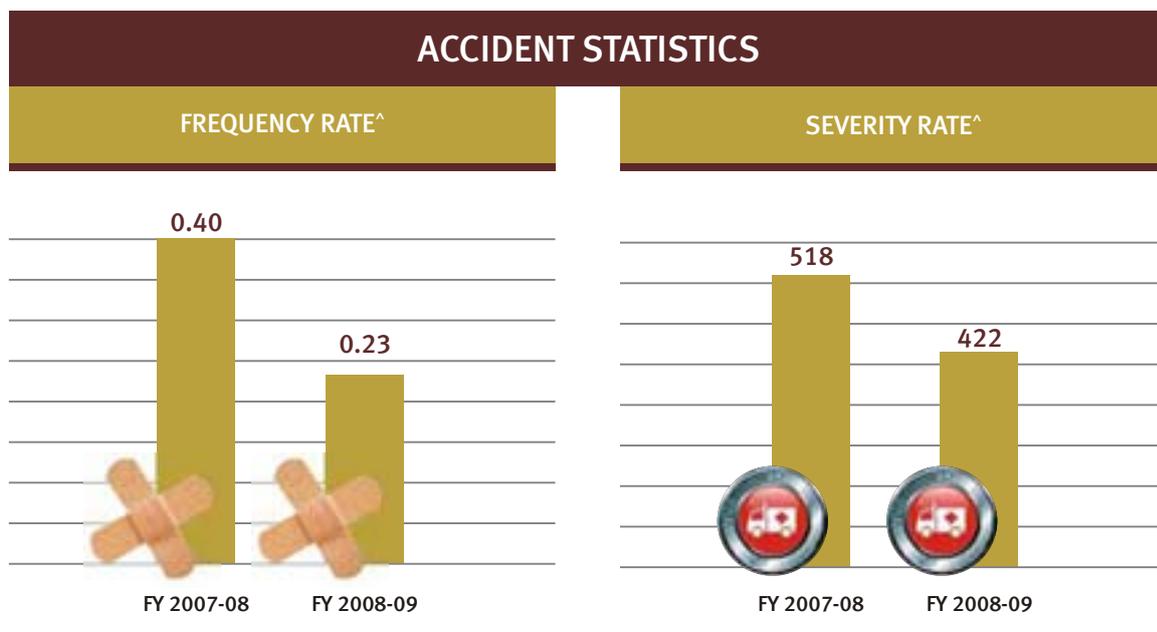
- We encourage recording and investigation of all incidents (near miss, dangerous occurrences). Accidents are recorded and investigated by trained managers (including the Unit EHS Manager) to identify the root cause and recommend measures to prevent recurrence. All statutory reporting requirements are strictly complied with.
- Best practices are shared with external agencies such as British safety Council, National Safety Council, safety consultants and other government agencies.

We have fully equipped occupational health centres in all campuses manned by specialists. At most locations, we have fully equipped ambulances. We also have a well-established setup catering to employee needs for preventive, curative and occupational health problems.

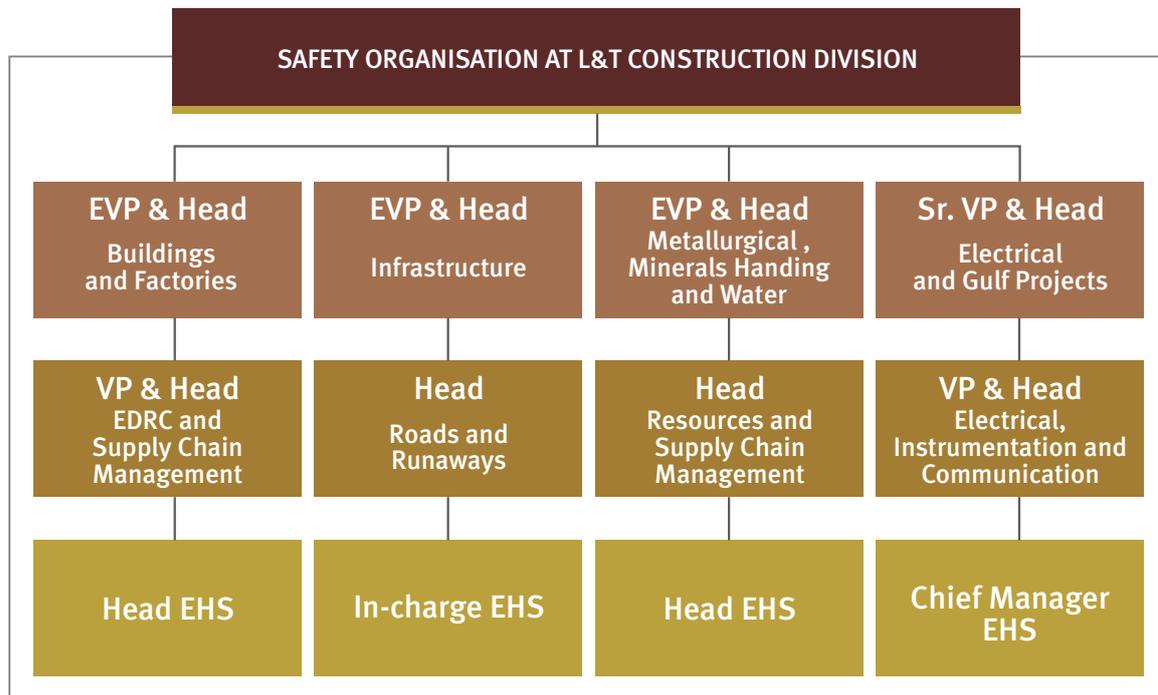
Counselling by trained professionals ensure the mental and emotional well being of employees. We carry out regular health check-ups for chronic diseases, annual health check-up of all canteen employees and immunisation of food handlers / employees. Our in-house medical facilities are complemented by tie-ups with nearby hospitals for emergency medical services.

L&T is amongst the first corporates to articulate a policy on HIV/AIDS. We continue to conduct awareness programs on HIV/AIDS for members of the community.

Even as we aim to attain a zero accident rate and create a safer working environment for all our employees, accidents do take place. The declining accident trend is an evidence that our efforts are yielding encouraging results. But we remain ever vigilant and safety conscious.



[^]Due to the increased scope this year, the above trends have been derived as per the scope of last year.



ACCIDENT STATISTICS WITH CURRENT SCOPE	FY 2008 - 09
Frequency Rate	0.22
Severity Rate	402.54

Frequency rate (FR) = Number of reportable accidents per million man-hours worked

Severity rate (SR) = Number of man-days lost per million man-hours worked

Project Site Practices

Safety is at the top of the daily checklist at every site, to ensure that we do our best to protect our most valuable assets - our people.

Each day site safety engineers and execution engineers conduct tool-box talks on safety methods. EHS committees are formed to monitor and advise on Occupational Health and Safety programs at project sites. These assessments bring out any safety-related risks that can impact the success of a project.

The sheer scale and expanse our project sites represents a unique challenge.

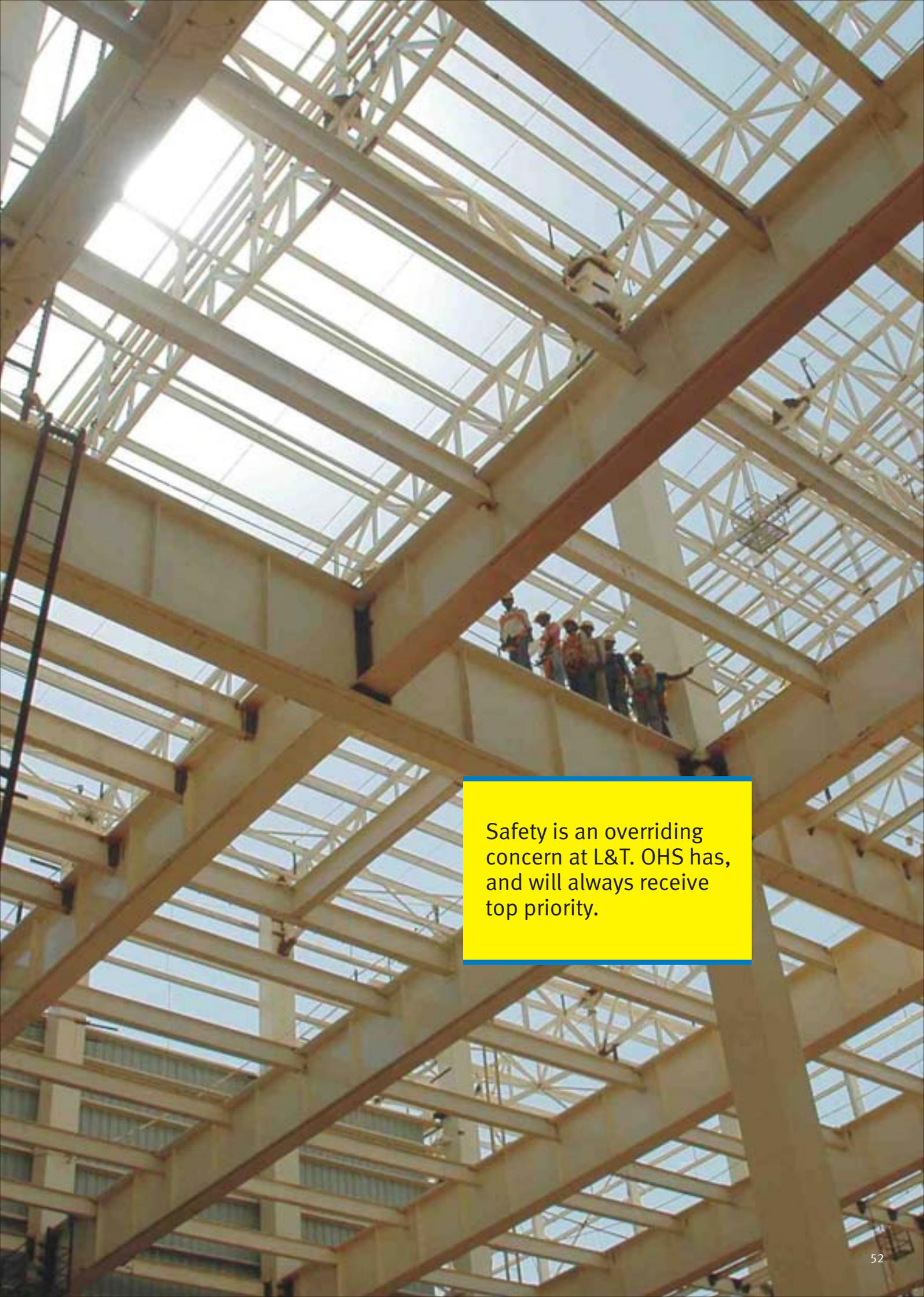
The Construction Division employs (direct / indirect) about 2 lakh workmen at various sites. In 2008-09 there were 39 fatalities.

To add to the complexity, even the workmen turnover at the sites is very high due to the nature of the industry.

To combat these risks, every workman entering the site is screened and has to undergo skill, experience and attitude tests to determine his/her safety quotient for the assigned activity.

To facilitate enhanced focus on safety and to achieve an injury-free workplace, the Construction Division has taken significant steps:

- **Increased capital outlay to mechanise operations particularly in high-risk areas.**
- **Intensify safety training.**



Safety is an overriding concern at L&T. OHS has, and will always receive top priority.

Knowledge is the best prescription for safety. At L&T, workmen across manufacturing locations and sites are trained on various aspects related to Occupational Health and Safety,

- Importance of EHS in operations

- Defensive driving

- Legal requirements

- Typical construction hazards and precautionary measures

- Precautionary measures during radiography

- Safety while working at height

- Safety during material handling

In addition to above programs, necessary instructions are given to cover aspects of health, personal hygiene and sanitation during induction.

Formal agreements with trade unions cover aspects related to personal protective equipment, joint management - employee health and safety committees, participation of worker representatives in health and safety inspections, audits and accident investigations, training and education, complaints mechanism and periodic inspections.

Diversity and Equal Opportunity

Our diverse workforce is a melting pot of different talents and viewpoints from across the country, that enrich our business and work culture.

We promote diversity and provide equal opportunities for development of all the people deployed in our operations. Job openings within the organisation are announced through internal communication channels. Meritocracy governs all aspects in recruiting and rewarding employees.

We comply with the equal remuneration act and meet all statutory & regulatory norms regarding wages & benefits.

We do not engage in or support direct or indirect discrimination in recruitment, compensation, access to training, promotion, termination or retirement

based on caste, religion, disability, gender, age, race, colour, ancestry, marital status or affiliation with a religious or ethnic group. No incidents of any such discrimination were reported at any of our locations during the reporting year.

Considering the nature of our operations, the proportion of women in our workforce is relatively low. Yet we remain strongly committed to gender equality in the workplace.

Human Rights

L&T is committed to abiding by an open and fair industrial relations policy. We are dedicated to upholding the applicable rules and regulations that have been set out to guarantee basic human rights.

Systems are in place to ensure business agreements are in compliance with the statutory requirements which in turn address human rights issues.

We honour all local laws and uphold the spirit of human rights as enshrined in existing international standards such as the Universal Declaration of Human Rights and the Fundamental Human Rights Conventions of the ILO.

It is ensured that the subcontractors & their workmen undergo screening for their age and are given induction training on eligibility of pay and benefits.

During the reporting period there was no incident where an employee's right to freedom of association was violated. Within our operations, relations remained cordial and there was no risk to collective bargaining.

L&T does not permit child and forced labour. This rule is also extended to vendors and contractors working within our premises. While selecting and evaluating significant suppliers and contractors, we follow processes that examine human rights practices.

Clauses pertaining to human rights relevant to operations are included in the induction training program material to appraise all employees about our HR practices and procedures.

Security personnel including those employed by customers at project sites are made aware of human rights principles and requirements.

Our manufacturing facilities fall under marked industrial zones. There was no incident of violations involving rights of indigenous people.

WELFARE OF WORKMEN



Comfortable accommodation for workmen are part of L&T's worksites

In the construction Industry a large number of workmen relocate and many of them stay together in makeshift temporary accommodations with compromised living conditions near the construction site.

The welfare of our workmen is a prime responsibility for L&T and we therefore ensure that our workmen across major sites are provided comfortable living facilities and a safe, healthy and engaging environment.

Delhi International Airport (P) Ltd. (DIAL) is one of our major project sites, which employs approximately 20,000 workmen. We have constructed a colony for these workmen comprising of all basic amenities like sewerage, sanitation, electricity, drinking water and medical services.

Facilities provided in the colony include:

Medical Centre: A full-fledged 10 bed medical centre with qualified doctors, 5 ambulances and paramedical staff has been provided to take care of the workers' health. Round-the-clock free health check-up facility and medicines are made available.

Drinking Water: 24x7 supply of drinking water is provided at sufficient places across the colony and the water quality is checked regularly.

General Stores: 10 general stores have been opened where workers can shop for their daily requirements within the colony itself.

Solid Waste: The solid waste generated from the colony is collected in special plastic containers and recyclable materials are subsequently segregated.

Electricity: Round-the-clock electricity facility is available in the colony.

Safety: Fire extinguishers & fire buckets are installed at all strategic locations. Safety marshals too have been deployed at prominent locations.

Security: The colony is fenced and security guards are deployed at entry and exit points. Identity cards have been provided to all the workers. Public announcement systems are available for any emergency use.

Environment: Ambient air, drinking water and noise are regularly monitored.

Waste Water Treatment: Three Sewage Treatment Plants have been constructed to treat the wastewater generated from the colony. This treated water is reused for dust suppression within the project area.

Key Benefits

-
- Home away from home
 - Ease of access to project site
 - Improved productivity
 - Enhanced safety
 - Unity & high morale among workmen
 - Improved lifestyle of workmen
-

blooming cactus

Cacti are among nature's true survivors. Blooming even in the harshest of terrains, they demonstrate true sustainability and inspire us to thrive even in challenging conditions.



economic performance

Economic Meltdown

This year the world faced one of its most severe economic crises. Stock markets across the world fell. Large financial institutions collapsed. Liquidity vanished, industrial growth rates declined.

Major developed economies plunged into a deep recession, and growth in the developing world decelerated. Bailouts were the order of the day and contraction became the norm. Focus swung from managing for growth to managing for survival.



conditions apply

Target Growth Sectors

We planted seeds of growth in sectors such as Hydrocarbon and Nuclear which are likely to witness high demand even in the given economic condition.

Infrastructure Focus

Our infrastructure focus ensured that demand remained robust. It is underpinned by India's 'infrastructure deficit' and buoyed by the large government economy bailouts which are mainly being injected through infrastructure development.

Cost Optimisation

Efficient project execution, a wider product range, enhanced realisations, improved logistics management and value engineering resulted in cost optimisation.

economic performance

During the last seven decades we have been part of the ups and downs of a maturing Indian economy. But tough times have only made us tougher. The intrinsic strength of our diverse business portfolio has ensured sustainable economic growth.

Despite the unprecedented global economic and business turbulence during FY 2008-09, L&T retained its growth trajectory and created wealth for the entire cross section of stakeholders. It also enabled us to add value to our social responsibilities and innovate solutions to tackle environmental issues.

Revenues
Rs. 346.66 Bn
(USD 6.83 Bn)

New Order Inflow
Rs. 516.21 Bn
(USD 10.18 Bn)

Order Book
Rs. 703.19 Bn
(USD 13.86 Bn)

L&T recorded an EVA of Rs. 7.34 Bn (PY Rs. 8.34 Bn). The ROCE (excluding extraordinary and exceptional items) stood at 17.6% (PY 20.6%). Order Inflows grew by 23% over 2007-2008. The reduction in EVA & ROCE as compared to previous year, is mainly attributed to additional funds deployed in emerging businesses and expansion, which is underway and yet to realise full revenue potential and profit generation. The net working capital is at 12.1% of the sales as against 10.9% for the previous year.

ECONOMIC VALUE GENERATED (Rs. Bn)



ECONOMIC VALUE DISTRIBUTED

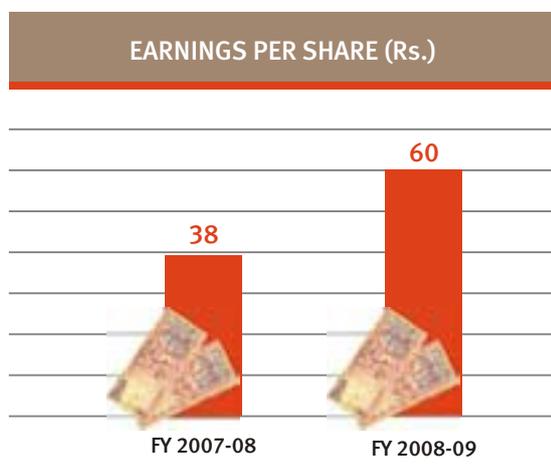
	FY 2007-08 Rs. Bn	FY 2008-09 Rs. Bn
Manufacturing, construction and operating expenses	191.54	262.32
Employee wages and benefits	15.35	19.98
Payments to providers of capital		
• Interest	1.23	3.50
• Dividend	4.95	6.15
Payments to Government	24.46	30.00
Community investments	0.26	0.44

Economic Value Retained

Market capitalisation as on March 31, 2009 stood at Rs. 393.73 Bn as compared to Rs. 884.15 Bn as on March 31, 2008. However, due to pick up in growth momentum, our market capitalisation has surpassed Rs. 968.57 Bn as on September 30, 2009.

Earnings Per Share

The Earnings Per Share (EPS) increased to Rs. 59.50 in FY 2008-09 from Rs. 37.80 in FY 2007-08 and dividend increased from Rs. 8.50 per equity share (Rs. 2 each) in FY 2007-08 to Rs. 10.50 in FY 2008-09 (dividend is on the expanded share capital post-bonus issue of 1:1 during the year).



Our interest and debt obligations were met as per schedule.

Confidence to pursue new growth initiatives for existing and emerging businesses in hydrocarbons, infrastructure, power, railways and ship building was strengthened by our robust cash flow position at the year end.

LIQUIDITY AND CAPITAL RESOURCES

	FY 2007-08 Rs. Bn	FY 2008-09 Rs. Bn
Cash and cash equivalents at the beginning of the period	11	10
Add: Net cash provided / (used) by:		
• Operating activities	19	15
• Investing activities	(52)	(44)
• Sale of RMC business	---	11
Financing activities	32	16
Cash and cash equivalents at the end of the period	10	8

To view our detailed financial performance please visit www.larsentoubro.com

Despite a sharp increase in the cost of resource commodities like steel and cement, we maintained our manufacturing, construction and operating expenses at 75.7% of total income at near previous year levels through efficient project execution, improved logistics management, wider product range and enhanced realisations.

Enriching Stakeholders

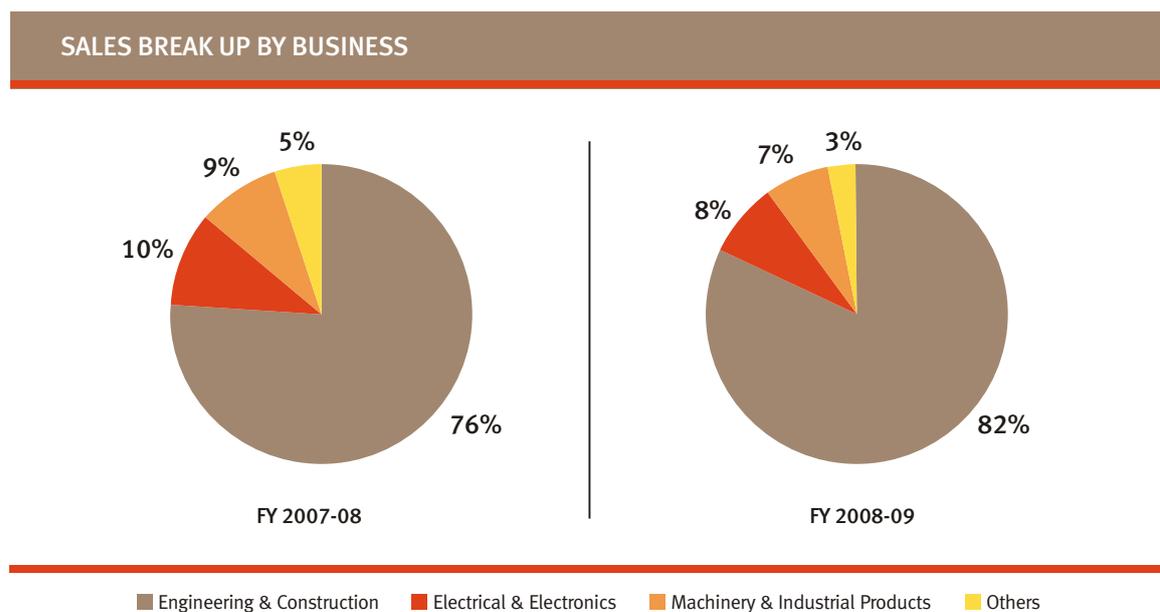
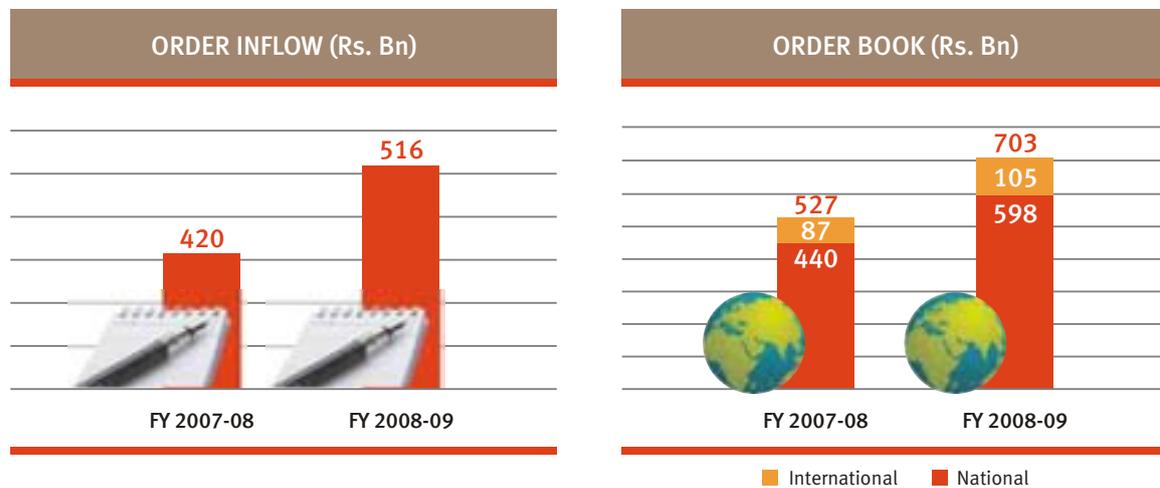
L&T consistently invests in human resource development, social upliftment, environment protection, technology upgradation and the timely discharge of its obligations towards its investors and financial institutions.

Customers

Customer satisfaction is the foundation of our economic sustainability. A strong, customer-focused approach and the constant quest for world-class quality have enabled L&T to attain and sustain leadership in its major lines of business across seven decades.

To sharpen customer focus and provide specialised resources, L&T put in place a new business management structure and set up Operating Companies to cover specific business clusters.

Gross sales and service income rose a healthy 35% to touch Rs. 340.45 Bn in FY 2008-09 (previous year Rs. 251.87 Bn). A 23% increase in order inflows to Rs. 516.21 Bn resulted in a healthy order book of Rs. 703.19 Bn at the close of FY 2008-09, which was 33% higher than the previous year.



Employees

Employees shape an organisation. They are a precious asset and a critical resource for a growing organisation.

Every year we recruit qualified talent to fuel our expansion and review remuneration of existing talent so that they too grow with the organisation. As a result, this year our staff costs increased by 30% to Rs. 19.98 Bn.

The true measure of human resource efficiency would be to view employee costs as a percentage of total income; on this ratio we maintained previous year's level even as we added 5,416 employees to reinforce projects and manufacturing capacities at existing and new locations.

EMPLOYEE COSTS

	FY 2007-08 Rs. Bn	FY 2008-09 Rs. Bn
Cost towards wages salaries (a)	11.79	15.62
Other benefit costs (b)	3.56	4.36
Total personnel cost (a+b)	15.35	19.98
Average payout per employee (in million)	0.48	0.53



The Delhi Metro project is a fine illustration of our ability to synergise business growth with environmental and societal good.



Vendors

Capacity expansion and capability upgradation initiatives saw purchase of property, plant and equipment increase from Rs. 17 Bn in FY 2007-08 to Rs. 20.30 Bn in FY 2008-09. Purchase of products and services in FY 2008-09 also recorded an increase commensurate with growth in our business.

Local Sourcing

We continued our strong partnerships with our local suppliers (for the reporting period, operations in India are considered as local) as we sourced about 80% of our requirements from them. The sourcing was based on criteria like technical requirements, availability, costs and economics. The project division procured primarily from Indian companies who have delivered quality products and met stringent delivery schedules in the past. However, in case of certain EPC projects our scope of choosing new vendors got limited as vendor lists were provided by customers.

We strengthened our vendor development plan, enlisting a larger number appraised on costs, lifetime advantages / savings, track record of prior

engagement with L&T, ability to fulfil quality specifications and meet delivery schedules / deadlines.

Indirect Economic Impact

Sustainability is about percolating economic growth to our stakeholders. An essential step towards this is to constantly channel our economic prosperity. This will make a larger difference in the development of the neighbouring communities through direct and indirect employment opportunities. For us this extends to contributing through initiatives in education, health, environment conservation, infrastructure and vendor development. We invested Rs. 445 million across various community development programs in FY 2008-09.

Climate Change

Owing to the nature of our operations, we have set ourselves the goal of Carbon footprint mapping. This will help us assess the impact on climate change and business opportunities. Additionally, our energy-efficient products / services, helped customers mitigate their carbon footprint.

Economic Performance - L&T Infotech Limited

Even in the backdrop of the global economic downturn, L&T Infotech put up a good performance during FY 2008-09:

- 19% growth in total revenues at Rs. 19.75 Bn during the FY 2008-09 compared to Rs. 16.58 Bn in the previous year.
- 25% increase in PAT at Rs. 2.65 Bn as against Rs. 2.11 Bn in FY 2007-08.
- Manpower strength as on March 31, 2009 was 9701.

Vertical wise revenue for FY 2008-09:

Vertical	Contribution to Revenue (%)
Manufacturing	41
Energy & Petrochemicals	16
Product engineering Services	12
Banking & Financial Services	13
Insurance	18

tree frog

A 'mascot' for many conservation initiatives, the affable tree frog is representative of our greener side. The amphibian symbolises how we can leap ahead by adopting eco-friendly practices.



Environmental Meltdown

Once an inconvenient truth, climate change turned into an incontrovertible challenge. Businesses across the world felt the heat of rising global temperatures and had to contend with spike in energy requirements, rapid depletion of resources, peaking conventional fuel supply, decreased fresh water availability, expanding wastelands and increasing emissions. Together they are blotting out the chance for a brighter future.



conditions apply

Energy Conservation & Green Initiatives

Process redesign, efficient lighting, retrofitting equipment.

Energy audits and Carbon footprint mapping.

Increase renewable energy usage.

Effective Water Management

Reduce per capita water consumption by 10%.

Adopt zero-discharge approach at manufacturing locations.

Enhance rain water harvesting.

Measurement of water usage across all project sites.

Material Efficiency

Use alternative material - fly ash, crushed sand, aluminum H. beams.

Recycle and adopt eco-friendly material.

RoHS compliant products.

environmental performance

Even as our large scale projects shape the industrial contours of the nation and engineer solutions for the future, we are conscious of the impact of our operations on the environment and vice versa.

We are committed to incorporate eco-efficiency into the core of our business operations. We are proactively monitoring how our operations interact with the environment and intervene wherever it is required to implement measures that reduce or mitigate any potential adverse impacts.

This year we have looked at ways to:

**minimise
energy
consumption**

**follow lean
manufacturing
processes**

**design for
minimising
waste**

**conserve
water
resources**

At L&T sustainability has always been an integral part of our decisions. Our reporting journey has lent a structured framework and helped reinforce sustainability as a key performance parameter across all levels of the organisation.

Energy

Accelerating development and a growing world population have pushed conventional energy supplies to a peak point. The need to conserve energy and find energy alternatives is imperative; lest we run out of energy to run our businesses and this planet.

Managing energy expenditure remains one of L&T's top priorities. The long-term success of our business depends on it and we are riveted on reducing energy consumption, being more energy efficient, plugging into more renewable forms of energy and investing in

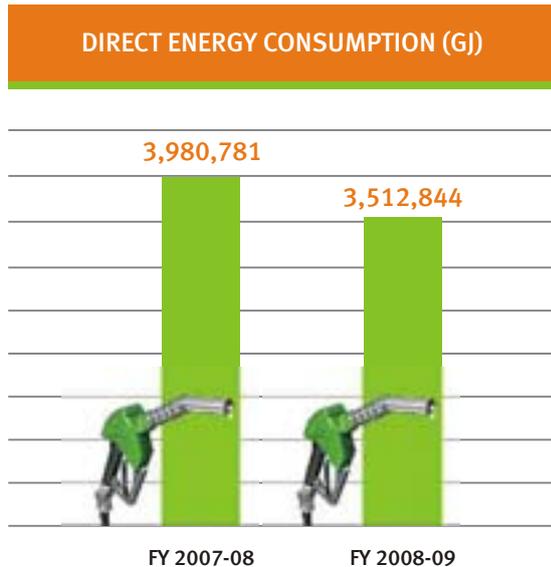
'alternative technology'. We constantly explore collaborative paths with our clients and suppliers to achieve these goals.

Energy Consumption

Diminished energy consumption on both fronts - direct and indirect energy, was among the highlights of the year. This was a direct consequence of progressively enhancing energy efficiency through adoption of advanced construction techniques and latest machineries, process improvements, and other initiatives in product design.

Direct Energy

Our direct energy consumption registered a 11.75%^ drop

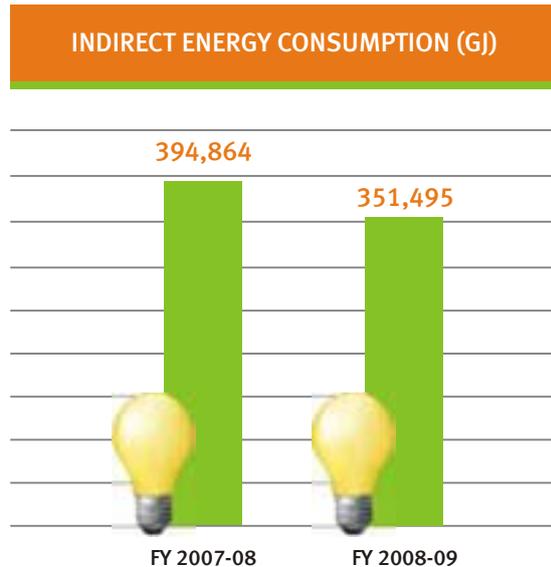


[^]Due to the increased scope this year the above trend has been derived as per the scope last year (07-08)

Total direct energy consumption as per current scope | 3,568,409 GJ

Indirect Energy

Indirect energy consumption too showed a downward trend to register a 10.98%^ reduction



[^]Due to the increased scope this year the above trend has been derived as per the scope last year (07-08)

Total indirect energy consumption as per current scope (2008-09) | 410,224 GJ

Renewable Energy

Around 13% of our electricity requirement continued to be sourced through wind energy. Solar energy is being tapped at our campuses in Powai, Hazira and Mahape. Plans are underway for commissioning solar energy installations at Chennai and Talegaon.

Green energy used (Wind Power) | 13.25%

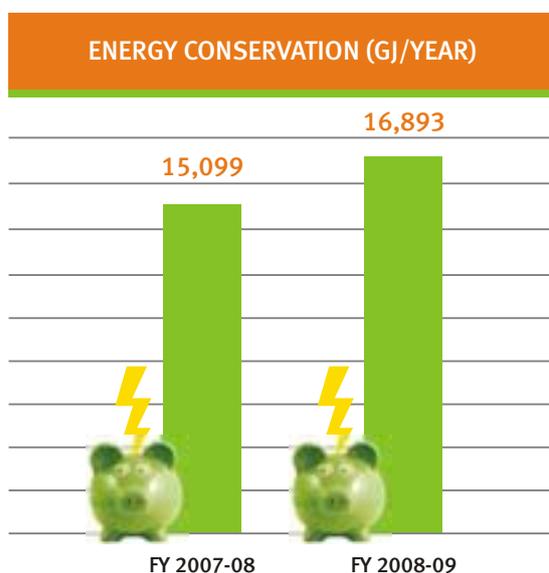
“A watt saved is three watts generated.”

At L&T we recognise that small steps go a long way in conserving energy. We are therefore promoting an energy conscious culture among stakeholders.

Energy Conservation

At L&T, we view energy conservation as a double benefit activity. It enables us to be ecologically responsible and economically efficient. We have thus been rigorously stepping up the adoption of energy-conserving best practices; across systems and processes.

During the last two years we have conserved 31,992 GJ of energy. In FY 2007-08, our first year of sustainability reporting, we conserved 15,099 GJ and this year we added an impressive 16,893 GJ to our energy conservation. Most of our Operating Divisions have shown an ascending trend in energy conservation.



Due to the enhanced scope this year the above trend has been derived as per the scope last year (07-08)

Energy Conservation as per current scope | 20,533 GJ

Major Energy Conservation Initiatives:

A host of initiatives have resulted in considerable energy savings.

ENERGY CONSERVATION INITIATIVES	
Initiatives / Interventions	Total Energy Conserved during FY 2008-2009 (GJ)
Process redesign	3,328
Optmisation / operational control & efficiency	6,869
Conversion and retrofitting of equipment	6,682
Change to CFL lamps	396
Change in maintenance/ operation schedule	151
Rationalisation of lighting patterns	3,051
Other	56



Solar Panel at Engineering Design and Research Centre of L&T, ECC Division, Chennai

Our Powai facility has put in place an effective energy conservation plan. Rs. 2.8 million were invested across various energy efficient practices to achieve annual savings of 1.3 million kWh, translating to Rs. 8 million.

Energy conservation initiatives in lighting and utilities

- Installation of solar water heating system in the canteens, use of solar powered street lights, installing timers, applying reduced voltage to street lights at night etc.
- Installation of motion sensors and timers for lighting and judicious use of air conditioning.
- Use of energy efficient lighting arrangements like LED, metal halide, etc.
- Installation of fibre sheets to improve illumination.

Energy conservation initiatives in manufacturing processes

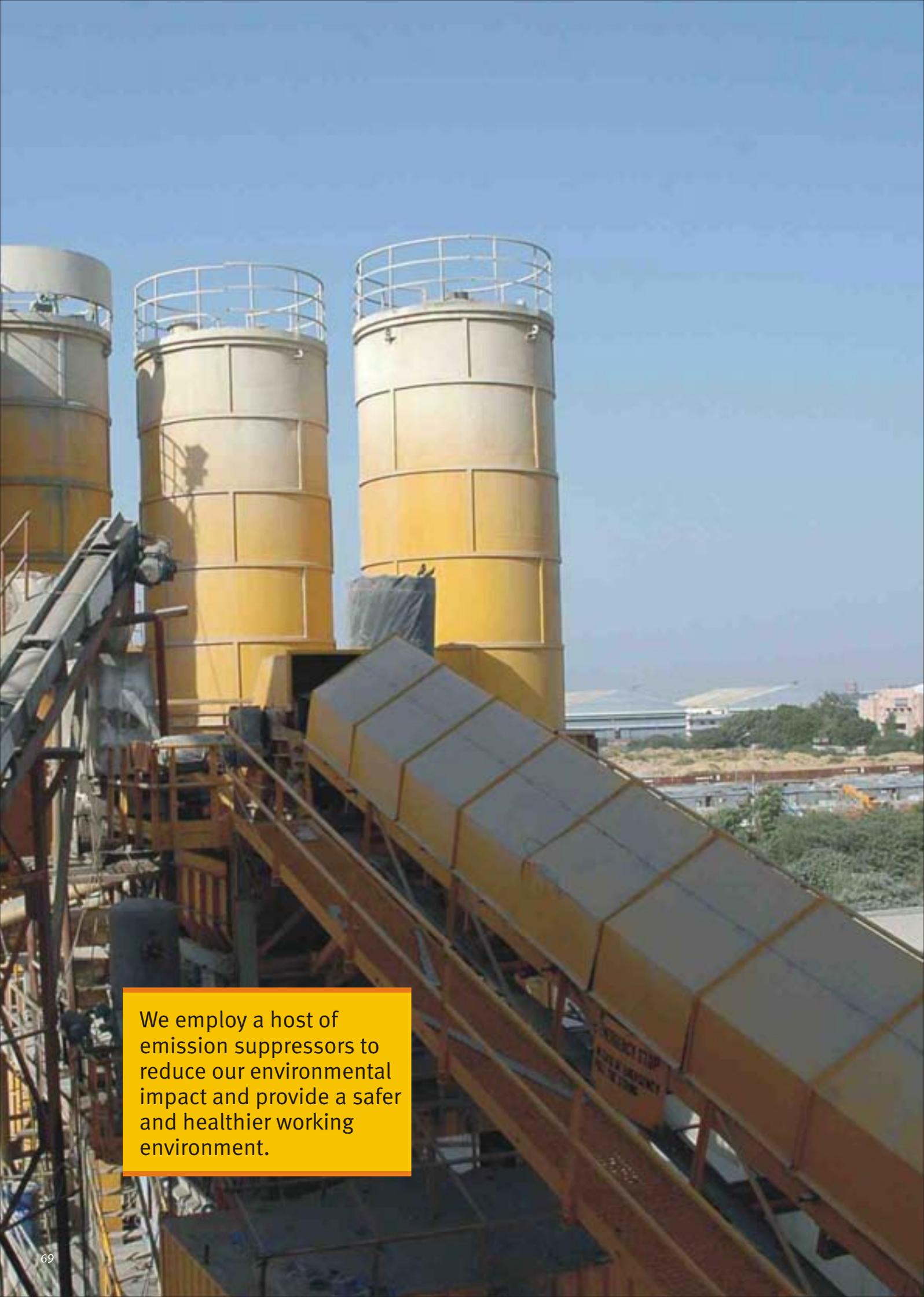
- Installation of Automatic Temperature Monitoring and Controlling System during welding at Hazira. This development has been granted a Patent.
- Use of variable frequency drive for various applications such as central ACs, Forced Draft Ventilation System, AC plant Air Handling Units, EOT crane motors, etc. to improve motor efficiency and enhance energy saving.
- Procurement of additional inverter based welding machines instead of rectifiers for shops, new machines with energy efficient motors, etc.
- Electrode procurement & storage in vacuum sealed packing to eliminate baking.
- Development & installation of portable pipe bevelling machine to replace manual grinding, reducing cycle time from two hours to two minutes.
- Installation of Virtual Reality Simulator for training welding operators.
- CNC retrofitting of bench lathe at Kansbahal, resulting in enhanced productivity and reduced process time & power consumption.

Supercritical Steam Turbine Generator

Supercritical boilers and turbines are key elements of the total EPC solution that L&T Power offers to the power sector. The turbines are manufactured in a joint venture with Mitsubishi Heavy Industries - a global leader with over five decades of experience in the field.

Supercritical technology is a major step ahead in L&T's efforts towards balancing the need to augment generation with environmental concerns. Supercritical parameters decrease turbine cycle heat rate, thereby increasing operating efficiency. This leads to reduced fuel consumption and helps in conservation of conventional resources. Supercritical technology also reduces emissions - especially of green house gases. A supercritical power plant can reduce CO₂ emissions by approximately 2.5 %.





We employ a host of emission suppressors to reduce our environmental impact and provide a safer and healthier working environment.

Emissions

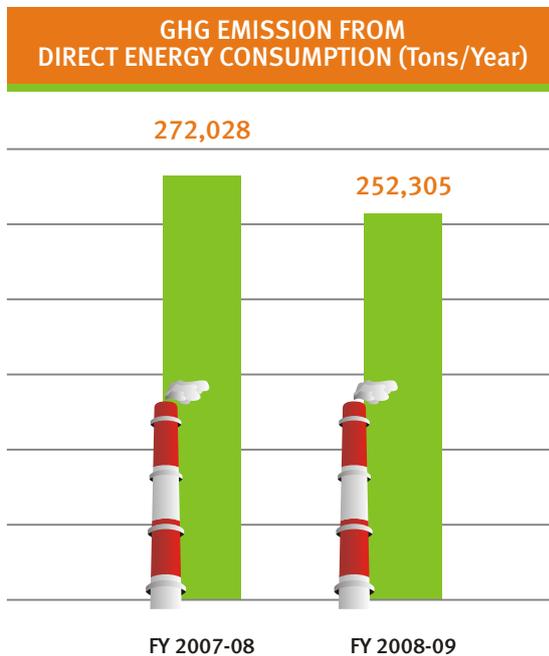
We are aligning our operations to reduce, or better still negate any emissions from our operations, processes, products and services. To this end, we have ensured that we discontinue the use of ozone depleting substances and enhance efficiency of on-site storage management. We are also working to reduce the need for travel wherever possible.

The results were encouraging as we achieved a decline in our GHG emissions on two fronts.

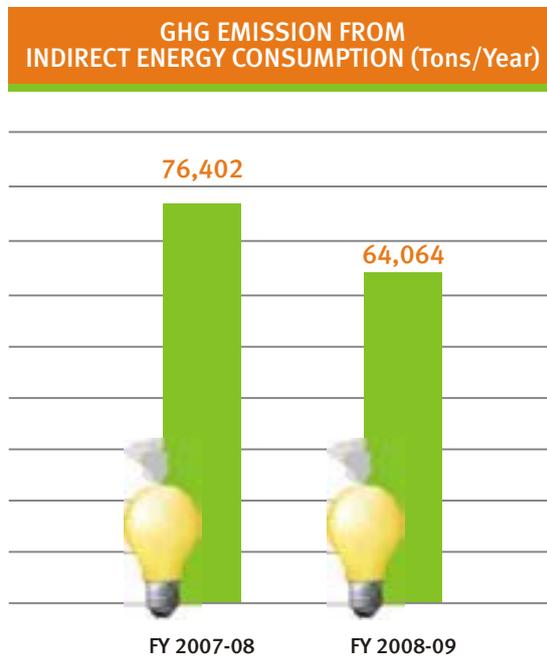
Our reduced dependence on electricity from the grid enabled us to decrease our indirect emissions by **16.15%**.

Simultaneously, the curtailed consumption of conventional fuels at our operations resulted in a **7.25%** dip in direct emissions.

Our direct emissions are generated from the usage of plant & machinery, furnaces, fabrication activities that use diesel, LPG, etc; while indirect emissions are those generated by purchased electricity.



Due to the increased scope this year the above trend has been derived as per the scope last year (07-08)



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DISPERSION STUDY FOR STACK EMISSIONS



Stacks at Melaka Refinery, Malaysia

Stringent environmental norms meeting global standards began to be adopted by the domestic sector as well. Air Dispersion Analysis & Modeling for Stack Emission, which were required for a few international projects until recently, have also become mandatory for projects in India.

In response, L&T Engineering, Vadodara has enhanced its capabilities to carryout Air Dispersion Analysis & Modeling of Stack Emissions, with a specific focus on Fired Heater Stacks to ensure that the pollutant Ground Level Concentrations (GLC) meet project norms and environmental standards.

An illustrative study undertaken for a Refinery Project is given here.

The table compares emission output at Engineering Stage (March 2006) and at Performance Run Stage (Jan 2009) against the limits specified in the project guidelines. The analysis helped to confirm that existing emissions comply with the local requirements, and are well within the limits specified in the project guidelines.

CO ₂ CONCENTRATION						
Parameters	Predicted Values (microgram / m ³)				Project Guidelines (microgram / m ³)	
	Nov - March 06		Jan 09		1 Hour	8 Hours
	1 Hour	8 Hours	1 Hour	8 Hours		
Concentration	15.656	8.2	13.66	4.75	34	10
X/Y Coordinate	0/-800	0/-1100	332/108	332/108	-	-
Date and Time	1-1-06 at 14:00 Hours	1-1-06 at 16:00 Hours	1-1-09 at 9:00 Hours	1-1-09 at 16:00 Hours	-	-
NO _x CONCENTRATION						
Parameters	Predicted Values (microgram / m ³)				Project Guidelines (microgram / m ³)	
	Nov - March 06		Jan 09		1 Hour	
	1 Hour		1 Hour		1 Hour	
Concentration	9.81		8.55		320	
X/Y Coordinate	0/-800		350/100		-	
Date and Time	1-1-06 at 14:00 Hours		1-1-09 at 9:00 Hours		-	

GHG Emissions as per Current Scope

<p>Scope 1 Direct emissions (From combustion of Fuel) 256,279 Tons CO₂e</p>
<p>Scope 2 Indirect emissions (From electricity consumption) 88,493 Tons CO₂e</p>
<p>Scope 3 GHG emissions (From travel, commuting of employees) 2,933,902 Tons CO₂e</p>

Total GHG emissions | 3,278,674 Tons CO₂e

Ozone Depleting Substances (ODS) and NO_x, SO_x Emissions

TYPE OF AIR EMISSIONS	QUANTITY (Tons / Year)
NO _x	7.37
SO _x	8.72
Particulate matter	58.82

Ozone Depleting Substances
0.09 Tons of CFC-11 Equivalent

Green Buildings

The built environment is globally responsible for nearly 40% of CO₂ emissions, 40% of solid waste generation and up to 40% of energy use.

As nation builders it is our prime responsibility to build a future on a more eco-friendly foundation.

EDRC - the Engineering Design and Research Centre of L&T's ECC Division has adopted "Green Buildings" as one of the thrust areas for its development work.

A 'Green Building' is one which is designed with sustainability in mind and adopts a holistic approach to design construction, where special attention is given to use of eco-friendly construction materials and energy conservation.

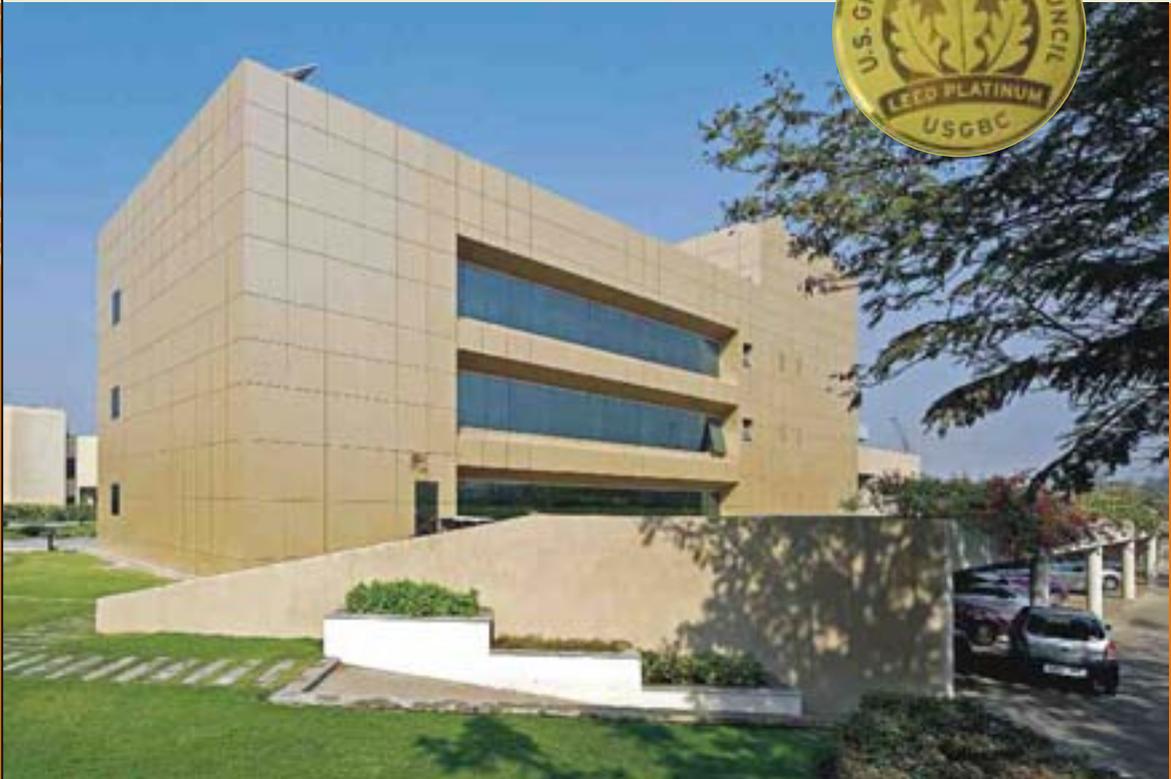


Engineering Design and Research Centre of L&T, Chennai - A LEED certified building (silver rating) from US Green Building Council

TECHNOLOGY BLOCK L&T HAZIRA MANUFACTURING COMPLEX



CASE STUDY



Completed in June 2008 our Hazira Manufacturing Complex demonstrates an intense focus on efficient utilization of resources, and minimal impact on the environment. It has been awarded the highest possible Platinum certification under the Leadership in Energy & Environmental Design (LEED) program.

To enhance occupant comfort, energy efficiency, and environmental stewardship a host of features were incorporated at the design stage and various responsible practices were adopted in its construction.

Design and Construction Highlights

Sustainable Site

- The landscape area (3080 sq. mt.) provided is larger than the constructed area (2710 sq. mt.) which comprises of the building plinth area, walkways, roads etc.
- A storm water network for harvesting of roof & surface rainwater has been implemented.
- Local bus / campus bus facility for building occupants is available within 1/ 4 miles from the building.
- Bicycle stands & shower facilities for building occupants were provided within the site.
- Covered car park along with a battery charging point for Electric Cars has been provided.
- Erosion control measures during construction limits site disturbance within 40 feet of building perimeter.
- Heat reflective paint has been applied on terraces along with development of gardens to minimise heat ingress in to the building.
- Specialised fixtures have been used for exterior lighting to avoid light pollution.

Water Efficiency

- Usage of Low flow rate plumbing fixtures have reduced water usage by 30%.
- 100% waste water from the building is treated through a central STP.
- Landscape irrigation is done through this treated water with the help of dippers & Sprinklers.

Energy & Atmosphere

- The installed HVAC System helps cut energy consumption by 30 % as it is equipped with a Building Management System (BMS) and comprises of various energy efficient components like Modulating Burner, Inverter control on absorbent pump, VFD on AHUs and Pumps, Heat recovery wheel on AHU, Variable Air Volume Boxes, Motorized valves in individual AHUs .
- Efficient lighting & control systems sporting Occupancy Sensors, Daylight Sensors, and T5 lamps help reduce energy consumption by 30%.

Materials & Resources

- The use of virgin wood was significantly reduced by refurbishing old office and laboratory furniture to furnish the ground floor block.

- The entire construction waste was re-used.
- Majority of building material had recycled content and was procured locally.

Indoor Environmental Quality

- Sensors have been installed at various indoor locations to monitor & control CO₂ levels.
- The AC system delivers 30% more fresh air with the help of an automated fresh air damper.
- Task lighting has been provided.
- One operable window provided for every 20 persons.
- Separate rooms for chemical storage & photocopying with individual AC and exhaust units, plus deck to deck partitions ensure good indoor air quality.
- 90% of regularly occupied area is provided with views & daylights.
- Interiors have been constructed from urea formaldehyde free, eco-friendly particle boards.
- Low VOC like paints, adhesives and sealants have been employed.



Technology Block, Hazira: Terrace gardens in the green building act as counterpoint to the concrete

Water

Water is amongst the most vulnerable resources on the planet and its pollution has a serious detrimental impact on the environment. Water availability is on the wane and water pollution on the rise. Water therefore is an issue that must be addressed with utmost care by all members of the industry on an urgent basis.

Water gains even deeper significance when it comes to the construction industry. It is a deeply 'embedded' ingredient in the construction industry and the core sustenance of the industry would be in jeopardy without water availability.

We constantly measure and monitor water usage and wastewater discharge across locations. During the reporting period our major locations consumed 2,515,592.56 cum of water.

During the course of our reporting period we have realised that simple changes to the way our businesses use water can reduce its consumption and minimise wastewater production.

SOURCE-WISE WATER CONSUMPTION	Cum
River / lake	1,846,737
Ground water	205,075
Rainwater	1,900
Municipal supply	433,902
Other	27,978

WASTEWATER DISCHARGE	Cum
Industrial	49,731
Domestic	46,122

Water Conservation Initiatives

- Progressive implementation of the "Zero-discharge" initiative across our manufacturing facilities is manifesting in significant savings.

- Zero-discharge Campuses

● Powai (west)	● Talegaon	● Ranoli
● Hazira	● LTM	

- We have implemented conservation measures like quarter turn taps and flow control in processes.
- Rainwater harvesting structures have been setup in Powai and Mysore.
- Reuse of treated water for non-potable purposes like gardening, toilet flushing and horticulture is being practised at Mysore, Ahmednagar, Faridabad, Powai and Chennai.
- Drip irrigation undertaken at Talegaon works, reduces water consumption by 40 %.

Water Conservation Targets

In an endeavour to enhance our water conservation efforts various specific targets have been formulated across the organisation:

- **Training and awareness** for water conservation.

- **Measurement and monitoring** of water consumption at project sites.

- **Reducing** per capita water consumption by **10%**.

ENGINEERING LARGE SCALE WATER CONSERVATION THROUGH RAINWATER HARVESTING

CASE STUDY



Rainwater harvesting augments water resources at several of L&T's worksites

L&T's ECC Division assisted the Honda-Siel Car Factory near New Delhi to collect and conserve water by converting its 2 million sq. mt site into a virtual catchment area. The scope included detailed design, engineering and construction of this mega rain water harvesting system which comprised of RCC storm water drains, nearly 6 km in length and three large ponds.

Pond 1	Pond 2	Pond 3
119 x 71 x 3.55m	147 x 71 x 3.55m	60 x 20 x 3.55m

The drains running along both sides of the internal roads, are covered with precast slabs and direct rainwater to ponds. The harvested water is used to irrigate the entire landscaped area of the factory and reduces dependence on other water sources.

These drains have also been designed to directly aid in recharging ground water through a network of around 200 boreholes provided along the entire length of the drains. Each borehole is

6m deep and equipped with a perforated PVC pipe to allow penetration of water into the ground. Moreover, the ponds too help recharge ground water through 132 boreholes that go down to a depth of 20 m through similar perforated PVC pipes.

As a result there has been a rise in the water table of the site & its surrounding area, benefiting both the organisation and the community.

Material Efficiency

The resource intensive nature of our business operations makes it imperative for us to be increasingly material - efficient and waste negative. Our goal is to source materials responsibly and prefer materials with lower environmental impacts.

We are constantly re-evaluating our ways and seeking solutions to these challenges by asking questions like:

- How can we optimise material selection to save resources, lower costs and secure a long service life for our projects?
- How can existing materials be recycled?
- How can more natural materials be incorporated in design and construction?
- What can be potential environmental impacts of the manufacturing process involved with creating new materials?
- Can we use more prefabricated components?
- How much material can be sourced locally to benefit the local populace and curtail energy consumed in the transport of materials?

Sustainable Procurement

Sustainable procurement practices give a head-start in terms of achieving a greener footprint across the product life cycle. We are working in partnership with our suppliers and contractors to identify opportunities to improve their manufacturing processes and procurement and inventory management practices.

At the same time we are also associated with various vendors who adhere to sustainable practices at their end.

Advantages across bottom lines:

- Saves money and accrues long-term efficiency gains.
- Promotes better use of resources and reduces waste.

- Supports local economy and investment in companies who follow sustainable practices.
- Encourage compliance of human right practices.
- Stimulates the market for sustainable products / materials.

Sustainable procurement is about taking into account environmental, social and economic factors during purchasing decisions. It's about looking at what our products are made of, where they come from and who has manufactured them.

Waste and Spills

Be it office buildings, manufacturing facilities or project sites, waste management forms an integral part of our operations.

Wastes like hydraulic, gear & engine oils are disposed off in an environment friendly manner. Zinc ash is disposed off to an agency authorised by the State Pollution Control Board.

We have effective spill control measures to eliminate or contain any spill of chemicals, oils, fuels and hazardous waste and spill management procedures to minimise any adverse impact on the environment and sub-soil. There were no significant spills in the reporting period.

We are not engaged in the business of transporting, importing, exporting or treating waste that is deemed as hazardous under the terms of the Basel Convention.

Material Consumption

TYPE OF MATERIAL	QUANTITY (Tons / Year)
Metals	815,688
Hazardous Chemicals	228,881
Associated Materials	10,099,375
Packaging	26.68



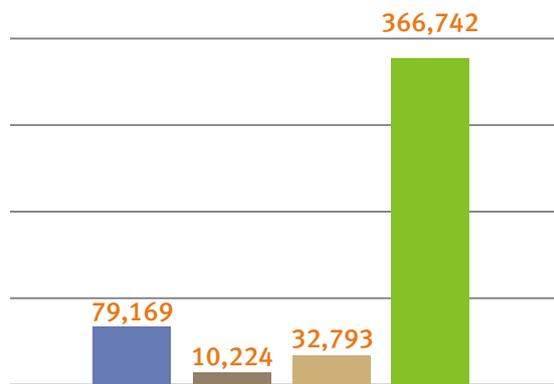
Efficient logistics & effective site management minimises material wastage

Reuse, Recycle, Recover

Various value engineering initiatives resulted in significantly reduced material consumption this year. All our operations continued to seek opportunities to reuse, recycle and recover materials wherever possible.

- We utilised various alternate materials and techniques for recycling of natural resources and materials like steel, aggregate & concrete etc.
- We have also introduced light weight concrete and have replaced timber with aluminium H-beams.
- The use of wastes like fly ash, ground granulated blast furnace slag and other additives have reduced cement consumption. The use of crushed sand has reduced the need for river sand.
- L&T's Electrical and Electronics Division optimised and conserved material through continual product development. In contactors, ratings of up to 110 Amps, significant reductions from 60 gms/Amp in the MK and up to 22.1 gms/Amp in the M-Line range were achieved. Similarly, in the Moulded Case Circuit Breakers range, up to 50% weight reduction was attained while improving the electrical breaking capacity by 40%.

ALTERNATE MATERIAL RESOURCES (Tons / Year)



■ Fly Ash
 ■ Ground Granulated Blastfurnace Slag
■ Crushed Sand
 ■ Recycling of Aggregates (Applicable for Roads & Runways BU)

Material Recycled | 97 Tons

Storage of alternate material at our DIAL site



A life-cycle view of material helps us optimise selection and usage from a rational and environmental view point.



An old waste water treatment plant was converted to a lotus pond, using existing waste material - EBG

Hazardous wastes have not increased in last few years despite increase in production - MIPD

Canteen waste is utilised to generate biogas - HED



WASTE DISPOSED	QUANTITY
Hazardous Waste	
Solid	2,564 Tons
Used Oil	38 KL / Year
Used Batteries	2 Nos.
E-waste	913 PCs
Non-Hazardous Waste	14,637 Tons

Packaging Material

The scale of our equipment is such that extensive packaging is not required. In fact most of our Operating Divisions utilise negligible packaging material. Wherever applicable we have introduced eco-friendly recyclable packaging materials for e.g. at EBG, thermocol & expanded polystyrene is being replaced by bio-degradable material. Moreover with a customer base across the globe, it is not feasible to reclaim the packaging material.

Biodiversity

At L&T, our approach is to work not in competition with nature but in collaboration with it. Every time we undertake large scale infrastructure projects, we work closely with relevant authorities to obtain all statutory compliances. Our aim is to leave a minimal footprint and undertake all possible initiatives to enhance the local ecology. Towards this objective we often carry out afforestation activities at nearby alternate locations.

Our manufacturing facilities are not located in or adjacent to protected areas or areas of high biodiversity value as defined in internationally recognised listings or national legislation.

Compliance

All necessary approvals are taken from relevant government authorities before we embark on any project. Environmental compliance is monitored at all stages during project execution. During the reporting period, no incident of non-compliance was reported and no fines were imposed.

Over 30% of open land is maintained as a green belt at our manufacturing locations.

outstretched hands

A helping hand builds strong bonds. At L&T we greet every opportunity to empower the community with extended hands. It's our constant endeavour to inject joy and add colour to life.



Social Meltdown

The fault lines of an emerging India, are threatening our social fabric. The dichotomies are stark: even as new educational institutions are set up, millions remain illiterate, the rise in salaries in the organised sector mask the scale of unemployment; advances in medical science do not seem to touch vulnerable members of communities unable to access basic healthcare; while an increasing part of our population suffers from obesity, an even larger number goes hungry. The growing economic divide has created an unsettling unrest.



conditions apply

Remain Alert to Community Needs and Engage in Meaningful Dialogue

Our Corporate Social Initiatives (CSI) cell works closely with community leaders and local NGOs to assess and cater to pressing community needs.

Moving from Adhoc Philanthropy to Structured Interventions

Strengthen employee community relationships.

Empower community through:

- Education
- Livelihood generation
- Healthcare

Not just caring but creating physical assets that become permanent centres of care across locations.

social
performance

Over the last seven decades, we have executed a host of projects that are pride of the nation. But our special source of pride will always be the relationships that we have built with our stakeholders.

We believe that companies don't just operate among communities, but are subsystems of the community and the only way to move forward is to strive for inclusive growth.

Our energies and initiatives are focused on creating a win-win situation for our collective future and we continue to invest in building a healthy, safe and stable society.

**Development
where it is most needed**

Our operational footprint covers the entire country, with a more emphatic presence in the vicinity of our facilities. This has given us the privilege to effect change in the hinterland at the grassroots level by creating direct and indirect employment, empowering the youth with education, providing vocational and life skills training and offering healthcare access to the weak and vulnerable.

**Focus
on what is most needed**

We engage in open consultation and constant dialogue with the local community. Our Corporate Social Initiatives (CSI) cell works closely with community leaders and local NGOs to assess pressing community needs. We then apply our management experience and expertise to harness the most effective levers and enable long term solutions to these needs.

We have narrowed down to specific thrust areas that we feel require immediate attention

THRUST AREAS	ACTIVITIES	BENEFICIARIES [^]
1. Education	Constructing schools & classrooms, providing teaching aids, conducting enrichment activities, setting up computer and science laboratories and supporting pre-school centres. Establishing vocational training institutes.	47,000+
2. Employees volunteering	Initiatives include blood donations, rallying support during natural calamities, fund raising, imparting knowledge among the youth, etc.	400+ volunteers
3. Mother & child health	Conducting health check up camps in collaboration with other organisations for women and children, setting up health centres focusing on reproductive health for the underprivileged sections, camps on cataract, anemia, health awareness, malnutrition mitigation, etc.	172,000+

[^]Figures are approximate. Health beneficiaries include both new and follow up cases.



1. Education Initiatives

- Invested in 41 schools of the Powai neighbourhood in Mumbai - benefiting 12,000 students.
- Holistic development at Paspoli school complex in Mumbai - eight schools benefiting 4,250 students.
- Set up 49 community learning centres in the slum areas of Mumbai covering about 931 children.
- Distributed notebooks to 1,000 students across five schools in Hyderabad.
- Conducted talent competitions and indoor competitions for 800 primary & high school students near Chennai.
- Co-sponsored CII's Entrepreneurship Development Programme 2008-09 to impart entrepreneurial skills to college toppers at Coimbatore.
- The ACE (Aspiring for Children's Education) Program worked in collaboration with an NGO 'India Sponsorship Committee' to mainstream children and adolescent girls of brick kiln workers into the education system at Pune.

Life Skills Education

- The Construction Skills Training Institutes (CSTI) trained 3,788 youth to enable employment in the construction industry. Another 13,553 youth were trained at the construction sites thus increasing their productivity. 1,810 youth received training through tie-ups with government ITI's in Gujarat, Haryana, Punjab, and non-government agencies in Hyderabad.
- Over a 100 youth from the underprivileged communities around Jamshedpur were trained in stitching, jam & jelly making, computer basics and communication skills.



- More than 100 employees at Powai, Mumbai volunteered to teach Maths, English and General Knowledge at Paspoli and Milind schools. They also raised Rs. 2.1 million for educating the children of police personnel martyred in the 26/11 terror attacks. A day's salary was also contributed towards the relief fund for Bihar flood victims.
- 100 employees pledged to donate their eyes in response to an eye donation campaign conducted by Tarang Ladies Club, Powai.
- Employees at Kolkata, celebrated Mother's Day with 75 mothers at a care & counselling centre.
- 250 employees took part in the 'clean beach' campaign organised by the municipal corporation at Vizag.
- Coaching classes were conducted by L&T employees at Pune twice a week, throughout the year. Subjects covered: English, Maths and Personality Development.
- 500 students benefited from seminars / workshops on English speaking, conducted by the Pune employees.

2. Employee Volunteering

- This year over 400 employees and their spouses proactively enlisted as volunteers for change.
- 3,919 employees donated blood.
- Coimbatore employees rallied around to contribute money, food items, bedding and clothing for the flood affected people in Bihar.
- 1,386 man hours were devoted for conducting various CSI activities at Bhubaneswar.

Our employees are the ambassadors of our core values and contribute to society through selfless involvement.

VOCATIONAL TRAINING FOR SCHOOL DROPOUTS

CASE STUDY



L&T's skill building centres are opening employment opportunities for the youth of the community

Unemployment of youth is a serious socio-economic problem. Uneducated or school drop-out youth in the age group of 18 to 25 years is the most vulnerable segment of the society.

Larsen & Toubro Public Charitable Trust has therefore started imparting skill training to such youth for increasing their employability. Scientific Need Assessment Surveys are conducted for finding out locally viable trades and also details of potential employers. So far the Trust has established 13 vocational training institutes in partnership with reputed NGOs in the states of Maharashtra, Gujarat and Tamil Nadu. The courses range from masonry to fashion designing and from formwork to quantity cooking. 950 trainees have passed out through these institutes and all of them are either employed or self employed.

Kharel in South Gujarat is one such location where the Trust in partnership with the Kharel Education Society, runs a vocational training

institute which offers two courses '**Agro Mechanic**' and '**Rural Electrician**' of 6 months duration each.

The trainees mainly belong to scheduled castes & scheduled tribes. No fees are charged for training instead, trainees are paid a stipend of Rs. 700 per month.

The institute is supported by the Trust for the payment of stipends to trainees, salaries for trainers and other staff, training related expenses etc. Hazira works provides the furniture as well as equipment and materials required for the practical shops. Our CMD, Mr. A.M. Naik has contributed significantly from his personal account for revamping the old hostel building to an institute with classrooms, practical workshops and adequate green cover.

The 800-hour curriculum has been designed by L&T Hazira and comprises of classroom, practical and attitudinal training.

3. Mother & Child Health

- Vaccination camp at DIAL, Delhi and Techno Park-Baroda, covering a population of 28,243.
- Breast cancer camp benefiting 494 women at Jamshedpur.
- 1,000 mothers from poor families were given capillaries to help detect jaundice in their new born babies.
- 30 photo therapy lamps donated for incubators to PGI, Chandigarh.
- Immunisation camps held through the year in collaboration with Family Planning Association of India benefiting 574 villagers at Dudugere, Mysore.
- Various activities like health check up camps, distribution of calcium tablets and sanitation kits, celebration of nutrition week and *Mamta Divas* at adopted *anganwadis* reached out to 2,000 mothers and children in Vadodara.
- The L&T Health Centre at Andheri, Mumbai continued to offer free of cost services like antenatal care and ultrasound (subsidised) among many others to thousand of patients. Services of the in-house child guidance clinic and women wellness clinic benefiting many.
- Over 2,000 sterilisation operations were conducted at Surat and in the tribal areas of Vapi District.



Golden Peacock Award

Our engagement with the local communities has become more strategically focused in recent years. This year our consistent efforts have been recognised at the global level.

L&T's Corporate Social Initiatives received the International Golden Peacock Award. The award was presented at the 4th Global Conference on Social Responsibility in Portugal on February 26, 2009 in the presence of international business personalities, business leaders and CSR experts.

Implementation Structure

To ensure that our social initiatives have a wide and inclusive footprint we have deployed a three-pronged approach to their implementation.

CSI Cell

L&T created a Corporate Social Initiatives (CSI) cell with the primary objective of acting as an apex body to bring in consistency, and extend as well as expand community initiatives across various locations of the Company in India.

Larsen & Toubro - Public Charitable Trust

The Trust works towards visible and sustainable development of society through well directed activities in the fields of education & vocational training, healthcare and water management. Wherever possible, the projects are executed on ground in collaboration with reputed NGOs operating around our manufacturing and other business facilities.

Ladies Clubs

These clubs have been formed at different locations by the spouses of our employees. They undertake social work in local communities and villages and are the driving force behind major initiatives. This year the number of ladies clubs went up to 30 from 22 and the member count surged to 2,300.

BUILDING A HEALTHIER SOCIETY BY COMBATING MALNUTRITION

CASE STUDY



Childhood malnutrition is a major public health problem across the developing world. The data for Gujarat reveals that not only are 50% children underweight but more than 70% are anaemic.

Our Vadodara unit took up the challenge of combating this statistics. One of the key causes of malnutrition is the poor nutritional state of the mother during pregnancy. Therefore interventions were targeted towards enhancement of nutritional status of children as well as of pregnant & lactating mothers.

The war against malnutrition was fought through integrated health, nutrition and education activities, which supplement government nutrition and health programs. These initiatives included:

- Training program, to enhance the communication skills of 137 Integrated Child Development Services (ICDS)[^] frontline functionaries who are key to percolating the health programs down to the community level.
- Designing of information, education & communication material on safe motherhood, Diarrhoea and Anaemia.
- Conducting health check up camps and imparting healthcare education to communities on a regular basis through *Mamta Divas*, a Government of Gujarat program.
- Supplementation of milk, Iron Folic Acid tablets and B-complex syrup to children and Calcium supplementation to mothers.
- Nutrition Week Celebrations.

The project was jointly undertaken with the ICDS corporation schools and various departments of M.S. University.

Beneficiaries:

- 2006-07
500 children + 180 mothers

- 2007-08
1,500 children + 137 *anganwadi* workers + 180 mothers

- 2008-09
1,635 children + 600 mothers

Outcomes

The haemoglobin count of the children has improved and the prevalence of iron deficiency and associated anaemia has decreased. The implications of improved iron status are profound viz. increased attention span, immunity, appetite, growth, decreased morbidity, and improved overall growth and development.

[^]ICDS has the largest number of front line functionaries amongst all the government development programs.

bamboo trees

Bamboo is a versatile plant that does well in every condition; from the tropical jungle environment of Chile, to the high cold mountain slopes of the Himalayas. Just like products in our portfolio, it too demonstrates a remarkable growth rate.



product performance

To weather the economic storm and survive in a scenario where cash flows turned to cash trickles, most businesses cut their product portfolios. The brakes were pushed on R&D and new product development.

Geographical footprints also receded as organisations the world over halted their aggressive march and retreated from many markets to guard their forts.



conditions apply

Expand the Product Portfolio

When organisations across the world were looking at cutting costs, we launched products and services that would help them achieve their cost goals e.g. High voltage distribution systems that help cut Transmission & Distribution losses by 50%.

Invest in Focused Research

We strengthened our knowledge competencies with an aim to develop new sustainable offerings which will help reinforce relationships with existing customers and enable us to target new customers in emerging markets.

product stewardship

The lifetime performance of our products is an integral building block of brand L&T. It is our constant endeavour to enhance the performance, quality, safety and durability of all our products while minimising the resources needed to create, operate and maintain them. We strive to deliver more with less.

As a responsible organisation, we continue to address the direct and indirect impact of our product range on society at large. The commitment to seek ways to improve efficiencies and reduce environmental impact across the entire product life, from development to usage, is pervasive across all our Operating Divisions.

During the design stage products are reviewed for EHS, life cycle impacts and adherence to statutory & regulatory norms and care is taken for mitigating risks.

Raw materials are carefully chosen as we increasingly adopt eco-friendly material. We extended our range of RoHS (Restriction of Hazardous Substances) Directive 2006 compliant components to 250 and intend to replicate this across more components in the coming year.

As an industry leader, we are committed to leading the way in conserving resources and providing infrastructure & buildings that better serve their occupants and owners.

We recognise that process plants and infrastructure projects like roads & bridges, buildings, ports, airports and mass rapid transport systems are long term assets. These projects are technologically enhanced by L&T to reduce consumption of energy and resources during construction and across their service life.

The focus is on applying advanced technologies to work methods for enhancing quality, sustainability performance and safety. Given below are some examples:

- ECCD is leveraging the latest technology in products and materials through an in-house Construction Methods and Planning Cell attached to the engineering centre at each Operating Company level. Consequently, investment in mechanisation is increasing productivity.
- E&C Division executes Motor Spirit Quality Upgradation unit for refineries to produce Motor Spirit of EURO-III equivalent quality. Currently a similar project is being executed for IOCL-Panipat.
- EBG's Switchgear Design and Development Center (SDDC) has recently attained the prestigious level 3 Capability Maturity Model Integration (CMMI), which consists of the best practices that address development and maintenance activities covering the product life cycle from conception through delivery and maintenance.
- EBG's Engineering Tooling Solutions (ETS) unit inaugurated the Radio Frequency Identification (RFID) system. Commonly known as E-STAR this online tracking system deployed across three geographically different locations, would help generate optimised schedules and efficient delivery of products and provide their customers cost-effective, technology driven quality solutions in a timely manner.

New Product Development and Innovation

Innovation is both the springboard to the future and the bridge between aspiration and accomplishment. Innovations in products, business models, work processes and manufacturing give us a competitive advantage.

Employing a systematic new product development procedure, L&T uses market analysis and foresight to innovate, design and manufacture sustainable products that satisfy growing needs. Our continued investment in Research and Development has led to industry-leading expertise. All our Operating Divisions have taken initiatives to reinforce knowledge competencies and strengthen the innovation system. This helps L&T create value through growth, market leadership and profitability.

Collaborating with leading laboratories and R&D institutes, L&T manufactures products that are affordable, energy intelligent and help businesses achieve more sustainable outcomes.

Highlights

- Our energy management system "Powerman", comprising products and integrated software, enables large retailers to monitor and reduce their energy consumption. The system enabled a major retailer to view energy consumption floorwise at all stores in the country from one location at Mumbai. Installation of this system has resulted in an immediate reduction of 5% in energy bills.
- New busbar designs use 40% less copper and also enhance fault withstand capacity, thus saving natural resources while improving product performance.
- A High Voltage Distribution System designed by ECCD reduces the Transmission & Distribution losses by 50%.
- L&T's new generation switchboards are user friendly, modular and incorporate a number of safety features. Deployment of Six Sigma tools in design helped produce reliable, compact, cost efficient and simple to assemble switchboards.
- Electrical drives and soft starters manufactured by the electrical Division are reducing energy consumption of motors in the field and have found wide acceptance in various industries.
- L&T MED developed new technologies for measurement of Non-Invasive Cardiac output and Non-Invasive Blood pressure with technical assistance from the Bio Medical Group of BARC, Mumbai. These efforts have resulted in import substitution and made medical equipment economical.

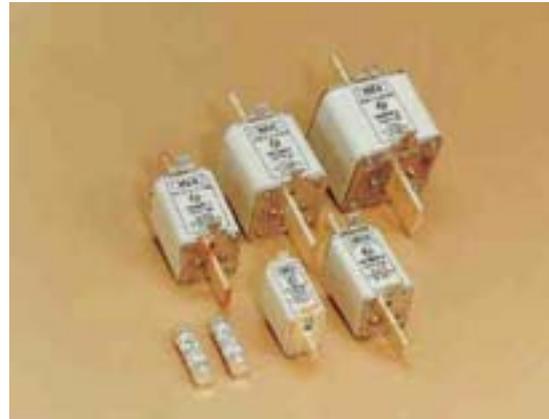


Tunnel boring machine at project site

Intellectual Property Rights & Ideation Workshops

As an innovation-led organisation, with an underlying emphasis on Intellectual Property (IP) and New Product Intensity (NPI), we work towards creating significant value for the organisation by protecting our intellectual property rights.

To develop new ideas, we also conduct ideation workshops with cross-functional teams. The objective is to generate new product / service ideas which can be prioritised and made part of the future product portfolio of the Company.



HN fuses for Switchgear

EBG has filed 108 patent applications in addition to 33 design registrations & 5 trademark filings during the year. This takes the total tally of patents filed to 409, design registrations to 178 and trademark applications to 64.

Customer Satisfaction

L&T believes that customer satisfaction is the true barometer of a brand's success. Enhancing knowledge in selection, application, operation, safety and skills in maintenance of the product enhances the customer's product experience manifold. We therefore extend our responsibility beyond the sale of the product.

Our certifications include ASTA, KEEMA, CQC; international markings like CE, UL and, CSA; approved by independent testing laboratories like ERDA, Central Power Research Institute (CPRI) and ERTL.

We regularly interact with customers to ensure that products delivered, meet high quality standards, stringent specifications and above all customer expectations.

Our practices and policies are paying dividends. All our Operating Divisions continue to target higher levels of customer satisfaction through various initiatives like:

- EBG customer interaction centre provides a single window to the customers and ensures that all queries and complaints are promptly attended to.
- E&C captures customer's feedback through steps defined in the DACP - Departmental Activity Control Procedures and SOPs - Standard Operating Procedures, which are as per requirements spelt out in the ISO 9001 system manual.

The overall customer satisfaction rating in our construction business increased by nearly 5% compared to last year.

Customer Health and Safety

We regard customer safety as of the utmost importance. Our product handover process is clearly defined.

Our products are trusted for their quality and safety across the world. This is not just the result of intelligent safety features but a safety culture that goes beyond our operating and manufacturing locations, to the premises and personnel of our end users / customers.

We are tapping our in-depth domain knowledge to ensure a safer product experience:

- Integrating safety at the design stage.
- Training customer personnel in the best practices to use the equipment safely.
- Displaying cautionary signboards at all our completed project sites.
- Technologically strengthening products for enhanced safety during operations.
- Ensuring compliance with standards and specifications stipulated by customers for heavy equipment.
- Assessment of tyre building machines for lifecycle stages as per customer requirements.
- Employing manufacturing best practices for electrical products to prevent adverse health and safety impacts throughout manufacturing and operation. We are also in the process of furnishing information that assists customers in safe product disposal.
- Contactors have a built-in finger-proof feature to prevent the risk of electrical shock.
- Shrouds in products like switch disconnector fuses and Moulded Case Circuit Breakers (MCCB) provide protection against accidental contact.
- Various safety features are also incorporated in switchboards for protection, these include door interlocks, fully sleeved busbar and shrouded joints.
- Besides international certifications, most of our products are also benchmarked against Indian and international standards like IS, IEC and BIS, among others.
- Health and safety impacts of products, projects and services are constantly reviewed for improvement during the project life cycle. Handover of operation and maintenance manuals to customers is a standard practice.

There was no incident of non-compliance as regards to regulatory and voluntary codes concerning health and safety aspects of any of our products during the reporting year.



L&T Switchboards - with a unique four position drawout facility - are designed to enhance safety and convenience

Product Labelling

Detailed product knowledge leads to enhanced value for owners and superior safety for users. We therefore follow a highly disciplined labelling process that adheres to relevant codes & specifications:

- MIPD's valves and rubber processing machines as well as our electrical products (MCB, MCCB and ACB) carry the BIS (Bureau of Indian Standards) and 'Conformite Europeene' (CE) or European Conformity label.
- We are also conscious of articulating our commitment to social issues through our product labels. Case in point are the cautionary stickers we affix on our ultrasound scanners as a response to findings that indicated the abuse of our equipment in gender selective abortions.

Safety is integral to design and L&T's projects business is engaged in the design and commissioning of custom-built solutions. Precautionary labelling is incorporated on all fabricated and supplied equipment. We also ensure that documentation relating to the product is sent to the customer at the time of equipment dispatch.

Regular customer surveys are conducted to measure satisfaction levels backed by procedures to address complaints in a timely manner.

Marketing Communications

The corporate communications practices of L&T conform to the laws and acts that govern corporate advertising, promotion and sponsorship. During the reporting period there were no complaints received from outside parties on the subject of misleading marketing communication.

Compliance

L&T adheres to the law of the land in letter and spirit, and a structured system is in place to ensure and report compliance. We do not deal in any product which contravenes statutory regulation. During the reporting period, there were no incidents of non-compliance with regulations or voluntary codes regarding products and services and no monetary fines were imposed.

REDUCING GHG EMISSION BY ELIMINATING FUEL FIRING



CASE STUDY

L&T's systems ensure minimal to nil pollutants in complying with international regulations of emissions

In a recent international project involving Sour Gas Processing, L&T Engineering Baroda proposed that lowering the temperature (240°C instead of 340°C given in process package) of the Tail Gas Hydrogenation Reactor would significantly reduce capital as well as operating cost of the unit, without affecting either the operation or performance parameters. At the

same time it would also improve its environmental performance by eliminating fuel gas firing in the Fired Heater.

- **Replacing fuel gas fired heater with steam heater**

In a Sulphur Plant, High Pressure (HP) steam is generated from the process heat recovery. By lowering the operating temperature of the Hydrogenation Reactor, it became possible to replace the fired heater with a HP steam heat exchanger to be operated with the HP steam produced from the plant. This replacement of a fuel gas fired heater with a HP steam heat exchanger eliminated stack emissions and reduced fuel gas consumption, thereby reducing the overall discharge of greenhouse gases from the plant.

- **Reducing size of tail gas treatment waste boiler**

The lower operating temperature also made it possible to reduce the size of the waste heat boiler, thereby reducing not only capital costs but even operating costs.

This solution was a part of our unsolicited offer to the client's proposal and helped improve efficiency along with added environmental benefits.

FUEL EFFICIENT DESIGN OF FIRED HEATERS
LOBS PROJECT, HINDUSTAN PETROLEUM



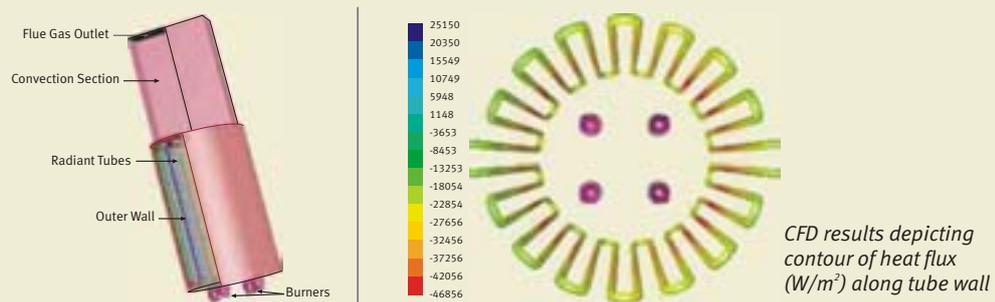
3D model of Lube Oil Base Stock (LOBS) Plant for HPCL-Mumbai Refinery.

L&T's E&C Division has developed in-house thermal design capabilities that enable us to generate fuel efficient designs for cylindrical and box type heaters. The thermal design capability is backed by expertise in Computational Fluid Dynamics (CFD) simulations on fired heaters, whereby simulations are carried out for the fired heater to develop, refine and test the designs. The CFD capability is also utilised to predict NO_x, CO and un-burnt hydrocarbon emissions in the furnace of the fired heaters. These sophisticated energy efficient designs thus not only lead to lower fuel consumption and but also reduced emissions.

This design prowess was demonstrated in the Hindustan Petroleum Corporation Limited (HPCL) LOBS project at Mumbai Refinery, Maharashtra where in we were Lump Sum Turnkey contractors. Our scope included the thermal design guarantee of the three fired heaters for HDT, MSDW & the Vacuum Fractionator unit.

Fuel efficiency of the heater is directly related to process fluid inlet temperature and to deliver an extremely high fuel efficiency the approach temperature was kept as low as 12°C and the heat transfer area was significantly enlarged.

The resulting fuel efficiencies of the heaters were in the range of 82-87%



REINFORCING SUSTAINABILITY THROUGH TECHNOLOGY - SCADA



The Supervisory Control And Data Acquisition (SCADA) system supplied by L&T for offshore operations to ONGC

SCADA Primer

Supervisory Control And Data Acquisition (SCADA) systems are used for automated plant control. They consist of a Programmed Logic Controller (PLC) with the field instrumentation and actuators wired to it, and the SCADA being the human interface.

SCADA is commonly used in wide-area industrial applications, such as electrical power generation & distribution and water distribution, which require supervisory control of remote stations.

SCADA systems not only impart operational efficiency but are also vital in protecting lives, assets and the environment.

ONGC

L&T EBG Division's Control & Automation business unit successfully executed the prestigious SCADA contract for Onshore Control Centres (OCC) for offshore operations of Oil & Natural Gas Corporation (ONGC). The contract, worth Rs. 747 million, was completed within the stipulated 11 months.

The SCADA system connects 133 well head platforms, 13 process complexes and 9 drilling rigs to the OCC. In case of an exigency the system will be the first line of defense and will be used to issue Emergency Shut Down (ESD) commands to these platforms and drilling rigs. The system's 24x7 monitoring capabilities ensure the safety of offshore operations and operating people while taking ONGC's emergency preparedness to the next level. This system is also geared for disaster recovery in case of natural calamities.

Public Health Engineering Department, Jaipur

The Control & Automation business unit of L&T EBG Division also executed a SCADA system for the Public Health Engineering Department of Jaipur.

The system has increased the monitoring and regulating efficiency of the water transmission at the Bisalpur dam and helped in providing a reliable and quality supply of water to about 5.3 million people of Jaipur. Consumers are able to lodge their requests and complaints online under this system. Modern computers and software installed at the control room helps assess demand and supply of water to the city.

CLEAN ENERGY EQUIPMENT

CASE STUDY



The world's largest coal-gasifier manufactured by L&T and supplied to China

The increasing energy needs of our fast developing world and the rising stakeholder pressure to address climate change is driving up the demand for environmentally clean energy generation. To address the challenge of GHG mitigation and to cater to this accelerated demand, L&T HED has enhanced its product portfolio and made significant contribution to 'Ultra Low Sulphur Diesel' projects and 'Fuel Quality Upgradation Projects' in India and around the world.

Clean Energy Reactors

These reactors find application in refineries and bring down Sulphur levels in processed crude. We have supplied more than 60 such clean energy reactors globally.

Coal Gasifiers

We are a world leader in the supply of key gasification equipment of Shell technology, and have already supplied seven Coal Gasifiers to China, including the world's largest Coal Gasifier. Coal Gasifiers are significantly more environment friendly as they use coal more efficiently as compared to conventional power plants.

Supercritical Power Plants

L&T manufactures equipment for new generation supercritical thermal power plants which are more fuel efficient as compared to the conventional power plants. The division is currently supplying key equipment for the first Ultra mega supercritical power plant of Tata Power at Mundra, Gujarat.

Recognition

- **Ranked No.1 in quality in Wall Street Journal Asia Survey among Indian peers**

In the overall listing of India's Top 10, L&T stood 6th. L&T is the only Engineering and Construction Company to feature in the Top 10.
- **Forbes Asia's Fabulous 50**

L&T was the only Engineering and Construction Company in India among 10 Indian companies to feature in the list of Fabulous 50 published by Forbes Asia.
- **KPMG - Infrastructure Today Award 2008**

Management consultancy firm KPMG and leading infrastructure news magazine 'Infrastructure Today' ranked L&T as the most admired infrastructure company in India.
- **FICCI Award for Outstanding Corporate Vision**

In recognition of the outstanding contribution to the development of Indian industry and society, the Federation of Indian Chambers of Commerce & Industry (FICCI) honoured L&T with its Annual Award 2007-08 for 'Outstanding Corporate Vision'. L&T bagged the award in the category of the Corporate Triple Impact - Business Performance: Social & Environmental Action and Globalisation.
- **Golden Peacock Award for Corporate Social Responsibility**

L&T's Corporate Social Initiatives received global recognition by winning the International Golden Peacock Award. The award was presented to L&T at the 4th Global Conference on Social Responsibility in Portugal on February 26, 2009 in the presence of international business personalities, business leaders and CSR experts.
- **D&B- Rolta Top Indian Company Award**

L&T bagged the award for Top Indian Company in a survey of India's 500 leading companies conducted by Dun & Bradstreet. L&T features in the Engineering & Capital Goods sector. The D&B - Rolta Corporate Awards seek to recognise the twin virtues of size and growth in corporate India.
- **Best for Investor Relations & Best Investor Relations Officer**

L&T's Investor Relations function bagged a double honour. In a poll conducted by Asiamoney, the prestigious Hong Kong based financial magazine, L&T was voted as the 'Best for Investor Relations' in India and Mr. Pramod Kapoor, General Manager, Investor Relations, L&T, was voted the 'Best Investor Relations Officer'. The poll results are an affirmation of L&T's deeply entrenched values, ethical practices and corporate governance practices.
- **All India Engineering Export Award**

The esteemed 'All India Engineering Export Award' conferred by the Kolkata based EEPC (Engineering Export Promotion Council) India.

Mr. M. V. Kotwal, Sr. Executive Vice President (Heavy Engineering) & Member of Board, L&T, received the award from Mr. Pranab Mukherjee, Minister for External Affairs, at a function in Kolkata on August 9, 2008.
- **INS Industrial Excellence Award**

Instituted by the Indian Nuclear Society (INS), L&T won this award for its contribution to the development of nuclear energy sector in the country.

- **LEED Platinum Rating**

L&T's Technology Block at Hazira, Gujarat bagged the coveted Platinum Rating under the LEED NC v2.2 Rating System.

Technology Block at Hazira, Gujarat is one of nine Green Buildings in India. It is ranked third greenest in India and the first LEED Platinum rated project in Gujarat.

- **International Safety Award, 2008**

The British Safety Council, UK awarded L&T the International Safety Award for MG3 Lube Base Oil Project of Petronas Penapisan (Melaka) Sdn. Bhd., Malaysia.

- **Golden Safety Award & Gold Award**

Bakreswar Thermal Power Plant Project was conferred the Golden Safety Award and Gold Award by National Safety Council of India and The Royal Society for the Prevention of Accidents respectively.

- **Gold Awards**

Bisalpur Water Supply Project, Jaipur and Hoogly Met Coke & Power Co. Ltd Project, Haldia won Gold Awards from The Royal Society for the Prevention of Accidents.

- **International Safety Award**

Seven L&T projects namely Bhushan Steel Angul, SAIL-ISP Burnpur, Bisalpur Water Supply Jaipur, CHP Project - NTPC Simhadri, Vizag Steel Plant, TATA Steel Jamshedpur, SAIL-ISP Burnpur and Bhushan Steel Project - Angul won the International Safety award from the British Council.

- **Prashansa Patra**

The Jindal Dam Project and ITC Trident Project - Haridwar won the Prashansa Patra from the National Safety Council.

- **The Platinum Award at the Frost & Sullivan India Manufacturing Excellence Awards (IMEA) 2008 in engineering category.**

- **The Microsoft Value Excellence through Choice and Effective Deployment of IT enabled solution award.**

Awards conferred on Mr. A.M. Naik, Chairman & Managing Director
● Padma Bhushan - National Honour
● The Economic Times 'Business Leader of the Year' Award
● Gujarat Garima Award - Gujarat's highest State Honour
● V. Krishnamurthy Award for Excellence
● Transformational Leader Award by The Indian Merchants' Chamber & ACCGS
● Ernst & Young Entrepreneur of the Year Award

Independent Assurance Statement

The Board of Directors

Larsen & Toubro Limited
Mumbai, India.

OUR ENGAGEMENT

Ernst & Young Pvt. Ltd. (EY) was retained by Larsen & Toubro Limited (the Company) to provide an independent assurance on its Corporate Sustainability Report for the financial year 2008 -2009. The Company's management is responsible for the content of the report, identification of key issues, engagement with stakeholders and its presentation. EY's responsibility is to provide independent assurance on the report content as described in the scope of assurance. Our responsibility in performing our assurance activities is to the management of the Company only and in accordance with the terms of reference agreed with the Company. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. Any dependence that any such third party may place on the Report is entirely at its own risk. The assurance report should not be taken as a basis for interpreting the company's overall performance, except for the aspects mentioned in the scope below.

OUR ASSURANCE TEAM

Our assurance team, comprising of multidisciplinary professionals, has been drawn from our climate change and sustainability network and undertakes similar engagements with a number of significant Indian and international businesses.

OUR APPROACH

The assurance engagement was planned and performed in accordance with International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000). The main steps included interaction with key personnel of the Company to identify the processes in place; capture sustainability performance data as per GRI 2006 (GRI G3) guidelines; followed by reviews of the processes for collecting, compiling, and reporting these indicators at the corporate and operating division levels.

Visits to the Company's locations

The EY team visited the following operating divisions (ODs) to review the systems and processes in place for managing and reporting on the Company's sustainability activities : Engineering Construction & Contracts Division (ECCD) at Chennai, Engineering & Construction (Projects) [E&C (P)] at Baroda & Powai, Heavy Engineering Division (HED) at Ranoli & Powai, Electrical and Electronics Division (EBG) at Ahmednagar & Powai, Machinery & Industrial Products Division (MIPD) located at Chennai, L&T Infotech at Powai, L & T Marketing Network (LTMN) at Chennai & Powai.

Information pertaining to locations not visited by EY was reviewed centrally at Chennai and Powai.

Evidence in support of claims made in the Report regarding the Company's sustainability performance was reviewed and necessary clarifications were obtained. Stakeholder engagement process was reviewed through interviews with concerned personnel.

LEVEL OF ASSURANCE

Our evidence-gathering procedures have been designed to obtain a limited level of assurance (as set out in ISAE 3000).

SCOPE AND LIMITATIONS

The scope of the assurance covers sites and indicators considered relevant to the company and include:

- Data and information related to the Company's sustainability performance for the period 1 April 2008 to 31 March 2009;
- The Company's internal protocols, processes, and controls related to the collection and collation of sustainability performance data;
- Sustainability specific data and information related to energy, water and waste management, workforce, safety and training;
- Visits to sample sites where our work comprised review of the above mentioned indicators for these locations.

Exclusions

The assurance scope excludes:

- Aspects of the Report other than those mentioned under “limitations”;
- Data and information outside the defined reporting period (1 April 2008 to 31 March 2009);
- The Company’s statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention provided by the Company;
- Review of the ‘economic performance indicators’ included in the Report which, we understand, are derived from the Company’s audited financial records

OBSERVATIONS

Our observations on the Report are as follows:

- The Company has demonstrated commitment to sustainability by setting up and reporting on targets at the Company and OD levels;
- The Report presents detailed information on the stakeholder engagement exercise conducted to engage with key stakeholders on sustainability issues;
- The Company has made efforts to increase the scope of reporting; new ODs and locations have been included in addition to the reporting scope of 2008. An initial attempt has been made to capture the impacts of the Infotech business and marketing network -by including L&T Infotech and LTMN respectively for the first time
- Procedures for monitoring water consumption need further improvement in order to map the Company’s water footprint comprehensively.

OUR CONCLUSIONS

On the basis of our review scope and methodology, nothing has come to our attention that would cause us not to believe that:

- The Report presents the Company’s sustainability performance covering the indicators as mentioned in the scope ;
- The Report contents are presented fairly, in material respects, in keeping with the GRI-G3 reporting principles and criteria.

for Ernst & Young Private Limited



Sudipta Das
Partner

28 November, 2009
Kolkata

GRI index

Profile Disclosure	Description	Reference	Remarks
1: Strategy and Analysis			
1.1	Statement from the most senior decision maker of the Organisation	1-4	
1.2	Description of Key impacts, risks and opportunities	29-30	
2: Organisational Profile			
2.1	Name of the Organisation	Cover Page	
2.2	Primary brands, products and/or services	11-12	
2.3	Operational Structure of the Organisation, including main divisions, operating companies, subsidiaries and joint ventures	9-10	
2.4	Location of Organisation's headquarters	13	
2.5	Number of Countries where the Organisation operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	14	
2.6	Nature of ownership and legal form	17	
2.7	Markets served	11-14	
2.8	Scale of the reporting Organisation	13-14	
2.9	Significant changes during the reporting period regarding size, structure, ownership	36	Not applicable. No changes in location/share structure, or ownership.
2.10	Awards received in the reporting period	99-100	
3: Report Parameters			
3.1	Reporting period for information provided	36	
3.2	Date of most recent previous report	36	
3.3	Reporting cycle	36	
3.4	Contact point for questions regarding the report or its contents	36	
3.5	Process for defining report content	39	
3.6	Boundary of the report	36	
3.7	State any specific limitations on the scope, or boundary of the report	36	For project sites, material, energy, safety, manpower and training is included. At LTMN, material, manpower, energy & training are included.
3.8	Basis for reporting on joint ventures, subsidiaries, outsourced operations, etc	36	
3.9	Data measurement techniques and the bases of calculations	36	
3.10	Explanation of effect of re-statements of information provided in earlier reports and the reasons for such re-statement	-	Not Applicable
3.11	Significant changes from previous reports in the scope, boundary, or measurement methods applied in the report	36	LTMN and L&T Infotech have been included for the first time in reporting boundary.
3.12	Table identifying the location of the Standard Disclosures in the report	103-106	
3.13	Policy and current practice with regard to seeking external assurance for the report	36	
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4.7	Process for determining the qualifications and expertise of the members of the Board	20	
4.8	Internally developed statements of mission or values, codes of conduct, and principles	5, 20-22	
4.9	Procedures of the Board for overseeing identification and management of performance	21-22	
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Profile Disclosure	Description	Reference	Remarks
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4.12	Externally developed economic, environmental and social charters / principles	22	
4.13	Memberships in associations	22	
4.14	List of stakeholder Groups engaged by the Organisation	39	
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4.16	Approaches to stakeholder engagements	35, 39-40	
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DMA HR	Disclosure on Management Approach HR	25-26	
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DMA PR	Disclosure on Management Approach PR	25	

PERFORMANCE INDICATORS

Economic

Performance Indicator	Description	Reference	Remarks
EC1	Direct Economic value generated and distributed	57	
EC2	Financial implications and other risks and opportunities for the Organisation's activities due to climate change	62	
EC3	Coverage of the Organisation's defined benefit plan obligations	60	
EC4	Significant financial assistance received from Government	-	We did not receive any financial assistance from Government in 2008-09
EC5	Range of ratio of entry level wage compared to local minimum wage at significant locations of operation	60	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	62	
EC7	Procedures for local hiring, and proportion of senior management hired from the local community in locations of significant operation	62, 17	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	62	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	62	

Environmental

EN 1	Materials used by weight	78	Certain machinery components are procured in Sq. Ft, Sq. Mtr, numbers etc. We have taken it as midterm target to report all material consumption in tonnage
EN 2	Materials used by weight that are recycled input materials	78	
EN 3	Direct energy consumption by primary energy source	66	LTM (Kanchipuram) could not report
EN 4	Indirect energy consumption by primary source	66	
EN 5	Energy saved due to conservation and efficiency improvements	67	
EN 6	Initiatives to provide energy efficient products and services.	-	Not Reported
EN 7	Initiatives to reduce indirect energy consumption	68	
EN 8	Total water withdrawal by source	75	Two locations could not report
EN 9	Water sources and related habitats significantly affected by withdrawal of water	-	Not Reported
EN 10	Percentage and total volume of water recycled and reused	-	Not Reported
EN 11	Location and size of land owned, leased, or managed in, or adjacent to, protected areas and areas of high bio-diversity value outside protected areas.	80	
EN 12	Description of significant impacts of activities, products & services on biodiversity in protected areas	80	

Performance Indicator	Description	Reference	Remarks
EN 12	Description of significant impacts of activities, products & services on biodiversity in protected areas	80	
EN 13	Habitats protected or restored	80	
EN 14	Strategies, current actions, and future plans for managing impacts on biodiversity	80	
EN 15	IUCN Red List species and other list species with habitats affected by operations	-	Not Reported
EN 16	Total direct and indirect GHG emissions by weight	70, 72	
EN 17	Other relevant indirect GHG emissions by weight	72	
EN 18	Initiatives to reduce greenhouse gas emissions and reductions achieved	-	Not Reported
EN 19	Emissions of ozone-depleting substances by weight	72	
EN 20	NOx, SOx, and other significant air emissions by type weight	72	Six new locations from increased scope could not quantify their emission for the reporting period. However we will be reporting on these locations from next year
EN 21	Total water discharge by quality and destination	75	Discharge from leased premises is not reported
EN 22	Total weight of waste by type and disposal method	77, 80	
EN 23	Total number and volume of significant spills	77	
EN 24	Weight of waste transported deemed hazardous	77	
EN 25	Details of water & habitats significantly affected by discharges of water and runoff	-	Not Reported
EN 26	Initiatives to manage the environmental impacts of products and services and extent of impact reduction	79-80	
EN 27	Percentage of products sold and their packaging materials reclaimed by category	80	
EN 28	Incidents of, and fines or non-monetary sanctions for, non-compliance with applicable environmental regulations	80	
EN 29	Significant environmental impacts of transporting products etc and workforce	-	Not Reported
EN 30	Total environmental protection expenditures by type	-	Not Reported
Labour Practices and Decent Work			
LA1	Total workforce by employment type, employment contract, and region	45	
LA2	Total number and rate of employee turnover by age group, gender, and region	46	
LA3	Minimum benefits provided to full-time employees, which are not provided to temporary or part-time employees	48	
LA4	Percentage of employees covered by collective bargaining agreements	45	
LA5	Minimum notice period(s) regarding significant operational changes	46	
LA6	Percentage of workforce represented in formal joint management worker health and safety committees	49	
LA7	Rates of injury, occupational diseases, lost days & number of work-related fatalities by region	50-51	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases	49-50	
LA9	Health and safety topics covered in formal agreements with trade unions	53	
LA10	Average hours of training per year per employee broken down by employee category	46	Three new locations from increased scope, could not report about cadre wise training details
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	46-48	
LA12	Percentage of employees receiving regular performance and career development reviews.	46	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	45	
LA14	Ratio of basic salary of men to women by employee category.	53	
Human Rights Performance Indicators			
HR1	Percentage and total number of significant investment agreements that include human rights clause or that have undergone human rights screening.	53	

Performance Indicator	Description	Reference	Remarks
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	53	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	-	Not Reported
HR4	Total number of incidents of discrimination and actions taken	53	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights	53	
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour	53	
HR7	Operations identified as having significant risk for forced or compulsory labour and measures taken to contribute to the elimination of forced or compulsory labour	53	
HR8	Percentage of security personnel trained in the Organisation's policies or procedures concerning aspects of human rights that are relevant to operations	53	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	53	
Society Performance Indicators			
S01	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting	83	
S02	Percentage and total number of business units analyzed for risks related to corruption	21	
S03	Percentage of employees trained in Organisation's anti-corruption policies	21	
S04	Actions taken in response to incidents of corruption	21	
S05	Public policy positions and participation in public policy development and lobbying	21	
S06	Total value of financial and in-kind contributions to political parties, politicians and related institutions by Country	-	Not Reported
S07	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	-	No legal action for anti-competitive behavior
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	-	No fines for non-compliance with laws and regulations
Product Responsibility Performance Indicators			
PR1	Life cycle stage in which health and safety impacts of products and services are assessed for improvements and the percentage of significant products and services categories subjected to such procedures	94	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	94	
PR3	Type of product and service information required by procedures and percentage of significant products and services subjected to such information requirements	95	
PR4	Number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling by type of outcomes	-	No incidents of non-compliance were reported
PR5	Practices related to customer satisfaction, including result of surveys measuring customer satisfaction	93	
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	95	
PR7	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising	95	
PR8	Number of substantiated complaints regarding breaches of customer privacy and losses of customer data	-	No such complaints were reported
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	95	

acronyms

ACB	Air Circuit Breakers	IEC	International Electrotechnical Commission
ACCGS	Asian Centre for Corporate Governance & Sustainability	ILO	International Labour Organisation
ASME	American Society of Mechanical Engineers	IOCL	Indian Oil Corporation Limited
ASTA	Association of Short Testing Authorities	IP	Intellectual Property
BARC	Bhabha Atomic Research Centre	IR	Industrial Relations
BEE	Bureau of Energy Efficiency	IS	Indian Standard
BIS	Bureau of Indian Standards	ISAE	International Standard on Assurance Engagements
BMS	Building Management System	ISO	International Organisation for Standardisation
Bn	Billion	IT	Information Technology
C	Celsius	ITI	Industrial Training Institute
CE	Conformite Europeene	KG	Kilo Grams
CIDC	Construction Industry Development Council	KEMA	Keuring Electrotechnisch Materialen Arnheim
CII	Confederation of Indian Industry	kWh	Kilo Watt per Hour
CMC	Corporate Management Committee	LED	Light-emitting Diode
CMMI	Capability Maturity Model Integration	LPG	Liquefied Petroleum Gas
CNG	Compressed Natural Gas	LTIT	Larsen & Toubro Institute of Technology
CO₂	Carbon Dioxide	MCB	Miniature Circuit Breaker
CoE	Centre of Excellence	MCCB	Moulded Case Circuit Breakers
CPRI	Central Power Research Institute	MIPD	Machinery & Industrial Products Division
CQC	China Quality Certification Centre	MIS	Management Information System
CSA	Canadian Standards Association	NG	Natural Gas
CSI	Corporate Social Initiatives	NGO	Non Governmental Organisation
CSR	Corporate Sustainability Report	NICMAR	National Institute of Construction Management and Research
CSTI	Construction Skill Training Institute	NOx	Oxides of Nitrogen
EBG	Electrical and Electronics Division	NPI	New Product Intensity
E&C (P)	Engineering and Construction (Projects)	OC	Operating Companies
ECCD	Engineering Construction and Contracts Division	OD	Operating Division
EHS	Environment, Health and Safety	ODS	Ozone Depleting Substances
EMS	Environmental Management System	OHS	Occupational Health and Safety
EPC	Engineering, Procurement and Construction	OHSAS	Occupational Health and Safety Assessment Series
ERDA	Electrical Research and Development Association	ONGC	Oil & Natural Gas Corporation
ERTL	Electronics Regional Test Laboratory	PAT	Profit After Tax
ESD	Energy Shut Down	PNG	Piped Natural Gas
ETS	Engineering Tooling Solutions	PPP	Public-Private Partnership
EVA	Economic Value Added	ROCE	Return on Capital Employed
FAIR	Framework for Linking Appraisals with Incentives and Rewards	R&D	Research and Development
GDP	Gross Domestic Product	RoHS	Restriction of Hazardous Substances
GGBS	Ground Granulated Blast-furnace Slag	RFID	Radio Frequency Identification
GHG	Greenhouse Gas	Rs.	Indian Rupees
GJ	Giga Joules	SBU	Strategic Business Unit
GLC	Ground Level Concentrations	SCADA	Supervisory Control and Data Acquisition
GRI	Global Reporting Initiative	SDDC	Switchgear Designed Development Center
HED	Heavy Engineering Division	SEBI	Securities and Exchange Board of India
HPCL	Hindustan Petroleum Corporation Limited	SOPs	Standard Operating Procedures
HP	High Pressure	SOx	Oxides of Sulphur
HR	Human Resources	STCs	Switchgear Training Centres
HSD	High Speed Diesel	UL	Underwriters Laboratories
HTFS	Heat Transfer and Fluid Flow Stimulation Software	USD	United States Dollar
IChE	Indian Institute of Chemical Engineers		



Sustainability Report 2009 : Your feedback

Your feedback is important in helping us improve our sustainability performance as well as future reporting. Please take a few minutes to answer the following questions.

1. Your view of the reporting quality

Excellent Good Fair Poor

2. If you ticked "Excellent" or "Good", what did we do well? (You may choose more than one)

Navigation Design & Layout Readability Credibility

Others: _____

3. If you ticked "Fair" or "Poor", what do we need to improve most? (You may choose more than one)

Navigation Design & Layout Readability Credibility

Others: _____

4. Level of Information:

Economic performance:

Depth Appropriate Too detailed Too brief
Coverage Appropriate Too broad Too narrow

People performance:

Depth Appropriate Too detailed Too brief
Coverage Appropriate Too broad Too narrow

Product performance:

Depth Appropriate Too detailed Too brief
Coverage Appropriate Too broad Too narrow

Environmental performance:

Depth Appropriate Too detailed Too brief
Coverage Appropriate Too broad Too narrow

Social performance:

Depth Appropriate Too detailed Too brief
Coverage Appropriate Too broad Too narrow

5. Any other comments/suggestions?

Kindly provide us your contact information for further correspondence.

Name: _____ Company: _____

Address: _____

Phone: _____ Fax: _____ Email: _____

Fax/Mail your responses to: Mr. D. B. Raju, Executive Vice President, Corporate Infrastructure & Services, Larsen & Toubro Limited, Saki Vihar Road, Powai, Mumbai 400 072, India.

Fax no: 091 22 6705 1001

E-mail id: sustainability-ehs@pgm.ltindia.com

Standard Disclosures

Report Application Level	C	C+	B	B+	A	A+ 
G3 Profile Disclosures 	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
G3 Management Approach Disclosures 	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
G3 Performance Indicators & Sector Supplement Performance Indicators 	Report on a minimum of 10 Performance Indicators, including at least one from each of Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human Rights, Labor, Society, Product Responsibility.		Report on each core G3 and Sector Supplement Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

**Sector supplement in final version*

The L&T Sustainability Report 2009, 'Conditions apply', is a **'GRI Checked' Application Level A+ report.**



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Printed on environment friendly FSC certified paper

