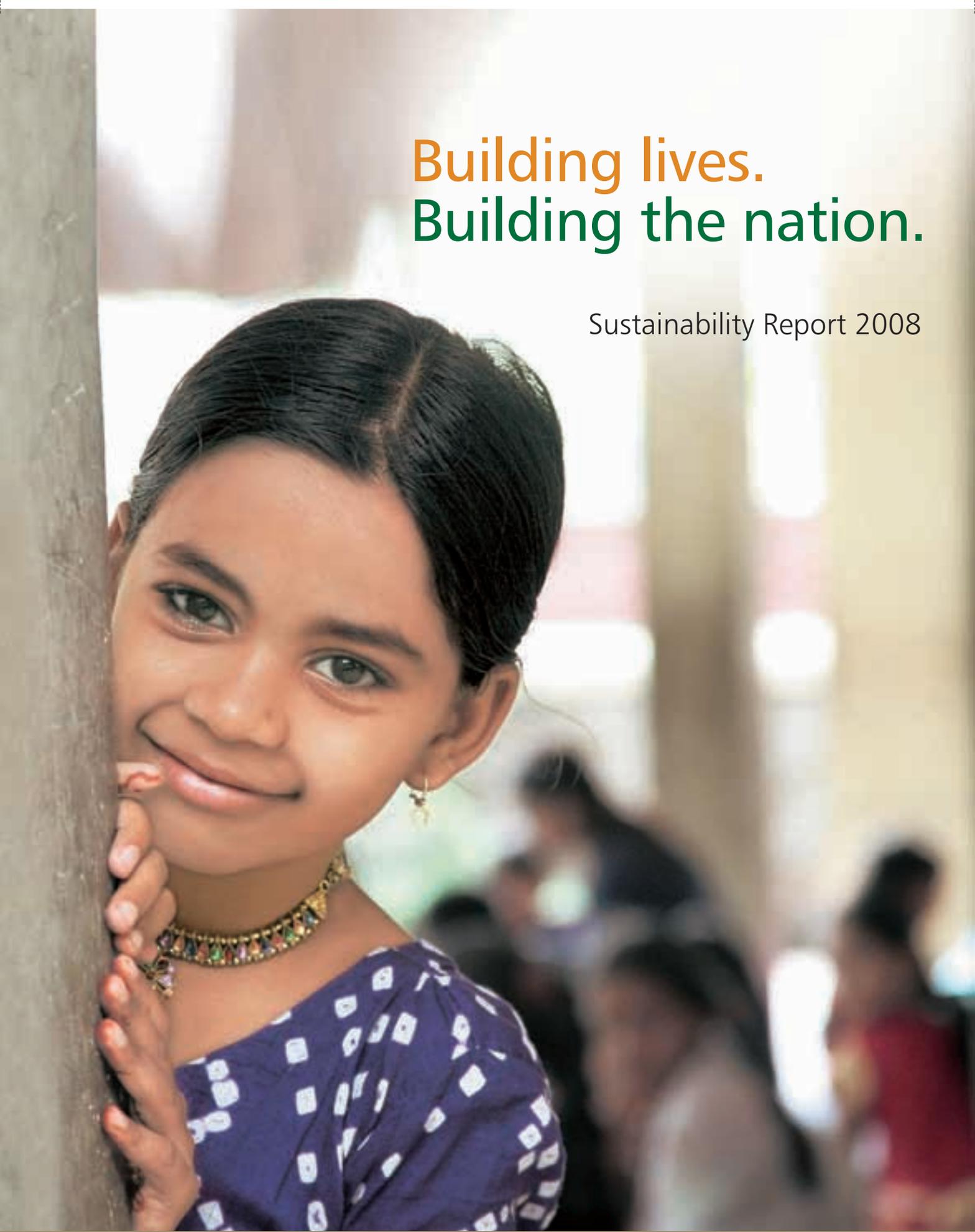


Building lives. Building the nation.

Sustainability Report 2008



LARSEN & TOUBRO

It's all about Imagineering

“It is our ability
to anticipate the
future and react
accordingly that
will determine
our success.”

Henning Holck-Larsen, Co-Founder

Some dreams flit by in a flash.
Some last till the first glimmer of dawn.
And some continue for over 70 years,
growing bigger and more
magnificent along the way,
as passion and commitment are
infused into the original vision.

Larsen & Toubro is the
manifestation of one such
dream.



Henning Holck-Larsen and Soren Kristian Toubro turned east from Denmark and set up a partnership firm in Mumbai (then Bombay) in 1938.

Their office was tiny, but their vision was transcending. A year later, World War II choked the fledgling firm's lifelines. But the founders kept the faith, and began indigenous manufacture. It was the first line in what would turn out to be one of the most remarkable success stories in Indian industry.

Although Danish by birth, Holck-Larsen and Toubro were committed to their *karmabhoomi*, the land where their endeavours bore fruit. And so, the L&T story is intrinsically Indian, born of this soil and rising to serve the interests of the land and its people.

L&T grew rapidly, taking on engineering and construction assignments of increasing sophistication. Across the decades, the baton of leadership passed to entrepreneurial visionaries drawn from the Company who preserved its most precious legacy – its professional values and its distinctive ethos.

Every L&T-ite today is proud of his unique inheritance. He is conscious of the obligations and responsibilities that are a part of his heritage. Because he is living a dream that began seven decades ago.

“At L&T,
sustainability
is embedded in
our vision and
growth plan.”

A.M. Naik, Chairman & Managing Director

Some companies like to proclaim their ambition and achievements.

Others prefer to go about their job more quietly, opting for action over acclaim. And let their work do the talking.



L&T, across the last seven decades, has rarely highlighted its contribution to the community or its efforts to protect the environment.

This year – our 70th – we make an exception. In a world that is increasingly holding industry accountable to society, we feel our stakeholders have the right to be informed about all that we have done – and continue to do – to improve the quality of life in the communities we serve.

Decades before 'CSR' became a corporate buzzword, L&T and its people had been living their professional and social obligations.

Climate change had not yet become a global concern, when we invested in cleaner and greener processes in our manufacturing facilities.

Well before 'Triple Bottomline' became trendy, our employees assisted communities with health care and medicines. Our professional management structure was transparent and abided by the laws of the land both in letter and spirit.

We did not realise then that there were words like 'corporate sustainability reporting' to describe and appraise these activities.

We did it simply because we believed it was the right thing to do.

And because it was intrinsic to being a rather special person.

An L&T-ite.



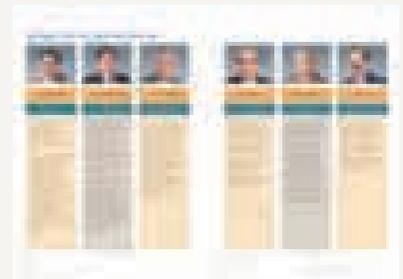
Contents



6-8
Message from the Chairman & Managing Director



9-15
Organisation Structure & Businesses



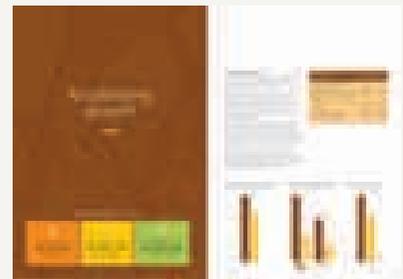
16-17
Message from Executive Directors



18-24
Build projects. Enrich lives.



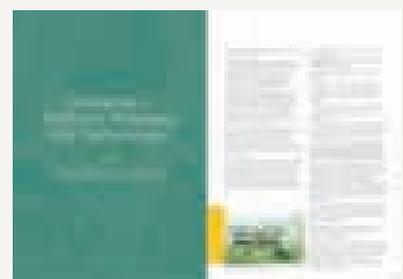
25-31
Key impacts, risks and opportunities



34-38
Economic performance



40-47
Human resource management



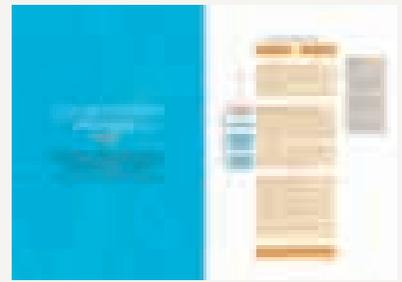
50-53
Product responsibility



54-61
Environment footprint



62-75
Social responsibility



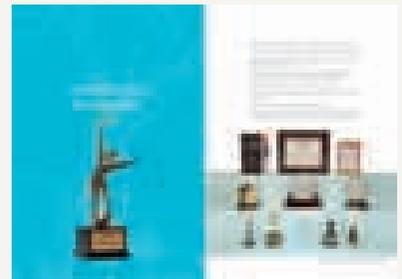
76-81
Governance processes



82-85
Stakeholder engagement



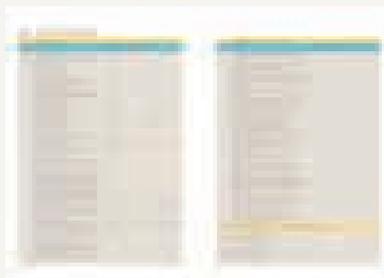
86-89
Report scope and
Management approach



90-91
Awards and accolades



92-93
Assurance statement



94-98
GRI index

MESSAGE FROM THE CHAIRMAN & MANAGING DIRECTOR

“Our growth created ripples that spread across society. As the nation grew, so did we. As we moved ahead, so did the community.”

Dear reader,

I have great pleasure in presenting L&T's Corporate Sustainability Report for the year 2007-08. This report is an effort to communicate our sustainability performance to our stakeholders and also to benchmark our performance with those of our peers.

Early in our history, we chose the road less travelled. We took the hard option of making equipment and executing projects of a scale and complexity never attempted in India before, and building structures that are recognised as landmarks. Our goals have always been loftier, our



approach professional, and our efforts have touched the lives of many. This is perhaps the most fulfilling aspect of our endeavours because we see ourselves as participants in realising the grander vision of the country. Our growth is creating ripples that spread across society. As the nation grows, so do we. As we move ahead, so does the community. In brief, we are helping build lives. We are helping build the nation.

L&T has always been conscious of its responsibilities towards people, communities and the nation. Across the last seven decades, the Company has aligned its growth to the needs – both economic as well as social - of these stakeholders in an equitable and inclusive way.

People, the critical resource

L&T does not view human capital as merely instrumental in achieving a business objective. People are important, simply because L&T is its people. We are committed to creating and sustaining an environment that enables talent to blossom and grow. We believe such an enabling environment entails continuous training and an operational style that provides young talent with the challenge of responsibility.

- We recruit the finest talent, irrespective of gender, caste and creed.
- Our training initiatives cut across hierarchies.
- Our concern for safety and health is sacrosanct.
- We help create career paths to transform managers into leaders.

The Other India

India is the world's fastest growing democracy with a growing number of billionaires; yet, four out of ten Indians still live below the poverty line.

Large corporates have a responsibility in reducing this stark contrast. As one of the largest engineering companies in India, we help in mitigating poverty through our nationally dispersed operations and through a broad spectrum of social initiatives. We provide direct employment to more than 31,000 individuals across various locations. In addition, our concurrent engagement in over 200 project sites generates indirect employment opportunities for a large base of sub-contractors and vendors. L&T's commitment extends beyond providing employment. We train thousands of underprivileged, enhance their employability and help them integrate into the country's economic mainstream.



We help in mitigating poverty through our nationally dispersed operations and through a broad spectrum of social initiatives.

The environment

Given the nature of our businesses, L&T's own operations have a minimal impact on the environment. Many of our business activities exhibit our sensitivity towards environment.

- We facilitate the adoption of clean fuel technologies in refineries.
- We enable petrochemical projects and process plants to reduce emission levels.
- We proactively introduce environment-friendly technologies before they become a regulatory requirement.
- We facilitate the use of cleaner alternative energy sources through our association with the nuclear power programme.

- We are focusing on the challenging segment of super critical boilers and turbines that enhance operational efficiencies and minimise carbon emission.
- We have ventured into the construction of 'green buildings'.

We have always been conscious of the impact of our operations on the environment. Even as we minimise the adverse effects on the environment through the development and deployment of clean and green technologies across various projects, we also adopt environment friendly practices like zero discharge approach at our campuses.

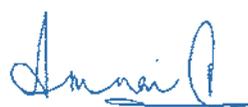
Way forward

We have demonstrated that business growth can go hand-in-hand with an underlying commitment to the environment and society. This is not just a probable solution – *it is indeed the only solution.*

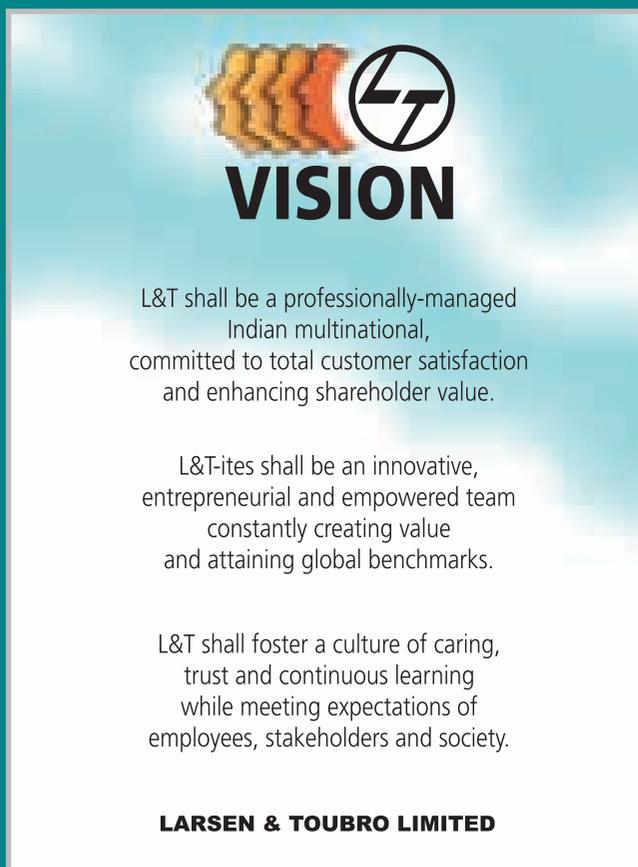
We have put in place a Sustainability Organisation Structure to drive initiatives in line with the company's Sustainability Policy. The sustainability issues identified are taken into consideration while implementing our business strategy and sustainability performance is discussed at the Board level. We are confident of making our growth sustainable through our vision and strategic plan.

This maiden sustainability report, based on GRI – G3 guidelines, highlights the various initiatives that will help make this a reality. This report has helped us identify gaps in the process of measuring and monitoring sustainability parameters. Going forward, processes will be implemented to further improve our performance.

I welcome your participation in our shared journey towards sustainability.



A. M. NAIK
Chairman & Managing Director




VISION

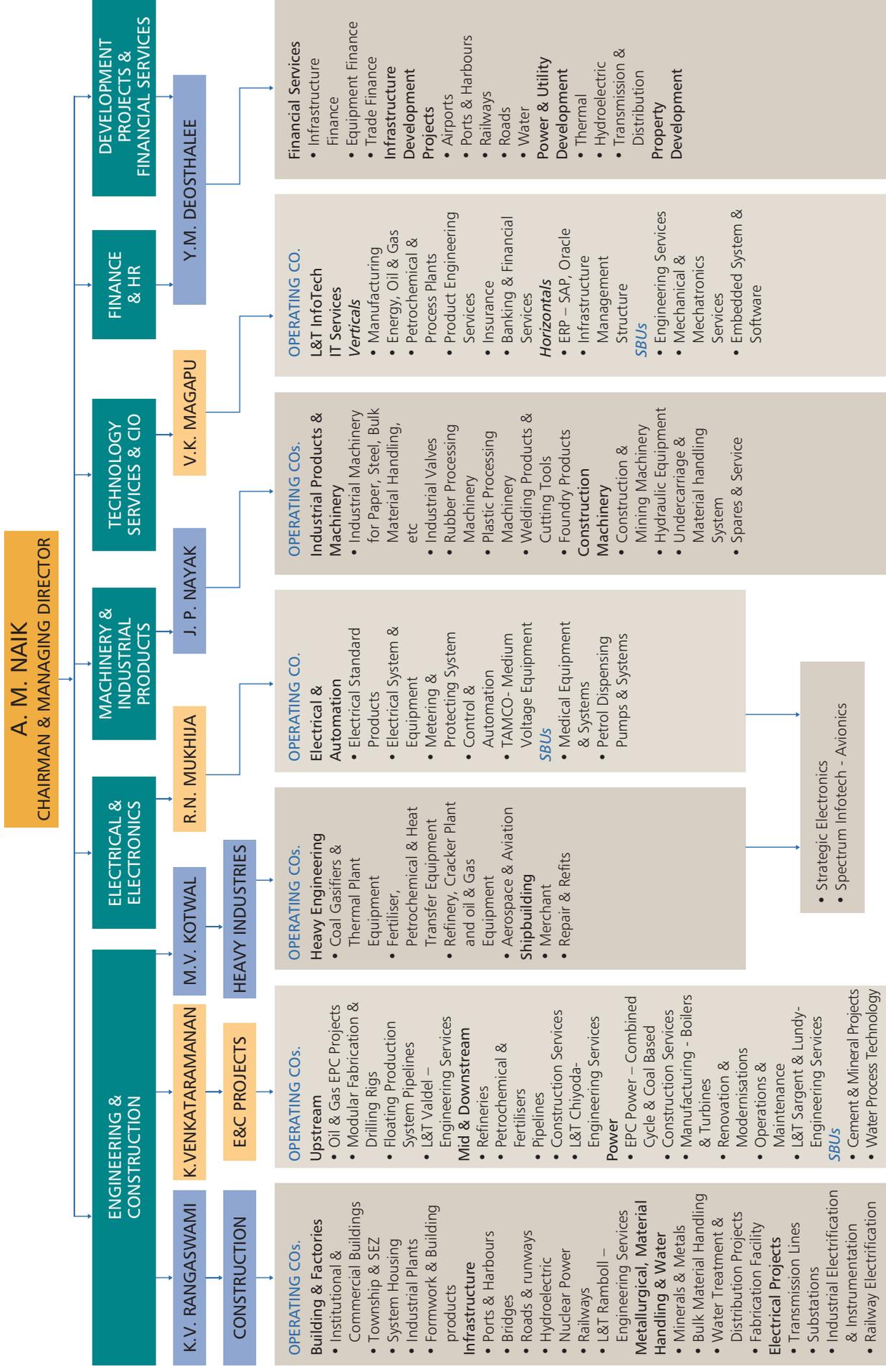
L&T shall be a professionally-managed Indian multinational, committed to total customer satisfaction and enhancing shareholder value.

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

ORGANISATION STRUCTURE



GEOGRAPHIC FOCUS: L&T has a dominant position in the technology, construction and manufacturing sectors in India. The Company has strengthened its presence in the Gulf, and has established production facilities and project capabilities in the region for business activities.

(This organisation structure is under implementation from 2008- 2009)

Businesses that build the nation



Engineering, Construction & Contracts Division (ECCD)

This division undertakes lumpsum turnkey contracts with single-source responsibility marked by cutting-edge capabilities in every construction discipline – civil, mechanical, electrical and instrumentation engineering. The division plays a crucial role in the development of India's infrastructure. The projects generally undertaken are large (public-private partnerships), requiring capabilities in project implementation, timely completion, inflation management, quality and safety. The division commissioned a countrywide network of construction skills training institutes (CSTIs) to enhance employability and catalyse the growth of the construction industry, already the largest national employer after the agricultural sector.



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 a single-point-responsibility under stringent delivery schedules across varied sectors (hydrocarbon, cement, 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)

Its high-end capabilities have made L&T one of the top five manufacturing companies in the world. The division manufactures customised and engineers critical equipment and systems. These address the growing requirements of core sector industries like refinery, petrochemical, chemical, oil and gas, fertiliser, power (thermal and nuclear), aerospace, shipbuilding and Defence. It is a globally preferred equipment supplier for critical products and systems.



Electrical and 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.



Machinery and Industrial Products Division (MIPD)

This division caters to the needs of the industrial machinery, construction equipment and industrial products business segments. MIPD enjoys market-leading capabilities in product design, process technology, engineering capabilities, manufacturing technology, procurement, project management, marketing and service support (including commissioning). It offers products and services for all business verticals, maintaining stringent delivery schedules.

Our nationwide network



Note: This pictorial representation does not purport to be the political map of India.

Our global presence



- Offices
- Engineering & Construction Projects
- Product & Equipment Supply
- Manufacturing / Fabricating Facilities
- Agents

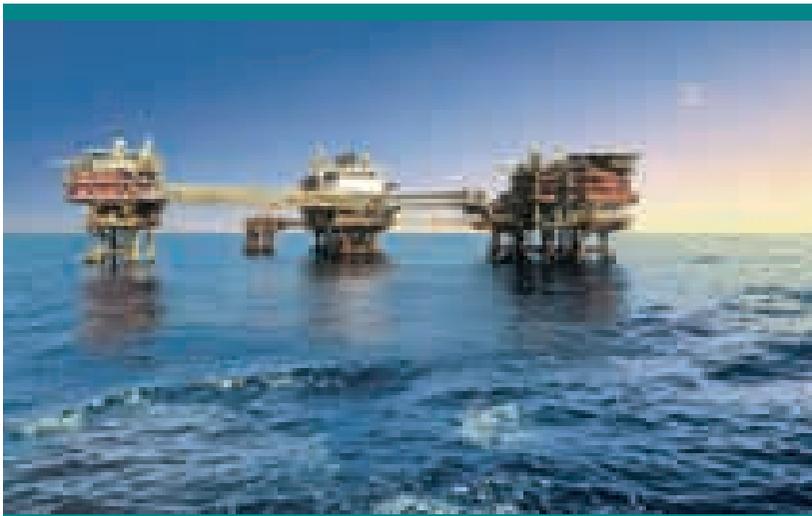
Note: Map is broadly representative of L&T's presence worldwide.

AT L&T, WE ARE PROUD TO HAVE DEMONSTRATED THE SUSTAINABLE SUCCESS OF AN INDIAN MODEL OF NON-PROMOTER-OWNED PROFESSIONALLY MANAGED COMPANY. OUR EQUITY IS MAINLY OWNED BY THE COUNTRY'S LEADING FINANCIAL INSTITUTIONS AND THE EMPLOYEES' TRUST. A SPIRIT OF EQUITY AND TEAMWORK DRIVES THIS UNIQUE ORGANISATION.

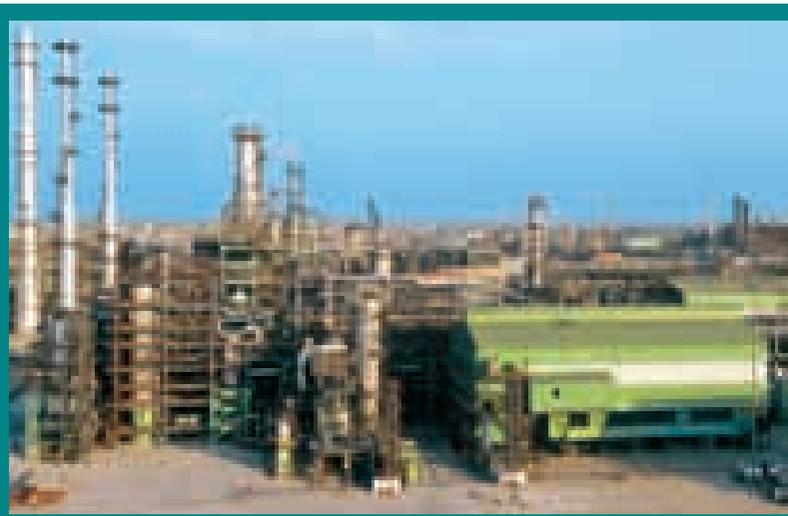
At L&T, we have continuously raised India's technology bar. The Company has consistently demonstrated that no product is too sophisticated and no project too complex to be undertaken in India or by Indians. As a result, some of the largest and heaviest equipment in the world have been created on schedule within the Company's manufacturing facilities.

L&T has helped bridge demand-supply gaps in India's critical sectors, energy and transportation included. The Company worked extensively in the country's showpiece greenfield airports of Hyderabad and Bangalore (commissioned), while the New Delhi and Mumbai airports are being upgraded.

Our achievements



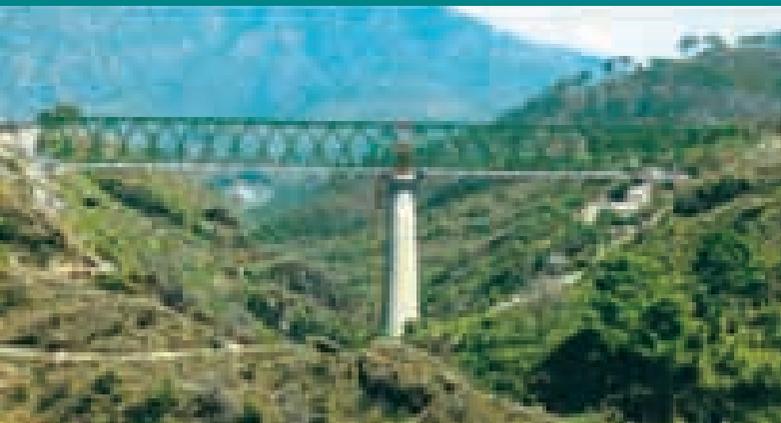
India's biggest marine equipment – an oil and gas processing complex



One of the world's largest diesel hydro-treater project for a refinery



The world's largest Continuous Catalyst Regenerator (CCR) for a refinery



88-metre bridge on the Northern Railways' Jammu-Udhampur line



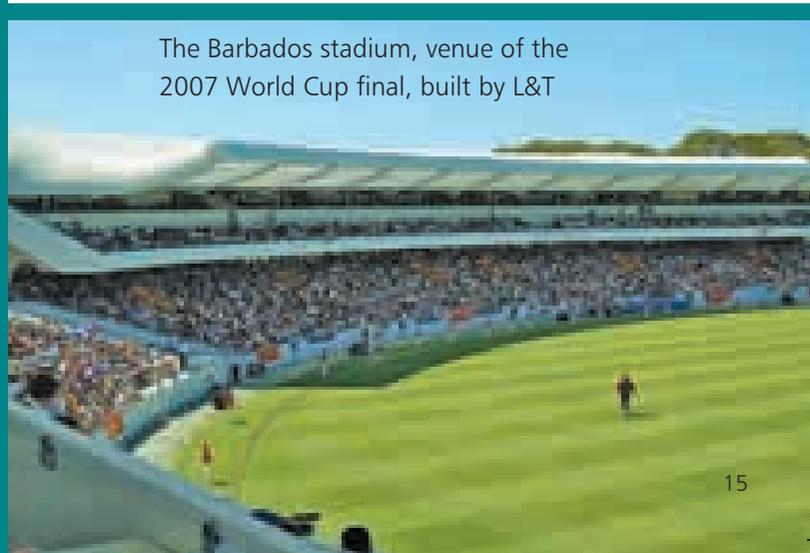
The world's largest ammonia converter for a fertiliser plant



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



India's widest range of switchgear



The Barbados stadium, venue of the 2007 World Cup final, built by L&T

Message from our Executive Directors



Y.M. Deosthalee

Finance and HR

Sustainability is a long-term agenda. It requires commitment, as well as patience since efforts in this space may take time to bear fruit.

As a company driven largely by technological innovation, our main assets are the talent and skills of our people. We leverage this asset by constantly reinforcing our employees' sense of belonging and sustaining their motivational levels. Our skill base also helps us fulfil a larger responsibility to society. Our Skill Training Centres for school dropouts and unemployed youth across the country are virtual engines of social change.



K. V. Rangaswami

Construction Division

As an industry role model, some of the key themes we are actively pursuing with our clients include:

- Green building initiatives
- Energy-efficient building utility systems and processes
- Rain water harvesting
- Development of alternative materials
- Formwork for construction, productivity and safety.

We are conserving finite construction resources (aggregates, sand, cement, steel, water and energy) and focusing on the recycling of materials. Our other focus area is the safety and health of our on-site employees and the neighbourhood.



K. Venkataramanan

E&C Projects Division

We have an extensive track record of clean fuel technology projects across the country, having executed DHDS and DHDT projects for multiple refineries. We intend to deepen these capabilities. We shall also continue our endeavour to recommend and provide environmentally sustainable, socially responsible solutions to our customers, while conserving material consumption at our facilities and at our vendors' premises.



M. V. Kotwal

Heavy Engineering
Division

We expect significant economic growth in sectors like petrochemicals, oil and gas, shipbuilding, thermal and nuclear power. One of the biggest challenges lies in balancing this growth with high environmental, health, safety and social commitment. We will continue the implementation of sustainability initiatives and in this respect, formulated an EHS strategy.



R. N. Mukhija

Electrical and Electronics
Division

The fundamental engines of vision, values and vitality have powered the transformation of EBG over the past decade. The issues which we have prioritised for long-term sustainability are process excellence, innovation and product quality, employee engagement, environmental commitment, customer focus and supplier relationship. Going forward, we will strengthen the implementation of the processes related to these sustainability issues.



J. P. Nayak

Machinery and Industrial
Products Division

We understand the value and importance of innovation in infrastructure development. This has enabled us to forge unique business models, enhancing shareholder and societal capital. We will continue to introduce products benchmarked to changing technological trends.

Build projects. Enrich lives.



“L&T is a unique company. Who owns it? We don’t know. Institutions own it. Individuals own it and a trust of employees owns it. So in a sense, L&T does not belong to the public sector or the private sector. It really belongs to the nation. If we can carve out a sector called the National sector, the Indian people sector, I think L&T will be the first company to rank in that sector.”

P. Chidambaram, Union Finance Minister, Government of India

Water management

Sri Sathya Sai Water Supply Project

Ananthapur District

Date of commencement:
February 1995

Date of completion:
December 1997

Medak and Mahbubnagar Districts

Date of commencement:
April 1999

Date of completion:
March 2000

When you ask the women in the water-starved Rayalaseema and Telangana districts of Andhra Pradesh to describe a miracle, they point to a water tap.

With good reason: for as long as they could remember, they had to walk many kilometres to fetch a pitcher of clean drinking water. No longer. Now, it comes out of a tap.

That was after the Sri Sathya Sai Central Trust proposed a water supply project covering more than 1,000 villages in the Ananthapur, Medak and Mahbubnagar districts. It shortlisted one company for construction - L&T.

The project involved constructing a pipeline network of around 2,800 kms, building reservoirs and dams. It transformed life in some of the most drought-prone districts of Andhra Pradesh.

L&T is now entrusted with the maintenance of the comprehensive water supply system.





Clean fuel technology

Mathura DHDS plant

Date of commencement:
May 2003

Date of completion:
December 2005

A yellow Taj Mahal! A disfigured monument to immortal love was once a stark possibility. The high sulphur content in fuel produced by Indian refineries, including the one at Mathura, threatened the wonder of the world – apart from causing less visible but grievous damage to the environment.

Enter L&T – one of the few companies in the country with the capability to set up diesel hydro de-sulphurisation (or clean fuel) projects. L&T faced multiple challenges: tight schedules, stringent standards and the complex task of integrating the existing units with the new DHDS plant as well as upcoming hydrocracker, hydrogenation and sulphur recovery units. L&T responded by bringing into play its project execution expertise and mobilising a large and highly skilled workforce (5,000 workmen at peak).

The Mathura DHDS plant proved to be yet another L&T success story in executing E&C contracts. A happy postscript to L&T's efforts came a couple of years later when the unblemished Taj Mahal was globally voted as one of the seven wonders of the modern world.

Nuclear energy

Tarapur Atomic Power project

Date of commencement:
June 1999

Date of completion:
August 2003

Nuclear energy is clean, green and has immense potential. One gram of uranium can keep a 100 watt bulb lit for 900 years. L&T has a historical association with India's nuclear power programme.

We have contributed to almost every nuclear project in India across the last three decades. Either by way of construction or the supply of critical equipment and components. Either through turnkey responsibility or the execution of mega packages.

In India's recent 2 x 540 MW Tarapur Atomic Power Project Units 3 and 4 in Maharashtra of Nuclear Power Corporation of India Ltd. (NPCIL). We executed orders totalling approximately Rs 13 Bn, almost covering the entire nuclear island, empowering NPCIL, our client, to complete these units in record time.



National highway infrastructure

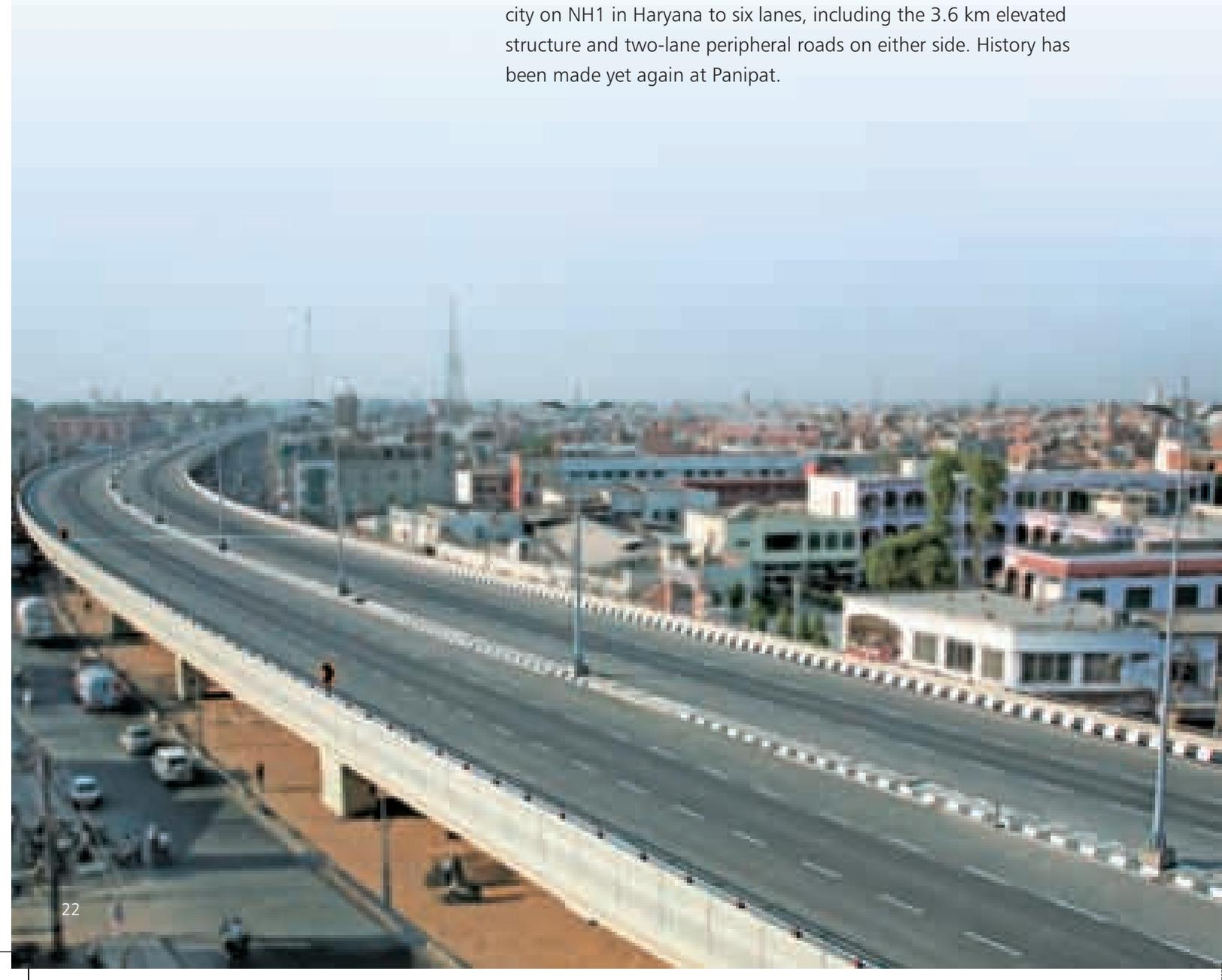
Panipat elevated expressway project

Date of commencement:
July 2005

Date of completion:
July 2008

The great battles of Panipat have changed the course of India's history time and again. The clash of sword and shield has long ceased, but Panipat recently witnessed a different kind of victory – the triumph of endeavour over daunting odds. The bustling town retarded traffic on a crucial lifeline of the north – the National Highway 1.

The National Highways Authority of India and L&T got around the problem by literally getting over it. L&T built a 3.6 km stretch of elevated road that literally overflew Panipat. L&T's advanced construction techniques also ensured that India's longest flyover got into the record books for a different reason – it was built in the shortest time of just 28 months. The project also involved widening of the four-lane road from km 86 to km 96, passing through Panipat city on NH1 in Haryana to six lanes, including the 3.6 km elevated structure and two-lane peripheral roads on either side. History has been made yet again at Panipat.





Infrastructure development (PPP)

Bengaluru International Airport

Date of commencement:
April 2005

Date of completion:
March 2008

An airport is more than just a station for aeroplanes. It is a city's introductory handshake to travellers and an icon that reflects the pace and promise of the metropolis. When Bangalore sought an airport that matched its celebrity status as India's silicon capital, it turned to the company that was virtually driving the airports revolution in India – Larsen & Toubro.

L&T stepped in with expertise – and with equity. Along with global consortium partners, L&T constructed an airport that the garden city was proud to call its own. It is designed to service 45 aircrafts hourly and handle 11 million passengers annually. The new Bangalore airport is one of the first modern greenfield airports in India to be executed on the public-private participation (PPP) model. This is a pointer towards the future. In the coming times, more infrastructure projects will come up, thanks to companies who are ready and willing to not just build national assets, but invest in them.

Protection for agricultural pumpsets

Motor starter

It is known by many names in the Indian vernacular, and sometimes just by its initials – ‘LT-LK’. But whether spoken in the rustic Punjabi of the wheat bowls of the north or intoned in the lilting Tamil of southern India’s paddy fields, the L&T motor starter has come to signify the same thing – total reliability in protecting the farmer’s pump set.

This switchgear product has been around for close to half a century – many farmers today are third generation users. Across the decades, very little of the design has changed because the farmers wanted it just the way it was. It is rugged, easy to operate, and needs such little maintenance that it virtually looks after itself. Over 10 million starters are working in fields across the country, contributing in their own way to the ‘green revolution’ and proving to be a loyal friend to a folk hero – the *kisan*, or the Indian farmer.



Key impacts, risks and opportunities



Economic context

India's planned expenditure of US\$492 Bn in the 11th Five-Year Plan (2.5 times the 10th Plan size)

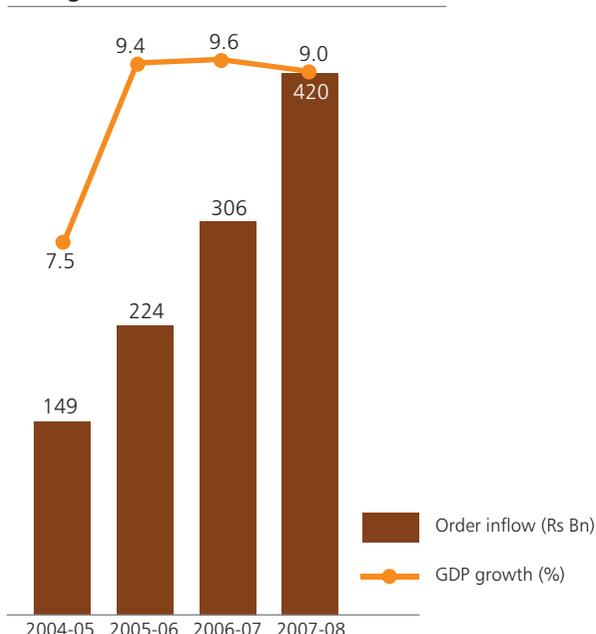
Sector (US\$ Bn)	10th Plan (FY03-07)	11th Plan (FY08-12)	Growth (%)
Electricity	70.5	150.4	113
Roads & Bridges	31.7	76.1	140
Railways	20.3	62.2	207
Water supply & sanitation	15.6	48.6	212
Ports	1.3	18.0	1,266
Airports	2.1	8.5	295
Others	59.0	128.7	118

Growing economy, growing opportunity

L&T has a significant presence in the high growth sectors of the Indian economy.

Key infrastructure player: The Government of India enhanced infrastructure investments from 3-4% of GDP to 5% of GDP in 2006-07 and a projected 8-9% by 2012¹. In addition, the Planning Commission indicated an infrastructure investment estimate of USD 492 Bn (excluding private investments) in the Eleventh Five-Year Plan (April 2007-March 2012) period. L&T is playing the role of a responsible front-runner in nation-building.

GDP growth and L&T's order inflows



For instance, the Company pioneered the private-public participation (PPP) model across multiple core sectors like roads and airports.

Contribution to core sectors: A knowledge-based company, L&T enjoys deep technology capabilities in sectors like oil and gas, refineries, chemicals, power, water, nuclear, space, defence, cement, steel and paper industries. The Company signed joint venture agreements with Mitsubishi Heavy Industries Limited (Japan) to manufacture super critical boilers, steam turbines and generators.

Creating overall value: L&T's operations benefit vendors, subcontractors and customers, enhancing employment and skills for employees and revenues for the exchequer.

Innovative products and services: L&T's strong in-house R&D team drives cutting-edge technology development, products and process enhancement, value engineering in products / processes, reliability evaluation of products / components and failure analysis of products / components. As a technology-driven organisation, two focus areas comprise intellectual property rights (IPR) and new product intensity (NPI); the electrical business had filed 348 patents and 340 design registrations until 2007-08, 101 patents, 31 design registrations and 11 trademark filings have been made in 2007-08 alone.

Infrastructure – continuing growth story

- Plan to increase investment in infrastructure from 4.6% of GDP to 7-8% in 11th Five-Year Plan
- 100% FDI permitted in most sectors
- Tax incentives to developers
- Need for strong and independent sector regulators and funding availability
- Significant avenues in ownership and maintenance through PPP
- Private sector investment increasing from 17% to 30%
- Major focus area for Government – good quality infrastructure could improve GDP growth by 1%

Infrastructure thrust to continue in 12th Plan with estimated expenditure of US\$ 989 Bn

Challenges

Delay in project implementation: In the business of infrastructure there are a number of aspects beyond the organisation's control that can lead to project delay and affect project delivery and profitability. The Company has formulated risk-management processes to accelerate project execution.

Cyclical nature of capital formation: L&T's presence in the construction and capital equipment sectors are subject to cyclical economic upturns and downturns. The Company's diversified portfolio and multiple-geography presence has catalysed derisking.

Preparedness for competition: Some government projects, especially in the road and water sectors, have low-entry barriers for bidding. L&T has emerged as a complete and cost-effective solutions provider to thwart growing competition. L&T is gearing to address growing multinational competition through stringent systems and innovation.

Increasing input costs: There has been a sharp increase in input costs and remuneration, which demands effective strategies to maintain margins.

Opportunities

Tap huge market potential: India is expected to sustain its high growth momentum. L&T is expected to play the role of a catalyst through its significant presence in

rapidly growing sectors like oil and gas, petrochemical, chemical, power, infrastructure, minerals and metals, defence, railways and shipbuilding. L&T will also drive growth beyond the national boundaries, its business plan (LAKSHYA -2005 to 2010) projecting a 25% contribution from international revenues.

Execution of PPP-centric projects: India is encouraging the PPP model for the execution of infrastructure projects. The Company's track record in the successful execution of major infrastructure projects will enable it to emerge as a significant beneficiary.

Capitalise on brand image: The L&T brand evokes national sentiments across the domestic target groups, underlining its image as a 'nation-builder.' The tag line 'Its all about Imagineering' reflects the Company's innovation and engineering capabilities on the one hand, as well as a focus on knowledge-intensive businesses as it addresses the upper-end of the technology spectrum. The Company's brand leadership helps accelerate growth.

Leverage technology: L&T will leverage its technological prowess – especially clean technologies, solutions for improving energy efficiency and green building construction – to strengthen its leadership position.

Environmental context

- Raw material management
- Water conservation
- Energy conservation
- Emission reduction
- Clean fuel technology

Even as the issue of environment protection is relevant for a number of countries, it is even more so in India. Consider the following:

- The combination of the largest young population in the world and a sharp increase in their incomes will accelerate consumption.
- The water crisis is worsening, marked by groundwater depletion.
- Climate change is affecting the hydrological cycle, affecting freshwater availability.
- India's energy demand far surpasses supply as the country imports almost 70% of its crude oil requirements².
- Responsible for the fourth largest global greenhouse gas (GHG) emissions in absolute terms³, even though India's per capita greenhouse gas emission is still low (1.2 tonnes of CO₂ as against 20.6 tonnes by the US in 2004)⁴.

The scenario is increasingly relevant for L&T, an engineering company that will provide services to create products and services that conserve finite resources.

Consumption of natural resources: L&T has implemented the use of alternative materials, conserving natural resources like steel, sand, cement, water and energy.

Climate change: The following initiatives have helped reduce GHG emissions:

- The use of wastes like fly ash, ground granulated blast furnace slag and other additives have reduced cement consumption. The R&D wing is experimenting with alternative materials to reduce cement consumption.
- The use of audio-video conferences has helped reduce travel.
- The use of cutting-edge technology has generated multiple advantages: added value to products, conserved energy and consumed fewer natural resources. The Company is promoting the 'green building' concept. Processes, plants and projects executed by L&T are continuously reducing energy consumption during the process life-cycle.
- The growing use of renewable energy – solar and wind energy – at our Powai, Hazira and Mahape campuses will be extended to other L&T locations.



◀ Clean fuel technology - Sulphur Diesel Reactor

Ultra-low sulphur diesel reactor being delivered to a refinery in Canada. L&T offers a comprehensive range of critical equipment and systems for refineries and gas cracker projects, including Cr-Mo-V reactors, hydrocrackers, FCC reactors / Regenerators and high-pressure heat exchangers.

- The use of alternative and cleaner energy sources is enabled by a presence in the nuclear energy space.

Clean fuel technology: L&T has been instrumental in the introduction of clean fuel technology (given below) across various projects, minimising environmental impact.

- Commissioning of sulphur recovery units
- Tail gas treating units
- Co-generation and combined cycle power plants
- Waste heat recovery steam generators
- Coal gasification power plant equipment

Challenges

Biodiversity: For public-private partnership projects located in areas of notified biodiversity zones, Environmental Impact Assessments are carried out to assess the impact, identify mitigation and alternative measures.

Green sensitisation: L&T enhances environment awareness among employees through training. It also sensitises employees in the use of environmental

management tools, eco-friendly technologies and green products.

Strengthening systems and implementation of EMS, ISO 14001 and OHSAS 18001: Though EMS and OHSAS systems exist at various manufacturing locations, these need to be integrated as comprehensive EHS systems at all locations and major project sites.

Opportunities

Increased environmental awareness: Our customers are increasingly seeking eco-friendly products. L&T is well-placed to address their needs, as it is working with state-of-the-art environment-friendly technologies such as super critical boilers and green buildings.

Technologically advanced products and services: Over the years, L&T has acquired a high degree of expertise in the development and execution of environment-friendly technologies.

Social context

Human resource management

- Training and development
- Enhancing employability
- Occupational health and safety
- Human rights

Community development

- Education
- Healthcare
- HIV / AIDS awareness
- Employee volunteering

While India is ranked fourth as per its GDP in purchasing power parity, it is ranked 128th out of 177 countries on the Human Development Index, with an HDI of 0.619⁵. The HDI is a composite measure of three dimensions of human development: a long and healthy life (measured by life expectancy), education (measured by adult literacy and enrolment at the primary, secondary and tertiary level) and a decent standard of living (measured by purchasing power parity, PPP and income).

Even as 12 Indian cities⁶ are prospering, the rest of the country is growing at a slower pace. The result is that 75-80% of the country's population has not reaped the full benefits of India's recent growth. India represents a great market but only for 30% of its people, comprising its middle class population of around 350 million. However, prosperity is yet to reach the remaining 600-750 million people. The reality is that more than 456 million Indians live below USD 1.25 per day.⁷

These realities have enhanced the relevance of L&T,

which has a number of facilities in Tier-2 cities⁸ and small towns, facilitating regional development.

Local economy: We are one of the largest employers in India, enhancing income generation and indirect business opportunities.

Training and development: Our training programmes, covering technical as well as soft skills, contribute to people development and career growth, while our Management Development Centre enhances employee knowledge.

Creating employability: We established over a period of time six Construction Skills Training Institutes (CSTIs) across India to enhance employable skills for India's youth.

Surrounding community: We are engaged in implementing community development initiatives in education and healthcare to improve the quality of life of the communities in our plant and project vicinity.



Milind Vidyalaya at Powai in Mumbai

Has been supported by L&T through infrastructure development, educational and volunteering initiatives.

Challenges

Employee attrition: Following increased opportunities in the IT and ITeS sectors, attracting and retaining talent in the core engineering sector represents a growing challenge. Employee turnover affects organisational capital, impacting growth on the one hand and recruitment costs on the other.

Developing leaders: The quality of leaders ensures long-term corporate sustainability. Therefore, the challenge is to build leaders who will multiply the organisational value without diluting the core values. The Company has adequate leadership development programmes to build leaders from within.

Occupational health and safety: Protecting the health and safety of employees remains an organisational challenge. L&T has implemented safety norms across all its locations, reinforced by increased awareness and training.

Balancing customer-community interests: L&T has strengthened non-conflicting relationships with customers and communities through a compliance with all applicable rules and regulations, as well as undertaking projects only after obtaining all regulatory clearances.

The reconciliation of customer and community interests is an ongoing challenge in a number of businesses.

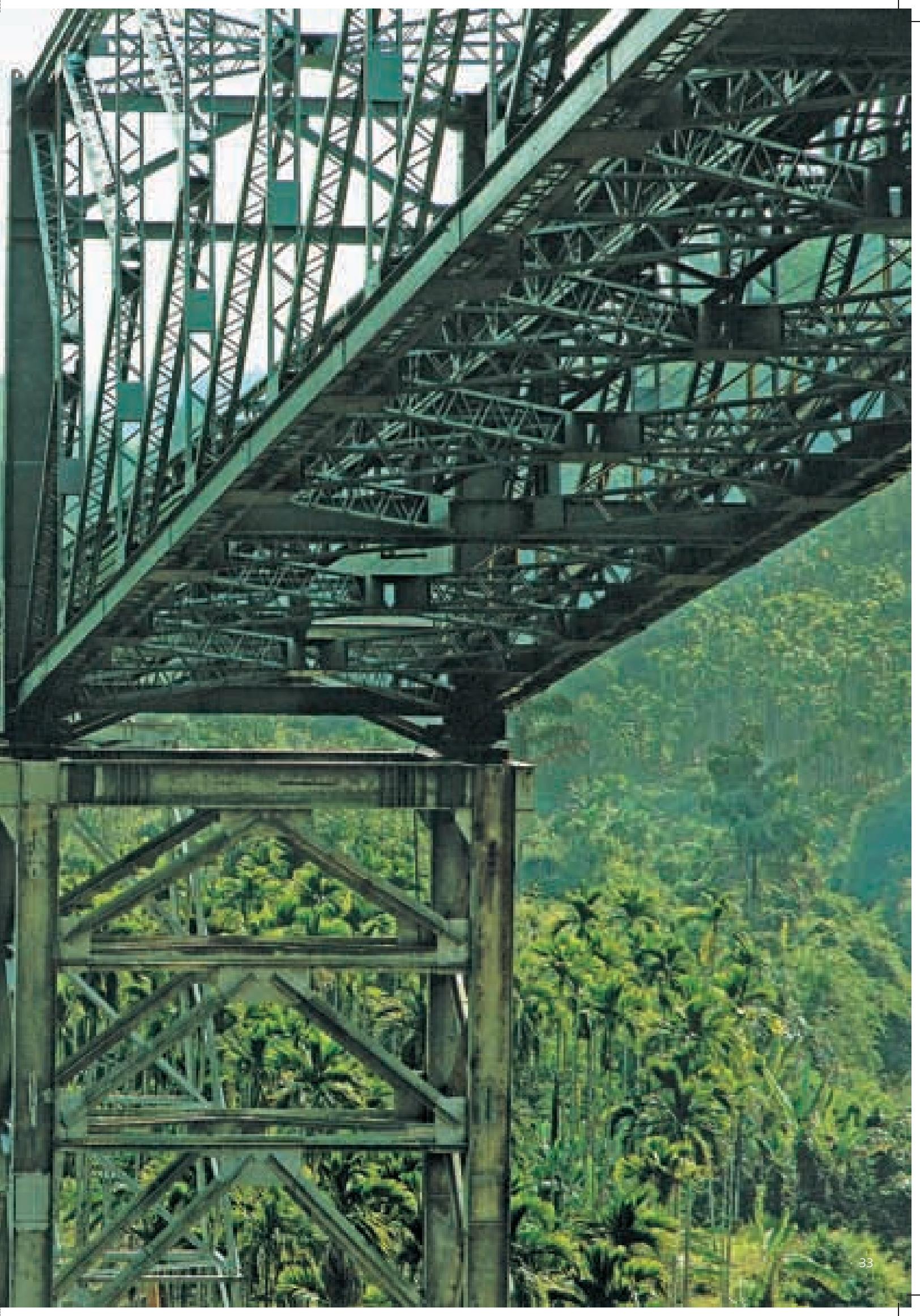
Opportunities

Participation in public policy bodies: L&T's senior management participates in a number of policy-influencing bodies to voice industry concerns and drive responsible legislation. Employees across all levels play an active role in technical events to share and absorb best practices.



The world's longest cross-country conveyor (17 km) was designed and built by L&T to transport 1.2 mtpa of shale and limestone from Meghalaya (India) to Chhata (Bangladesh)





Accelerating growth



OUR PERFORMANCE: 2007-08



Revenues crossed
Rs 250 Bn
(USD 6.4 Bn)



Record new order inflow of
Rs 420.2 Bn
(USD 10.5 Bn)



Order book touched
Rs 526.8 Bn
(USD 13.2 Bn)

Economic performance

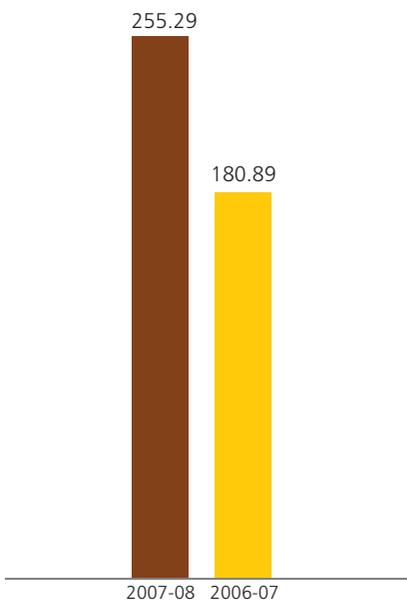
Over the years, L&T has registered robust growth, leading to a positive influence across communities – internal and external, direct and indirect.

The results of the initiatives, conceived under the strategic plan LAKSHYA formulated in 2005 are encouraging, prompting the Company to accelerate momentum, while enhancing profitability. The Company set new records for order inflows, revenues, order book and profits.

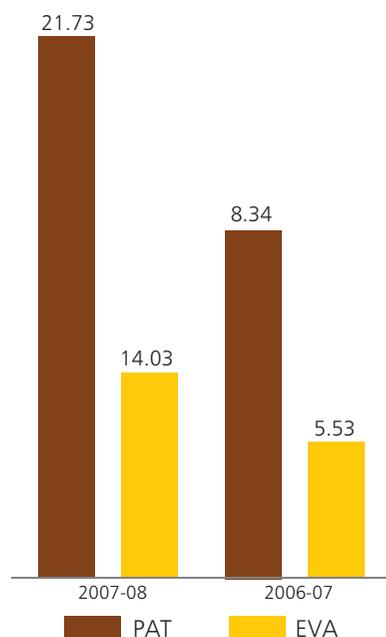
One of the highlights of financial performance was Economic Value-Added (EVA) of Rs 8.34 Bn, a 51% increase over the previous year. The net working capital as a percentage of sales declined from 14.2% at the end of the previous year to 10.4% of sales by the end of 2007-08. This enabled the Company to maintain its Return on Capital Employed (ROCE) at 20.6% (previous year 20.2%), despite significant expenditure on account of capacity creation and capability building.

Economic value distributed	Rs Bn	
	2007-08	2006-07
Manufacturing, construction and operating expenses	191.30	135.38
Employee wages and benefits	15.35	12.59
Payments to providers of capital		
Interest	1.22	0.93
Dividend	4.95	3.68
Payments to government	24.46	17.92
Community investments	0.26	0.06

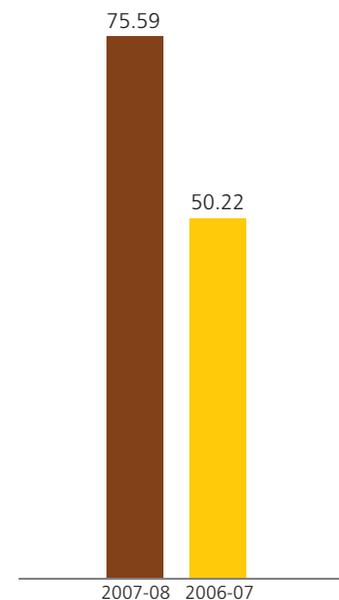
Economic Value Generated (Rs Bn)



Economic Value Retained (Rs Bn)



Earnings Per Share (Rs)



The Company's cash flow position at the year-end continues to be strong. Increased liquidity has strengthened its confidence for launching new growth initiatives for the existing and emerging businesses in hydrocarbons, infrastructure, power, railways and ship building.

Liquidity and capital resources	2007-08 Rs Bn	2006-07 Rs Bn
Cash and cash equivalents at the beginning of the period	10.94	5.83
Add: Net cash provided / (used) by		
Operating activities	19.45	21.30
Investing activities	(52.42)	(15.88)
Financing activities	31.67	(0.31)
Cash and cash equivalents at the end of the period	9.64	10.94

During 2007-08, our manufacturing, construction and operating expenses at 77% of net sales was maintained at the previous year's level. This was achieved through

efficient project execution, wider product range, enhanced realisations and improved logistics management, despite a sharp increase in the cost of inputs like steel and cement.

The Company is pursuing operational excellence programmes with the help of renowned consultants to optimise costs and achieve higher operational efficiency.

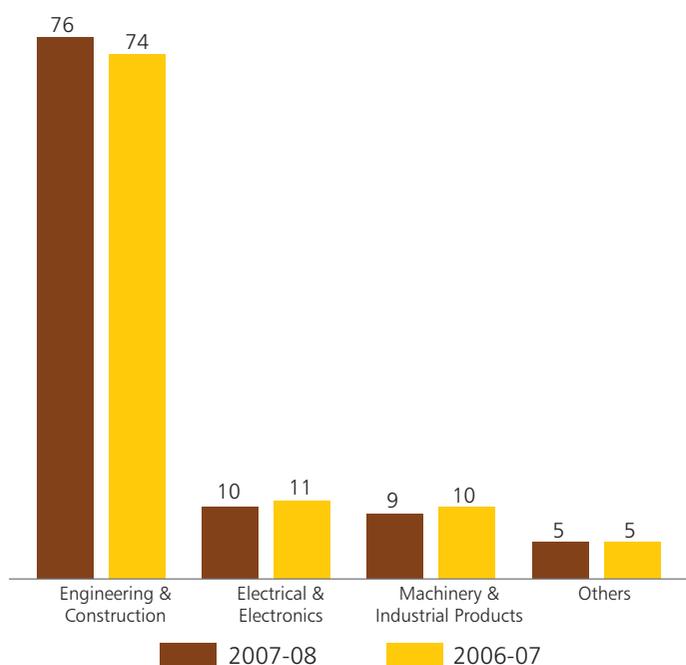
Enriching stakeholders

L&T is consistently investing in employee remuneration, social upliftment, environment protection, technology upgradation and discharging its obligations to its investors and financiers.

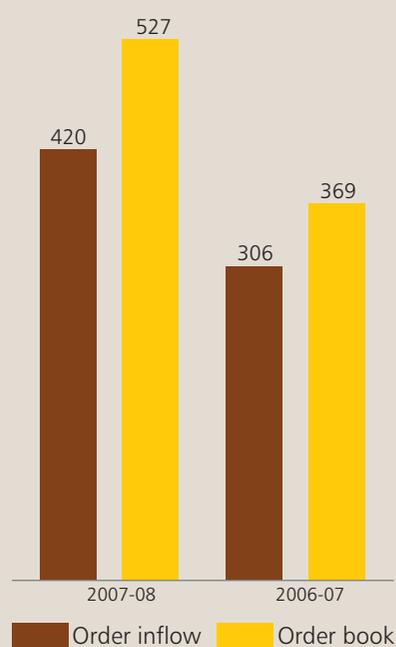
Customers

An increase of 41% in our gross sales and service income to Rs 251.87 Bn in 2007-08 (previous year Rs 179.01 Bn) indicates that we serviced a larger number of customers with a larger offering of products and services. A 37% increase in order inflows to Rs 420.19 Bn resulted in an order book of Rs 526.83 Bn at the close of 2007-08, which was 43% higher than the previous year.

Sales break-up by business (%)



Order inflows and order book break-up by business (Rs Bn)





Employees

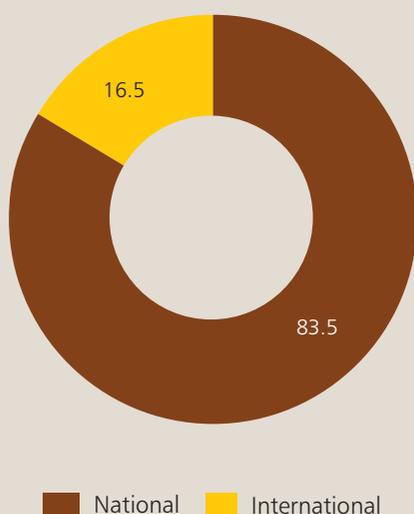
Given our growing operations, our staff costs increased by 22% to Rs 15.35 Bn in 2007-08. However, as a percentage of net sales, they declined by 1% over the previous year. We added 4,750 employees to reinforce our project and manufacturing capacities at the existing and new locations. We offer employee benefits like the provident fund, family pension, gratuity and superannuation fund, the last two being fully funded in accordance with actuarial valuations. The retirement benefit provisions for the previous year were higher mainly due to a one-time additional actuarial liability charge, pursuant to the adoption of the revised Accounting Standard 15.

Employee cost

(Rs Bn)

Particulars	2007-08	2006-07
Cost towards wages/salaries	11.79	8.31
Other benefit costs	3.56	4.28
Total personnel cost	15.35	12.59
Average payout per employee (in Rs Mn)	0.48	0.46

Order book by geography as on March 31, 2008 (%)



Suppliers

We increased the purchase of products and services in 2007-08 in line with the growth in business. Our purchases made on account of property, plant and equipment increased from Rs 8 Bn to Rs 17 Bn, as a direct consequence of our capacity expansion and capability upgradation initiatives.

Providers of capital

We serviced our interest and debt obligations on schedule. Our market capitalisation increased from Rs 456.36 Bn as on March 31, 2007 to Rs 884.15 Bn as on March 31, 2008. In turn, our total dividend increased from Rs 13 per equity share (Rs 2 each) in 2006-07 to Rs 17 in 2007-08.



An increase of
51%
in the EVA to Rs 8.34 Bn
in 2007-08 over the
previous year.



Market capitalisation of
Rs 884.15 Bn
as on March 31, 2008.

Climate change

Given the nature of our operations, the impact on climate is negligible. Further, our energy-efficient products and services help customers mitigate their carbon footprint. For details please refer pages 59-61 of this report.

Market presence

We engaged local suppliers (for the reporting period, operations in India are considered as local), based on criteria like technical requirements, material availability, costs and economics, sourcing more than 80% of our required materials from them. The projects division primarily uses Indian companies as vendors who have in the past delivered quality products and met stringent delivery schedules. However, in case of certain EPC projects, there were instances where a vendor list was provided by the customer, limiting the Company's scope of choosing new vendors.

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 as well as the ability to meet delivery schedules.

Indirect economic impacts

We play a vital role in the development of the neighbouring communities through direct and indirect employment opportunities. We also contribute through initiatives in education, health, environment conservation, infrastructure and vendor development. We invested Rs 258.6 million in various community development programmes in 2007-08.



"Machinery must be there, buildings must be there, but without people, it's all nothing. People are our only real asset."

Henning Holck-Larsen, Co-Founder

People, our prime movers



We believe that an organisation is only as good as its people.
The greater the investments that we make in them, the stronger and more
sustainable are the returns.

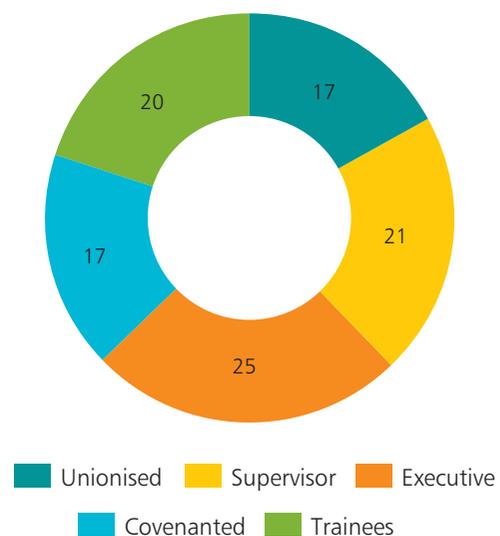
Construction Skills Training Institute (CSTI)



At L&T, we have taken a slew of measures to attract, retain and continuously motivate talent. No dichotomy is seen between a caring company and a challenging work environment in an evolving business scenario. L&T cares for its employees and greatly values their contribution, even as it sets daunting targets. We therefore consider it as our prime responsibility to offer people the tools and techniques to facilitate performance and create a competitive environment of excellence. A people management programme helps managers sharpen their skills and build strong work relationships.

We have a structured Leadership Development Programme to develop leaders – more, better, faster – not only for meeting near-term challenges but also for creating a pool of leaders to assume larger responsibilities. We emphasise a work-life balance and provide employees with a broad spectrum of benefits. Besides, all our unionised employees are covered by collective bargaining agreement, 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. An employee grievance management system minimises employee concerns and helps build loyalty.

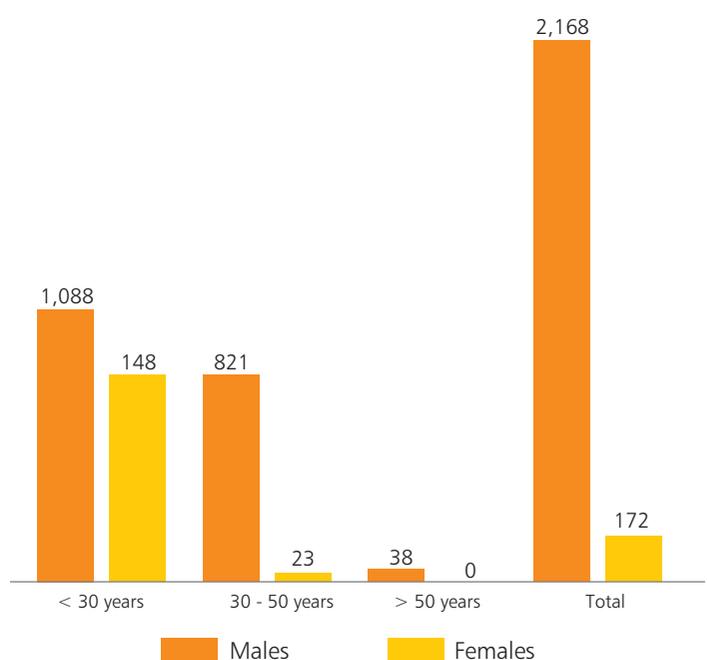
Cadre-wise distribution of employees in 2007-08 (%)



Number of employees



Employee attrition across genders and age groups (No.)



Talent acquisition and management: L&T is a crucible of engineering talent in India. We reinforced our core engineering talent by recruiting over 1,000 graduate engineers and diploma engineer trainees in 2007-08 from 300 Indian engineering colleges, in addition to lateral middle-management recruitments.

We enable our talent pool to remain at the forefront of the latest developments in the field of engineering through partnerships with reputed technical institutes like IIT-Madras and Delhi, as well as the National Institute of Construction Management & Research (NICMAR), among many other engineering colleges across India. We drew talent from Larsen & Toubro Institute of Technology (LTIT) that conducts diploma courses for employees' children.

At the heart of our dynamic workplace is a spirit of delegated entrepreneurship, empowering employees to assume responsibilities and create an environment where talent finds recognition and reward.

The result is people retention in excess of 90%.

Performance evaluation: At L&T, we instituted a Framework for Linking Appraisals with Incentives and Rewards (FAIR) practice to act as a reference between year-start goals and year-end performance. The evaluation is conducted by the immediate superior, in the presence of the employee, covering financial and non-financial parameters. The non-financial parameters consist of quality, material optimisation, technology development, innovation, personnel training and

organisational culture permeation at project site, plants and offices. For employees working on the shopfloor, occupational health and safety are also considered in evaluation.

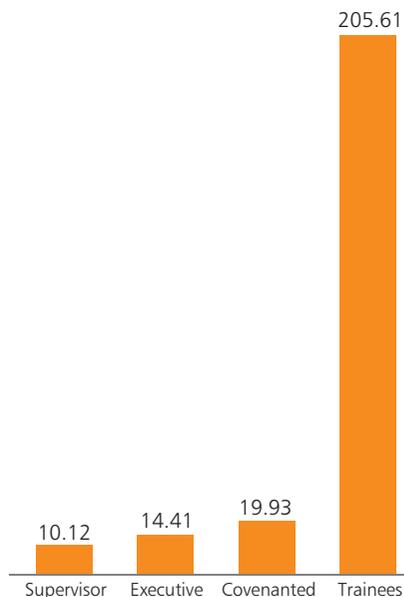
Training and education

Even as India boasts of one of the largest labour populations in the world, skilled workers comprise a mere 5%; only 20% of the 12.8 million annually entering the country's workforce receives any formal training⁹.

In-plant training: We have a human resources department dedicated to employee training. This department chalks out year-start coaching needs, structures the coaching in various institutes and organisations across India and abroad, in addition to in-house training sessions; it also addresses behavioural, technical, communication and presentation skills. The result: enhanced productivity, increased sales.

Besides, counselling sessions are arranged for all employees nearing the conclusion of their service period. Programmes comprise technical training courses, counselling for post-retirement financial planning and an effective transition to non-working life.

Average hours of training per employee per year



Shopfloor training

Enhancing employability

L&T's Construction Skills Training Institute (CSTI) was set up in Chennai in 1995. It instituted industrial competence standards for skilled workers through the implementation of a structured system of training, testing and certification. It introduced modular training schools with defined infrastructure and curricula, providing employable skills to India's rural youth.

The success of CSTI (Chennai) was followed by the establishment of other CSTI centres in Mumbai (1996), Bangalore (2005), Ahmedabad (2005), Kolkata (2005) and New Delhi (2005).

Going ahead, CSTI has set an ambitious target of training 10,000 youth annually by 2010.

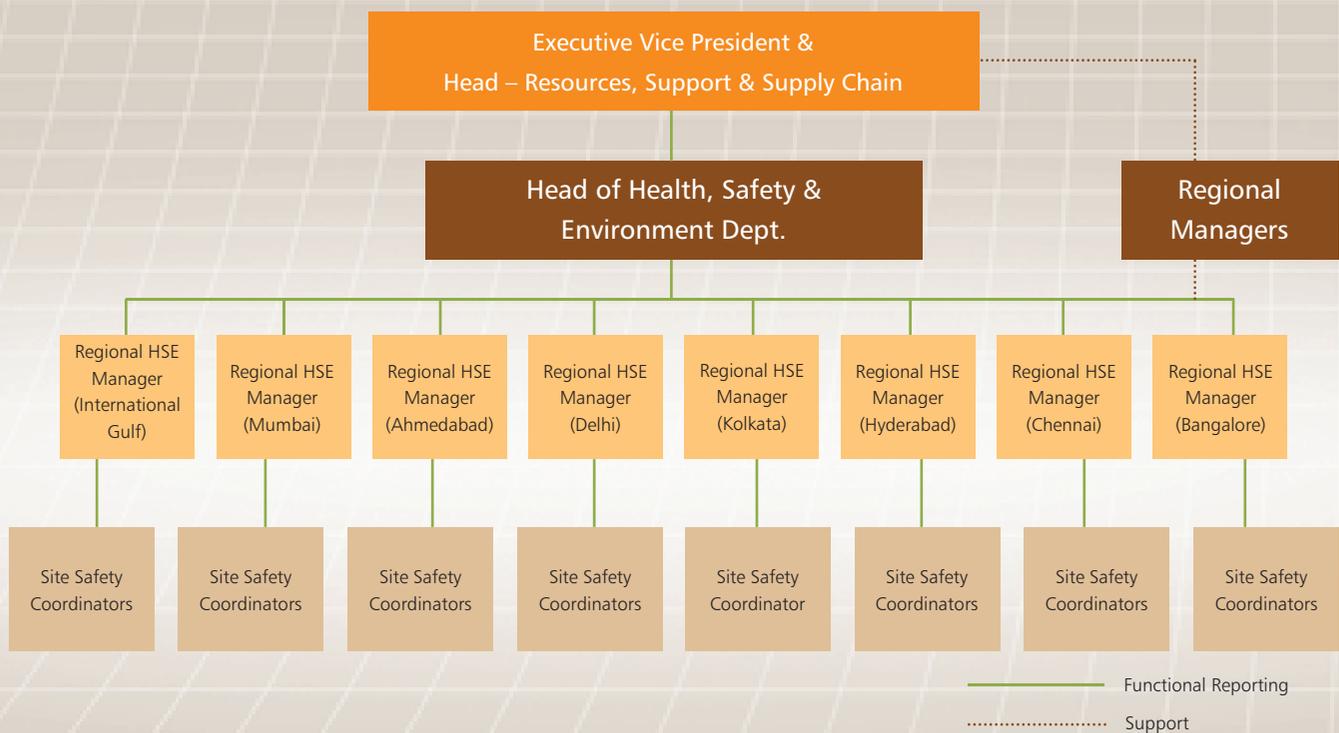
Number of workmen undergoing training

	2007-08		2006-07	
	Target	Actual	Target	Actual
CSTI-based training	2,000	3,699	1,200	2,112
Site-based training	4,000	13,559	2,400	6,804



In terms of workmen trained, we exceeded targets (see table) and propose to get the course curricula accredited by the National Council for Vocational Training (NCVT), and rope in a larger number of Industrial Training Institutes (ITIs) to conduct these courses. We have been actively associated with construction-focused institutes like the National Institute of Construction Management and Applied Research (NICMAR), National Accreditation Council (NAC) and Construction Industry Development Council (CIDC).

Safety Organisation at L&T's Construction Division



Occupational Health and Safety (OHS)

L&T is committed to providing a safe and healthy environment at the workplace. We have ensured this through various initiatives, safeguards and precautions. Primarily, we have created safety committees and management safety review committees across all our operating locations. These bodies monitor, review and provide guidance on OHS. Half the composition of these committees is drawn from the workforce.

Over the years, the creation of committees and their composition have been complemented by the following:

- Regular occupational health and hygiene inspections with appropriate remedial measures
- Regular health campaigns to promote health awareness and check-up camps like AIDS awareness, blood donation and general medical check-up
- Regular health check-ups by registered medical practitioners
- Gymnasiums equipped with the latest facilities

- Other health campaigns such as music therapy and bio-neuron energetic workshops are also arranged
- Initiatives such as 'Working on Wellness' are implemented in collaboration with leading hospitals

At L&T, we have invested in various improvements with the objective of achieving zero accidents. Besides, our occupational health centres across campuses cater to employee needs for preventive, curative and occupational health problems. Project sites proactively identify potential hazards and minimise risks. New projects or expansion plans are reviewed by qualified safety professionals. Engineering control measures are installed during the implementation with the mandated use of personal protective equipment. Labour colonies have been built with brick houses at large sites, provided with medical and leisure facilities.

We believe that proactive mishap management is derived from the institution of complaint mechanisms that ensure a prompt reporting of unsafe conditions and work practices to the safety department, which in



Core development and behavioural programmes are conducted at L&T's Management Development Centre at Lonavala, near Mumbai

turn is empowered to initiate corrective measures. Moreover, contests like 'spot the hazard', EHS slogans and quizzes encourage employees to identify unsafe conditions.

In the instance that an accident – including first-aid injuries, serious accidents, dangerous occurrences and fires – does happen, these are recorded and investigated by the unit safety managers to prevent their recurrence.

The accident statistics comprising frequency rate and severity rate for 2007-08 are given below.

Frequency rate	0.41
Severity rate	517.8
<i>Note: Frequency rate = Number of reportable accidents per million man-hours worked</i>	
<i>Severity rate = Number of man-days lost per million man-hours worked</i>	

While no fatalities occurred at the manufacturing locations, 40 fatalities were reported at project locations during the period under report. As a concerned organisation, we instituted a number of systems and initiatives to address OHS-related issues to eliminate such incidence.

Our management strongly feels that human life is invaluable and, recognising this, incorporated operational mechanisation and systems to address OHS-related issues. Being labour intensive, our Construction Division has set up a comprehensive organisation structure ensuring that strictly adhered safety systems minimise human error to reduce accidents.

Project sites: L&T instituted a comprehensive management system to minimise risks arising out of the use of heavy equipment. This comprised the creation of an expansive programme to monitor and improve performance, testing workmen for their skills, attitude and experience, safety training and ongoing encouragement by site safety engineers and project engineers to instill comprehensive adherence. Over the years, we have mechanised operations and reduced manpower across high-risk areas. An example is the development of pole-erecting machines used in erecting pre-cast concrete poles.

Use of pole-erecting machines

Advantages	Before	After
Manpower required	12	4 to 5
Productivity (<i>poles/day</i>)	10	20

Diversity and equal opportunity

L&T complies with the Equal Remuneration Act. We are an equal opportunity employer and do not discriminate on the basis of gender, race, colour, language, caste, religion, political or other opinion, national or social origin, property, birth or other status in employee recruitment or compensation. The only criterion in recruitment is merit.

Since the major nature of our operations is oriented towards physical labour – shopfloor, project execution and on-site construction – the proportion of women in our workforce is relatively low. No tracking of employees is done on the basis of their caste, religion or ethnic background. All Directors on the Board are Indian and above 50 years of age. During the reporting year, there were no incidents of discrimination reported at any of our locations.

L&T is strongly committed to gender equality in the workplace and have set up an apex and regional committees to address issues concerning sexual harassment, if any.

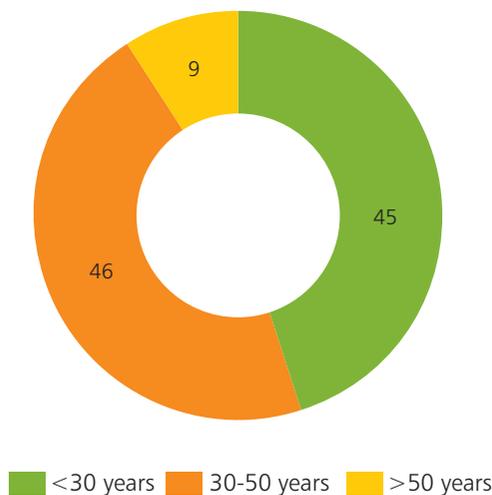
Human rights

At L&T, the professional work environment that we have created goes far beyond the provision of basic human

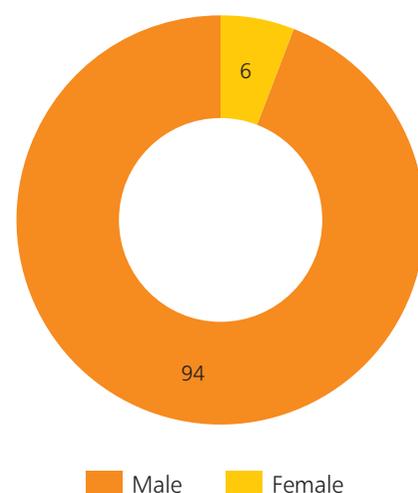
rights as defined in applicable rules and regulations.

- A system is in place to ensure that business agreements are in compliance with the statutory requirements, which in turn address human rights issues.
- During the reporting period, there were no areas where the employee’s right to freedom of association was compromised and harmonious relations prevailed at all its locations. Total number of employees covered by collective bargaining agreements is 4,274.
- L&T strictly prohibits (directly or indirectly) any child or forced labour. This is also extended to vendors and contractors working within our premises. At sites, each workman is screened for age and given induction training on his eligibility of pay and benefits.
- During their induction programmes, security personnel are briefed on practices to enable them to comply with human rights related aspects and requirements of The Factories Act, 1948. At project sites, security personnel are employed by respective customers.
- L&T’s manufacturing locations are situated in marked industrial zones. There were no instances of the violation of ‘indigenous rights’ during the reporting period.

Age-wise distribution of employees (%)



Gender-wise distribution of employees (%)



Employee benefits: Benefits offered to employees include transport to workplace, subsidised canteens, medical benefits, welfare activities and counselling. The Larsen & Toubro Institute of Technology (LTIT) offers four-year industry-integrated diploma courses (electronics and telecommunication engineering, electronics engineering, mechanical engineering and computer engineering) exclusively for the children of our employees, including deceased employees.



“LTIT made it possible for my son to become an engineer. Following LTIT, he did a degree course in computer engineering in North Carolina and is currently employed as a risk analyst with the Wachovia Group in the US. I am doubly proud of working with L&T.”

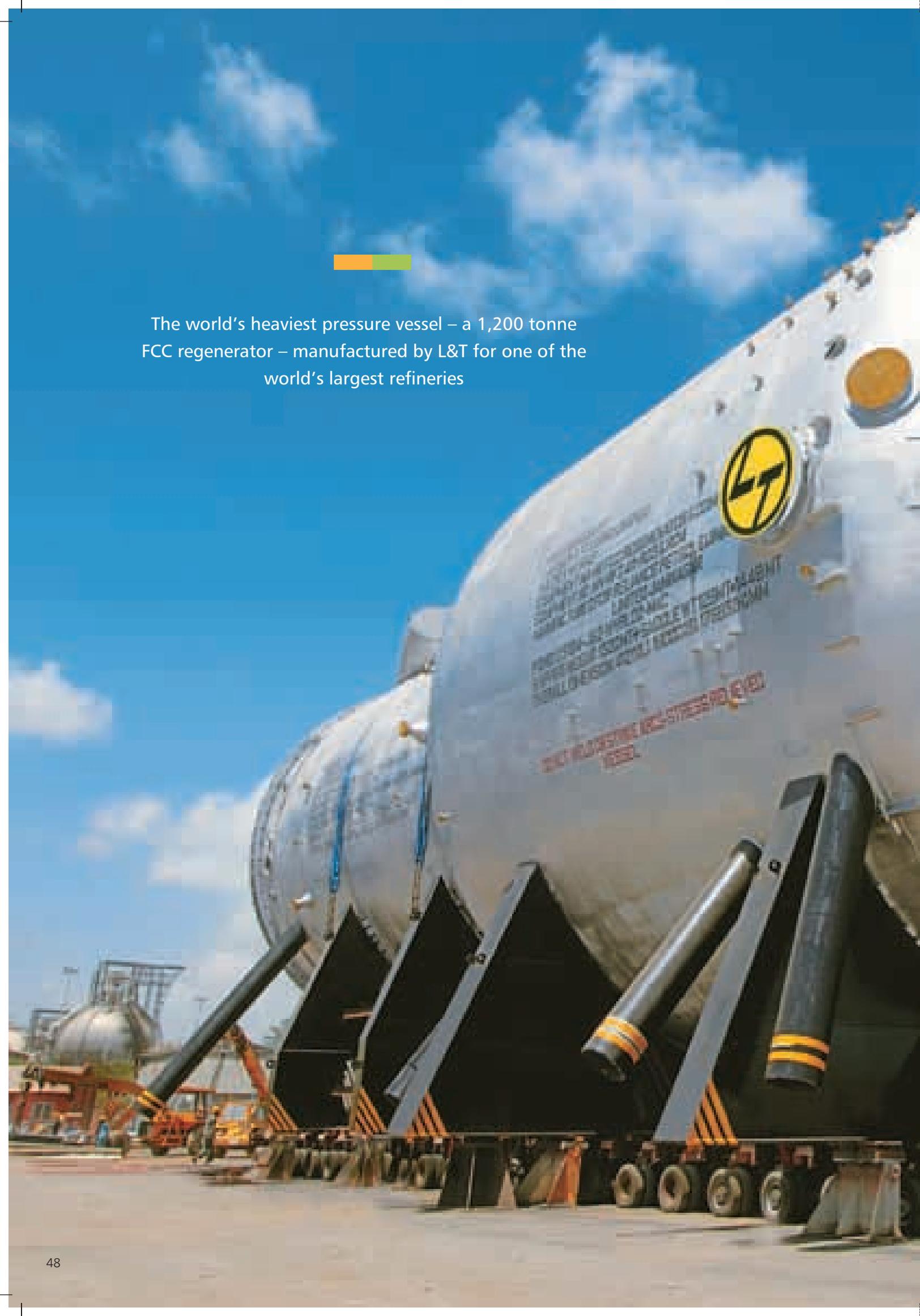
Mr Ramesh Chandra Savla, L&T employee

“LTIT offers equal education opportunity irrespective of the job profile of the parents. My daughter, a student of computer engineering, completed her MS from the US and is now working in Chicago!”

Mr V.V. Surve, L&T employee



The world's heaviest pressure vessel – a 1,200 tonne FCC regenerator – manufactured by L&T for one of the world's largest refineries





Excellence in products, processes and technologies



L&T invests in cutting-edge research and strategic alliances with leading research organisations and academic institutions.

These are some of the initiatives in which our superior research is manifest:

- Design and development in our embedded systems and software have been integrated with our electrical and electronics division, resulting in the use of 'intelligent' communication technologies in various switchgear products, energy meters, petroleum dispensing pumps and medical equipment.
- Robust design and development integrated with design for Six Sigma principles and methodologies ensured high product design reliability. A strong IPR culture in the Company's switchgear design and development centre led to an increased number of patents, registrations and copyrights. A number of our products have won international awards.
- L&T's Engineering Design and Research Centre offers comprehensive services that enable streamlined concept-to-commissioning project execution. Our competency cells focus on upgrading technology, improving construction methods and imparting relevant personnel training.
- Our Research & Development Centres and Technology & Innovation Centres conduct process engineering, product development, process evaluation, technology absorption and adaptation; they provide advanced technical support to our Engineering & Construction (E&C) - Projects and Heavy Engineering Division (HED).



Green Building at our Hazira Campus

Specific areas in which R&D is carried out by the Company:

- Development of tracking radar for Indian Space Research Organisation (ISRO)
- Development of VME64x IO cards for Defence applications
- Development of Fire Control Systems for missiles
- Development of All Terrain Rugged Controllers and Low Voltage Motor Drives for land-based Weapon Launchers
- Development of mobile masts for surveillance radar
- Development of stabilised platform for naval surveillance radar

As a responsible organisation, L&T extended the sphere of its services to address the direct and indirect impact of its products and services on society at large.

- We continually focused on reduced raw material consumption for our long-term infrastructure projects like the construction of buildings, bridges, ports and process plants, without compromising safety or quality.
- We focused on the enhanced use of efficient eco-friendly products that addressed stringent national and international laws. We made noteworthy process improvements to comply with the Restriction of Hazardous Substances (RoHS) Directive 2006, applicable to the electrical and electronic equipment exported to Europe. Our RoHS-compliant activity has been completed for 250 components.
- We intensified studies to reduce the use of cadmium in contacts (normally used to increase the electrical life of the contacts in switchgear products like contactors and air circuit breakers).
- We replaced the use of hexavalent chromium with environmentally benign trivalent chromium for passivation in zinc-plating.

At L&T, we possess a diverse product base and recognise that a few may have adverse environmental impact. We have worked closely with clients, wherever feasible, to mitigate this impact. We are venturing into the manufacture of products using environment-friendly products and technology.

Most of our products enjoy international certifications like ASTA, KEMA and CQC, international markings like CE, UL and CSA and approvals by independent testing laboratories like ERDA, CPRI and ERTL.

Customer health and safety

In all our activities, safety is paramount, built into projects/equipment to avoid mishaps during and after construction.

We have invested in making this an ongoing reality:

- Customer personnel are trained in the safe use of equipment.
- Signboards for cautions are displayed at all our completed project sites.
- Safety is an integral consideration in component design.
- Products are technologically strengthened for enhanced safety during operations.
- Heavy equipment complies with standards and specifications stipulated by customers, keeping in mind relevant health and safety standards.
- Tyre building machines are assessed for lifecycle stages as per customer requirements to address health and safety impacts.
- Electrical products incorporate good manufacturing practices to prevent adverse health and safety impacts throughout manufacturing and operation. We intend to provide information that assists customers in safe product disposal.
- The contactors manufactured by us have been designed with a finger-proof feature, preventing accidental contact and the risk of electrical shock.
- Shrouds are provided in products like switch disconnecter fuses and moulded case circuit breakers (MCCB) to provide protection against accidental contact.
- Switchboards are also provided with a number of safety features like door interlocks, fully sleeved busbars and shrouded joints for protection against accidental contact.
- Most of our products enjoy international certifications like ASTA, KEMA and CQC, international markings like CE, UL and CSA and approvals by independent testing laboratories like ERDA, CPRI and ERTL. These products are also benchmarked in line with Indian and international standards like IS, IEC and BIS, among others.
- Health and safety impacts of products, projects and services offered are assessed for improvement scope during the project lifecycle. Besides, operation and maintenance manuals are provided to customers during project handover.

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

The world's biggest tubular reactor for a petrochemical complex in the Gulf



Product and service labelling

We reinforced product safety through a responsible labelling discipline:

- Valves and rubber processing machines of MIPD and electrical products (MCB, MCCB and ACB) carry the BIS (Bureau of Indian Standards) and 'Conformite Europeene' (CE) or European Conformity labelling.
- In addition to product-related labelling practices, we articulate our commitment to social issues on labels. For example, in response to studies that indicated the use of our ultrasound scanners equipment in gender-selective abortions, we affix cautionary stickers on all our related equipment.

L&T's projects business is engaged in the design and commissioning of custom-built solutions. Safety is integral to design; precautionary labelling is incorporated on all fabricated and supplied equipment. We conduct regular customer surveys to measure satisfaction levels backed by procedures to address complaints in a timely manner.

There was no incidence of non-compliance with regulatory or voluntary codes concerning our products and services in any of our operations during the reporting year.

Marketing communications

L&T adheres to all relevant acts and codes related to marketing communications. L&T has codified a communication risk policy. The Company does not market any product, which is banned or subject to public debate. There was no incidence of non-compliance with respect to communication codes.

Customer

For projects carried out at customers' premises, there are established practices and procedures for monitoring the usage and handover. During the reporting period, there have been no incidents of breach of customer privacy in any of the operations. L&T's Project Division is certified for ISO/IEC 27001:2005 – standard for Information Security Management System (ISMS); regular audits are conducted to ensure implementation of ISMS. L&T also enters into ethical agreements with clients.

Compliance

During the reporting period, there were no incidents of non-compliance with relevant laws and regulations and no fines were imposed. The Company has a structured system in place for ensuring compliance. The project division is also proactively taking actions to go beyond compliance, ensuring minimum adverse impact on the community near our project sites.

Conserving the nation's resources



Nature is both a supplier of resources and a sink for waste. The result is depleting resources, increasing emission of greenhouse gases and global warming, leading to droughts, floods, hurricanes and climatic extremes.

India's burgeoning population and rapid economic growth are resulting in an increasing stress on freshwater reserves, exhausting the country's groundwater resources, increasing the salination of existing water supplies, threatening the country's health and restricting its socio-economic well being.



Mr. V. K. Magapu, Executive Director of L&T, plants a sapling at Powai Campus.

A tree plantation drive in celebration of the birth centenary of co-founder, Henning Holck-Larsen saw 8,200 saplings being planted.

Risks to the environment can be substantially reduced through increased resource efficiency, changes in demand, recycling and reuse of water as well as the adoption of clean power, heat and transport technologies. In this context, corporate India shoulders a growing responsibility to protect the environment, demonstrating its commitment to a cleaner world.

Materials

Heavy fabrication involves the use of significant quantities of virgin steel and exotic metals capable of withstanding high temperature and pressure. This places a limitation on the possibility of using recycled metals. Our electrical business is exploring ways to reduce material consumption without compromising product quality or safety.

Raw material consumption

Type of material	Quantity (tonnes / year)
Metals	808,062
Hazardous chemicals	10,144
Associated materials	4,302,339
Packaging	108.67

A number of our initiatives have reduced material consumption:

- Our Project Division has helped conserve natural resources by reducing material costs in non-critical civil construction applications through the recycling of steel scrap and enhanced zinc recovery through re-melting.
- Besides, steel procurement in the Construction Division has become more efficient through the use of rebar couplers, a steel service centre to collect and recycle metal, the ordering of length-to-suit to reduce wastage and recycling steel-end bits.
- L&T invests in superior technologies that progressively replace finite resources like sand, aggregates, cement, bricks and wood with recycled material.
- 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 22.1gms/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%

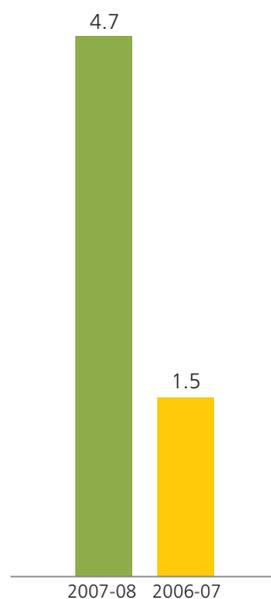
- L&T used crushed sand from waste aggregates of the quarry as well as recycling aggregates and asphalt from the existing road layer.
- L&T adapted concrete design through a blend of fly ash, ground granulated blast furnace slag (GGBS) and admixture.
- L&T instituted a process to measure and reduce wastage (within 3% of target) through rigorous on-site bulk material checking.

The use of packaging materials and their recycling is not applicable to projects. Since projects are largely executed at the customers' premises, the packaging material used is handed over to the customer. Large equipment are manufactured at our facilities and delivered to client locations globally. Also, the size of most of the equipment is such that extensive packaging is not required. Efforts are underway to use recyclable handling-devices for transporting components to and from vendors as well.

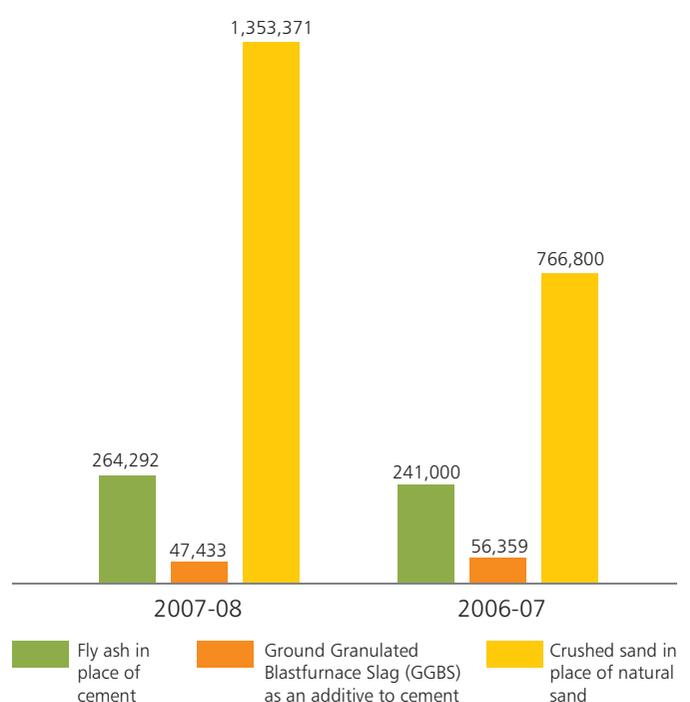
Steel scrap recycled (tonnes)



Zinc recovered by remelting (%)



Substitution of natural material (tonnes / year)



Water

Even as India is home to 16% of the world’s population, it enjoys only 4% of the world’s fresh water resources – mostly in the form of seasonal monsoon rain that quickly runs off to the sea.¹⁰ A massive 15,000 Indian habitations are still without potable water. Moreover, over 200,000 villages are only partly covered by drinking water schemes and 217,000 villages suffer from poor water quality.¹¹

Water utilisation

Water represents a vital resource, indispensable for business sustenance. During the reporting period, our major locations consumed roughly three million cubic metre of water.

Water conservation initiatives

Powai

- Zero-discharge approach
- Upgradation of sewage treatment facilities
- Reuse of treated water for non-potable applications (toilet flushing, gardening and horticulture)
- Work-in-progress for upgrading the STP with state-of-

the-art membrane bio reactor (MBR) with ultra-filtration technology

Cumulative savings: Approximately 0.3 million litres per day.

Other locations

- Reuse of treated wastewater (19%) for horticulture at Hazira
- Kansbahal and LTM business units are zero-discharge locations

Wastes and spills: We send hazardous wastes like spent/used oil to approved recyclers, while those that cannot be reused are incinerated or disposed in secured landfills. Waste segregation at source minimises cross-contamination.

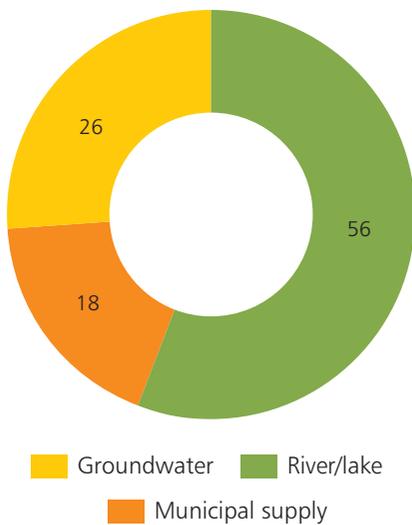
Wastes by category

Waste category	Quantity tonnes/year
Hazardous waste	661
Non-hazardous waste	13,078

During 2007-08, there were no major spills reported at any of the manufacturing locations. Our waste storage

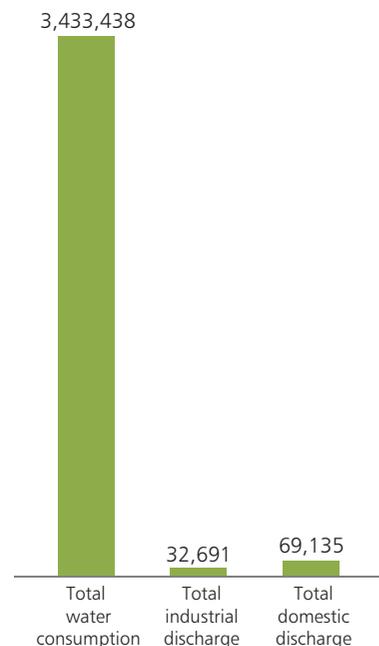
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Source-wise water consumption** (%)



(**Water consumption figures considered for Powai include consumption of other entities located at Powai also, though they are outside the purview of this report)

Water consumption vs wastewater discharge (m³/ year)



Wastewater reuse at Powai campus

In May 2007, we commissioned a three-stage sewage treatment plant (capacity 350,000 litres a day) based on the state-of-the-art Structured Attached Fixed Film (SAFF) technology. The objective: recycle and reuse waste water.

Result: The conservation of about (approximately) 300 m³ (0.3 million litres/day) of municipal water per day, reduction in water expenses and compliance with the specified statutory limit (for biochemical oxygen demand and total suspended solids) by the second treatment stage itself. The third stage ensures uninterrupted treated water supply, which is used productively in horticulture, toilet flushing and fire hydrant applications within the campus.



Salient features of the Sewage Treatment and Recycling System

- Eco-friendly system
- No smell or bad odour
- High treatment efficiency
- Simplicity of the operations
- Capacity to handle shock loads
- Fully reusable treated water quality
- Minimum sludge generation
- Fully digested sludge
- Dried sludge is used in existing composting plant

facilities are designed as per the regulatory requirements to avoid spillage and damage to the environment. We undertook adequate spill-control measures like impervious flooring, construction of dyke walls, designating spill-control kit and establishing emergency spill-control procedures, among others.

Energy

India's GDP growth in excess of 8% for four years has whetted the country's energy appetite. Even as India's energy consumption is growing and the country is the world's fifth largest energy consumer, its per capita energy consumption is considerably lower than that of the US and China.¹² With growing industrialisation, this divergence could soon correct and the country could emerge as the world's third largest energy consumer by 2030.¹³

With India projecting to maintain an annual GDP growth rate of about 8% over the next 25 years, it will need to treble its primary energy supply and quintuple its electrical capacity. The country will have to either accelerate resource exploitation or seek imported energy resources.¹⁴

Energy use

Even though industrial processes and operations have evolved significantly in terms of technology upgradation, there has been minimal change in basic feedstock consumption. The result is a significant increase in CO₂ emissions, leading to climate change.

We monitor direct and indirect energy consumption and also bring about process and operational changes with the overarching objective of replacing traditional fuels (HSD, PNG, LPG and CNG) with renewable energy sources.

We also address nearly 13% of our electricity requirement through wind energy and initiatives have commenced to use solar energy at campuses in Powai, Hazira and Mahape (Navi Mumbai).

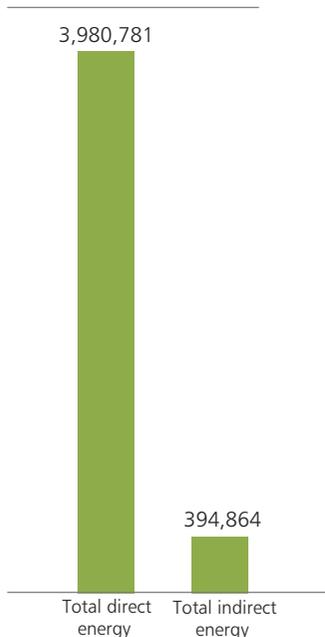
Energy conservation

At present, our indirect energy consumption includes only electricity.

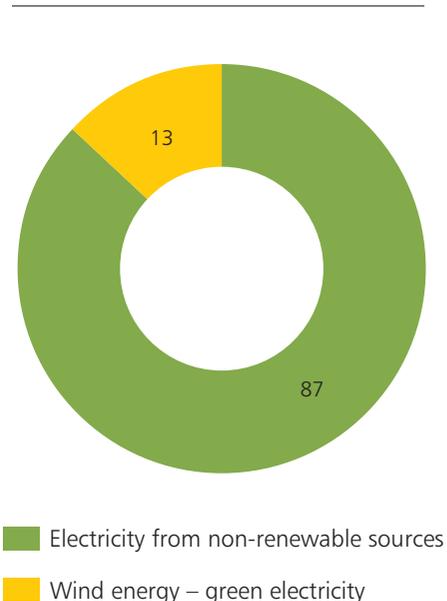
Energy conservation in electrical systems

- Use of energy-efficient lamps, electronic ballast and installation of programmable timer-based lighting arrangements in workshops

Energy consumption (GJ/year)



A general consumption pattern of indirect energy consumption (%)





Clean fuel technology – natural-gas based combined cycle power plant, Andhra Pradesh

- Separate lighting arrangements for gangways and assembly line in workshops
- Use of energy-saving lamps in street lighting
- Installation of power LED lights in passages and toilets
- Acrylic roofing provided in shops to improve daytime illumination

Energy conservation in processes

- Introduction of 150 full-wave welding machines in place of normal half-wave welding machines
- Introduction of 10 high-tech inverter-based power source for submerged arc welding machines

Energy conservation in compressed air systems

- Substitution of individual compressors with centralised compressor
- Auto operation of Forced Draft Ventilation System
- Use of Variable Frequency Drives (VFD)
- Screw compressors in place of reciprocating compressors

Renewable energy sources

- Solar water heater for canteen and dishwashing.
- Solar powered photo voltaic cells for producing 200 units of electricity.

Air-conditioning systems

- Replacement of old AC plant with a screw chiller AC plant
- Installation of variable frequency drives for the air-handling units in the AC plant
- Air balancing of the centralised AC plant

Green initiatives

Initiative taken	Total energy conserved in 2007-08 (GJ)
Efficient lighting arrangements	5,227
Air-conditioning improvements	740
Process modifications	8,299
Use of natural energy	687
Green building	6,697
Total	21,650

We have decided to replace HSD with environmentally benign natural gas wherever possible. We are installing natural ventilators in canteens to remove smoke and cool the dining hall. Our ventilator base of translucent material will provide natural light during daytime, reducing power consumption.

Nearly 10 cubic metre of biogas is already being generated daily from an average production of 100–120 kg of canteen waste and the installation of a bio-gas plant (25 m³) in consultation with Sardar Patel Renewable Energy Research Institute (Anand, Gujarat) will enhance this generation.

We have promoted a number of energy-efficient technologies:

- Manufacture of super-critical boilers and turbines in collaboration with Mitsubishi Heavy Industries
- Adoption of clean fuel development technologies like motor spirit quality upgradation projects in India for major petroleum oil refineries (Mangalore Refineries & Petrochemicals, Indian Oil Corporation and Chennai Petroleum Corporation)
- Investment in research and development to reduce thermal energy consumption in generation/combined cycle power plants and energy conservation in columns, increasing thermal efficiency of fired heaters and boilers

Emissions

CO₂ emissions have risen ten-fold since the industrial revolution. While industrialised countries have been the primary gas emitters, fast-growing continent-sized countries like China and India are rapidly emerging as significant contributors. India is the world's fifth largest source of GHG emissions and the second fastest growing source of emissions after China.¹⁵

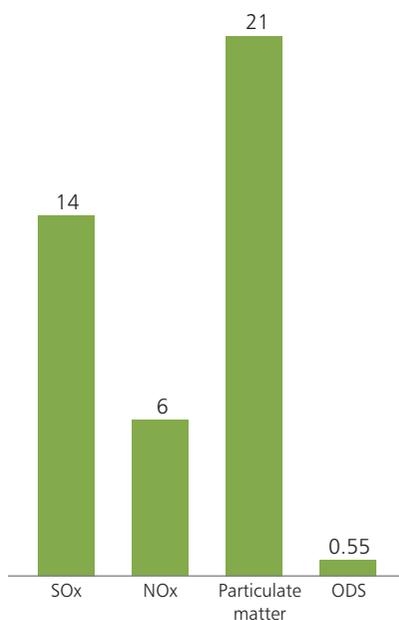
GHG emissions from direct and indirect energy sources

	tonnes/year
CO ₂ from electricity	76,402
CO ₂ from direct energy	272,028

Ozone depleting substances (ODS) and SO_x, NO_x emissions: Refrigerant gas in air conditioning systems represents the major use of ODS across our locations. We are scheduled to phase out R-22 gas as per the Montreal Protocol by 2040. R-11 is scheduled to be phased out by 2010.

Diesel Generating (DG) set stacks and furnaces at plant locations are the main sources of SO_x and NO_x emissions. Our divisions reported emission levels well below the limits stipulated by the relevant state pollution control boards.

Type of emission (tonnes/year)



Clean fuel technology

We are investing in the development of technologies that will help our clients reduce GHG emissions through the following initiatives:

- Reducing thermal energy consumption in fired heaters, cogeneration/combined cycle power plants
- Conserving energy in columns in the process industry
- Enhancing thermal efficiency of fired heaters and boilers in cement, minerals and allied projects
- Saving 1.5 MW energy through the sale of more than 500,000 low watt loss fuse links
- Using variable frequency drives to reduce energy consumption
- Enabling reactive power compensation solutions from EBG to reduce KVA demand on the distribution system

Transport: We provide bus services for employees. Resource-conserving initiatives like CNG-fuelled buses, car-pooling and video-conferencing are ongoing.

Biodiversity

Our manufacturing facilities are located in declared industrial zones and do not impinge on areas that are identified as rich in biodiversity by the Ministry of Environment and Forests (MoEF).

Our project division identifies biodiversity as one of the parameters before venturing into a particular location. For instance, we are a major player in the construction of roads, ports, process plants and other infrastructure projects that could have an environmental impact. We work closely with relevant authorities, obtain statutory clearances and invest in proximate afforestation. The result of this commitment is that during the reporting period, no impact on bio-diversity was identified or reported.

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.

Creating social capital



India is marked by disparities in education, healthcare and income that are probably larger than those in any other part of the world. For instance, the top 10% of the country's income group earns 53% of the national income.¹⁶



Mother-and-child health
> 100,000
people benefited



Education
> 30,000
students benefited



HIV/AIDS
> 10,000
people benefited

One segment of society has started requiring costly hospital treatment for chronic illnesses. On the other hand, a significant portion of the population battles life-threatening diseases without quality healthcare access or affordability. Rural India's poor healthcare infrastructure comprises only 0.2 hospital beds and 0.6 doctors per thousand population as against three hospital beds and 3.4 doctors per thousand population, in urban India.¹⁷

While the elite in the country enjoy top-end education in private schools, a majority depends on inadequately funded government schools for basic primary and secondary education. In spite of the universalisation of primary education, children's lack of confidence in the educational structure has resulted in high drop-out rates in government schools. As a result, disadvantaged sections of the country's children, especially from rural areas and slums, continue to be deprived of education.

India has an adult illiteracy rate of 39%.¹⁸ Around 47% of the Indian children below the age of five are underweight.¹⁹ India's child mortality is one of the highest in the world; more than 50% of Indian women and children are anaemic due to acute nutritional deficiency. India also suffers from a high incidence of morbidity and mortality on account of waterborne diseases, tuberculosis and diabetes, among others.

In such a scenario, private endeavour must work alongside government-driven nation-building, leading to social uplift and ecological renewal.

This is where L&T's role as a contributor of social capital becomes relevant. At L&T, we believe that we are in business to achieve a larger objective than merely enhance our bottomline. We are morally required to repay society and the environment for the use of finite resources, fulfilling the virtuous cycle of social, economic and environmental renewal.

The building for Mayurdhavaj Vidyalaya, Mora village, Hazira, was constructed and donated by L&T in 1999. This school caters to students from eighth to tenth standard. The Company provides teaching aids, furniture, computers, etc.



Our objective

Having identified the thrust areas – mother-and-child health, education and employee volunteering – we now intend to provide a geographically uniform focus across all locations and offices.

Background

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 the community initiatives across the various locations of the Company in India. These social

initiatives leveraged the Company's strong existing marketing network in the pursuit of organisational objectives.

The success of our initiative was reflected in the volunteering role of our employees in tree plantation, blood donation and location-specific CSI activities. Over 11,000 employees donated blood in 2007-08 and over 16,000 trees were planted.

Besides, the wives of our employees initiated Ladies Clubs, registered them as Trusts and worked with the underprivileged. Currently, there are 22 such L&T Ladies Clubs across India.

Thrust areas coverage in 2007-08

		<h4>Mother-and-child health</h4> <p>Setting up health centres for the underprivileged; focus on reproductive health, family planning camps, health check-up camps for women, children, cataract camps, health awareness, malnutrition mitigation and anaemia camps, among others.</p>
		<h4>Education</h4> <p>Constructed schools and classrooms; provided educational aids; conducted learning programmes; set up computer and science laboratories; supported pre-school centres and study classes.</p>
		<h4>HIV/AIDS</h4> <p>Conducted awareness programmes for employees and migrant labour at construction sites. Conducted Integrated Counselling & Testing Centre (ICTC) clinics.</p>



Paspoli Municipal School, Mumbai – supported by L&T

Education

Education represents the most effective empowerment against social and economic backwardness. This issue is particularly relevant in India, which accounts for over half the world's illiterates; where every third child worker is Indian; where three million Indian children live on streets.

The country's literacy growth is handicapped by the absence of relevant infrastructure. Around 75% of Indian children attend government schools²⁰; however, these schools suffer from a lack of proper classrooms, books, blackboards and electricity. All this contributes to a high percentage of dropouts and poor teaching standards.

It is in such an environment that we instituted a number of relevant education programmes. Two indicative examples are mentioned below.

In Mumbai

Investing in neighbourhood schools:

- Collaborating with the Local Education Department for the adoption of schools
- Supporting a unique mathematics programme called 'Universal Active Maths' in 33 schools
- Conducting need-based science and geography

workshops with educational aids

- Providing a mobile toy library (Nanha Munna Express) to visit neighbourhood schools daily
- Setting up a science laboratory and providing vocational guidance, testing and computer training for tenth standard students from neighbourhood slums

Community learning centres

Initiated pre-school and study centres to encourage learning among slum children. Health services and enrichment activities are provided to children through regular health camps.

In Chennai

- Supporting school-based educational programmes with an NGO (it includes Tamil reading in 15 government schools and maths teaching programme). It also supports libraries in villages and Balwadi in government schools.

We have a scheme to recognise and reward the academic achievements of the children of our employees. We also assist the children of our deceased employees in continuing their education.

L&T UJJWAL learning centres

Educate slum children. Mainstream a community.

“There are two issues: the school environment does not always impart learning enthusiastically, while the home environment may be deprived. Therefore, providing supplementary education through community learning centres represents a critical solution.”

Project owner: Sanyogta A. Raina

L&T's innovative approach to education is reflected in its UJJWAL learning centres for underprivileged children in the following ways:

- We run study classes for school children and school dropouts. The study class approach is participatory – subject discussion through story method, role play, drama, Q&A sessions – and enhances interactive learning.
- Whereas the *Balwadi* is a pre-school centre with a lively teaching environment, the play-way method predominantly uses rhymes, singing, games and conversations.
- The teachers are drawn from the community and trained in teaching and learning methods.
- The methodology comprises songs, mathematics, language and homework, with breaks to encourage drawing, craft and storytelling, enhancing classroom excitement.

We engaged NGOs – Save The Children India (STCI) and Navnirmithi – to implement Project UJJWAL. In 2007-08, we reached more than 1,000 children through 56 learning centres from tribal hamlets in and around Powai. L&T employees volunteer and conduct a number of activities to support the programme.

The Volunteer-Parent-Teacher Association ensured participation from parents and the community. Awareness was created on child rights issues, with children and parents performing street plays, exhibitions and rallies.



"UJJWAL has spoiled me and my son. He gets attention and education. Gets to play innovative games. Could not speak earlier, but has now learnt English alphabets and numbers. The school is near my home. The centre also conducted a health check-up and gave him medicines and vaccinations. The Nanha Munha Express comes to the *balwadi* once a month enabling kids to play with toys and games. Now my worry is: what happens when he leaves this place?"

Asha Devidas Akhanpure, Mumbai



The Paspoli Municipal School Complex at Powai in Mumbai – student strength of more than 4,000 – has been supported by L&T since 2005 through infrastructure development, educational and volunteering initiatives.

“L&T may be an engineering giant but I can state that it has made a world of difference to children. It provided teaching aids, learning material and maintenance assistance to our school. It has helped create colourful murals on our walls. It runs a maths programme to help us provide experiential learning. It has arranged to provide teaching aid kits, assisted in organising science fairs and geography workshops, helped organise exposure visits to planetariums and science museums, installed computers to start a computer laboratory, get teachers from the L&T Institute of Technology (LTIT), Powai, to advise on learning processes and their Nanha Munha Express enables our kids to learn, while playing with toys. I sometimes wonder whether L&T is into material engineering or people engineering.”

Vaishali Ramesh Shellar, primary division teacher, Paspoli Municipal School

Joy on wheels



The Nanha Munha Express, a mobile toy van service initiated by L&T in 2007, visits 11 schools a month, providing children in these schools with an access to educational and amusement toys.

“The Nanha Munha Express toy-library comes to our school twice a month, one hour in each class. This makes it possible for children to play with a range of toys that would otherwise be inaccessible to them. The difference here is that fun-time represents structured activity, which teaches the children to be analytical, intellectual, logical and mathematical!”

Nisha Chandrakant Ayare, Principal, Parag Vidyalaya, Bhandup, Mumbai

Centre of Excellence

The Centre of Excellence (COE) at Industrial Training Institute (ITI), Surat has been completely sponsored by L&T since 2006. During 2007-08, more than 106 trainees underwent training in six disciplines.

We also set up Switchgear Training Centres (STCs) in Pune, Lucknow and Conoor to improve electrical engineering practices through non-profit training for electrical professionals. The welding product business is dedicated to solve maintenance and repair-welding problems and has training institutes in Mumbai, Delhi and Chennai.

“Sometimes it is difficult to believe that for a financially weak student like me, there would be a company that would be willing to train for free, provide me with uniform, learning material and protective equipment, provide me with entrepreneurship and communications training and – more than this – pay me a monthly stipend of Rs 2000! Had it not been for L&T, after passing my class X, I would still be doing odd jobs. Now I dream of becoming a supervisor or a manager someday.”

Nirav Panchal, Surat, a student of fabrication and basic sheet metal (L&T CSI, Surat, Gujarat)



L&T Andheri Health Centre (AHC)

Healing the body. Touching the heart.

“Even though Mumbai is India’s financial capital, there is a huge need for healthcare facilities for the marginalised in this large city and surrounding areas. L&T’s AHC has been addressing this issue through relevant healthcare services since 1967.”

Project owner:
Dr. Narendra N. Palan

Project details and impact

The L&T Andheri Health Centre has been providing healthcare services for L&T employees, families and the external community since 1967. The centre spans 6,000 sq.ft, comprising an operation theatre and diagnostic and treatment facilities and has over 50 leading consultants attending the centre.

The centre is ISO 9000:2001 certified and provides services for the following: tuberculosis, leprosy, HIV/AIDS (awareness, counselling and testing), reproductive health and immunisation services.

Facilities at the centre include a ‘well-women’ clinic, an ultrasound unit, an eye-care clinic, a pathological centre, health/education lectures, outreach programmes, mobile medical vans, staff training and group meetings. The centre received more than 31,000 patient-visits in 2007-08. The centre conducts health talks on Reproductive and Child Health, HIV, nutrition, women’s health, occupational hazards and first aid in various Mumbai locations. It organises A Healthy Baby Competition at health centres for children attending *balwadis* of K-East ward, Mumbai as part of Integrated Child Development Scheme (ICDS). A mobile health clinic, launched in 2007, provides outreach services to slum communities in Mumbai.

Since 1995, we have collaborated with the Municipal Corporation of Greater Mumbai to run a TB clinic at Koldongri Municipal Dispensary, Andheri (East). Since 2005, we have established several mother-and-child health clinics in partnership with NGOs for marginalised communities like street children, waste-pickers, children of commercial sex workers, tribals and populations endemic in HIV/AIDS.

Treatments/activities	Individuals benefited, 2007-08
Family welfare	1,473
Well-women	687
TB cases	1,033
Total cases in chest and TB OPD	1,650
Leprosy cases	11
Total cases in skin OPD	4,751
Eye-care clinic	931
HIV tests	1,070
HIV/AIDS awareness camps	2,793 (286 camps)
Vaccinations	9,481
Medical camps	9,630 (52 camps)
Health education lectures and outreach programmes	5,941
Diagnostic services	33,674



Mora Health Centre, Hazira was donated by L&T to the local population in 1997. L&T has provided doctors, medicines and diagnostic laboratory. The annual 'Nirogi Bal Varsh' programme attracts over 200 villagers from the surrounding areas for gynaecology and paediatric check-ups.

"When a young woman is going to deliver for the first time in a rural district, there are a thousand worries. Is the weight right? Is the baby's movement right? Is the baby going to be healthy? Is the mother eating right? I am thankful that much of my worries were taken care of at the L&T health centre. Consider the benefits: it did not charge a single rupee for consultations, provided medicines free and now my baby and I are both fine. Can't you see it?"

Anita Pandey with Muskan

L&T Voluntary Counselling and Testing Centre (VCTC), Hazira

Extending a helping hand when the world turns away

“In the wake of HIV/AIDS prevalence in Hazira, there was a need for building awareness and providing testing and counselling services. Since 2004, we created substantial awareness on the subject.”

Project owner: Invendra S. Ranawat

Project details and impact

Hazira, the hub of a number of industries, marked by a large population of migrant labour needed AIDS awareness programmes.

More than 6,000 people have been counselled and tested. Awareness and counselling programmes are conducted twice a week by a social welfare group (Jagruti) comprising L&T employees who are trained by an NGO. The awareness session is followed by a voluntary counselling and testing programme. Over 2,500 individuals have attended the awareness programmes, and over 2,000 tests were conducted over the last three years.

Prayas (L&T Ladies Club, Surat), embarked on initiatives to mitigate the socio-economic effects of HIV through a centre for HIV-positive women with serious health and socio-economic problems. Prayas trained the affected women in various crafts like candle-making, paper bag-making, embroidery and tailoring. Prayas provided raw material and facilities, besides arranging for wages and product sale. This initiative helped HIV-affected women become self-reliant.

Awareness for combating HIV/AIDS

HIV/AIDS is a growing threat. Among the various fallouts, infected women are deserted by their companions and are often unable to support themselves or their children.

There is a growing statistical evidence of a need for immediate intervention. The average HIV prevalence among people attending antenatal clinics in India was 0.88%, while the rate was higher for people attending sexually transmitted disease clinics (5.66%), female sex workers (8.44%) and injecting drug users (10.16%).²¹

In India, more than 70,000 children suffer from AIDS and 21,000 children are likely to be added annually. The fact that HIV/AIDS programmes percolate to a meagre 15% of India's young population, underlines the need for timely intervention.²²

All our locations conduct in-house HIV/AIDS awareness programmes.

Vocational training centre – SWAYAM, Hazira

Swayam in Surat is a vocational training centre for gifts and decorative items with a difference. It was created with the objective to prove that there can be life after AIDS. All its 22 workers are HIV/AIDS positive women. Initiated in May 2005, it is the brainchild of the wives of L&T employees. Around 120 members of Prayas, the organisation of L&T employee wives, actively assist these women. To make the assistance meaningful, the members have been educated about the disease and its psychological effect on patients. The Centre plans to expand its operations to help HIV-positive orphaned and semi-orphaned kids as well.



SWAYAM – A welfare initiative of L&T Ladies Club, Hazira, Surat

“For people with our disease, there is usually no hope. But for people with our disease, there is also a Swayam. I came to know of this centre through a local medicine shop. The result is that I now work here for five days a week. I make gifts and decorative items. I earn an honest living and a bonus. But more than all this, being employed gives me dignity. We celebrate festivals and birthdays. We are treated as equals. We are given a chance to contribute to society. Suddenly, life is worth living again.”

An HIV/AIDS positive patient

Vocational training

India's labour force grew 2.84% annually during the Tenth Plan period, while employment growth was only 2.62% per annum.²³ This makes it imperative to absorb new entrants to the job market and clear the backlog.

L&T's Construction Division trained individuals across six centres in India (Chennai, Mumbai, Ahmedabad, Kolkata, Delhi and Bangalore) through a collaboration with the National Academy of Construction, Hyderabad. The Construction Skills Training Initiative was awarded the Best Practice Social Responsibility Award by the BSE (Bombay Stock Exchange)-Times Now, in December 2006.

"CSTI has trained rural youth from backward sections. We sourced candidates for our CSTI and then helped them find jobs with our contractors. These trained workers are remarkably better in terms of productivity, quality of work, safety in work and wastage reduction. This has helped us address shortage of skilled manpower at our construction sites and meet tight deadlines."

Project owner: S. Natarajan

Employee volunteering

L&T's community initiatives are enhanced through the selfless involvement of its workforce who teach in schools, visit old-age homes, orphanages and terminally ill patients; mobilise funds, donate blood and assist in medical camps.

Response to natural calamities

L&T has always spearheaded relief effort during natural calamities with employee volunteering, material, medical and food supplies.

Ladies' Club

At L&T, 22 Ladies Clubs have been formed by the spouses of employees at different locations. These clubs interact with local communities and villages, making a positive difference.

- Prayas in Chennai runs a permanent project called Prayas Medical Centre with qualified medical practitioners, who organise medical camps and distribute medicines. It provides free consultancy and diagnostic services to low-income population in the area.
- Prayas in Hazira runs a number of initiatives, including an income-generation programme for the HIV-infected.
- Perna in Vizag has structured programmes for various activities under separate cells like environment, senior citizens, etc.
- The Ladies' Club in Kansbahal works hand-in-hand with community development initiatives of its corporate CSI team.
- Tarang in Mumbai initiated special projects for women from tribal communities near Kasara and mobilised funds for NGOs caring for children.

"As individuals, we have always looked for opportunities to make a difference and there is no better way to do so than teaching children from totally illiterate families. In doing so, we see ourselves making a generational change. Consider this: at the Milind Vidyalaya, where we taught 75 (Class X) students maths and English on weekends, the pass percentage went up from 71% to 91%."

Vijay Israni, Purchase Manager, HED, L&T, Powai

Kansbahal, Orissa

Enhancing self-reliance. Empowering a community.

Project details and impact

Kansbahal is about 25 km from Rourkela, tribal-dominated, with 40-odd hamlets under two gram panchayats and a population of around 45,000.

L&T set up a manufacturing facility in Kansbahal since 1961. We organise health camps, eye check-up programmes, cataract surgeries and HIV/AIDS awareness campaigns. Following diagnosis, patients are referred to government hospitals. We assist more than 24 schools, providing them with furniture, teaching amenities, PCs and scholarships, covering more than 4,500 students in 13 *anganwadis*. We provide impoverished tribal families with utensils, agricultural know-how, basic healthcare facilities and education. We have dug tubewells, rejuvenated old wells and provided piped drinking water. In short, we help enhance living standards for the underprivileged in Kansbahal.

“We are making overtly-affected tribals in the Sundargarh district self-reliant in basic healthcare and education. Very satisfying work.”

Project owner: Subir Mahanty

“Emotional, medical and physical support. This is what we provide at the Anganwadi Centre School. For instance, we get children in and provide them with primary education up to the age of six. We also make it easy for them to study as we provide utensils, furniture, medicine, teaching aids, books and toys. After finishing pre-school, we send them to primary schools. We conduct at least three medical check-up and awareness camps annually. We send the diagnosed villagers to hospitals for treatment. We hold family planning awareness camps. And all this for free. Which is why villagers turn to L&T as the first recall in times of need.”

*Premdani Marthabara, anganwadi worker,
Kansbahal, Orissa*



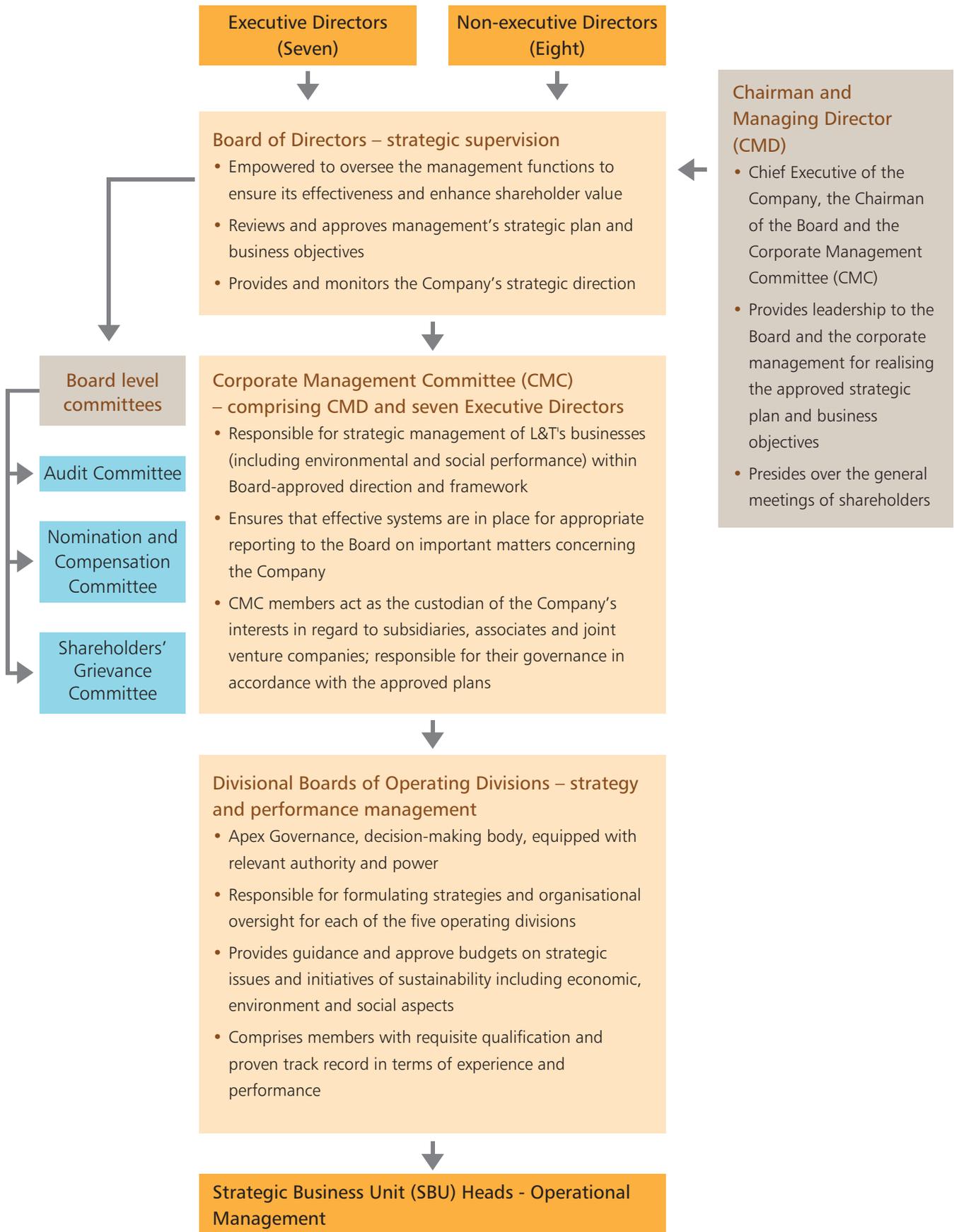
Our governance processes



In any organisation, the quality of the governance process – reflected in accountability, credibility and stakeholder confidence – is influenced by the organisational structure, allocation of responsibilities and the reporting of achievements.

At L&T, we created a structure to make this an ongoing reality.

GOVERNANCE STRUCTURE AT L&T





Our Chairman & Managing Director, Mr. A. M. Naik, receiving 'India's Best Managed Company' award from the Union Minister for Commerce & Industry, Mr. Kamal Nath.

At L&T, we believe that accountability is drawn from a prudent mix of Executive and Non-Executive Directors on the Board of Directors, the highest decision-making body within the organisation. In such a Board, the former brings hands-on business experience to organisational direction, while the latter brings external expertise with relevant checks and balances.

Governance structure for sustainability

At L&T, we have created a sustainability organisational structure at the corporate and divisional level to instill enduring organisational values.

SUSTAINABILITY ORGANISATIONAL STRUCTURE



Remuneration Policy

The objectives of our remuneration policy are to motivate employees to excel in their performance, recognise their contribution, retain talent and reward merit. This employee remuneration 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, among others.

Processes in place

We instituted a blueprint to progressively upgrade our capabilities, systems, processes and services with the objective of generating sustainable growth. L&T drew up a strategic plan called LAKSHYA for 2005-10, to achieve profitable growth on a sustainable basis.

Concurrently, we implemented structured systems for managing environmental aspects and impacts for most of our operating units as per ISO 14001, complemented by certifications and standards like ISO 9001, OHSAS 18001 and Six Sigma for business processes across many of our locations. We planned initiatives like material, energy and water conservation as well as recycling and the use of renewable energy.

At L&T, we instituted Project Prithvi to measure, monitor, document and report as per the Global Reporting Initiatives (GRI)-G3 guidelines our economic, environmental and social performance.

For enhanced organisation-wide effectiveness, we recognised that we would need to delegate and decentralise our governance mechanisms to benchmark performance against predetermined targets, reviewing impacts, risks and challenges, besides identifying and implementing corrective and preventive action plans.

L&T's Code of Conduct and risk management framework

Code of Conduct: L&T has laid down a Code of Conduct for all its Board members and senior

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.

A.M. Naik

Chairman and Managing Director

Date: May 23, 2008

Place: Mumbai

management (one level below the Executive Directors including functional heads) personnel of the Company. The Code of Conduct is made 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, the following guidelines, policies and procedures are applicable across the Company:

- Guidelines on corporate communication and with a list of spokespersons
- Securities dealing code
- Protection of women's rights in the workplace
- Corporate Information Technology Security manual and procedures
- Whistleblower policy

Under Section 299 of the Companies Act, 1956, 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; it 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 into 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 the Listing Agreement, every person covered by this code, is required 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 he or any of his specified relatives have entered into any transaction with the Company.

Internal control system: Our internal control mechanism comprises comprehensively 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 – apex body – in addition to independent evaluations.

The significant observations made in the internal audit reports on business processes, systems, procedures and internal controls as well as 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 FY2007-08.

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 2007-08.

Compliance: We adhere to ethical professional practices, complying with all applicable laws and regulations. There were no financial or non-monetary sanctions imposed on us in 2007-08.

Operating division corporate centre: We created operating division corporate centres for creating roadmaps to enhance performance and continuous improvement through the following initiatives:

- Analysing economic trends and investment scenarios
- Tracking policy changes and legal issues
- Formulating risk management initiatives
- Analysing the performance of our competitors
- 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: We established Corporate Governance systems and processes for measuring and reviewing our performance. We collate financial and non-financial data through project reports; the MIS for each project is prepared and reviewed at various levels.

We used information technology to enhance our

compliance with organisational systems, eliminate redundant processing, optimise productivity and reduce costs. Our other modes for gathering qualitative internal performance indicators comprise the following:

- 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 the mechanisms to inform our Board members about risk assessment and minimisation initiatives, 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. Our system comprises 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 comprehensive global reporting initiatives (GRI) framework for reporting our economic, environmental and social performance. Besides, we also comply with International Labour Organisation and United Nations directives covering the following points: 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 as well as measuring, monitoring and conserving materials and energy sources.

Memberships in associations: We contribute to the policy-making process in the country through membership in associations and institutes, some of these are mentioned below:

- Construction Industry Development Council (CIDC)
- Indian Electrical and Electronics Manufacturers Association
- Bureau of Indian Standards
- Confederation of Indian Industries – infrastructure panel – 2007-08, southern region
- Bangalore Chamber of Industry and Commerce (taxation committee)
- National Safety Council
- Indian Institute of Technology, Chennai
- 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 (IIChE)
- Chemtech Foundation
- Confederation of Indian Industry (CII)



Stakeholder engagement



Through a consultative process conducted by an inter-disciplinary team (core team members of each operating division and the overall organisation), we mapped needs, concerns and expectations of our key stakeholders.



Annual General Meeting

Stakeholder engagement

The purpose of our engagement exercise was to identify and document significant opportunities and challenges, priorities and reasons.

We informed our stakeholders of the purpose and frequency of our stakeholder engagement procedures at the corporate level in 2007-08. Our stakeholder representatives were selected based on the frequency/quantum of transactions and the criticality of our relationships with them. The issues, concerns and expectations raised by these stakeholders during the interactions were considered in identifying future thrust areas leading to enhanced sustainability.

Stakeholder group

Each of our operating divisions chose representatives from their customers, dealers, employees, vendors/sub-contractors, investors, civil society and the community.

Approach

Our stakeholder engagement was held through a combined programme at the corporate level with five operating divisions. Issues shared by us included:

- Strategic short-and medium-term priorities in line with international standards
- Long-term corporate and operating division strategies
- Broader sustainability trends affecting us
- Key achievements and failures
- Unit performances against targets; primary challenges addressing our Company

Key issues

Our strengths, as identified by stakeholders, as well as their concerns and expectations, were classified under economic, environment, society, labour practices and product responsibility.

Our strengths

- Supplier audits were conducted, ensuring quality excellence
- Transparency in organisational practices and signing of the ethical/integrity pact enhanced confidence
- Product reliability was tested through the incorporation of all safety aspects and conducting fatigue/stress analysis, among others
- Robust off-the-shelf product delivery

Stakeholder concerns and expectations

Parameter	Concerns	Expectations
Environment	<ul style="list-style-type: none"> • Environmental performance should be an essential criterion in the selection of suppliers 	<ul style="list-style-type: none"> • Proceeding towards carbon footprint reporting • Demanding environmental and social standards from suppliers and promoting sustainability • 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 • Ensuring adequate health and sanitation facilities for onsite contract labour
Economic	<ul style="list-style-type: none"> • Purchase decisions by customers based on initial cost rather than life cycle cost 	<ul style="list-style-type: none"> • Ensure that L&T conducts a life-cycle analysis and persuades customers for overall benefits
Labour practices	<ul style="list-style-type: none"> • Employee growth and retention • Male dominance in workforce 	<ul style="list-style-type: none"> • Need for increased collaboration with technical institutes for workforce development • Employment needs of women to be encouraged
Product responsibility	<ul style="list-style-type: none"> • Uncertain delivery schedule of customised products 	<ul style="list-style-type: none"> • Assuming responsibility for plants even during their operation • Need for energy ratings by the Bureau of Energy Efficiency (BEE) for products, helping customers take informed decisions to reduce their carbon footprint
Society	<ul style="list-style-type: none"> • 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 • Participation in providing facilities like parking/public utilities • Developing the corpus for social infrastructure • Providing emergency care centre for accident victims near L&T campuses

The feedback obtained from the stakeholder engagement is being processed for developing an action plan to address their concerns and expectations.

Channels to stakeholders

Free, frequent and multi-directional communication represents a part of L&T's unique ethos. We believe that communication clarity is an indication of transparency of intent. In view of this, we set up one of the largest corporate communications departments in India, manned by competent professionals. In addition to a centralised corporate communications department, located at the Head Office, L&T has stationed communications professionals in individual operating divisions. This facilitates the dispersal of communication messages and extends the reach of our communication initiatives.

L&T publishes what is probably the largest number of house magazines from a single organisation, each catering to distinct audience segments.

The L&T-ite enjoys a readership base comprising all L&T employees and its subsidiary and associate companies.

L&T News & Views addresses a dual readership of employees as well as customers and associates.

Powai Pageant is a tabloid directed at all Mumbai-based employees.

Spot News carries online bulletins of events and developments of a significant topical nature.

'We R in the News' is an e-mail banner that carries news clippings related to the Company.

Other magazines – both print and online – either enjoy a location-specific or a division-specific readership.

Shareholders

L&T has a large base of over six lakh shareholders. The Investor Relations Department is entrusted with communicating on a regular basis with the investing community. The department makes periodic

presentations, offering information and insight into the Company's operations. A continuous communication flow is maintained through e-mails, printed literature, and responses to queries over the telephone and conferences. Financial results are published every quarter in local and mainline newspapers. In addition, all shareholders receive the Company's Annual Financial Report and are invited to attend / participate in the Company's Annual General Meeting. Shareholders can approach the highest governance body for giving feedback / redressing their grievances, if any.

Customers

L&T runs periodic brand-building and product marketing advertising campaigns encompassing diverse media (print, television, outdoor and online). Depending on the nature of advertising, the communications highlight corporate goals and performance as well as product attributes and benefits. In addition to advertisements, L&T publishes brochures, leaflets, folders, etc. An abstract of the annual report called the Annual Review is mailed to customers selectively.

Surveys

Our objective is to measure the satisfaction level of our various stakeholders. In our product business, we engage reputed market research agencies to conduct customer, dealer, stockist and other stakeholder surveys. In our project management services, we obtain customer feedback following project completion. In 2007-08, we initiated a brand-tracking study to map the perceptions of customers, engineering and management students, investors and the media.

Report profile, scope and boundary

This is Larsen and Toubro's first Corporate Sustainability Report. The Report's data on performance indicators covers the period between April 1, 2007 and March 31, 2008; L&T will publish a Corporate Sustainability Report annually. The reporting framework is in accordance with the Global Reporting Initiative (GRI)-G3 guidelines; the applicable GRI protocols were followed for reporting on core and additional indicators.

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

Mr D.B. Raju,
Executive Vice President,
Corporate Infrastructure & Services,
Larsen & Toubro Limited,
Saki Vihar Road, Powai, Mumbai 400 072, India.
E-mail: rajudb@pgm.ltdindia.com

Report scope and boundary

This report covers the operations of our five operating divisions (excluding joint ventures. Projects and locations outside India are also excluded)

- Engineering Construction & Contracts Division - ECCD
- Engineering & Construction (Projects) Division - E&C(P)
- Heavy Engineering Division - HED
- Electrical and Electronics Division - EBG
- Machinery and Industrial Products Division - MIPD

The data for economic performance is in respect of the parent organisation and has been disclosed as per L&T's financial report of 2007-08.

Determining materiality

The topics concerning the five operating divisions were identified during workshops conducted for key personnel. The following set of criteria was developed to evaluate the materiality of sustainability indicators:

- Key sustainability issues
- Key organisational values, policies, strategies and existing management systems, prevailing at the five operating divisions
- 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

The indicators reported are obtained from five operating divisions and are tracked for identifying gaps and formulating strategies for improvement. The data includes information on economic, environment, human rights, society, labour practices and product responsibility indicators, impacting the organisation and society at large.

Based on our diverse operations, the important issues have been prioritised as under:

- Talent attraction and retention
- Training, skill development and knowledge management
- Occupational health and safety of the workforce
- Conservation of natural resources – energy, water and metals – used in manufacturing processes and at project locations

The initial application of the GRI-G3 requirements was checked for each operating division through training workshops, with the divisional team and the core committee.

The data measurement techniques used in this report comprised actual computations and estimations. Wherever estimates are made, the assumptions are specified. This being the first report, there was no reason for any restatement.

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. In 2007, we decided to report our sustainability performance following the GRI-G3 guidelines. The performance measured in this report was for the period April 2007-March 2008, unless otherwise stated.

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.

Disclosure on management approach



SUSTAINABILITY POLICY

We are committed to fulfilling our economic, environmental and social responsibilities while conducting business.

We will conserve natural resources, build social equity and achieve sustainable growth, through a culture of trust and caring, to serve all our stakeholders.

Economic

Our strategic plan 2005-10, Programme LAKSHYA, aims to build L&T into an Indian multinational 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.

Goals were set at the business unit level and monitored against the targets. In our Corporate Management Committee meetings, actual performance was reviewed against budgets and corrective measures were initiated, wherever necessary. At the individual level also, targets were set at the beginning of the financial year and reviewed periodically, forming the basis for credible annual performance appraisal.

As a value-driven organisation, our economic and social goals were integrated with our economic and performance targets in line with our vision statement. Our strategic plan comprised the development of technologies and products during 2005-10 to enhance efficiency and minimise environmental impact.

L&T will 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 the society.

Environmental

We are committed to the optimal use of material, energy and water in our processes and products. We meet customer-specific and applicable regulatory requirements, while working at our plants or at the customers' sites.

We aim to adopt a structured and systematic process to reduce environmental impacts arising out of our operations, products and services. The policies of our operating divisions cover quality, environment, health and safety aspects, applicable across all locations and strategic business units. We will progressively increase the use of clean and green technologies to minimise adverse environmental impacts, reducing pollution risk through superior design/operation and maintenance processes.

Our policy implementation is facilitated through our

Corporate Management Committee, divisional boards of individual operating divisions, business unit heads and other department heads. The primary responsibility of the project task force entails periodic reviews of customer requirements to enhance compliance. Our project managers are responsible for optimising material and energy consumption at project sites, while the local administration ensures this in our offices.

Our training and awareness sessions—related to environment, health and safety—are conducted regularly.

Scheduled internal audits are supplemented with external audits conducted by accreditation agencies for ISO 14001 and OHSAS 18001 at plant/project locations and design centres. This ensured division-specific policy implementation that facilitated continual improvement.

Social

Labour practices and human rights: L&T adheres to statutory requirements that are in line with the conventions of the International Labour Organisation (ILO). 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 – Factories Act, Building & Other Construction Workers (Regulation of Employment & Conditions of Service) Act, 1996, and Central Rules, 1998, Industrial Disputes Act. We strive to extend these values to our suppliers and subcontractors.

The corporate management committee, divisional boards and senior management ensure that sound employment and EHS practices are followed. Our human resource and EHS departments are responsible for updating guidelines on labour, EHS policies and employment practices, besides providing guidance and support. Further, project managers also contribute to a conducive work environment and fair labour practices.

Our operation-specific policies, related to health and safety, are shared with employees through induction training programmes, interactive sessions, intranet sites and pre-placement presentations to potential employees. Managers from IR, HR and EHS ensure effective policy implementation. HR and IR councils hold periodic meetings to discuss and address relevant issues.

Our employee performance and statistics are monitored in annual performance-review meetings; our workmen and safety-related issues are reviewed at project locations in monthly Site Management Committee meetings. Issues related to workplace sexual harassment are addressed by regional complaints committees.

Societal commitment: Our Corporate Social Initiatives department drives an enlightened social agenda. Various initiatives are conducted at dispersed geographical locations with participation from local communities. We encourage our employees and their families to engage in social development through newsletters and the intranet. We also encourage employees to participate in public policy formulation through collaborations with associations and standard setting bodies. We encourage an ongoing networking with NGOs, government agencies, chambers of commerce and academic institutes for effective knowledge-sharing.

Product responsibility: L&T's products and services address customer, safety and quality requirements. We enhance product value through continuous investments in R&D, design, technology and quality. We proactively check products for their environment, health, safety and end-use impacts at the design stage. Besides, we take necessary approvals from relevant authorities on the product/process, wherever necessary, for a complete adherence with statutory norms. When we work on project sites, we train customers in plant operation and maintenance, prior to handover, supported by manuals. At all times, customer confidentiality is maintained.

We provide customers with a superior value proposition. Product and service quality are continuously enhanced through investments in research, design and through regular customer feedback.

- Our divisional Board members ensure that all products and services are built around sound engineering practices
- We train our customers and their employees in plant operation as well as product usage and maintenance, supported by interactive user manuals

A high proportion of repeat orders from existing customers indicate enhanced customer satisfaction.

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
- Ensure compliance to statutory and other requirements
- Prevent adverse environmental impacts and occupational health and safety risks
- Conserve natural resources, minimise waste generation and environmental emissions
- 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

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
- Establishing systems and practices for maintaining transparency, fairness and equity
- Creating a culture of continuous learning, competitiveness and excellence through change management
- Respecting ethics, values and good governance

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.

Awards and accolades



L&T is ranked as the 'Best of the Best' across all industry sectors in a study by *Business Today* and Ernst & Young.

- L&T won the Award for excellence in Chemical Plant Design and Engineering
- L&T was conferred the Golden Safety award of National Safety Council of India
- Institute of Engineers India honoured our CMD, Mr A. M. Naik, with the IEI Engineering Personality Trophy
- L&T's annual report bagged the Institute of Chartered Accounts of India Gold Shield in the category 'Infrastructure & Construction' sector
- Danish knighthood was conferred on our CMD, Mr A. M. Naik
- L&T was given 'India's Best Managed Company' award by Business Today and Ernst & Young
- L&T won the top export award instituted by CNBC TV18
- L&T's Corporate Communication Department won 10 awards in the 47th award competition organised by Association of Business Communicators of India



Emblems of excellence received by L&T over the years

From Ernst & Young

To
The Board of Directors
Larsen & Toubro Limited
Mumbai, India.

Independent Assurance Report

Larsen & Toubro Limited (the Company) has requested Ernst & Young to provide an independent assurance on its first Corporate Sustainability Report (the Report) for the financial year 2007 -2008. The Company's management is responsible for content of the Report and its presentation. Ernst & Young's responsibility is to provide "limited assurance" on the report content as described in the scope of assurance. 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 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 organisation. Any dependence that any such third party may place on the Report is entirely at its own risk

Scope of Assurance

The scope of assurance covers the following aspects of the Report:

- Data and information related to the Company's sustainability performance during the period 1 April 2007 to 31 March 2008.
- The sustainability data and information covering the Company's five operating divisions, i.e., Engineering & Construction [Projects] [E&C (P)] Division located at Powai and Baroda; Electrical and Electronics Division (EBG) located at Powai, Mysore, Ahmednagar and Mahape; Machinery & Industrial Products Division (MIPD) located at Chennai & Kansbahal; Heavy Engineering Division (HED) located at Powai and

Hazira and Engineering Construction & Contracts Division (ECCD) division's office at Chennai and its construction sites

- Data and information presented in the Report related to core performance indicators of GRI G3 sustainability reporting guidelines
- The Company's internal protocols, processes, and controls related to the collection and collation of sustainability performance data.
- The company's approach to stakeholder engagement

Limitations & Exclusions

The assurance scope does not cover:

- Aspects of the Report other than those mentioned above
- The Economic performance Indicators included in the report were derived from Company's audited financial records and were not reviewed as a part of assurance engagement
- Data and information outside the defined reporting period (1 April 2007 to 31 March 2008);
- Statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention provided by the Company;
- Issues related to intellectual property rights and other competitive issues

Methodology adopted for Assurance

The assurance was based on interaction with key personnel to identify the processes in place; capture sustainability performance data as per GRI G3 guidelines; followed by reviews of the processes for collecting, compiling, and reporting these indicators at the corporate and operating unit levels.

We conducted our review in accordance with International Standard on Assurance Engagements (ISAE 3000), "assurance engagements other than audits of review of historical information" issued by International Audit and Assurance Standards board.

Ernst & Young's team of professionals visited some of the Company's sites and corporate office to gain assurance on the data and information presented in the report. The team interacted with selected set of internal and external stakeholders; reviewed the Company's internal protocols, processes, and controls related to the collection and collation of sustainability performance data to arrive at the conclusions.

Site visits to the Company's Operating Divisions as described in the scope

Site visits were carried out at Mumbai and Chennai, where information for all the other locations was also obtained, as mentioned in the scope. Sample data were tested for its auditability and accuracy. Assumptions made for arriving at reported numbers were understood and necessary clarifications were obtained.

Appropriate evidences to support the conclusions in this assurance report were obtained. Most of the information and data verified were supported with documentary evidence; wherever such documentary evidence could not be collected on account of confidential information, our team physically verified the documents.

Observations

Our observations on the Report are as follows:

- The Report articulates Company's approach to adhere to the principles of sustainable development;
- The Report explains the concept of materiality and

gives brief description of issues most material to the Company;

- The Company has followed the GRI G3 guidelines in developing the Report. However, the following core performance indicators are partially reported - raw material consumption, air emissions, waste generation and training.
- The Company has developed internal protocols for data collection and collation on sustainability performance indicators which can be further standardised to cover the assumptions used for calculations across locations.
- The Report explains the process of stakeholder identification and their concerns and expectations;
- The data control and internal review can be further strengthened, as there were instances where information on the performance indicators were modified /corrected during assurance.

Conclusions

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

- The Report presents the Company's sustainability performance covering its five operating divisions and their locations as mentioned in the scope.
- The Report includes statements and claims that reflect Company's achievements, as supported by both documentary evidences and internal records.

for, Ernst & Young Private Limited

Sudipta Das, Partner
21 October 2008.
Kolkata, India

GRI – G3 Content Index

STANDARD DISCLOSURES PART I: Profile Disclosures				
Profile Disclosure	Description	Cross-Reference (Pg. No.)	Reason for Omission	Explanation
1	Strategy and Analysis			
1.1	Statement from the most senior decision-maker of the organisation	6, 7, 8		
1.2	Description of key impacts, risks, and opportunities.	25-31		
2	Organisational Profile			
2.1	Name of the organisation.	Front page		
2.2	Primary brands, products, and/or services.	9, 10, 11		
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	9		
2.4	Location of organisation headquarters.	Back cover		
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.	12, 13		
2.6	Nature of ownership and legal form.	77		
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	12, 13		
2.8	Scale of the reporting organisation.	34, 36, 37, 41		
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Not applicable		No changes in location/ share capital structure
2.10	Awards received in the reporting period.	90, 91		
3	Report Parameters			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	86		
3.2	Date of most recent previous report (if any).	Not applicable		First Corporate Sustainability Report
3.3	Reporting cycle (annual, biennial, etc.)	86		
3.4	Contact point for questions regarding the report or its contents.	86		
3.5	Process for defining report content.	86		
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	86		
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	86		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	86		
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	86		
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Not applicable		First Corporate Sustainability Report
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Not applicable		First Corporate Sustainability Report
3.12	Table identifying the location of the Standard Disclosures in the report.	94-98		
3.13	Policy and current practice with regard to seeking external assurance for the report.	86		
4	Governance, Commitments, and Engagement			
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	77		
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	77		

STANDARD DISCLOSURES PART I: Profile Disclosures				
Profile Disclosure	Description	Cross-Reference (Pg. No.)	Reason for Omission	Explanation
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	77		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	85		
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation performance (including social and environmental performance).	79		
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	79		
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation strategy on economic, environmental, and social topics.	78		
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	8, 79, 89		
4.9	Procedures of the highest governance body for overseeing the organisation identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	81		
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	77		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	81		
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	81		
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: *Has positions in governance bodies; *Participates in projects or committees; *Provides substantive funding beyond routine membership dues; or *Views membership as strategic.	81		
4.14	List of stakeholder groups engaged by the organisation.	83		
4.15	Basis for identification and selection of stakeholders with whom to engage.	83		
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	83		
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	84		
STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)				
DMA EC	Disclosure on Management Approach EC	88		
DMA EN	Disclosure on Management Approach EN	88		
DMA LA	Disclosure on Management Approach LA	88		
DMA HR	Disclosure on Management Approach HR	88		
DMA SO	Disclosure on Management Approach SO	89		
DMA PR	Disclosure on Management Approach PR	89		

STANDARD DISCLOSURES PART III: Performance Indicators

Performance indicator	Description	Cross-Reference (Pg. No.)	Reason for Omission	Explanation
	Economic			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	35		
EC2	Financial implications and other risks and opportunities for the organisation activities due to climate change.	38		
EC3	Coverage of the organisation defined benefit plan obligations.	37		
EC4	Significant financial assistance received from government.	Not applicable		We did not receive any financial assistance from government in 2007-08
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	37, 88		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	38		
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	46		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	38		
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	38		
	Environmental			
EN1*	Materials used by weight or volume.	55		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
EN2	Percentage of materials used that are recycled input materials.	56		
EN3	Direct energy consumption by primary energy source.	59		
EN4	Indirect energy consumption by primary source.	59		
EN5	Energy saved due to conservation and efficiency improvements.	59, 60		
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	59		
EN8	Total water withdrawal by source.	57		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	61		
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	61		
EN13	Habitats protected or restored.	61		
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	61		
EN16	Total direct and indirect greenhouse gas emissions by weight.	61		
EN17	Other relevant indirect greenhouse gas emissions by weight.	61		
EN19	Emissions of ozone-depleting substances by weight.	61		
EN20*	NOx, SOx, and other significant air emissions by type and weight.	61		Data from two locations under the report boundary were not included. We will include it in next sustainability report
EN21*	Total water discharge by quality and destination.	57		Data from two locations under the report boundary were not included. We will include it in next sustainability report
EN22*	Total weight of waste by type and disposal method.	57		Currently some waste items are monitored in terms of Pieces, lots, numbers, tins. We have taken it as a midterm target to monitor it in tonnes.

STANDARD DISCLOSURES PART III: Performance Indicators

Performance indicator	Description	Cross-Reference (Pg. No.)	Reason for Omission	Explanation
EN23	Total number and volume of significant spills.	57		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	51, 60, 61		
EN27*	Percentage of products sold and their packaging materials that are reclaimed by category.	–	Not available	Quantitative information on total packaging material reclaimed by all businesses is not possible due to huge product portfolio and vast national and international markets. We have taken it as a long term target to monitor and report
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	61		
	Social: Labour Practices and Decent Work			
LA1	Total workforce by employment type, employment contract, and region.	41		
LA2	Total number and rate of employee turnover by age group, gender, and region.	41		
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	37		
LA4	Percentage of employees covered by collective bargaining agreements.	41, 46		
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	41		
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	44		
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	45		
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	44		
LA9	Health and safety topics covered in formal agreements with trade unions.	44, 70, 72, 73		
LA10*	Average hours of training per year per employee by employee category.	42		Cadre-wise training details not available for one location covered under report scope. We have taken it as short term target to include cadre wise training details of all locations
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	42		
LA12	Percentage of employees receiving regular performance and career development reviews.	42		
LA13*	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	46		Data not available from two locations covered under report scope. We have taken it as short term target to report on category wise employee breakdown of all locations
LA14	Ratio of basic salary of men to women by employee category.	46		
	Social: Human Rights			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	46		
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	46		
HR4	Total number of incidents of discrimination and actions taken.	46		
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.	46		

STANDARD DISCLOSURES PART III: Performance Indicators

Performance indicator	Description	Cross-Reference (Pg. No.)	Reason for Omission	Explanation
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	46		
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	46		
HR8	Percentage of security personnel trained in the organisation policies or procedures concerning aspects of human rights that are relevant to operations.	46		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	46		
	Social: Society			
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	62-65		
SO2	Percentage and total number of business units analysed for risks related to corruption.	80		
SO3	Percentage of employees trained in organisation anti-corruption policies and procedures.	80		
SO4	Actions taken in response to incidents of corruption.	80		
SO5	Public policy positions and participation in public policy development and lobbying.	80, 81		
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	–		No legal action for anti-competitive behaviour
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	80		
	Social: Product Responsibility			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	52		
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	53		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	52, 53		
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	53		
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	53		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	53		
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	53		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	53		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	53		

Note: *Partially reported Indicators

Glossary

ACB	Air Circuit Breakers	GGBS	Ground Granulated Blast-furnace Slag	MCCB	Moulded Case Circuit Breakers
AHC	Andheri Health Centre	GHG	Green House Gas	MIPD	Machinery and Industrial Products Division
ASME	American Society of Mechanical Engineers	GRI	Global Reporting Initiatives	MIS	Management Information System
ASTA	Association of Short Testing Authorities	HDI	Human Development Index	MoEF	Ministry of Environment and Forests
BEE	Bureau of Energy Efficiency	HED	Heavy Engineering Division	NAC	National Accreditation Council
BIS	Bureau of Indian Standards	HR	Human Resources	NACO	National AIDS Control organisation
CE	Conformite Europeene	HSD	High Speed Diesel	NCVT	National Council for Vocational Training
CIDC	Construction Industry Development Council	HTFS	Heat Transfer and Fluid Stimulation Software	NG	Natural Gas
CI	Confederation of Indian Industry	ICAO	International Civil Aviation Organisation	NGO	Non-governmental organisation
CMC	Corporate Management Committee	ICTC	Integrated Counselling and Testing Centre	NICMAR	National Institute of Construction Management and Research
CNG	Compressed Natural Gas	IICHE	Indian Institute of Chemical Engineers	NOx	Oxides of Nitrogen
COE	Centre of Excellence	IEC	International Electrotechnical Commission	NPCIL	Nuclear Power Corporation of India Limited
CPRI	Central Power Research Institute	ILO	International Labour organisation	NPI	New Product Intensity
CQC	China Quality Certification Centre	IPR	Intellectual Property Rights	OD	Operating Division
CSA	Canadian Standards Association	IR	Industrial Relations	ODS	Ozone Depleting Substances
CSI	Corporate Social Initiatives	IS	Indian Standard	OHS	Occupational Health and Safety
CSR	Corporate Sustainability Report	ISAE	International Standard on Assurance Engagements	OHSAS	Occupational Health and Safety Assessment Series
CSTI	Construction Skill Training Institute	ISC	Indian Sponsorship Committee	PAT	Profit After Tax
DHDS	Diesel Hydro De Sulphurisation	ISMS	Information Security Management System	PNG	Piped Natural Gas
EBG	Electrical and Electronics Division	ISO	International organisation for Standardisation	PPP	Public-Private Partnership
E&C	Engineering and Construction	IT	Information Technology	ROCE	Return on Capital Employed
ECCD	Engineering Construction and Contracts Division	ITeS	Information Technology enabled Services	R&D	Research and Development
EHS	Environment, Health and Safety	ITI	Industrial Training Institute	RoHS	Restriction of Hazardous Substances
EMS	Environmental Management System	KEMA	Keuring Electrotechnisch Materialen Arnheim	Rs	Indian Rupees
EPC	Engineering, Procurement and Construction	LED	Light-emitting Diode	SAAF	Structured Attached Fixed Film
ERDA	Electrical Research and Development Association	LPG	Liquefied Petroleum Gas	SBU	Strategic Business Unit
ERTL	Electronics Regional Test Laboratory	LTIT	Larsen & Toubro Institute of Technology	SEBI	Securities and Exchange Board of India
EVA	Economic Value Added	MBR	Membrane Bio Reactor	SOx	Oxides of Sulphur
FAIR	Framework for Linking Appraisals with Incentives and Rewards	MCB	Miniature Circuit Breaker	STCs	Switchgear Training Centres
FCC	Fluidised Catalytic Cracker			UL	Underwriters Laboratories
GDP	Gross Domestic Product			USD	United States' Dollar

Sources

- ¹ Planning Commission; World Economic Forum: India Economic Summit
- ² http://www.domain-b.com/industry/oil_gas/20080521_oil_marketing.html;
http://www.mcxindia.com/products_BrentCrudeOil.html;
- ³ http://www.atimes.com/atimes/South_Asia/HL13Df01.html
<http://www.environmental-expert.com/resultEachPressRelease.aspx?cid=4791&codi=33663&idproducttype=8&level=0>
- ⁴ Human Development Reports - United Nations Development Programme
- ⁵ Human Development Reports - United Nations Development Programme
- ⁶ Mumbai, Delhi, Kolkata, Chennai, Bangalore, Hyderabad, Ahmedabad, Pune and Surat make up the top ten on the basis of consumer spends in 2007-08 according to a new study "The Next Urban Frontier: Twenty Cities To Watch", co-authored by the National Council of Applied Economic Research's (NCAER) Rajesh Shukla and Future Capital Research's Roopa Purushothaman.
- ⁷ World Bank Report, 2008
- ⁸ Metros are basically regarded as Tier I cities, relatively smaller emerging cities that have reasonably good value propositions are regarded as Tier II cities. While the realty trend in Tier I cities have reached a saturation point, Ludhiana, Lucknow, Chandigarh, Guwahati, Bhubaneswar, Jaipur, Ahmedabad, Surat, Nagpur, Indore, Goa, Visakhapatnam, Mysore, Coimbatore and Kochi are few tier II cities with significant unexplored growth potential.
- ⁹ Planning Commission
- ¹⁰ http://www.unicef.org/india/wes_2833.htm
- ¹¹ <http://infochangeindia.org/200303045941/Water-Resources/Backgrounder/Water-Resources-Background-Perspective.html>
- ¹² Council on Foreign Relations
- ¹³ http://knowledge.allianz.com/en/globalissues/safety_security/energy_security/energy_security_oil_electricity_gas_coal_india.html
- ¹⁴ Council on Foreign Relations
- ¹⁵ http://www.usaid.gov/our_work/environment/climate/country_nar/india.html
- ¹⁶ BBC news
- ¹⁷ Centre for Enquiry into Health and Allied Themes
- ¹⁸ Human Development Report 2007-2008
- ¹⁹ Human Development Report 2007-2008
- ²⁰ MIT International Review
- ²¹ National AIDS Control organisation (NACO), Ministry of Health & Family Welfare, Government of India
- ²² NACO; Union Ministry of Health and Family Welfare
- ²³ Economic Survey 2007-08



Sustainability Report: 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.

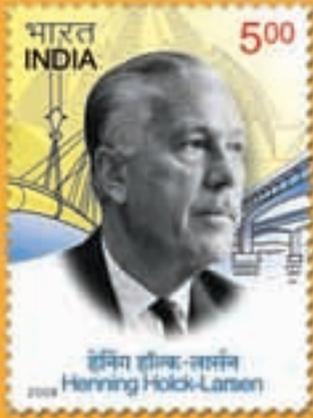
GRI Application Level

Report Application Level		C	C+	B	B+	A	A+ 
Standard Disclosure	G3 Profile Disclosures Output	Reported 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	Reported 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 Output	Not Required		Management Approach disclosed for each Indicator Category		Management Approach disclosed for each Indicator Category	
	G3 Performance Indicators & Sectors Supplement Performance Indicators Output	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 supplement* indicator with due regard to Materiality Principle by either: a) Reporting on the indicator, or b) Explaining the reason for its omission	

* Sector supplement in final version



L&T Sustainability Report 2008 is a 'GRI Checked' Application Level A+ report.



A Tribute to Henning Holck-Larsen

In 2008 the Government of India paid a richly deserved tribute to L&T's co-founder Henning Holck-Larsen.

Releasing a commemorative stamp, Mr. A. Raja, the Union Minister of Communications & IT, said: "Henning Holck-Larsen is an inspirational figure in India's corporate history.

Men like him have played a pivotal role in the making of modern India. We are privileged to recognise his contribution by releasing a postage stamp in his honour."



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