

Negative is the New Positive



Disclosure is the
New Business Secret



Green is the
New Black



Listening is the
New Calling



Less is the
New More



Personal is the
New Professional



We is the
New I



End is the
New Beginning

+ Negative is the New Positive

Once upon a time nature was considered limitless, energy was thought to be infinite and responsibility was something that could be deferred and delegated. The fairytale has ended.

We now live in a world of new ground realities. Every single business support system on our planet is in decline: fresh air, clean water, rich topsoil, minerals, and productive forests. To thrive happily ever after, it is imperative that businesses leverage the power of negative to achieve lasting positive outcomes. A power that negates decline, while it accelerates growth.

At L&T, we have our ear to the ground. We are rearranging our business building blocks not only to align to this new world order but to harness it. In our businesses we are deploying 'the power of negative' to subtract emission while adding revenue. Shrink resource consumption while enhancing production. Harvest new business opportunities that enable nature to re-grow its wealth. Refrain from building walls around functions while reinforcing governance. Diminish societal income disparity while incentivising performance.

Yes, negative goes a long way beyond positive.

CONTENTS

MESSAGES

Chairman & Managing Director	... 1
Executive Directors	... 5

GROUP PROFILE

Organisational Structure	...7
Business Portfolio	...9

CORPORATE GOVERNANCE

Governance Philosophy	...15
Disclosure on Management Approach	...20

SUSTAINABILITY APPROACH

In Harmony with NAPCC	...23
Assessing Sustainability Framework	...25
Future Ready	...26
Materiality	...29
Reporting Scope	...30
Sustainability Targets	...31

STAKEHOLDER ENGAGEMENT

...33

OUR PEOPLE

...37

PERFORMANCE

Economic	...47
Environment	...55
Social	...71

PRODUCT STEWARDSHIP

...83

RECOGNITION

...89

INDEPENDENT ASSURANCE STATEMENT

...91

GRI INDEX

...93

ACRONYMS

...97



Dear Reader,

I am happy to present L&T's third Sustainability Report.

Even as the world continued to face a challenging macro-economic environment, L&T pursued its long-term strategic plan, remaining steadfast in its sustainability journey. A resurging Indian economy and our concerted efforts will enable us to achieve accelerated growth. The year has vindicated our belief that an improved performance across the triple bottom line is vital to enhance stakeholder value.

As part of developing a comprehensive carbon strategy for L&T, we have completed carbon footprint mapping and energy audits of our operations.

Sustainability means Adaptability

L&T has interwoven its business interests with the larger interests of India and progressive emerging economies. We strongly believe that L&T's big opportunity is in helping build capabilities across nations. Our strategic geographical mix has not only kept us relatively buffered from the global economic downturn, but has also provided strong growth opportunities year on year.

As a company that prides itself on building things that build the nation, we have aligned our growth path to the missions outlined in the National Action Plan on Climate Change (NAPCC).

We aim to pursue sustainability-based growth platforms such as renewable/clean energy, water, mass transit, energy efficient products and green buildings.

Our conscious decision to actively focus on the supercritical segment of thermal power is a consequence of our larger commitment to environment-friendly technologies.

To propel sustainable growth, we envisage a more active role in the nuclear power sector. We have signed MoUs with almost all international nuclear technology suppliers, who have been selected for technology transfer and cooperation in India's nuclear power programme. We have formed a joint venture with Nuclear Power Corporation of India (NPCIL), to set up a Heavy Forging manufacturing facility at Hazira, Gujarat.

Initiatives to explore and develop business opportunities in solar energy are in place. We are targeting an installed capacity of 2000 MW in Hydel Power as a Developer and / or EPC Contractor over the next few years. An 8.7 MW capacity wind energy plant has been set up in South India to cater to substantial captive consumption. In addition, we engineer and manufacture large size castings for critical applications in wind power turbines.

As the country's largest builder of sustainable infrastructure, we are building the INR 120 billion Hyderabad Metro and have also bagged infrastructure orders in water management and clean energy projects.

As part of developing a comprehensive carbon strategy for L&T, we have completed carbon footprint mapping and energy audits of our operations. Projects have been identified for reducing our carbon footprint.

Sustainability means Developing Human Capital

To tackle the ever changing dynamics of the business world, it is very important to continuously develop our human capital to make them ready to face challenging situations. Our learning and development initiatives are designed keeping in mind the overall business strategy and organisational requirements.

Over the years, we have shifted from traditional to more strategic training systems. Our learning and development strategy helps us nurture good corporate citizens, retain top performers and build a pipeline of leaders across the organisation.

We have sharpened our focus on developing our employees through various initiatives such as training sessions, tie-ups with reputed management institutes and e-learning programmes.

Apart from the wide variety of training programmes and skill enhancement activities already operational,

last year we launched a new Management Education Programme in association with IIM, Ahmedabad. Such programmes are aimed at developing potential leaders at an early stage of their management career.

In order to fulfill the increasing demand for effective learning and development, we have undertaken new expansion activities at our Management Development Centre at Lonavala which will transform it into a world-class centre for learning.

Our training programme 'Prayag' has helped us to engage more effectively and groom our GETs (Graduate Engineer Trainees). The on-site training introduced through our Construction Skills Training Institutes (CSTIs) has trained more than 15,000 into skilled workforce.

We believe that the sustained development of our employees is one of the most important drivers for an organisation like ours.

Sustainability means Responsibility

L&T endeavours to impact lives of the underprivileged through interventions in education, health and skill building. These programmes are carried out across India through various L&T establishments and our employees by engaging with local communities.

In the reporting year, we provided medical attention to over 220,000 mothers and children across India through a spectrum of health initiatives. Employee volunteering increased multi-fold to 4,500 L&Ters.

Our corporate social initiatives touched a record 300,000 lives in 2010 with consolidation of our Ladies Club activities, employee volunteering and community engagement at various units in India. In addition, the L&T Public Charitable Trust engages in the vocational training and livelihood creation programmes for rural youth.

At L&T, we strongly believe that the Company's stakeholder value will rise in direct proportion to our contribution and commitment to inclusive growth. We have resolved to practice and propagate sustainability and make it an intrinsic part of our business.

I invite you to read this report and send your suggestions, for us to collaboratively work towards a sustainable future.



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

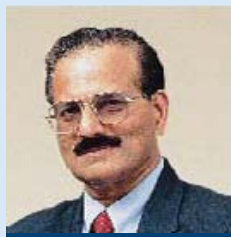


L&T won the

'Company of the Year Award'

instituted by Business Standard - a leading financial newspaper. The award was presented to Mr. A. M. Naik, Chairman & Managing Director of L&T by the Union Home Minister, Mr P. Chidambaram.

Message from Executive Directors



J.P. Nayak
Machinery & Industrial Products Division



Y.M. Deosthalee
Finance & HR



K. Venkataramanan
Engineering & Construction Division

The 'Triple Bottom Line' approach to creating 'stakeholder' value, as distinct from the uni-dimensional pursuit of 'shareholder' value, will play a vital role in ensuring the sustainability of our planet.

At MIPD, we believe that the performance of businesses is best measured and judged in terms that go beyond traditional financial parameters. We seek to measure wealth creation that encompasses our larger contribution to sustainable development. This report is an expression of our abiding commitment towards building a sustainable, secure and inclusive future.

The Indian economy has demonstrated its resilience amidst the turmoil of the global meltdown. This has helped the Company consolidate its leadership position across its major businesses during FY 2009-10.

The focus on meeting sustainability targets continued to remain high on the Company's agenda. Several initiatives related to conservation of energy and water as well as measures to improve Occupational Health & Safety performance were undertaken.

Risk management forms an integral part of the Company's business processes. The variety of risks to which the Company is exposed across its range of business operations are regularly identified, analysed and mitigated. A separate policy for environmental and social risk management has also been formulated and implemented. Effective risk management constitutes an important element of the decision making process and is critical to the sustainability of our organisation.

The Division is engaged in the execution of mega projects for the core sector, and acknowledges the importance of ensuring a future that will be equitable and in harmony with the environment.

Our mission is to be a technology-driven organisation, constantly moving up the value chain and growing on a sustainable basis.

We are at the vanguard of the drive towards newer, more eco-friendly processes, plant & systems, and are constantly augmenting our capability in assimilating and implementing state-of-the-art technologies. We will continue to work towards enhancing transparency, accountability and maintaining constructive dialogues with our stakeholders.



R.N. Mukhija
Electrical & Electronics
Division

Sustainable development parameters effectively measure the contribution of an organisation to its stakeholders.

The products manufactured by L&T's Electrical & Electronics Division (EBG) cover a wide range of customers from rural to urban areas and from automotive to healthcare sectors. In order to align with the National Action Plan for Climate Change and its mission of energy efficiency, the following steps are being taken by EBG:

- Design of a new range of products to reduce material usage and energy consumption.
- Mapping of carbon footprint and conducting energy audits across all manufacturing units.
- Implementation of ELITE (EBG's Lean Initiative Towards Excellence) programme across all manufacturing units.

EBG is committed to strengthening the process of engagement with stakeholders for streamlining key issues and enhancing sustainable value.

On the community front, the Company's Corporate Social Initiatives (CSI) Cell is working closely with community leaders and local NGOs to assess pressing community needs and enable long-term solutions.



K.V. Rangaswami
Engineering Construction
& Contracts Division

The Construction sector is the second largest employer in India and its positive impact on societies and communities, is profound.

As a leader in the Indian construction industry, with expertise and experience spanning over 60 years, we are utilising the sheer scale of our presence to sow sustainable practices wherever we provide total turnkey solutions.

In FY 2009-10, following were the thrust areas to further entrench sustainability within the organisation:

- Creating sustainability awareness among the workforce.
- Embedding sustainability principles and practices in our strategies / operations.
- Focusing on energy and water conservation.
- Emphasising safety, health and resource conservation at project sites.
- Impacting society through sustainable products, construction skills training and corporate social initiatives.

As we progress on this sustainability journey, we reiterate our commitment towards human development, quality of life and social equity.



V.K. Magapu
L&T Infotech

We commenced reporting on the sustainability performance of L&T Infotech by focusing on specific aspects pertaining to energy and water consumption.

This year, we have significantly expanded our scope of reporting on material issues of economic, social and environmental performance.

A significant level of awareness related to sustainability has been built into the organisation. This has resulted in substantial reduction in consumption of various critical resources.

Going forward, we will continue to focus on environmental aspects and also enhance our efforts in the areas of innovation, employee engagement & development, and diversity. The over-arching objective is to infuse the spirit of sustainability into the entire fabric of the organisation.



M.V. Kotwal
Heavy Engineering
Division

At Heavy Engineering Division, we have established a global reputation in technology and quality. Our leadership position and our mission to be the world's best in the areas in which we operate, puts a lot of responsibility on our shoulders to continuously strategise and significantly improve our performance across all the three bottom lines- Economic, Environmental and Social.

We have embedded sustainability into our business processes. For us, sustainability is a continuous journey and we have tremendous opportunities to do much more in this arena.

A.M. NAIK
Chairman & Managing Director

ENGINEERING & CONSTRUCTION

CONSTRUCTION

Operating Cos.

Buildings & Factories

- Institutional & Commercial Buildings
- Residential Projects
- Townships & SEZ
- Airports
- Hotels & Hospitals
- System Housing
- Industrial Plants
- Formwork & Building Products

Infrastructure

- Ports & Harbours
- Bridges
- Roads & Runways
- Metro Transportation
- Hydroelectric
- Nuclear Power
- L&T Rambøll - Engineering Services

Metallurgical, Material Handling & Water

- Minerals & Metals
- Bulk Material Handling
- Water Treatment & Distribution Projects

Electrical Projects

- Transmission Lines
- Substations
- Industrial Electrification & Instrumentation
- Railway Construction

E&C PROJECTS

Operating Cos.

Upstream

- Oil & Gas EPC Projects
- Modular Fabrication & Drilling Rigs
- Floating Production Systems
- Installation Services
- Subsea Systems
- L&T Valdel - Engineering Services

Mid & Downstream

- Refineries
- Petrochemical & Fertilizers
- Gas Processing
- L&T Chiyoda - Engineering Services

Process Plant Construction

Pipelines

- EPC - Cross-country Projects & Construction
- L&T-Gulf Pipeline Engineering

Operating Co.

Power Development & Construction

- Power Development
- Fuel Source Management
- O&M
- Development & EPC for Alumina Project
- Water Process Technology

Operating Co.

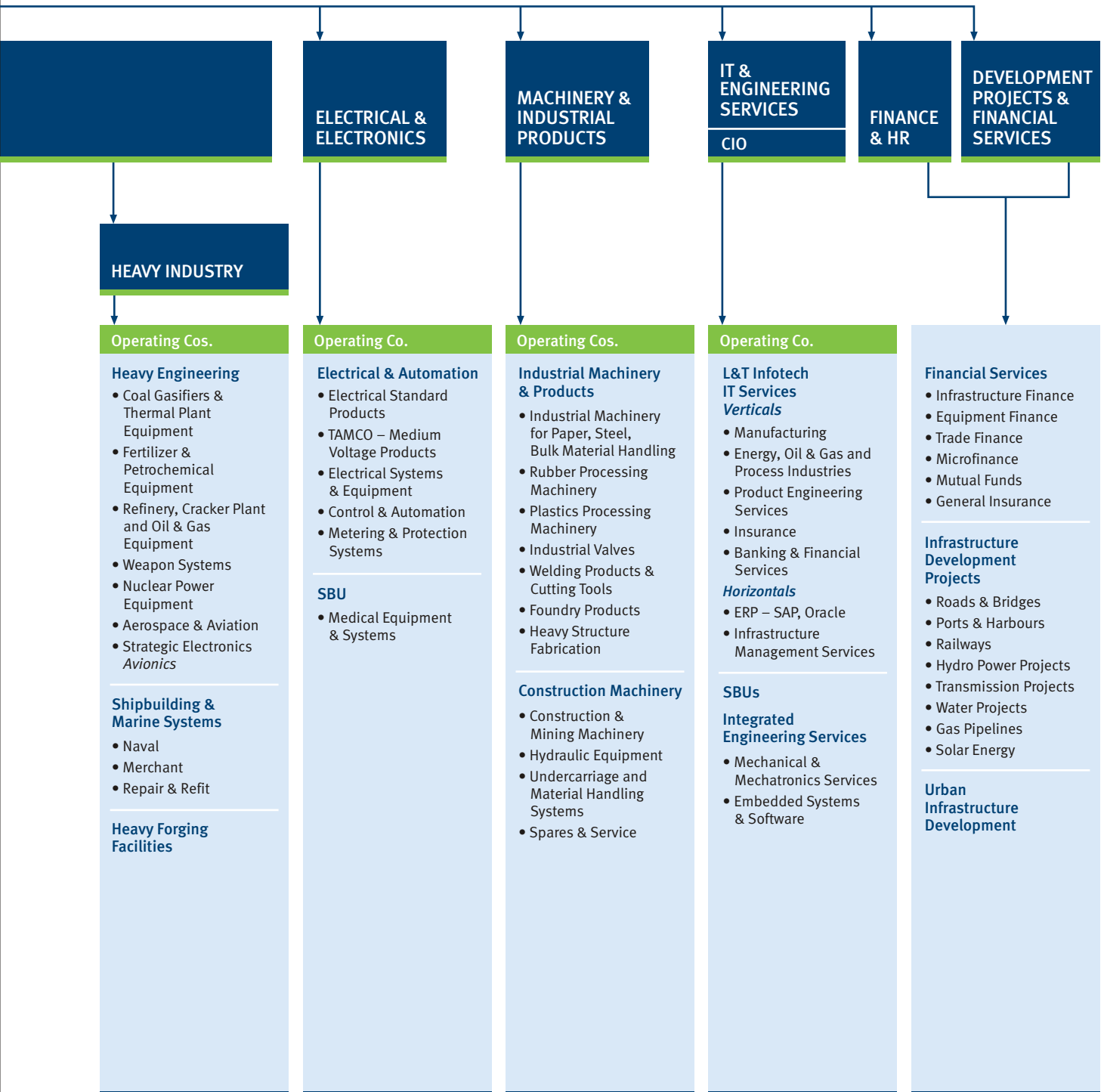
L&T Power Limited

- Coal-based Supercritical Projects
- Gas-based Projects
- Boiler Island
- STG Island
- Boiler Manufacturing Facilities
- Pulverizing Mills (VRM)
- Turbine Manufacturing Facilities
- Heavy Foundry
- HP Piping Manufacturing Facilities
- Axial Fans & Air Preheaters Manufacturing Facilities
- Electrostatic Precipitators Manufacturing Facilities
- Thermal Power Plant Construction
- L&T Sargent & Lundy - Engineering Services

Railway Projects

- Turnkey Solutions
- Mass Transport Systems
- Rolling Stock - Engineering & Manufacturing

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



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

Business Portfolio

Engineering, Construction & Contracts Division (ECCD)



The Division is India's premier infrastructure builder, and finds a place among global rankings of construction companies. Its signature projects include airports, ports, highways, bridges, factories, steel plants, water systems and material handling units. Its capabilities span the disciplines of civil, mechanical, electrical and instrumentation engineering.

The Division undertakes lump-sum turnkey construction with single-source responsibility. A track record of 65 years includes some of India's prized landmarks - Terminal 3 of the New Delhi Airport, the Baha'i Temple, several major power plants, steel plants at Jamshedpur, highways across the country, mass rapid transport systems, and the world's longest insulated pipeline.

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



The Division transforms a plan into a plant, delivering world-class EPC solutions in the oil & gas, refinery, petrochemical, fertiliser, power and water technology sectors. Its capability spectrum encompasses front-end design, engineering, fabrication, global procurement, project management, construction, installation and commissioning. In-house expertise and experience is complemented with strategic partnerships with global majors.

Modular fabrication facilities at Hazira on India's west coast, Kattupalli on the east coast and Sohar in Oman ensure a round the year delivery capability. Its offerings are characterised by a robust IT backbone, extensive project experience and deep customer focus.

Power



L&T Power Limited is a wholly owned subsidiary of Larsen & Toubro, mandated to integrate L&T's varied offerings in the thermal power sector. L&T Power combines diverse strands of experience in engineering, manufacturing and project execution, with a focus on providing turnkey solutions. A key area of interest is coal-based generation projects. Super Critical Thermal Power Plants are acknowledged to be more energy efficient than conventional power plants and therefore form a critical part of the L&T Group's green portfolio.

L&T Power collaborates with global majors to offer plant, products and systems that conform to global benchmarks. The product portfolio includes Supercritical Boilers & Steam Turbine Generators, Balance of Plant, HP piping, auxiliaries, HRSGs, ESPs etc. The customer profile of L&T Power comprises State Utilities, Private Sector IPPs and large corporates.

Heavy Engineering Division (HED)



The Division is acknowledged to be one of the top five manufacturing companies in the world. As a globally preferred equipment supplier of critical products and systems, it manufactures and supplies custom designed and engineered critical equipment and systems to core sector industries - Fertiliser, Refinery, Petrochemical, Chemical, Oil & Gas, and Thermal Power. The Division also manufactures equipment and systems for strategic sectors like Aerospace, Nuclear Power and Defence.

Electrical and Electronics Division (EBG)



The Division is India's leading manufacturer of electrical and electronic systems for low and medium voltage applications. It designs, manufactures and markets low and medium-voltage switchgear, switchboards, control and automation systems, metering and protection systems and medical equipment. EBG products address the growing needs of diverse customers comprising farmers, urban households and commercial buildings.

Larsen & Toubro is a USD 9.8 billion technology, manufacturing, engineering and construction conglomerate, with global operations. It is one of the largest and most respected companies in India's private sector. A strong, customer-focused approach and the constant quest for top-class quality have enabled L&T to attain and sustain leadership in its major lines of business across seven decades.

Machinery & Industrial Products Division (MIPD)



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

Information Technology



L&T Infotech, ranked by NASSCOM as the 8th largest Indian software & services exporter from India, is ranked 7th in DATAQUEST-IDC top 20 IT Best Employers Survey 2010. It is a wholly-owned subsidiary of Larsen & Toubro and is differentiated by a unique Business-to-IT Connect.

It offers comprehensive software solutions and services in BFSI, Energy & Petrochemicals, Manufacturing, and Product Engineering Services. It also delivers business solutions in SAP, Oracle, IMS, Testing, Consulting and BPS.



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

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

Global Presence

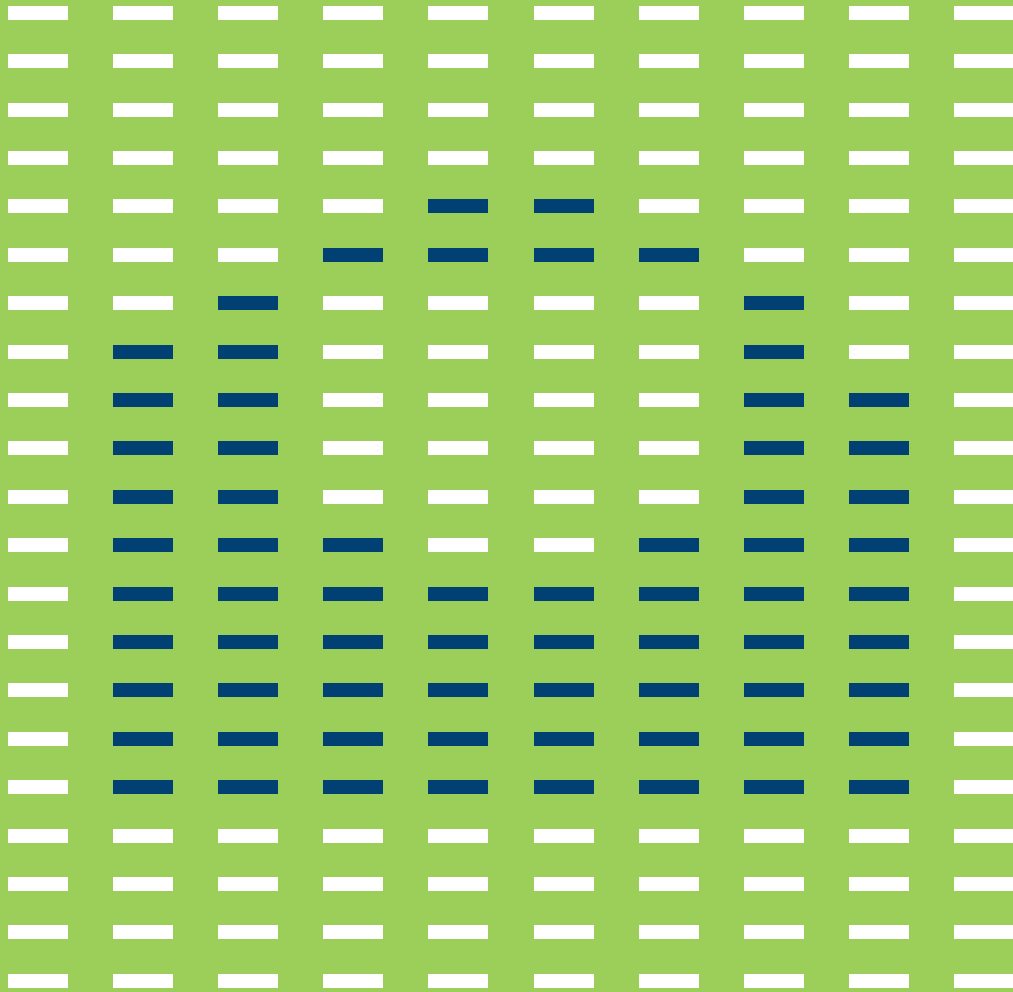


- ★ Offices
- Engineering & Construction Projects
- ▲ Product & Equipment Supply
- ◆ Manufacturing / Fabrication Facilities
- Agents

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



L&T HOUSE



Disclosure is the New Business Secret

Transparency is increasingly being recognised as one of the most potent tools for consistent business success. The demand for governance and accountability is now high on corporate, investor and public policy agendas.

At L&T, we are committed to good governance in letter and spirit. It has in fact been a vital ingredient in L&T's success recipe. Our culture promotes ethical behavior and a sense of openness.

Corporate Governance

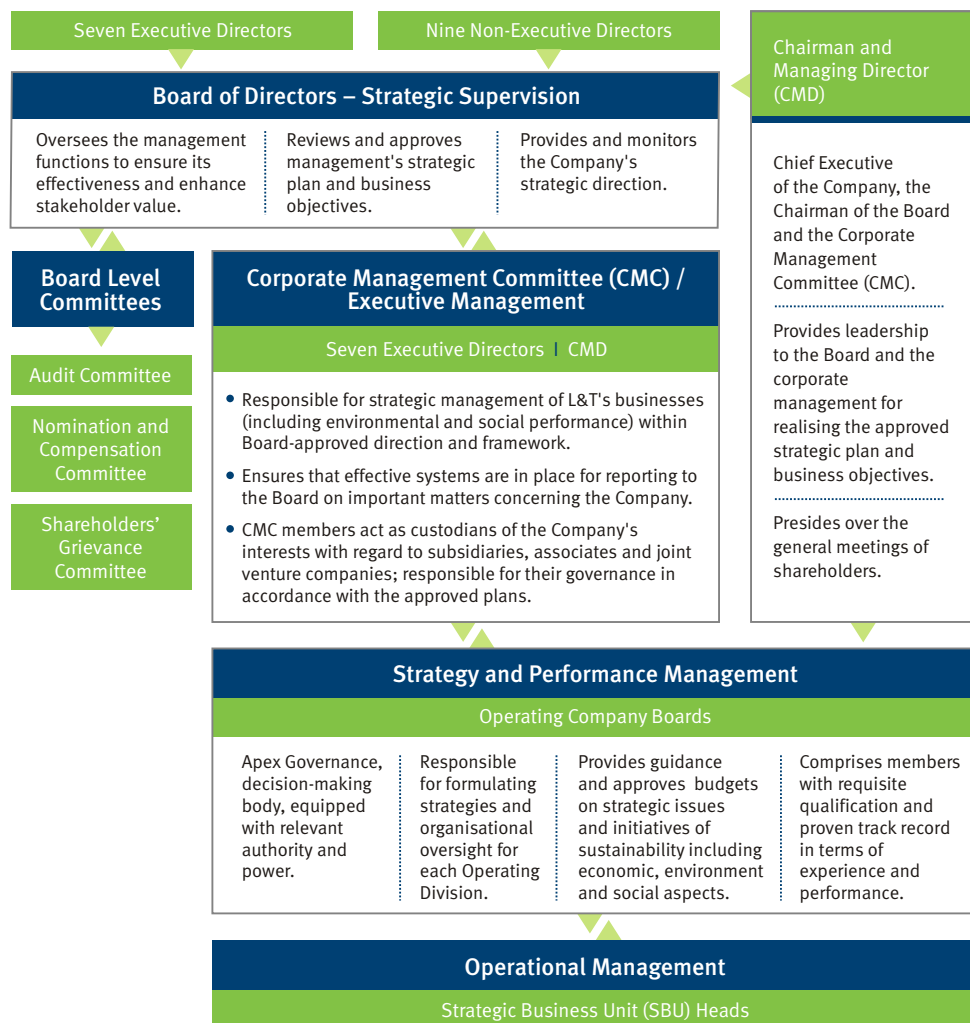


Responsible companies win the respect of stakeholders. Their actions, governed by accountability and transparency, become industry norms, attract investors and are emulated by other progressive companies.

At L&T, Corporate Governance and disclosure practices go beyond mandated legislation. We foster a work environment where integrity is built-in, where every action is viewed through the prism of transparency, fairness and professionalism and where accountability is a priority across plants, people and processes.

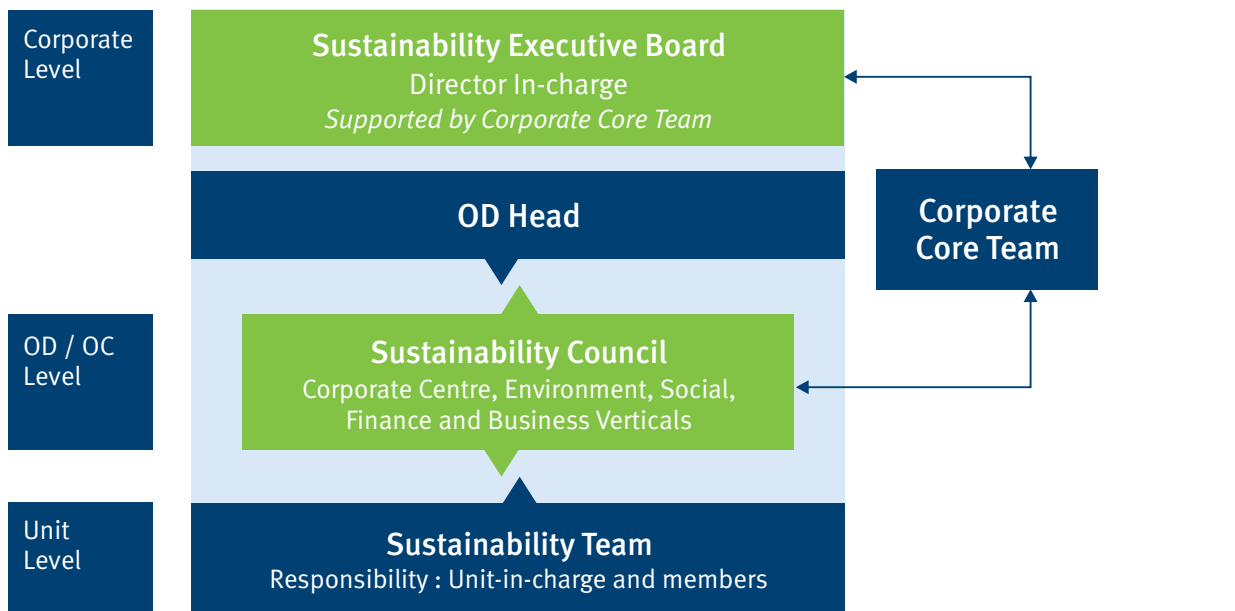
Governance Structure

Larsen & Toubro Limited is a public limited, professionally managed company operating from India. Our governance structure is designed to improve decision making and enhance long-term prosperity. It comprises Strategic Business Unit (SBU) Heads along with Executive and Non-Executive Directors on the Board of Directors - the highest decision-making body within the organisation. The structure ensures greater management accountability and credibility, facilitates increased autonomy of businesses, propagates performance discipline, nurtures development of business leaders and boosts public confidence.



Sustainability Structure

A Sustainability Executive Board, comprising members from the CMC, ensures effective formulation and implementation of our sustainability strategy. The institution of the Board is a part of our top-down approach to increase the resources dedicated to our sustainability programme. The Board decides on policies to be implemented across the company and reviews the sustainability performance.



Remuneration Policy

Our remuneration policies and practices are formulated with an aim to attract, motivate and retain high calibre individuals who will deliver success for shareholders and high levels of customer service, safety and environmental performance.

Our competitive remuneration packages largely consist of base remuneration, perquisites and performance incentives. The components of remuneration vary for different grades, and are governed by industry patterns, qualifications, experience, responsibilities individual performance etc.

Remuneration paid to Executive Directors (EDs) is based on the approval of the Board and the shareholders. It is by way of salary, perquisites, retirement benefits and commission. The commission is calculated with reference to net profits in the financial year and as per Sections 198 and 309 of The Companies Act, 1956.





RELEASE OF L&T'S SUSTAINABILITY REPORT 2009

Processes in Place

Our decentralised governance mechanisms enable us to benchmark performance against targets, review impacts, mitigate risks and challenges, identify and implement corrective and preventive action plans.

We have two key ongoing projects to strengthen the foundation of our processes.

ACTION PLAN	OBJECTIVE
Project PRITHVI	To streamline the process of measuring, monitoring, documenting and reporting our economic, environmental and social performance as per Global Reporting Initiatives (GRI)-G3 guidelines.
Project LAKSHYA	A five year plan aimed at progressively upgrading our capabilities, systems, processes and services. Project LAKSHYA (2005-10) concluded successfully. The second phase of Project LAKSHYA (2010 - 2015), aims to make our business even more resilient and future ready.

We have incorporated the requirements of the ISO 9001, ISO 14001, OHSAS 18001 across 19 locations and practise the Six Sigma approach in our product businesses. A host of material, energy and water conservation initiatives, along with an ever increasing use of renewable energy and adoption of recycling projects are helping us constantly enhance our environmental performance.

Performance Measurement and Review Mechanisms

Robust corporate governance systems and processes are in place to measure and review our performance and comply with applicable regulatory requirements. Financial and non-financial data are collated through detailed project reports and each project is reviewed at multiple levels. Best-in-class information technology has been deployed to enhance our compliance with organisational systems, eliminate redundant processing, optimise productivity and reduce costs.

Other modes for gathering qualitative internal performance indicators include

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

Code of Conduct and Risk Management Framework

We constantly ensure that we are living our values and aligning our business practices with our guiding principles. These principles are enshrined in a code of conduct for all our Board members and Senior Management personnel (one level below the Executive Directors including functional heads) of the Company.

Policies, procedures and guidelines have been formulated for a number of important issues to clearly set out how we expect our people to act and conduct themselves. These cover:

- Codified guidelines on corporate communication

- Securities dealing code

- Protection of women's rights in the workplace

- Corporate Information Technology

- Security manual and procedures

- Whistleblower Policy

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

Any change in directorship is immediately reported to the Board. This information is shared with the accountants of all the Operating Divisions and compliance with the provisions of The Companies Act, 1956 is ensured.

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

The code of conduct is available on the Company's website, www.larsentoubro.com. The annual declaration about its compliance by the Company is also given by the CMD.

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 & Managing Director

Date: May 17, 2010
Place: Mumbai

Internal Control System

OBJECTIVE

To establish a comprehensive internal control mechanism.

MECHANISM

Documented policies, authorisation guidelines commensurate with the level of responsibility and standard operating procedures specific to the respective businesses.

IMPLEMENTATION

Significant observations made in internal audit reports on business processes, systems, procedures and internal control and the implementation status of recommended remedial measures are regularly presented to and reviewed by the Audit Committee of the Board, by our Corporate Audit Services Department and by independent evaluators.

Corruption & Anti-competitive Behaviour

L&T is committed to abstain from corruption, bribery and unfair anti-competitive actions that distort markets and hamper economic and social development.

Guidelines for financial transactions and non-financial documents, set by the Top Management are communicated to employees along with the Code of Conduct and the Whistleblower Policy. No incident of corruption was reported during the reporting year. We also comply with relevant statutory requirements including anti-competitive behaviour. No legal actions in this regard were initiated against us in FY 2009-10.

Public Policy Advocacy

In partnership with business and trade organisations, we work across sectors to influence policy and legislation. Our senior executives participate in the development of public policy that addresses issues affecting industry, business, products, and customers.

Compliance

Our compliance system embraces various ethical professional practices making sure all applicable laws and regulations are observed. In the reporting year, no financial or non-monetary sanctions were imposed upon us.

Precautionary Approach

Our sharp attention to risk governance has ensured that we have mechanisms to inform our Board members about initiatives for risk assessment and minimisation as well as a periodic review. We have established a framework that facilitates an early-stage understanding of the exposure to various risks and uncertainties, leading to timely response and effective mitigation. The system comprises the risk management structures, procedures and policies at the corporate and divisional levels. A comprehensive checklist for each project type and quality management system help mitigate risks.



Commitment to External Initiatives

We follow the Global Reporting Initiative (GRI) framework to report our economic, environmental and social performances. In addition, we comply with applicable International Labour Organisation and United Nations Directives covering the following:

- Statutory and regulatory compliance
- Business ethics
- Fair and equal opportunity to all employees
- Improving employee lifestyles through training
- Labour camps
- Medical facilities at project sites
- Measuring, monitoring and conserving materials & energy sources

Memberships

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

- Construction Industry Development Council (CIDC)
- Indian Electrical and Electronics Manufacturers Association
- Bureau of Indian Standards
- Confederation of Indian Industries - Infrastructure panel, Southern Region
- Bangalore Chamber of Industry and Commerce (taxation committee)
- National Safety Council
- 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 (IICChE)
- Chemtech Foundation
- Confederation of Indian Industry (CII)
- Federation of Indian Chambers of Commerce and Industry (FICCI)

Disclosure on Management Approach

ECONOMIC



We believe that while the financial bottom line is critical, the manner in which the results are achieved is equally important.

This convergence of economic and social goals is embedded in our value system and forms part of our vision statement as well.

We are constantly on the lookout for emerging business opportunities and challenges. We ensure that we stay ahead of the curve and do not endanger our inherent competitive advantage.

L&T promises consistent quality, competitive cost and timely delivery in its products/projects. This enhances shareholder value and addresses the expectations of its customers, employees, stakeholders and society.

Project LAKSHYA was initiated in 2005 to enhance L&T's global footprint, build an organisation that continuously raises the bar and attracts the finest talent. At the same time, focus is also on developing technologies and products which efficiently minimise environmental impact. The project uses rigorous programme management tools to monitor company-wide progress.

Alongside risk management, we strongly believe that achieving cost efficiency is another significant contributor towards a sustained trend in profitability. Towards this, we have adopted various initiatives like global sourcing, lean manufacturing and standardising repetitive operations and processes etc.

ENVIRONMENTAL



The future belongs to a low carbon economy. We constantly seek to harness business opportunities that can lead us towards a low carbon future.

The strategy is two pronged - first optimise the carbon efficiency of existing assets, operations, products and services; second, create and participate in new low carbon solutions especially by incubating technological shifts and developing new product lines.

Our objective is to progressively increase the use of clean and green technologies and reduce pollution through deployment of superior design, operation and maintenance processes. Energy-efficient alternatives and practices not only result in environmental conservation but also yield cost optimisation. Hence, a structured and systematic process is in place at L&T, to reduce the environmental footprint of our operations, products and services. Towards this objective, we continue to focus on efficient consumption of material, energy and water.

We adhere to the customer-specific and applicable regulatory requirements, both at our plants and at customer sites. At L&T's project sites and offices, the respective managers are responsible for ensuring optimal consumption of material and energy.

All our operating divisions have set policies that envelop quality, environment, health and safety aspects. Our Corporate Management Committee, Divisional Boards of individual Operating Divisions, business unit heads and other department heads are responsible for the implementation of such policies. Alongside internal audits which continue to be conducted periodically, we also carry out external audits by certification agencies (ISO 14001 and OHSAS 18001) for plant/project locations and design centres.

We also facilitate Environment, Health & Safety training for employees on a regular basis to enhance competency and encourage commitment.

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.

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.



Green environs at L&T campus, Talegaon, Maharashtra.



Safety practices are consistent at all L&T project sites.



Sound HR practices ensure high morale.



SOCIAL

The expectations of society from a business are constantly changing but instead of treating this as an obstacle, we at L&T see this as an opportunity to make a difference.

Labour Practices and Human Rights

At L&T, talent management is a comprehensive process by which we attract the individuals with the right skill set, develop the capabilities of employees and retain their services by enriching their experience in the organisation.

Compliance is not what we aim to achieve, it is what we start off from. Our practices reflect high ethical and human rights standards that extend beyond statutory requirements. We comply with applicable local laws and uphold the spirit of human rights as per regulatory requirements - conventions of the International Labour Organisation (ILO), The Factories Act 1948, Building & Other Construction Workers (Regulation of Employment & Conditions of Service) Act, 1996, and Central Rules, 1998, Industrial Disputes Act 1947.

Sound employment practices and EHS principles are embedded in L&T's management strategy. A well-defined structure ensures efficient implementation across hierarchies.

To communicate the policies to all employees, various tools are deployed viz. induction training programmes, interactive sessions, intranet sites, policy manuals and posters. Managers from IR, HR and EHS ensure effective implementation of such policies. Issues related to workplace sexual harassment are addressed by regional complaints committees.

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

Societal Commitment

The expectations of society from a business are constantly changing but instead of treating this as an obstacle, we at L&T see this as an opportunity to make a difference. It is our ongoing endeavour to nurture mutual respect and accelerate symbiotic growth between our business and the community.

We view our large geographical footprint as an advantage that allows us to impact more lives.

Our Corporate Social Initiative (CSI) cells work closely with community leaders and local NGOs to assess immediate and strategic needs. We then apply our management experience and expertise to harness the

most effective levers and enable long-term solutions to these needs. Employees along with their families are encouraged to engage in these initiatives.

By helping our community enhance their lives; we get access to long-term opportunities, win the trust of stakeholders, accelerate our investments in innovation and explore new growth avenues.

Active support is lent to employee participation in public policy formulation and networking with NGOs, government agencies, chambers of commerce and academic institutes for effective knowledge sharing.

Product Responsibility

We connect to our stakeholders through the products and services that we offer. Our wide range of products with their various applications, help us touch the lives of a large section of society.

We constantly strive to ensure that our products are manufactured, stored, transported, used, disposed and recycled in an environmentally and socially responsible manner.

Our OC Board members ensure that our products and services are built around sound engineering practices. Good sustainable practices are a vital design input into

our products. We take necessary approvals from relevant authorities on the product / process, and meticulously ensure adherence with statutory norms.

Investments in research and regular customer feedback help enhance product and service quality on a continuous basis.

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



Sustainability Approach

The world's environmental, social and economic landscapes are undergoing a tectonic shift. A volatile global economy, climate change and social discord make it clear that 'business as usual' will no longer be viable. This convergence of multiple challenges calls for an innovative, adaptive and collaborative response.

Our response to these changing times stems from a renewed focus on sustainability across our operations.

We, at L&T have adopted an integrated approach to sustainability, with an aim to pursue holistic growth. Concepts such as cleaner technologies, waste elimination, a larger green footprint and contribution to social good, find ready champions across the company.

Our practice of sustainable business is founded on the premise that Corporate Sustainability is not prescriptive but participative – it is not a set of rules that have been laid down by the Management but rather a responsibility that is shared by all.

L&T is the first engineering & construction company in India to report on its Corporate Sustainability performance.

The report is GRI Checked Application Level A+

In Harmony with NAPCC

The economy needs to work hand in hand with ecology. Any adverse impact on the climate has a fallout on the financial and social front. As the world's second fastest growing economy, India's future will depend on how well we balance our economic and environmental assets.

Sensing the need and urgency to address climate change and maintain an ecological balance, the Government of India, released a National Action Plan on Climate Change (NAPCC) in June, 2008.

We believe that businesses are the growth engines of India and have the transformative potential to make a difference. Industry must collaborate with the government to bring about inclusive development. L&T's strategies have always been in alignment with the nation's needs, be it for economic prowess, infrastructure needs or fuelling a low carbon future.

Our goals and actions have therefore found resonance with the eight missions enshrined in the NAPCC

1 SOLAR

- Initiatives are in place to explore opportunities and develop engineering capabilities for solar power projects.
- 407 kW solar photovoltaic power project implemented at ECCD - Chennai.
- 1 MW rooftop solar power plant planned at Hazira.
- Progressive implementation of solar street lights, power packs at construction sites plus solar powered water heaters and lighting.

2 ENHANCED ENERGY EFFICIENCY

- 15,440 GJ of energy saved through a host of initiatives.
- Energy audits conducted by Bureau of Energy Efficiency (BEE) accredited agencies at manufacturing locations of four Operating Divisions and L&T Infotech - projected savings 7.7 million kWh. MIPD will conduct the audit in 2010-11.
- L&T Infotech has established its first Green Data Centre at Powai which consumes around 30% less energy as compared to a conventional data centre.
- Wind energy constitutes 8% of L&T's electricity mix.
- An 8.7 MW wind farm in South India for captive consumption.

3 SUSTAINABLE HABITAT

- ECCD has capabilities for design and construction of green buildings.
- Four of our buildings located within L&T campuses at Chennai, Hazira and Ahmednagar have already been certified as green buildings. A fifth building, located at Talegaon, is in process of being certified as a Green Building.
- We plan to convert eight additional buildings into Green Buildings.

4 WATER

- All L&T campuses are targeting zero wastewater discharge. 9 locations out of 19 are already zero waste water discharge units.
- L&T has proven capabilities to execute large water management projects in the areas of distribution, water treatment and wastewater solutions.

5 GREEN INDIA

- Over 35% of the available open land at our manufacturing locations has been converted into a green cover.
- At ECCD, Chennai, the employees of L&T have initiated 'Project Green Hands' with a goal to plant 50,000 saplings, in the next 18 months, in and around the city.
- To bring back green in nature's palette, we carry out tree plantation in and around our campuses and project sites across India.

6 SUSTAINABLE AGRICULTURE

- HED has contributed significantly to both - the green revolution and growth of the agricultural sector, by supplying critical equipment to a majority of the fertiliser plants in India.
- EBG motor starters address the growing needs of farmers in rural areas.

7 SUSTAINING THE HIMALAYAN ECOSYSTEM

- At our project sites, in Uttarakhand, Arunachal Pradesh and Himachal Pradesh, we provide saplings to the local communities to maintain and enhance green cover. Periodic inspections are carried out and locals are encouraged to ensure survival of trees.
- Infrastructure development, medical camps, skill building and employment opportunities have been generated in the neighbourhoods of our project sites in the Himalayan region.

8 STRATEGIC KNOWLEDGE FOR CLIMATE CHANGE

- To develop a future ready human resource equipped to deal with the business impact of climate change, we have undertaken the following initiatives at the organisational level:
 - Organised Senior Management level programme on 'Business Case on Sustainability'.
 - Our induction programme also includes training modules on Climate Change, Sustainable Development and EHS.
 - Our executives participate in various programmes on climate change and low carbon emissions conducted by professional bodies in India and overseas.
 - Recognising the need for certified energy auditors, L&T has planned focused training programmes for employees to qualify as energy auditors.

Assessing Sustainability Framework

During the third reporting cycle we teamed up with KPMG Advisory Services to undertake a maturity assessment of our sustainability framework based on our FY 2008-09 sustainability report. The assessment analysed five key elements across three maturity levels.

		MATURITY LEVELS		
		BASIC Remain in compliance	MODERATE A management process	ADVANCED A strategic tool
FRAMEWORK ELEMENTS	Identification and prioritisation	Issues identified with the sole purpose to comply with current compliance demands	Industry trends are identified through current operational risks than future opportunities	External trends are assessed and measured in relation to key strategic goals
	Strategy and Governance	Governance or risk management mechanisms remain incomplete	Frequent sustainability assessment including analysis	Mechanisms exist to formally identify and respond to potential and emerging accountability issues
	Performance Management	Accountabilities for implementing policies, strategy and objectives are not formalised	A range of qualitative and quantitative tools and techniques	Accountabilities for implementing policies, strategy and objectives are formalised and embedded
	Reporting and Assurance	A tick in the box supported by limited external reporting	Extensive reporting to the board and audit committee	The existence of activities described by performance data can be ascertained
	Value Optimisation	Achieve full compliance with the appropriate legislative requirements	Sustainability information supports the modification of key controls	Employee forums are used to encourage sustainability awareness and the sharing of innovative ideas on the same

		MATURITY LEVELS								
		BASIC Remain in compliance			MODERATE A management process			ADVANCED A strategic tool		
		LOW	MEDIUM	HIGH	LOW	MEDIUM	HIGH	LOW	MEDIUM	HIGH
FRAMEWORK ELEMENTS	Identification and prioritisation									
	Strategy and Governance									
	Performance Management									
	Reporting and Assurance									
	Value Optimisation									

Maturity of the sustainability framework is gradual. Over the last 3 years, L&T has made steady progress towards transforming episodic sustainability activities into a cohesive and strategic movement. Our objective is to develop each element as a strategic tool.

Future Ready

We believe that the future may be unexplored but not uncharted. Our strategic plans have mapped out trends and the likely contours of the future. Each of our business units is actively preparing to harness opportunities and mitigate challenges.

ECCD	
Risks & Opportunities	Strategic & Operational Initiatives
Safety of workmen	Continuous training on safety & work methods. Enhance mechanisation in construction. Focus on increased PPE. Constant monitoring of workplace.
Conservation of natural resources	Adopt new technologies and alternate products to deliver more value with less. Recycle and reuse waste.
Skilled workmen & productivity	Impart training through CSTI & on-job training at construction sites.
Energy conservation	Energy efficient plant and machinery at offices and project sites.
Latest technology products	Promote green buildings and green construction. Dedicated teams to develop and promote new technologies.
Environmental management	Meet and go beyond contract requirements at project sites. Upgrade plant & machinery to reduce air & noise pollution.
Water management	Use alternative technologies & materials that reduce water consumption. Recycle & reuse water at permanent establishments. Promote rain water harvesting at the design stage.
Health & hygiene of workmen	Periodic health check-ups. Improve health and hygiene at project sites.
Community engagements	Need assessment surveys and implementation of initiatives in line with thrust areas - Education, Mother & Child Healthcare and Skill building. Align with community needs.

E&C	
Risks & Opportunities	Strategic & Operational Initiatives
Identify new growth areas	Formulate strategic plan 2010-2015. Identify new markets and geographies for business growth in select countries across the Middle East, South America, South East Asia, and Africa.
Risk-sharing and taking advantage of complementary strengths of alliance partners	Adopt risk mitigation strategies, best practices in joint ventures/ consortiums and leverage strengths of alliance partners and associates.
Risks during bidding and execution of projects	To ensure structured risk management processes in place. Adopt new approaches to assess environmental & social impacts across projects.
Enhance operational excellence	Institutionalise knowledge management practices across business units. Various functional capability centres instituted under 'Project Kiran' are operational and yielding results.
Develop skills and capabilities of our employees	Project Management Institute (PMI) established at Vadodara to nurture a talent pool of project engineers. Capacity building programme in International EHS practices conducted for employees.

HED

Risks & Opportunities	Strategic & Operational Initiatives
Ensure a sound risk management framework	A Risk Management Cell assesses financial, environmental and social risks & opportunities of projects, through policies & procedures.
Reduce GHG emissions from operations, processes, products and services	In addition to exploring opportunities in energy conservation, several projects initiated to reduce GHG emissions. Consumption of high speed diesel reduced through the increased use of cleaner energy sources like LPG / Natural Gas. Use of renewable energy.
Increase water conservation & recycling at manufacturing locations	Adherence to a zero wastewater discharge approach along with the implementation of drip irrigation and rainwater harvesting.
Green projects & products	Adoption of Sulphur emission reduction technologies in refineries and petrochemical industries. Consolidated capabilities for developing environment-friendly coal gasifiers and manufacturing key equipment for super critical thermal power plants.
Nurture greener attitudes and technologies	Continued investment in cleaner technologies besides working towards environmentally responsible waste management practices.
Make HED a desirable workplace	Implementation of 'Enterprise-wide Collaboration for Alignment with Strategy (ECAS)' initiative to enhance employee engagement, team building and maintain growth momentum to face business challenges.

EBG

Risks & Opportunities	Strategic & Operational Initiatives
Enhance energy efficiency	Developed and offered products and solutions which help customers reduce their own carbon footprint.
Sustainability in supply chain	Establishing processes and methodologies to extend sustainability practices across the supply chain.
Meeting customer expectations for technologically advanced products which are environmentally friendly and cost competitive	Continued emphasis on value engineering, LEAN manufacturing and product innovation. Introduced more RoHS compliant products.

MIPD	
Risks & Opportunities	Strategic & Operational Initiatives
Globalisation and competition from international players	Thrust on international business opportunities to increase geographical coverage. Introduced new products - Hydraulic Presses, Hybrid Presses and Rubber Processing machinery. Collaborated with additional distributors for wider coverage of India.
Explore new technologies	Tie-ups and technological innovation for foundry development, improved welding methodologies and superior cutting tool solutions.
Energy consumption at manufacturing locations	Conduct energy audits for all manufacturing locations and formulate energy conservation indicators.
Integrated approach for resource conservation	Implemented ISO 14001 and OHSAS 18001 certification systems for MIPD manufacturing units.
Extend sustainability initiatives in the supply chain	Identify key suppliers impacting business operations. Spearhead capacity building programmes for supply chain and develop a code for sustainability practices. Assist vendors through the implementation process.

L&T INFOTECH	
Risks & Opportunities	Strategic & Operational Initiatives
Increased competition due to global economic conditions	<p>Diversification and enhancement of our services portfolio</p> <ul style="list-style-type: none"> Strengthened our capabilities in Testing, Consulting, Business Intelligence and Data Warehousing and Enterprise Application Integration Acquiring platforms <p>Expansion of target markets</p> <ul style="list-style-type: none"> Opened up a new development center in Belfast, Northern Ireland, to strengthen our near-shore presence in the UK and European market Sales Offices: Expanded in geographies such as Australia by setting up a sales office in Melbourne and relocated our Middle East headquarters to Dubai Outsource Zone which has great strategic potential Enhanced our focus on domestic market, won 2 major System Integration projects. New Verticals: Life Sciences & Healthcare Practices Partnerships: Built key partnerships, e.g. salesforce.com
Integrated IT & BPO	Started offering transaction-based BPO services to complete our services portfolio as an end-to-end IT services provider.
Rapid developments on technology front (e.g. cloud computing)	Launched an end-to-end cloud computing adoption toolkit and cloud advisory consulting services.
Talent management and retention	<ul style="list-style-type: none"> Developed a 'Talent Management Framework' <p>Highlights:</p> <ul style="list-style-type: none"> Well-defined career paths for employees with flexibility to move into different career tracks Effective use of LEO (Leveraging Employee Opinion) system for measuring employee engagement and taking necessary corrective actions Enhanced communication (open house, team meetings, skip-level meetings, personal level counseling (SAATHI) forums, etc) Enhanced our brand through various initiatives

Materiality

Materiality is the threshold at which an issue becomes sufficiently critical to merit reporting. Material issues vary between different business segments, hence identifying and acting upon such issues is a challenge for L&T.

In the previous year, the materiality of report indicators was developed through an inclusive approach based on the interactions with internal and external stakeholders. This year we engaged KPMG Advisory Services, to prepare a detailed and comprehensive list of materiality issues. The purpose was to ensure a more cogent and credible materiality determination.

The methodology included interactions with the internal and external stakeholders by means of interviews, meetings and telephonic conversations. More than 200 key stakeholders were individually consulted.

The two prioritisation parameters considered while determining material issues were:

1. Level of importance indicated
2. Common issues raised by both sets of stakeholders

Material Issues: Internal Stakeholders

- Ensure safety and well being of employees
- Create awareness on L&T's Sustainability initiatives
- Embedding sustainability into business strategy and develop a five year strategic plan for promoting sustainability
- Create OD specific sustainability dashboards for reviewing and monitoring sustainability performance at the leadership level
- Conserve natural resources (water and energy): focus on reduce, reuse and recycle
- Employee turnover

Material Issues: External Stakeholders

- Focus on EHS issues
- Top Management ownership of Sustainability
- Ensure widespread communication of sustainability initiatives
- Create long-term and self-reliable social responsibility projects
- Improve vendor-supplier relationship management
- Retention of talent in L&T workforce

Key material issues that emerged

- Focus on EHS: employee health & safety, product design & execution, water conservation, waste management, carbon footprint
- Review of sustainability agenda in structured manner by top management: Sustainability strategy implementation, dashboard, roadmap
- Create awareness and communicate effectively on L&T's Sustainability initiatives
- Increase consumption of renewable energy and concentrate on energy efficiency
- Employee retention



Reporting Scope

L&T publishes Corporate Sustainability Report annually. Our third report covers environment, economic and social performance from April 1, 2009 to March 31, 2010. The reporting framework is in accordance with the Global Reporting Initiative (GRI)-G3 2006 guidelines and the applicable GRI Indicator protocols have been followed for reporting on core and additional indicators.

Report Boundary

This report covers our Operating Divisions and L&T Infotech Limited. All other subsidiaries and associates are excluded. The reporting boundary has been increased to cover all major manufacturing locations, projects sites and offices across India, as well as overseas projects managed from India:

Engineering Construction & Contracts Division

Business operations and India based support processes, Project sites (new locations)

Engineering & Construction (Projects) Division

Project locations and offices within India at Powai, Vadodara, Faridabad and fabrication facility at Hazira

Heavy Engineering Division

Locations at Powai, Hazira, Ranoli, Talegaon, Coimbatore (New Location) and Vizag (New Location)

Electrical & Electronics Division

Locations at Powai, Mahape, Ahmednagar, Mysore and Coimbatore (New Location)

Machinery & Industrial Products Division

Construction Machinery Business, LTM, & Kansbahal units

L&T Marketing Network

Offices in India

L&T Infotech

Offices in India

The data for economic performance has been disclosed as per L&T's financial report of FY 2009-10.

Assurance

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

The report is assured by DET NORSKE VERITAS AS (DNV), India and the assurance engagement is of Type 2 and Moderate level as set out in the AA1000 Assurance Standard 2008 covering qualitative and quantitative information. Their assurance statement, describing the work undertaken and their conclusions, is included in this report.

L&T declares that the report conforms to Application Level A+ and DNV has confirmed the Application Level.

Feedback

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

Mr. Ajit Singh

Executive Vice President,
Corporate Infrastructure & Services

Larsen & Toubro Limited,
Saki Vihar Road, Powai, Mumbai 400 072, India

Email: sustainability-ehs@pgm.ltindia.com

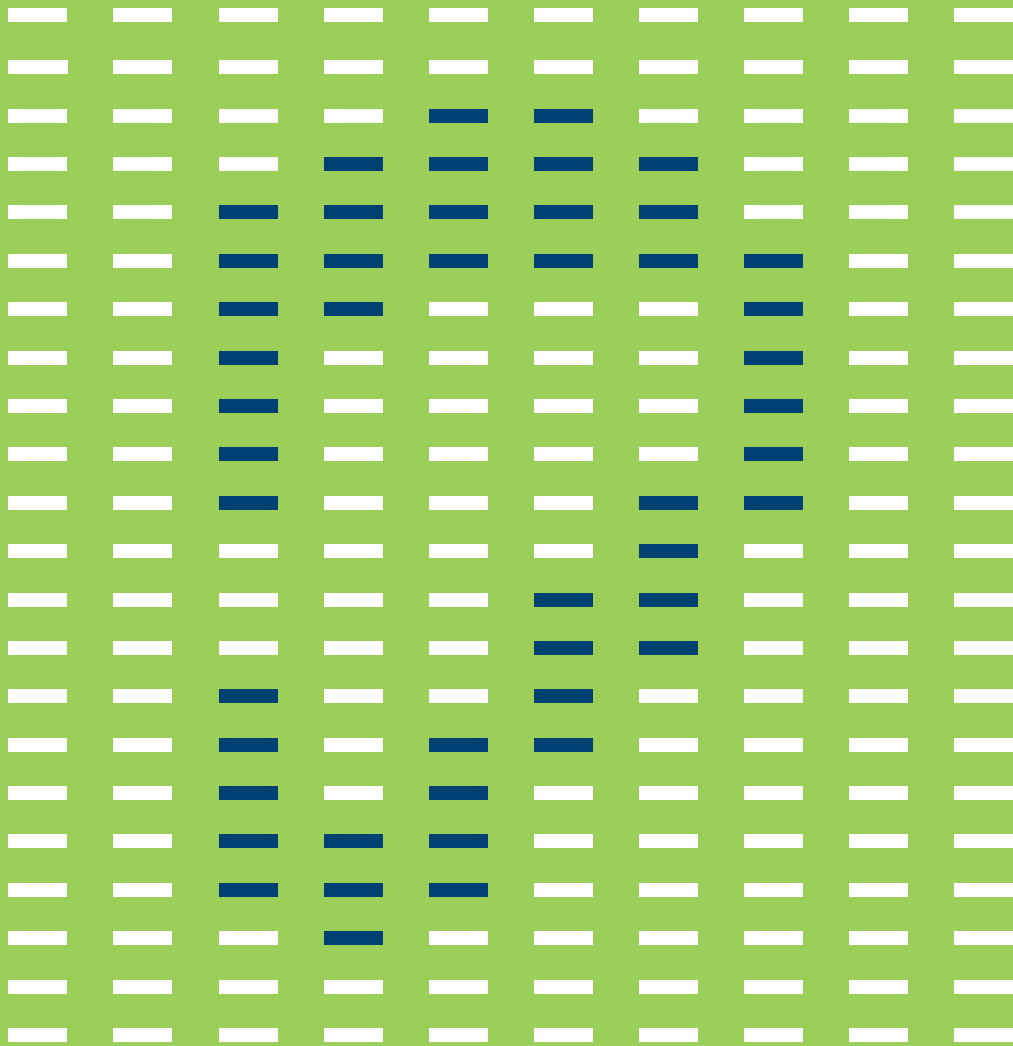


The L&T Sustainability Report 2010, is a GRI Checked Application Level A+ report, signifying high level of transparency.

Sustainability Targets

An affirmative progress has been realised on the set targets. We aim to power ahead our sustainability endeavours to not only achieve the prescribed targets, but surpass them.

SUSTAINABILITY AREA	CORPORATE – SHORT TERM TARGETS (2009-12)	PROGRESS
Climate Change	Conducting carbon footprint mapping of L&T operations	Carbon footprint mapping of L&T manufacturing locations and project sites completed.
Energy Conservation	To conduct energy audits at all manufacturing locations	Completed at manufacturing locations of four Operating Divisions (ODs) and L&T Infotech. Audit for remaining OD (MIPD) will be completed in 2010-11.
	Improve energy conservation metric by 10%	Areas for energy conservation identified from energy audits.
	Developing location-wise roadmap for increasing use of renewable energy	Wind farm of 8.7 MW commissioned in South India. Solar energy is used at Chennai, Powai, Hazira, Talegaon, Ahmednagar and Mahape campuses.
Water Conservation	Adopting zero-discharge approach	Feasibility Assessment completed at 19 locations. 9 locations are zero wastewater discharge campuses.
	Reducing per capita water consumption by 10%	Based on a feasibility assessment report, detailed water audit of key campuses is planned in 2010-11.
Safety	Achieving zero accident status at manufacturing locations	Road map prepared by Corporate EHS council. Eight manufacturing locations had zero reportable accidents.
	Reducing FR and SR at project location by 50%	30% reduction achieved.
Management Systems	Implementing ISO 14001: 2004 and OHSAS 18001: 2007 at manufacturing locations and major design offices	19 out of 20 locations certified.
	Implementing ISO 14001:2004 and OHSAS 18001 : 2007 at project sites above INR 7.5 Bn	2 OCs (Infrastructure and MMH&W) of ECCD have been certified for EMS during FY 2009-10.
Health	Developing organisation wide health index by implementing WoW (Working on Wellness) programme	Completed phase I comprising awareness programme, Diagnostic Camps & workshops.
Community Development	Continuing Interventions in CSI Thrust Areas	Ongoing.
	Increasing training and employability of underprivileged youth through Construction Skills Training Institute and L&T Charitable Trust activities	Ongoing.
	Promoting employee volunteering	Employee volunteers increased to 4,500+ from 400+.
	Including EHS parameters in social engagements	EHS awareness module is now a part of education programme in social engagement.

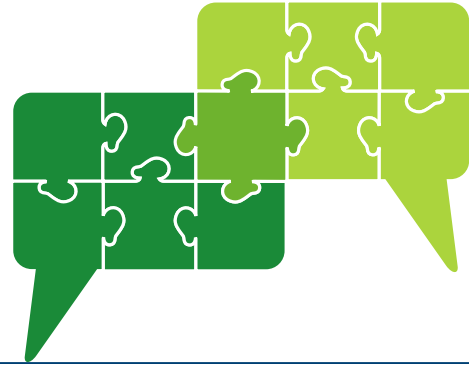


Listening is the New Calling

A power shift has taken place. Business success has enlarged its focus from shareholders to stakeholders. The digital revolution has lent a global voice to geographically distributed consumers, employees, communities and citizen groups. Each segment is speaking out and we are listening. Within these conversations are cues to both game-changing opportunities and emerging challenges.

At L&T, we are putting in place robust mechanisms to systematically engage with these stakeholders, distil the insights and operationalise the learnings.

Stakeholder Engagement



India is one country - but many worlds. The environment and the culture change every few hundred kilometres. In order to objectively balance and cater to the wide-ranging, and sometimes conflicting expectations of these diverse stakeholder groups, it is essential to understand the needs of each stakeholder. We therefore believe that engaging with our stakeholders systematically and proactively is a vital element in the success of our sustainability initiatives.

We are glad to report that we broke new ground in this endeavour.

Engagement Framework

Our journey towards developing a comprehensive framework for engaging with our stakeholders and identifying the materiality issues has been structured and progressively refined.

In our third year of reporting, we went a step further in order to better understand our stakeholders' concerns and get a holistic view of the status of our sustainability efforts. We opted for a two-pronged strategy of communicating with our stakeholders.

We maintained our existing modes of communication like in-house magazines, surveys and circulars. At the same time, we commissioned KPMG Advisory Services to conduct a detailed stakeholder engagement exercise across internal and external stakeholders. One-on-one sessions with all our Executive Directors as well as each Operating Division (OD) Head ensured that management insights and areas that various business heads wanted the organisation to concentrate on, were captured. An equally detailed engagement was undertaken with external stakeholder groups comprising customers, vendors, community, NGOs and special interest groups. These engagements highlighted materiality issues which are key and relevant for L&T in the prevailing and emerging business environment. (*Refer Materiality*)

Modes of Engagement

In an ever-changing, dynamic world with changing media consumption patterns and ever evolving expectations, we recognise the importance of an ongoing robust engagement programme. It is our constant endeavour to adopt and establish modes of engagement that open a two-way dialogue seeking understanding and solutions to issues of mutual concern.

We engage with stakeholders at various forums through multiple channels.

FOR EXTERNAL STAKEHOLDERS

- AGM (shareholder interaction)
- Investor meets
- Supplier / Vendor meets
- Customer satisfaction surveys
- Day-to-day business interactions
- Industrial and Institutional forums
- Community, NGOs and Social Initiatives

FOR INTERNAL STAKEHOLDERS

- Employee satisfaction surveys
- In-house magazines
- Circulars
- Welfare initiatives for employee and their family
- Social initiatives by promoting volunteering

At L&T, we strongly believe that stakeholder feedback is the foundation of a firm's long-term sustainability. It not only reinforces a firm's decision-making abilities, it is also a vital source for ideas and initiatives to enhance shareholder value.

We therefore regularly engage in dialogue with, and seek feedback from a wide spectrum of stakeholders on our products and practices. Partnership, alignment of interests and forging win-win relationships are the core objectives.

Shareholders

Our Investor Relations Department deploys multi-disciplinary media vehicles to maintain ongoing communication with our institutional and retail investors. Mass media tools like press releases, advertisements and printed literature keep investors abreast on performance and goals.

One-on-one meetings / investor conferences, video conferences, emails and responses to queries over the telephone are some of the institutionalised engagement mechanisms to cater to the needs of institutional investors.

Shareholders are mailed the Company's Annual Financial Report, have access to quarterly financial results published in local and mainline newspapers and are invited to attend / participate in the Company's annual general meeting.

Channels are kept open for shareholders to approach the highest governance body for sharing feedback or redressing their grievances, if any.

For further details please refer L&T Annual Report FY 2009-10.

Customers

Customer connect is maintained through periodic brand-building and product advertising campaigns via diverse media such as print, television, outdoor and online. Brochures, leaflets, folders are regularly published to support and enhance customer engagement. 'The Annual Review', a synopsis of the Annual Report is mailed to customers and is also available on our corporate website.

To consistently measure customer satisfaction, our product businesses conduct customer, dealer and other stakeholder surveys by engaging reputed market research agencies.

Insights secured from a brand tracking study conducted last year for a segment of our products and services are being leveraged to strengthen our marketing communication efforts.

To augment our knowledge bank and to consistently enhance our performance, our project management services obtain a structured feedback from the client following the completion of each project. This helps identify the project's strong points as well as issues that need to be addressed.

We pursue a fair, constructive, transparent and professional communication strategy. To extend the reach of our communication initiatives we have set up one of the largest corporate communications departments in India and have also stationed communication professionals at individual Operating Divisions. Over and above continuous dialogue and open communication channels across stakeholder groups, this structure emphasises the pace and accuracy of communication.

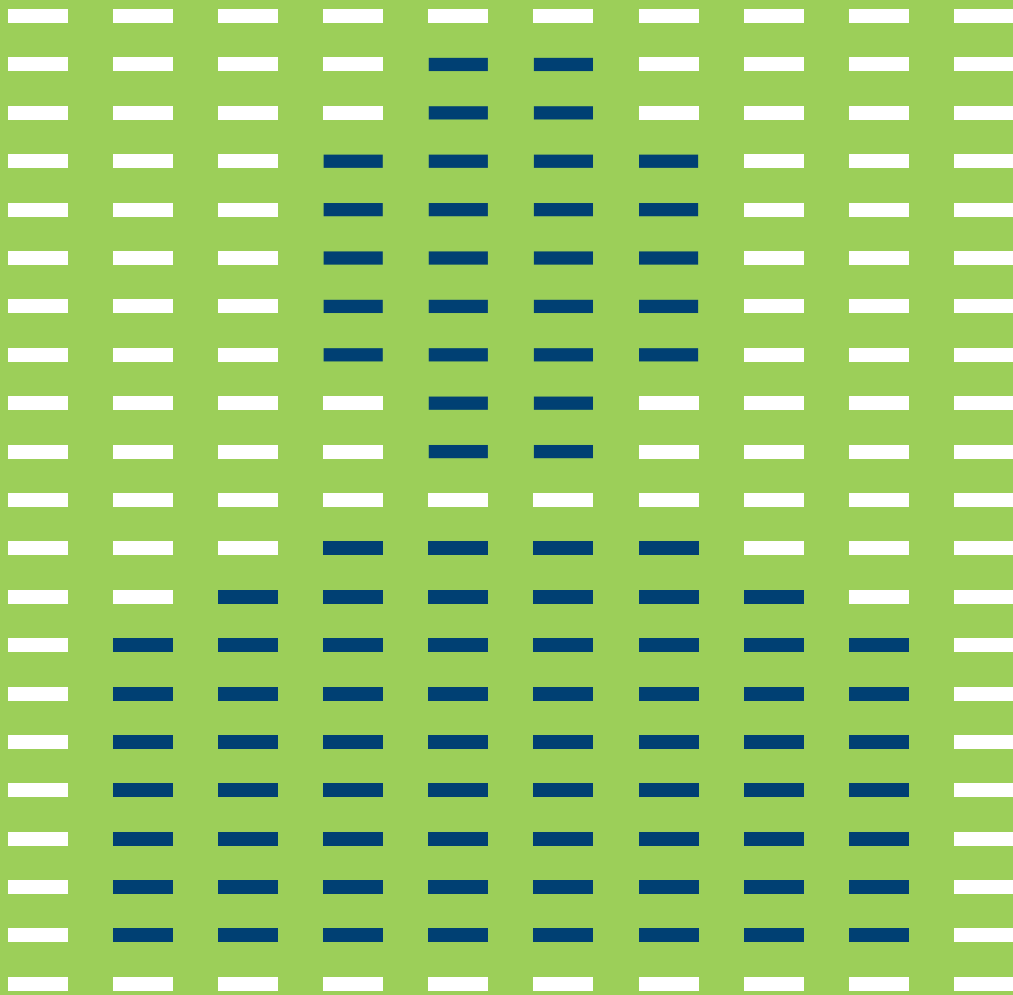
The focus of our ongoing stakeholder interactions continues to be:

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



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





Personal is the New Professional

An employee is at the heart of an organisation, but is the organisation at the heart of an employee? The path to peak performance is paved only when professional opportunities enable fulfillment of personal goals.

At L&T, it's our endeavour to engage with each employee at a personal level, and help him realize his ambition. Training, exposure, mentoring, responsibility and freedom are some of the tools we deploy. It is our strong belief that as people power businesses, businesses must empower people.



People Performance

L&T is its people. Our achievements are the sigma of our people's achievements and we believe that the future of L&T is closely linked to the future of our people.

The professional and personal development of our employees on a sustained basis is integral to our human resource policies. We maintain an unwavering focus on training, safety, well-being and grooming our employees for leadership roles.

TOTAL WORKFORCE

L&T	37,415*
L&T INFOTECH	11,434

*L&T OD Total

Talent Management

The aim of our talent management programme is to:

- attract prospects with the right potential
- develop skill sets of our employees and help them achieve their best
- retain them by enriching their experience and providing them opportunities for continued success
- develop a public reputation for being a great place to work

To achieve this, extensive training and skill enhancement activities, in line with our expansion and

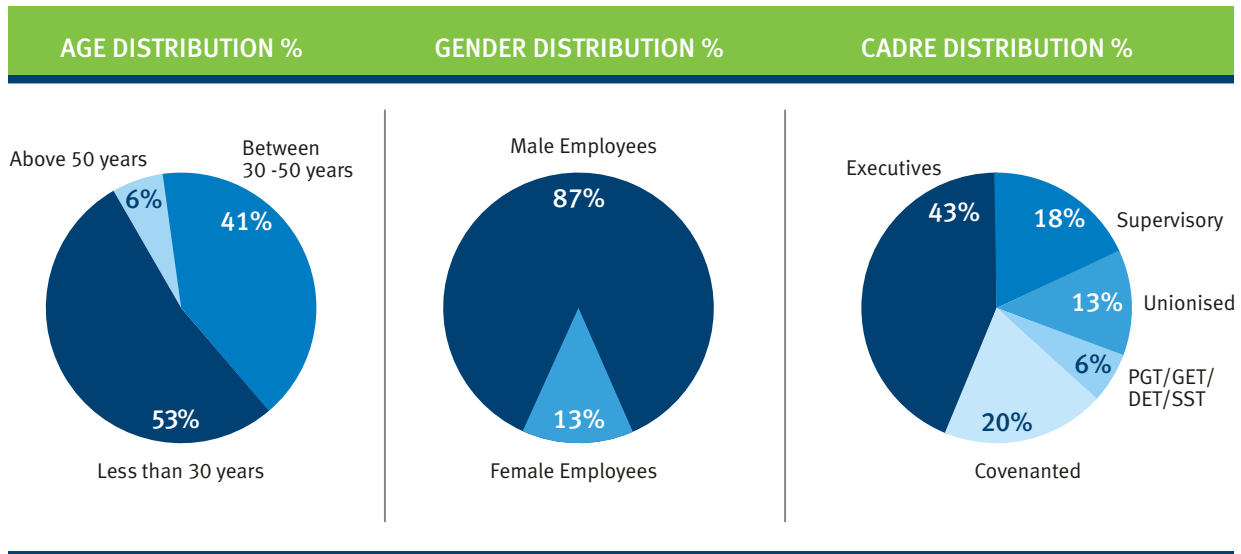
growth plans, are carried out at all locations. Apart from the wide variety of initiatives which include core development & competency-based programmes and e-learning, we also launched a new Management Education Programme in association with IIM, Ahmedabad.

We expanded our Management Development Centre (MDC) at Lonavala, near Mumbai, to keep pace with the growth of the company and the challenges thrown up by the emerging global business environment. New initiatives include a programme on leadership development and business simulation of corporate entrepreneurship.



L&T's Management Development Centre at Lonavala, near Mumbai, moulds the minds that mould the future.

People below 30 comprise more than half of the employee strength at L&T. Special talent management initiatives are designed to cater to this young majority.



Talent Acquisition

Our aim has always been to be an employer of choice and the preferred destination for the best minds.

Our brand building initiatives and an extensive academia-industry interface have together helped attract the best talent. In alignment with our growth path, we continue to recruit Graduate and Diploma Engineers from premier engineering and management colleges across India.

Talent is absorbed from Larsen & Toubro Institute of Technology (LTIT), which conducts diploma courses for the children of L&T employees.

Training

We believe that it is imperative to cover every employee in the programmes for identification of training needs, and intervention. Training interventions range from behavioural to technical and functional to managerial aspects.

The two major streams through which training needs get identified are selection and the performance appraisal process. All permanent employees go through a structured performance and career development review. Insights from these reviews form the foundation of the annual training calendar formulated by our human resource department.

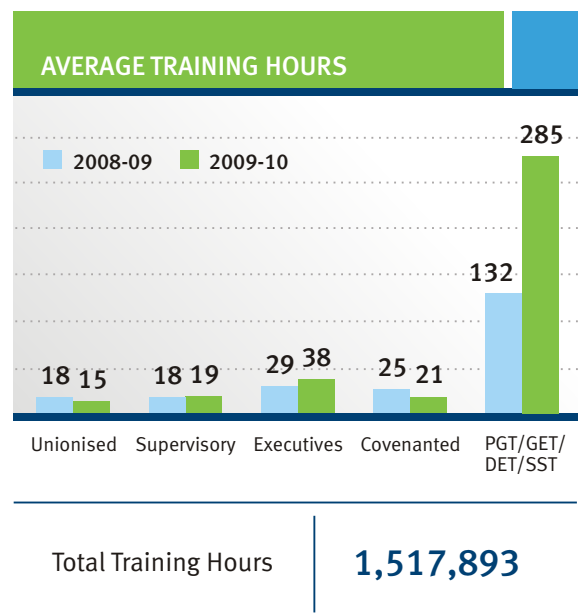
Employee Turnover

AGE	MALE	FEMALE
Less than 30 years	1,501	528
Between 30-50 years	719	85
More than 50 years	90	1

Total employee turnover
2,924 (from 3,977 in FY 2008-09)

Total employee turnover came down by **26%** as compared to previous year.

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



The special emphasis on training of fresh recruits has resulted in a 115% growth in their average training hours.

We conduct regular management development programmes, such as communication and presentation skills, finance, analytical skills and technical training for employees across businesses, locations and cadres.

Distinct set of programmes conducted by EBG

- Parichay** - an orientation programme

- Vinimay** - a knowledge sharing session for GETs

- Chaitanya** - To ensure effective implementation of labour and work environment practices



In keeping with the times, the option of e-learning is also given to employees. L&T has an e-learning portal called 'Any Time Learning' while HED has 'e-Vidyalaya'. In addition to this, assistance programmes are offered to employees for skill upgradation. These consist of funding support for external training, education and retirement planning.

Employee Benefits

L&T provides various benefits to full-time employees. These include life insurance, healthcare, disability/invalidity coverage, maternity leave and retirement provision. Currently, there is no provision for providing paternity leave at L&T. Stock ownership is provided to the management staff as per the company's compensation guidelines.

L&T policies comply with statutory & regulatory requirements for the payment of wages and benefits. The compliance in payment of minimum wages prescribed by the relevant authorities is 100% for all employees. Also, statutory benefits like PF, Gratuity and medical facilities are provided. 100% unionised employees are covered under collective bargaining.

E&C employees are sponsored for international courses/certification on Project Management offered by International Project Management Association (IPMA), Switzerland. To date, more than 300 employees have been certified by IPMA.

Specialised programmes conducted by E&C

- Capability & Leadership Development (CALD)**
It provides an overview of the life cycle of an EPC Project

- GLOPAT (Global Expat)**
A strategic learning initiative for creating global professionals



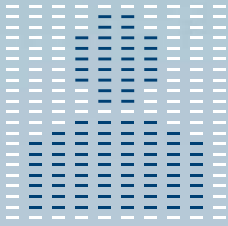
L&T Infotech lays emphasis on structured leadership development through "The Leadership Journeyman Programme Series". It consists of 4 initiatives focused on different levels of leadership:

- Project Leads**
- Project Managers**
- Senior Managers**
- General Managers**

Customised Talent Management programmes include a flagship programme PACE which is Program for Account Management Excellence to build a pipeline of Key Account Managers.



The total well-being of our employees has always been the governing tenet at L&T.



Recreation Complex for employees and their families at Ahmednagar which offers sports, health and cultural facilities.



Occupational Health and Safety

As equal partners in our growth trajectory, our employees' health is paramount and we gladly assume the responsibility for their holistic well-being. We have a zero accident roadmap wherein we begin by adherence to statutory requirements and reinforce it with fail-safe procedures, the best protective gear, continuous training and vigilant inspection.

More than 400 qualified EHS professionals work across L&T, the highest in any construction company in India.

L&T's efforts in promoting workplace wellness and the sustainable enhancement of health and safety standards have received widespread recognition. The Confederation of Indian Industry has honoured L&T with its prestigious Corporate Wellness Award for best health practices.

The safety committees comprise an equal number of management & labour representatives.

L&T campuses have Occupational Health Centres manned by specialists with arrangements for fully-equipped ambulances. They also cater to employees' needs for preventive, curative and occupational health problems.

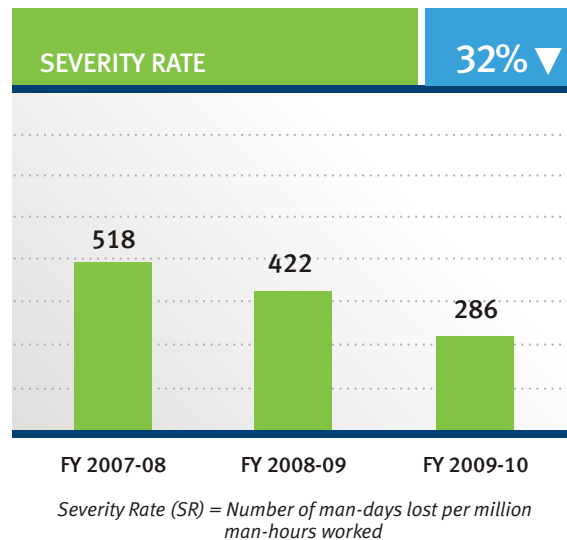
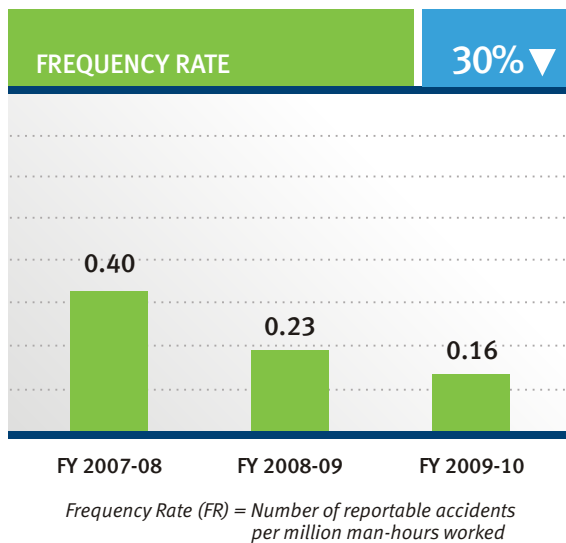
EHS initiatives at E&C

EHS Quiz at Vadodara

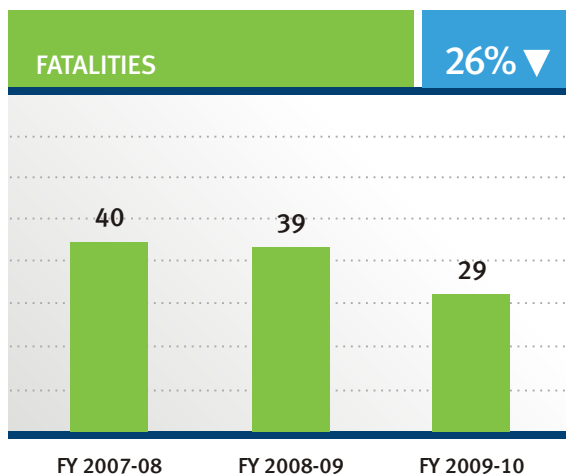
to create awareness and increase employee engagement

4 day Scaffolding Training Programme

conducted with the help of Scaffolding Training Institute, U.S.A



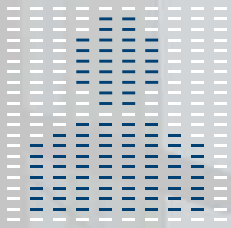
^Due to the increased scope this year, the above trends have been derived as per the scope of FY 2007-08 report



There has been a significant decrease in the Frequency Rate and Severity Rate of accidents on a year-on-year basis.

Eight manufacturing locations had Zero Reportable Accidents

CURRENT YEAR SCOPE	FY 2009-10
FR	0.15
SR	265



Safety practices are rigorously implemented across all L&T project sites.

Precautions

New projects/expansion plans are reviewed by corporate and/or divisional EHS experts. A safety manual is prepared for each project site stating preventive action plans for risks identified in the construction methods. Training programmes are conducted for staff & workmen on safety with a specific focus on the risks involved in construction.

Incident reporting mechanism is in place to ensure that unsafe conditions and unsafe work practices, if any, are reported for necessary action by the EHS department.

Monitoring

Near-miss reporting is necessary so that the hazards in every activity can be identified and nipped in the bud. We, therefore encourage recording and investigation of all incidents (near-miss, dangerous occurrences) by trained managers (including the Unit EHS Manager) to identify the root cause and recommend remedial measures to prevent recurrence.

Near Misses & Dangerous Occurrences

PARAMETER	FY 2009-10
Near Misses	61
Dangerous Occurrences	66

Near-miss data is collected from each project site by the site safety engineer and reviewed during the safety committee meeting. The Top Management too reviews this data every month.

Accident report & best practices are shared across the project sites to facilitate cross-learning.

L&T's best practices have received recognition from various external agencies such as British Safety Council, National Safety Council, Safety Consultants and other government agencies.

Safety Training

For a labour intensive industry like L&T, safety of the workforce becomes a top priority. We aim to achieve 100% accident free days, year on year. The first step in this journey is to sensitise the workers about potential hazards and train them.

Programmes conducted for workmen and contractors' employees include:

- Safety training during induction
- Classroom training on safety gear & first aid
- Tool-box training on safe work methods

Project Site Practices

EHS Committees are formed to help monitor and advice on Occupational EHS programme at our project sites.

Employees as well as contract workmen are trained on:

- Importance of EHS
- Defensive driving
- Statutory requirements
- Construction hazards and precautionary measures
- Precautionary measures during Radiography
- Safety while working at heights
- Safety during material handling
- Confined space entry requirements

Formal agreements with trade unions include aspects of Occupational Health and Safety like personal protective equipment, participation of worker representatives in health and safety inspections, audits & accident investigations, training, complaint mechanisms and the right to refuse unsafe work.

Diversity and Equal Opportunity

L&T promotes equality and diversity among its employees and ensures that meritocracy is always upheld.

We are an equal opportunity employer and adhere to statutory & regulatory norms. We ensure minimum local wages as prescribed by the government for unskilled labour. Payment to the skilled persons is based on their experience & education and as agreed upon during their employment.

We do not discriminate on the basis of gender while determining the nature of work and emoluments.





'Sword of Honour'

L&T wins double distinction

HED & EBG, Powai were awarded the British Safety Council's 5 Star rating in Health & Safety management system, having secured Actual Accredited Audit scores of over 92%. Both went on to win the coveted Sword of Honour.



The Sword of Honour is the most prestigious international health and safety accolade that a company can receive. Inaugurated in 1979, every year, only 40 swords are awarded worldwide, so winners are recognised as elite

organisations that have institutionalised first class health and safety practices.

These awards are a matter of pride for L&T, especially since this was the maiden attempt of both Divisions.

Human Rights

L&T is committed to the philosophy of conducting business in a manner that reflects its high ethical and moral standards and preserves fundamental human rights. Specific aspects related to non-employment of child labour and non-discrimination are embedded into our policies.

Our induction programme encompasses human rights training.

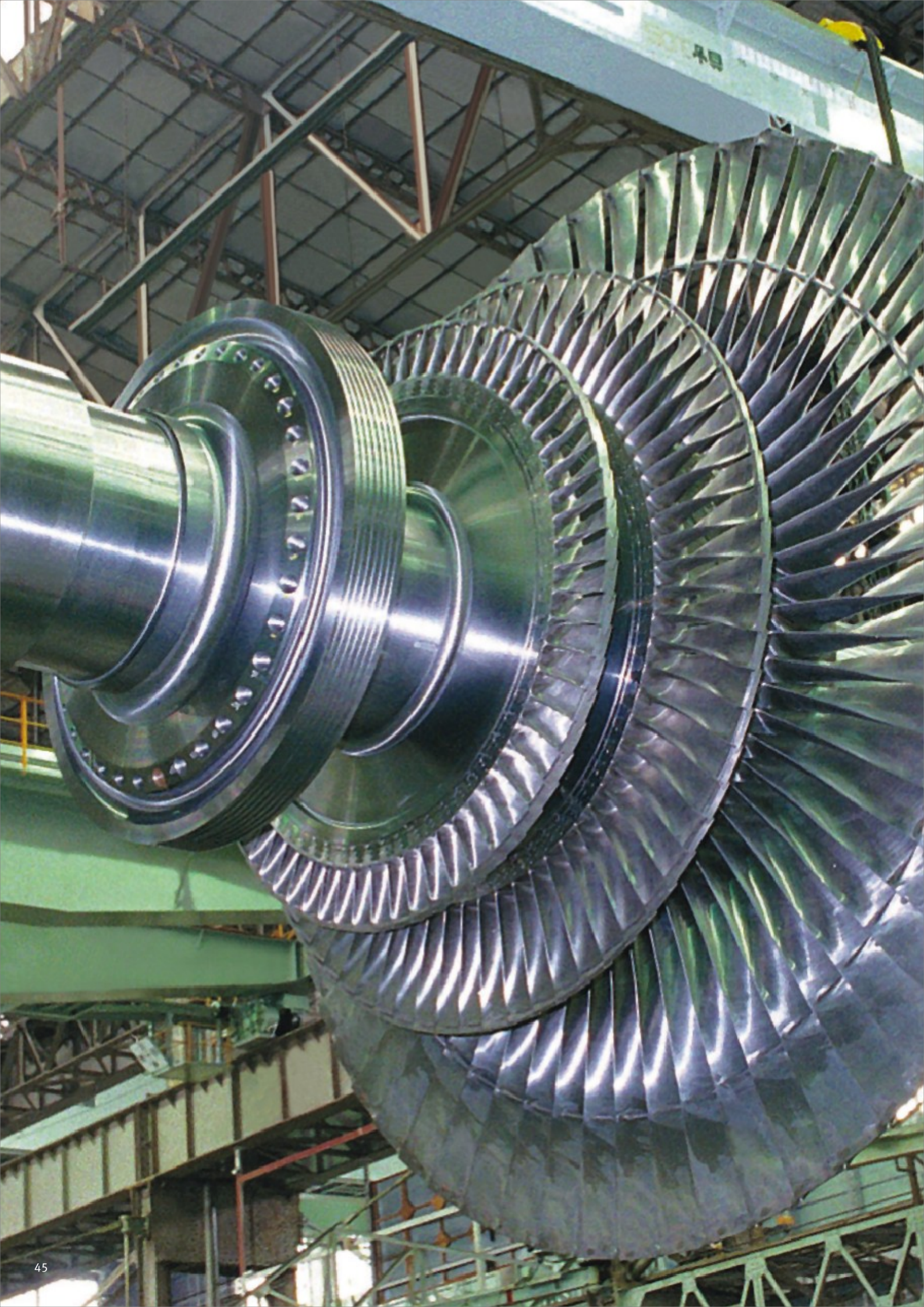
We ensure that human rights clauses are included in our contract document and adhered to within our premises and project sites. It is ensured that subcontractors and their workmen undergo screening for age and are given induction training on eligibility of pay and benefits.

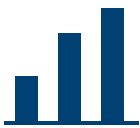
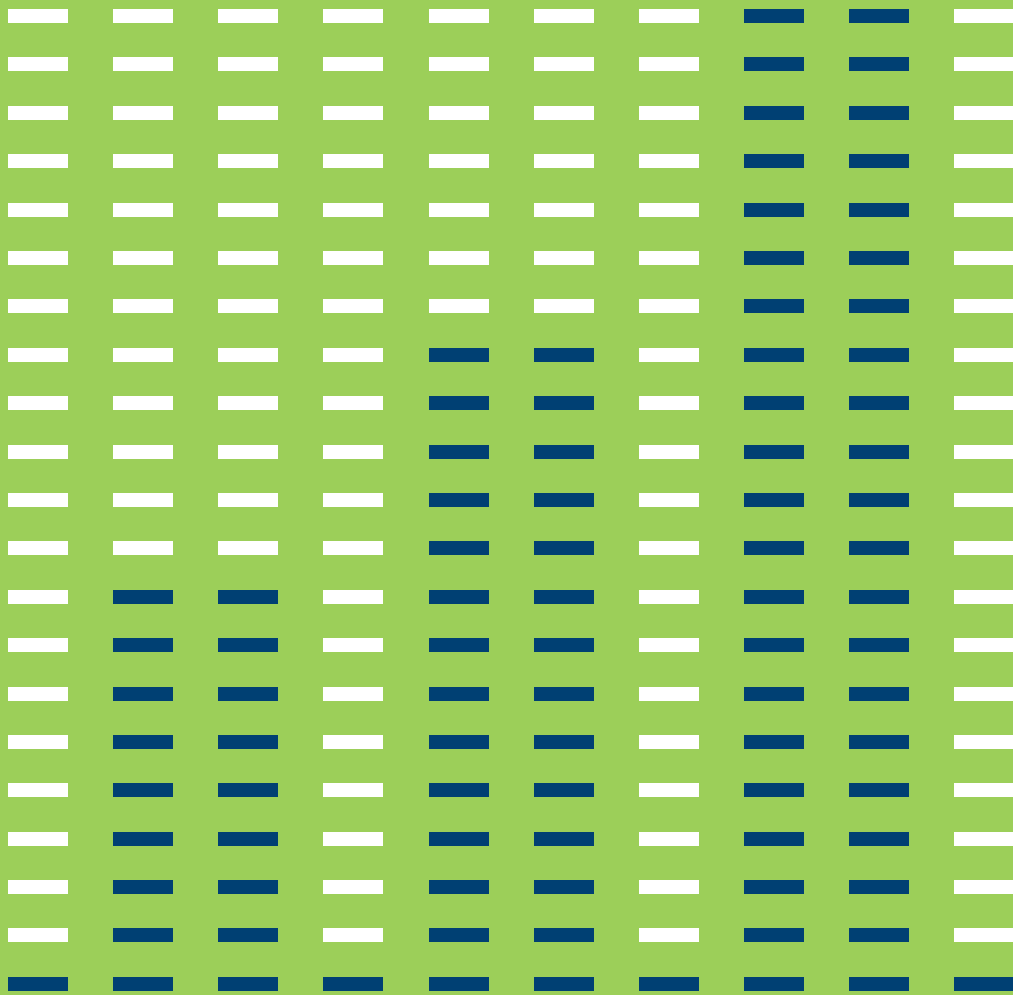
During the reporting period, there was no incident where an employee's right to freedom of association was violated. Within our operations, relations remained cordial and there was no risk to collective bargaining.

L&T does not permit child and forced labour in its operations. This rule is also extended to vendors and contractors working within our premises and project sites.

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

Our manufacturing facilities fall within specified industrial zones. There was no incident of violations involving rights of the indigenous people. At project sites, we comply with the applicable legal requirements and contractual obligations.





Green is the New Black

Green is the alternative fuel that is powering the engines of growth; it is the technology that conserves energy; it is the opportunity that yields significant and sustainable returns; and it is the necessity that mothers innovation. The writing on the wall is clear - more the green in the business, more the black in the bottom-line.

We are extending our business portfolio to include clean and renewable energy, as well as greening our existing products so that they enable our customers to add more green to their business.



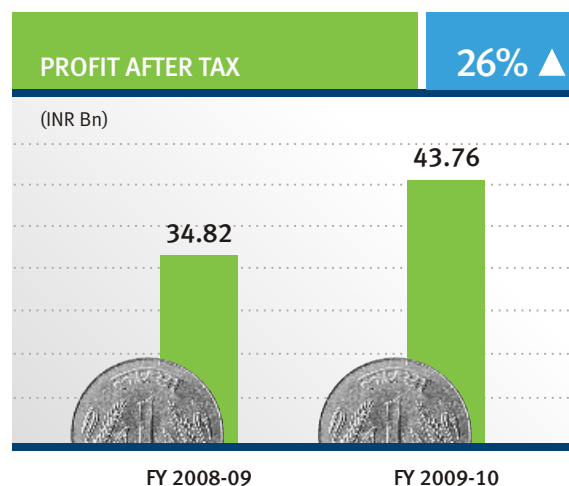
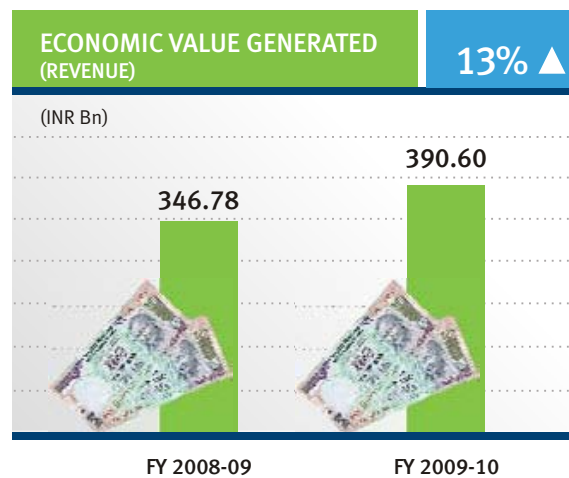
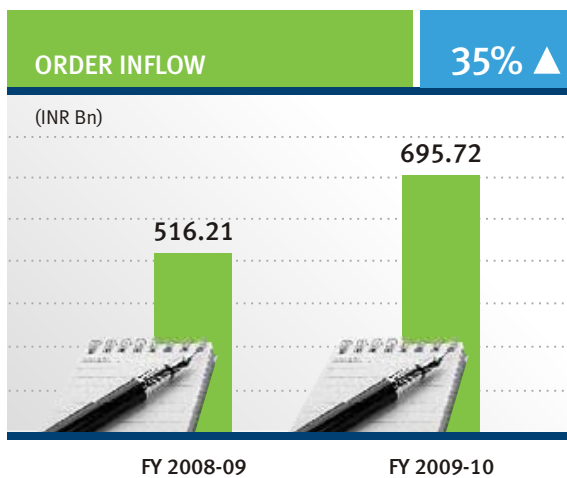
Economic Performance

Across the world, even as stories of economic turmoil, recession, unemployment and bailouts made front-page news, India's strengths came to the fore as it emerged to headline a robust 7.4% growth in FY 2009-10. Manufacturing sector was the leader, with a significant 16.3% growth in the fourth quarter and 10.8% overall.

At L&T, we look upon sustainability as a way of doing business. We believe that it is essential to the future of the Company and vital to overcome emerging challenges. Our sustainable approach to business helped us weather the impact of the global economic slowdown, successfully navigate a year of uncertainty and leverage our core competencies to be at the forefront of India's recovery.

It also helped us garner fresh order inflows, expand the order book and infuse confidence in our investors. The result has been greater wealth for stakeholders and a better revenue visibility.

The figures below reaffirm our ability to thrive and grow on a sustainable basis.



Economic Value Distributed

	FY 2008-09 INR Bn	FY 2009-10 INR Bn
Manufacturing, construction and operating expenses	262.72	284.54
Employee wages and benefits	19.75	23.79
Payments to providers of capital		
• Interest	4.16	5.05
• Dividend	6.15	7.53
Payments to Government	30.00	34.08
Community investments	0.44	0.64

Economic Value Retained

L&T's market capitalisation as on 31st March, 2010 increased to INR 979.39 Bn, nearly 2.5 times as compared to INR 393.73 Bn as on 31st March, 2009. This was the result of a good all-round performance by the Company.

	FY 2008-09 INR Bn	FY 2009-10 INR Bn
EPS	59.50	73.77
ROCE	18.50%	15.90%
EVA	8.90	5.90

The reduction in ROCE & EVA is attributable to strategic investments in the growth needs of emerging businesses and expansion of facilities that are expected to generate returns going forward.

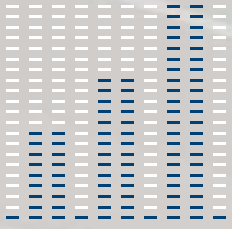
The significant increase in cash accruals from operations, by INR 40 Bn, provided a strong support to the Company's capital expenditure and investment plans. Further, our success in mobilising additional capital through various resource raising programmes signified greater investor confidence in the Company's long-term growth prospects.

LIQUIDITY AND CAPITAL RESOURCES

	FY 2008-09 INR Bn	FY 2009-10 INR Bn
Cash and cash equivalents at the beginning of the period	9.64	7.75
Add: Net cash provided / (used) by:		
• Operating activities	14.79	54.83
• Investing activities	(44.30)	(76.48)
• Divestment Proceeds	11.21	15.76
• Financing activities	16.41	12.46
Cash and cash equivalents at the end of the period	7.75	14.32

To view our detailed financial performance please refer L&T's 65th Annual Report

This strong financial position of the Company will support its long-term growth objectives and boost shareholder value.



The Delhi International Airport project is a fine illustration of our ability to synergise business growth with national goals.



Enriching Stakeholders

We engage with our suppliers, employees, customers and other stakeholders as part of the process to understand and address their evolving concerns. This has widened the ambit of environment protection initiatives, technology upgradation and consistent fulfilment of our obligations towards investors and financial institutions.

Customers

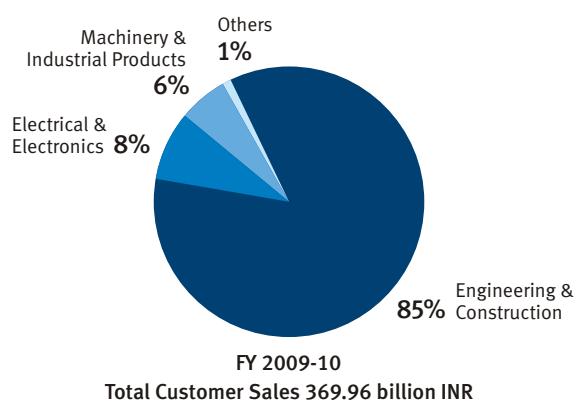
We enhanced our reputation as a customer-centric organisation through increased efforts across several dimensions. The measures included expanding capacities, enhancing engineering & design capabilities, notching up service levels and improving product offerings. The results have been rewarding.

Alongside newer business opportunities being explored in the Nuclear Power and Railway sectors, our order book saw a slew of prestigious orders in the Power, Hydrocarbon, Fertiliser, Infrastructure and Defence sectors during the year.

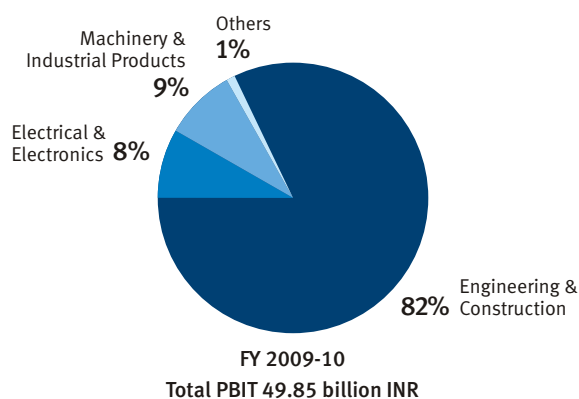
Order Book Crosses INR 1000 billion for the first time

Over the past five years, the compound growth rate of order inflow is 33% and of the order book is 41%.

SALES BREAKUP BY BUSINESS



PROFIT (PBIT) BREAKUP BY BUSINESS



Employees

People are pivotal to the success of our company. Every year, we recruit talented professionals and groom them for leadership roles. Despite market uncertainties, L&T increased its employee strength by 1,428.

Staff expenses for FY 2009-10 stood at INR 23.79 Bn, an increase of 20% as compared to the previous year. This was mainly a result of increase in the number of employees and payout to employees.

We offer employee benefits like provident fund, family pension, gratuity and superannuation fund, the last two being fully funded in accordance with actuarial valuations.

EMPLOYEE COST

	FY 2008-09 INR Bn	FY 2009-10 INR Bn
Cost towards wages / salaries (a)	15.62	19.22
Other benefit costs (b)	4.36	4.57
Total personnel cost (a+b)	19.98	23.79
Average payout per employee (in Million)	0.53	0.61

Indirect Economic Impact

L&T continued to aid the economic development of areas neighbouring its facilities and sites by providing jobs, availing services and investing in community welfare.

Our commitment to develop local suppliers & vendors and focus on their development has led to the growth and prosperity of many small-scale suppliers.

Vendors and Local Sourcing

We provide opportunities for economic growth to the local business eco-system wherever we operate. Our interdependence with our local suppliers continues to be robust and in FY 2009-10 we sourced about 80 % of our requirements from them.

Wherever possible preference is given to local vendors. In fact we also encourage our customers to purchase from the local vendors approved by us. Approval is based on past experiences with vendors, their ability to meet technical requirements, material availability, costs and economics.

This two pronged strategy is an extension of our sustainability approach and is aimed at:

- Empowering local people to increase their standard of living.
- Pursuing indigenisation to harness time and cost advantages.

Due to the diverse nature of our projects and the varied nature of material required at different locations, we are constantly enlarging our supplier base.

For major procurements like bulk materials (steel, cement) our vendors are large reputed corporations with established systems. For certain SME vendors, we provide quality systems support and training to enable them to supply quality products on time.

Our engineers also train vendors' workmen to use the latest technology and improve their cost competitiveness. These initiatives help local vendors become more robust and sustainable.

Climate Change

Following up commitment with action, we completed an organisation-wide carbon footprint mapping and have identified opportunities to reduce emissions. We are among the first few companies in India to undertake such an exercise.

We constantly endeavour to use better technologies to minimise adverse environmental impacts. Our Divisions impress upon their customers the need to adopt environment friendly technologies. Our energy-efficient products/services help our customers mitigate their carbon footprint.



Green buildings constructed by L&T blend high performance work areas with environmental responsibility.



IMPORT SUBSTITUTION OF COAL GASIFIER COMPONENTS

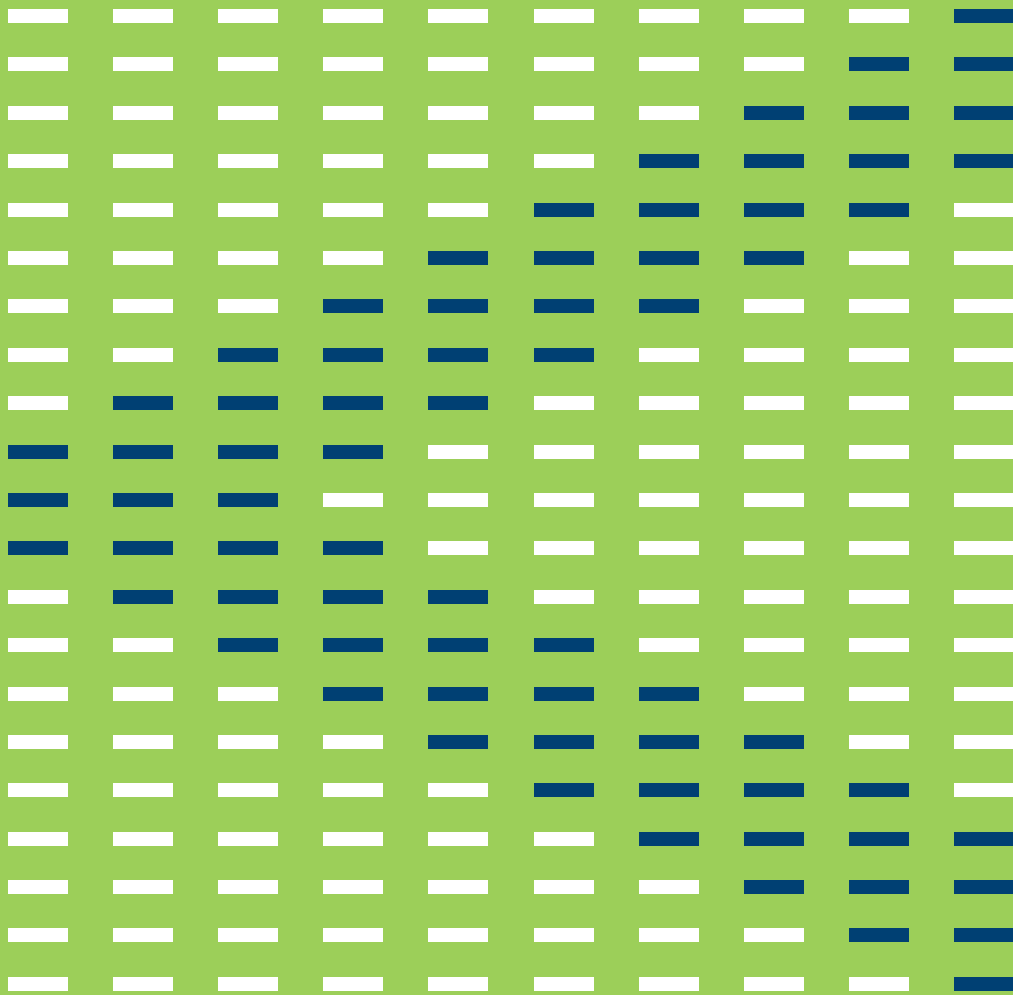
Gasifier internals involve several critical components and sub-assemblies like bend pipes, ring headers and formed elbows, which were traditionally imported from established and approved vendors in Europe. Not only was this costly and time consuming, it also meant a diminished span of control.

A task force was formed with the objective of substituting the imported components & sub-assemblies with those indigenously developed. Local vendors were developed and given technical support by L&T. In some cases, assistance was taken from international experts to develop the components. For some boiler components, in-house expertise was developed so as to manufacture them at the L&T workshop itself.

Outcome

The combined projected savings from the indigenisation of these critical components is INR 59 million approx.





Less is the New More

There is more to less than meets the eye. Taking the minimalist approach of consuming less, emitting less and wasting less is helping L&T create exponentially greater outcomes. Joule by Joule, litre by litre, ton by ton - we are meticulously working towards reducing our footprint to a fingerprint so that we leave behind a rich legacy and not a poor example.



Environment Performance

While we depend on the environment for our survival, the environment depends on us to contribute to its positive development. This is one symbiotic relationship we cannot afford to sever.

At L&T, we are continuously developing technologies, practices and business opportunities which are in consonance with sustainable development. We constantly seek 'green enablers' i.e. products and systems which can help industry save energy, reduce carbon emissions, protect the environment and propel progress.

Simply put, for any business to stay in the black, it needs to go green.

As part of our accelerated drive to integrate eco-efficiency into the core of our business operations, we have been proactively monitoring how our operations interact with the environment and have identified five core environment management priorities:

Optimising Energy Consumption



Following Lean Manufacturing Practices



Minimising Waste through High-impact Design



Conserving Water Resources



Propagating Green Buildings



Programmes to reduce waste, water consumption, energy consumption, emissions and the use of non-sustainable materials continued to be developed and delivered. Moreover, initiatives to increase the use of waste such as Fly Ash, Ground Granulated Blast Furnace Slag (GGBS), as an input material, have already been implemented.

Green Product Portfolio

- **Clean Fuel Projects**
- **Super Critical Thermal Power Plants**
- **Hydropower Projects**
- **Nuclear Power**
- **Renewable Energy**
- **Energy Efficient Products**
- **Green Buildings**
- **Mass Transit Systems**

Energy

India's surging economic engine needs and consumes a great amount of energy. The industrial sector consumes about half of the total commercial energy available in India.

At L&T, we remain alert to opportunities for conserving energy. Our engineering expertise and innovative low carbon solutions can balance the energy intensive demands of growth with the need to protect the environment.

We pursue this goal through interventions at both the shop floor and the management level. Some of which include:

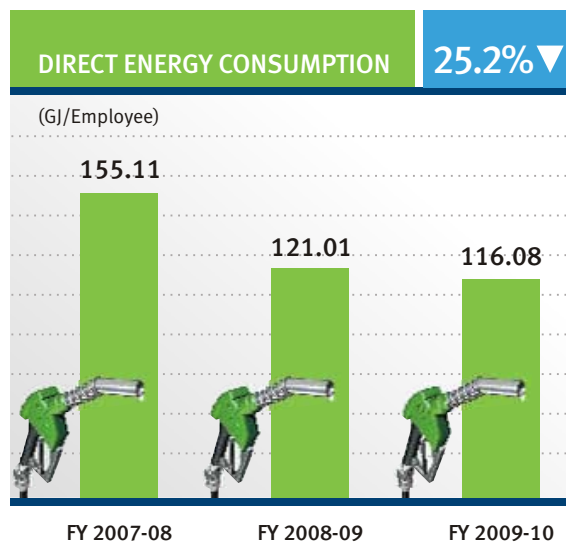
- 1 **Projects in Solar Photovoltaic Power**
- 2 **A new, state-of-the-art foundry in Coimbatore to manufacture large size engineered castings for critical applications in wind turbines**
- 3 **Targeted installed capacity of 2000 MW in Hydel Power as a Developer and/or EPC Contractor**

Energy Consumption

The specific energy consumption per employee declined further in FY 2009-10. Despite a rise in production, and increase in projects executed, the increase in absolute consumption of direct and indirect energy was marginal.

Direct Energy

Absolute direct energy consumption increased from 3,512,844 GJ in FY 2008-09 to 3,603,369 GJ in FY 2009-10, reflecting a rise of 2.6%. However, the specific direct energy consumption per employee registered a healthy decline of 4%.



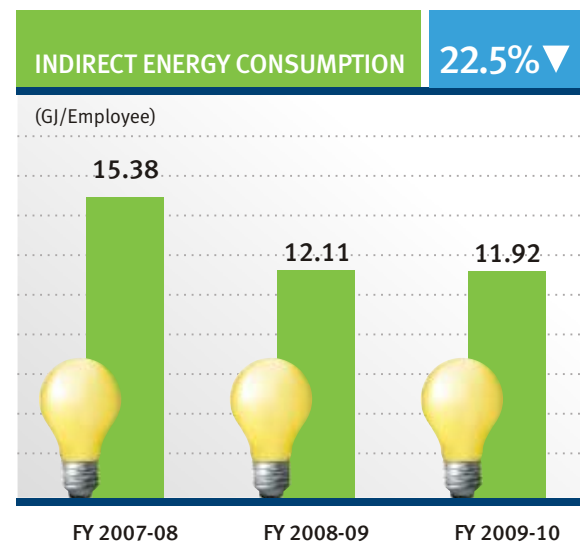
Due to the increased scope this year, the above trend has been derived as per the scope FY 2007-08.

% change with respect to FY 2007-08

Total Direct Energy Consumption as per current scope **4,245,448 GJ**

Indirect Energy

Absolute indirect energy consumption rose marginally from 351,495 GJ in FY 2008-09 to 396,995 GJ in FY 2009-10, depicting an increase of 12.95%. Whereas, the specific indirect energy consumption per employee recorded a drop of 1.6%.



Due to the increased scope this year, the above trend has been derived as per the scope FY 2007-08.

% change with respect to FY 2007-08

Total Indirect Energy Consumption as per current scope **460,952 GJ**

Renewable Energy

Green Electricity
(Wind Power) as percentage
of the total electricity

8%

Our aim is to increase the share of renewables in our energy mix. We are currently tapping solar energy at campuses in Chennai, Powai, Hazira, Mahape, Talegaon and Ahmednagar. ECCD Chennai has prepared a structured roadmap for enhancing the use of renewable energy.

CASE STUDY



WIND POWER GENERATION AT TAMIL NADU

L&T set up 5 Wind Electric Generators (WEGs) with an installed capacity of 8.7 MW in the districts of Tirupur and Tirunelveli in Tamil Nadu.

The project was implemented at a cost of INR 512.8 million and is expected to generate about 18,772 mWh of electricity annually. This would result in a reduction of approximately 16,844 tons of CO₂ emission every year.

The project is eligible for carbon credits under the Clean Developmental Mechanism (CDM) of United Nations Framework Convention on Climate Change (UNFCCC) and is currently under validation.

Outcome

- The WEGs commenced generation at the end of March 2010, and have already generated over 16 million units.
- It is expected that the WEGs would soon meet a substantial portion of the captive requirement of L&T's establishments in Chennai.

India is endowed with virtually limitless potential for solar energy. L&T has initiated steps to harness this alternative source of energy.

CASE STUDY



SOLAR PLANT INSTALLATION AT ECCD, CHENNAI

L&T has embarked on the first phase of a 407 kW grid-linked Solar Photovoltaic plant at ECCD headquarters in Chennai. The solar power plant comprises highly efficient mono-crystalline Photovoltaic cells and grid-connected inverters. A unique feature of the project is the wave type mounting structure, which is economical, maximises power output per sq. m. and provides a cooling effect to the rooftop.

Outcome

- The system produces approximately 556,000 units of electricity per annum, resulting in savings of INR 7.5 to 10 million in the initial years.
- Apart from saving energy and being a reliable backup power source, the green power generated will considerably reduce CO₂ emission levels.

Energy Conservation

At L&T, we realise that rigorously stepping up the adoption of energy-conserving practices across systems and processes is our best bet for the future. Energy conservation is therefore embedded into our business decisions, project management and reporting systems.

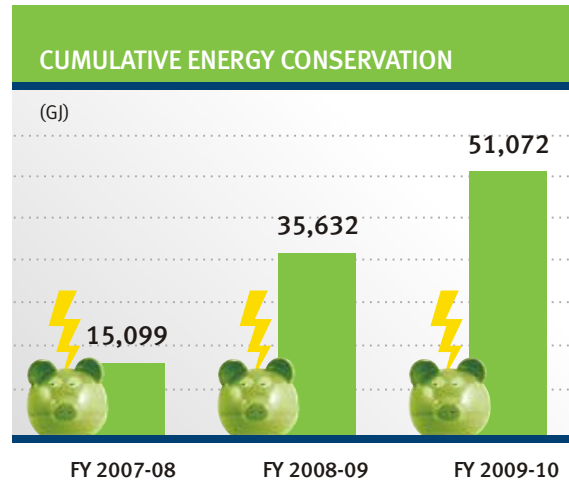
Total Energy Conserved over last three years	51,072 GJ
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ENERGY CONSERVATION INITIATIVES	
Initiatives/Interventions	Total Energy Conserved during FY 2009-2010 (GJ)
Process redesign	2,612.55
Optimisation/operational control & efficiency	5,768.39
Conversion and retrofitting of equipment	2,768.67
Change to CFL lamps	1,749.68
Change in personnel behaviour	70.92
Switch off lights when not in use/remove excess lights	2,004.88
Others	464.76
Total	15,439.85

Major Energy Conservation Initiatives

Fuel Conservation Initiatives

- Special additives added in fuel for complete combustion.
- Improved preheating of fuel.
- Frequent cleaning & monitoring of burners, valves, nozzles & strainers.
- Conversion of pin-bush type coupling with tyre coupling reduced failures and the initial power consumption of motors.



Energy conservation initiatives in equipment and systems (products and services)

- Replacement of preheating burners with newly designed ST5 burners resulting in reduction of gas consumption.
- Conversion of Electrical Furnace/LSR/ISR to energy-efficient PNG Gas Fired Furnace.
- Procurement of energy-efficient welding machine.
- Installation of pre-heat & post-heat panels for PNG gas control.
- Modification of portable electrical ovens with digital temperature controller to reduce power consumption.
- Installation of 'desuperheaters' in Chillers. Thermo-conductive booster for improvement in split & package AC performance.
- Replacement of capacitors with high frequency electronic ballasts at MFF tower lights.
- Replacement of chuck drives with the latest energy-efficient drives.
- Use of solar power packs at construction sites to offset diesel consumption.
- Introduction of VF drives in the place of conventional type starter panels in new cranes and transfer trolleys.



Energy conservation initiatives in manufacturing processes

- Centralised on/off control for compressors.
- Installation of furnaces with capture hood to avoid heat loss.
- Installation of mechanical reclamation system for sand recovery.
- Use of turbo ventilators to extract heat in the non air-conditioned areas of factories/office buildings.
- Design & development of 200 tons & 300 tons tank rotator with anti-drift mechanism.
- Design and development of portable flame cutting machine.
- Development of energy-efficient hydraulic tube expansion process for thick tubesheets & portable pipe bevelling machine.



We remain alert to every possibility of conserving energy. Our engineering expertise, our innovative skills and our commitment is all directed to saving every Watt we can.

CASE STUDY



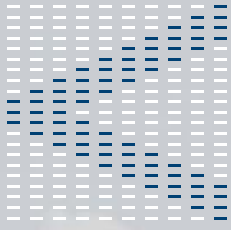
GREEN DATA CENTRE - L&T INFOTECH

A data centre houses servers, computer systems, communications, connections, backup power supplies, environmental controls and security devices. When the Powai Data Centre needed an upgrade, the key challenges included space limitations, energy usage and scalability.

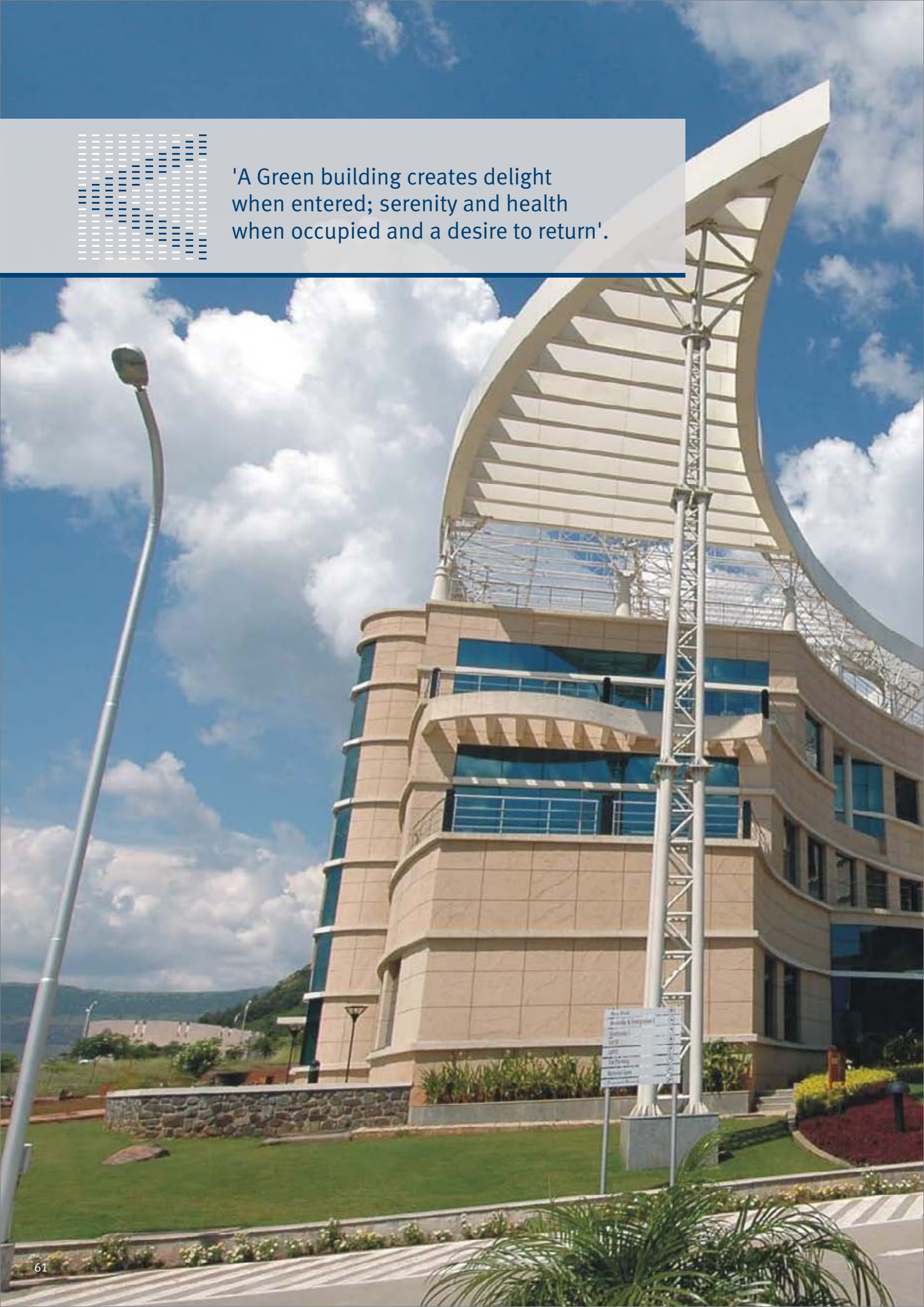
An energy-efficient Green Data Centre with an in-built UPS system, air-conditioning and higher server density per rack was set up. The modular design of the new data centre minimised installation time while ensuring excellent portability.

Outcome

- The new data centre requires 22 kWh of energy as compared to 36 kWh. This translates into savings of INR 735,240 in operating cost per annum.
- Energy consumption reduced by 30% as compared to conventional Data Centres.



'A Green building creates delight when entered; serenity and health when occupied and a desire to return'.





L&T's Talegaon campus is a canvas where the 'green' of human initiatives meets the green of nature.



GREEN OFFICE COMPLEX

In FY 2009-10, the office complex in Ahmednagar campus became the first building in EBG to be certified as a 'Gold Rated Green Building' by the Indian Green Building Council (IGBC) under Leadership in Energy & Environmental Design (LEED) India for new construction.

Design & Construction Highlights

Sustainable Site

- Greener internal transportation
- Heat-reflective paint on the terrace
- Special external lighting fixtures

Water Efficiency

- Drip irrigation & sprinkler system and plantation of hybrid plants that reduce consumption by 50%
- Low-flow water closets and lavatory faucets resulting in a saving of 54%
- Sewage Treatment Plant to recycle and reuse wastewater

Waste Management

- 96% of construction waste material was reused

HED's second Green Building was inaugurated at Talegaon campus. We have applied for the highest rating of Green building certification level i.e. Platinum Level and expect to receive it soon.

Energy Efficiency

- Installation of energy-efficient HVAC system equipped with L&T's 'ATMOS' Building Management System (BMS)
- Daylight and occupancy control sensors that cut energy consumption by 30%
- High-performance glazing

Indoor Environmental Quality

- Sensors to monitor & control air quality
- An automated fresh air damper that helps deliver 30% more fresh air
- Use of low VOC products

Green Buildings

The green building movement is fast taking root in India and has gained momentum during the past 3-4 years. It is now poised for exponential growth.

Building the buildings of the future is another field where our capability and commitment meet. We have both the 'know-how' and the 'intent'. ECCD has adopted 'Green Buildings' as one of its thrust areas. We are designing and constructing green buildings in our own campuses and also for a growing eco-sensitive client base.

To view L&T's Green Building portfolio refer to the NAPCC section.

Emissions

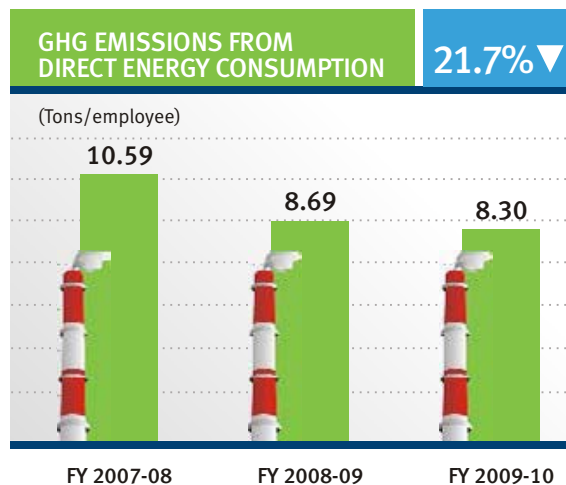
The transition to a low-carbon economy represents one of the key challenges facing the industry.

HED has built LPG/Natural Gas terminals and is continuously reducing the usage of High Speed Diesel by replacing it with LPG/Natural Gas for its operations.

We are integrating energy efficiency into our operations, processes, products and services, discontinuing the use of Ozone Depleting Substances and finding alternative means to interact without travelling. This allows us to adopt environmental measures while continuing our business as usual.

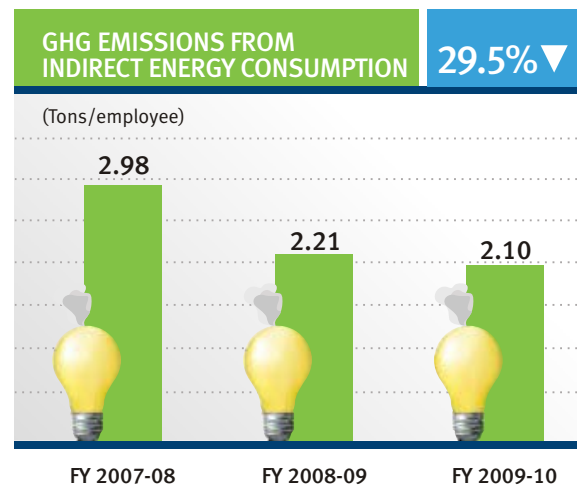
In line with our management mantra - 'What gets measured, gets improved', we track our direct and indirect GHG emissions. We also undertook a carbon footprint mapping of our facilities which measured emission caused by direct and indirect factors plus emissions resulting due to travel.

A resurgent order book and capacity expansion resulted in a marginal increase in direct and indirect GHG emissions from 252,305 tons in FY 2008-09 to 257,657 tons in FY 2009-10. The per employee emissions however demonstrated a declining trend.



Due to the enhanced scope this year, the above trends have been derived as per the scope FY 2007-08

% change with respect to FY 2007-08



Due to the enhanced scope this year, the above trends have been derived as per the scope FY 2007-08

% change with respect to FY 2007-08

GHG emissions as per current scope

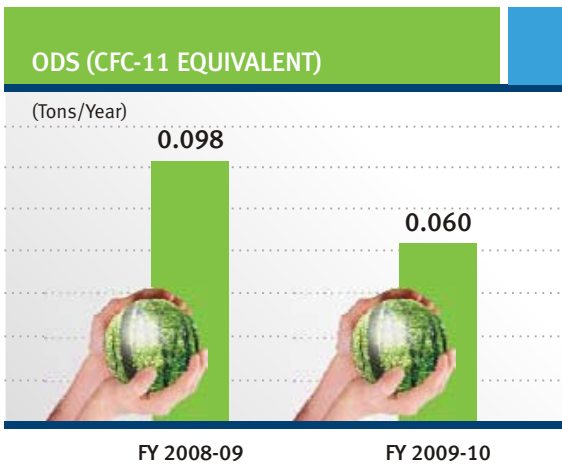
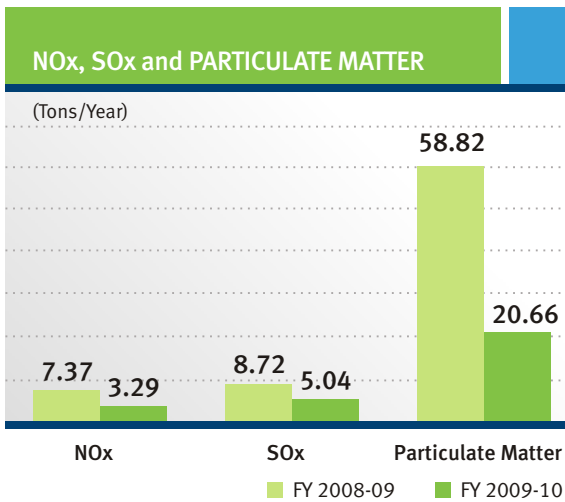
Scope 1	Scope 2	Scope 3
Direct emissions (From combustion of fuel)	Indirect emissions (From electricity consumption)	GHG emissions (From travel, commuting of employees)
288,045 Tons CO₂e	106,275 Tons CO₂e	17,466* Tons CO₂e
Total GHG emissions		411,786 Tons CO₂e

Moving forward, we will continue to invest in cleaner technologies so as to minimise the emissions of Greenhouse Gases from our operations.

*Partially reported

Ozone Depleting Substances (ODS) and NOx, SOx emissions

We continually monitor and curb use of ODS and NOx, SOx emissions from our sites. Since FY 2007-08, use of Ozone Depleting Substances has reduced from 0.098 tons of CFC-11 equivalent to 0.06 tons of CFC-11 equivalent. The emission of NOx, SOx and particulate matter witnessed a reduction from 58.82 tons in FY 2008-09 to 21.12 tons in FY 2009-10.



Due to the increased scope this year, the above trend has been derived as per the scope FY 2008-09.

Water

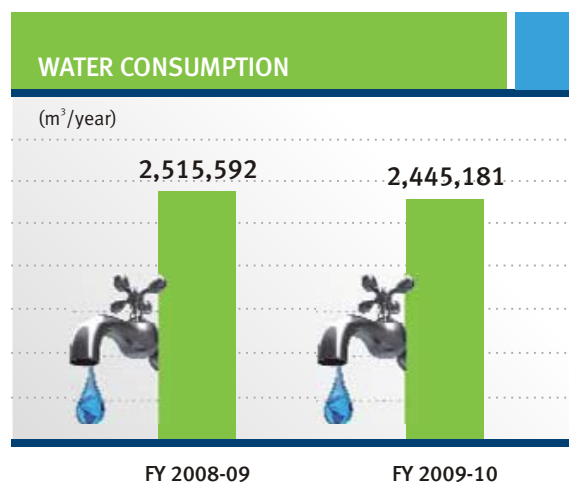
Despite having a surface area that covers 70% of the earth, water is becoming an increasingly scarce resource. Projections reveal that by 2025, at least 3.5 billion, or nearly half of the world's population, will face water scarcity. In a country like India, where the pressure to increase agricultural output and build infrastructure is rising by the day, finding effective solutions to combat water source depletion is critical.

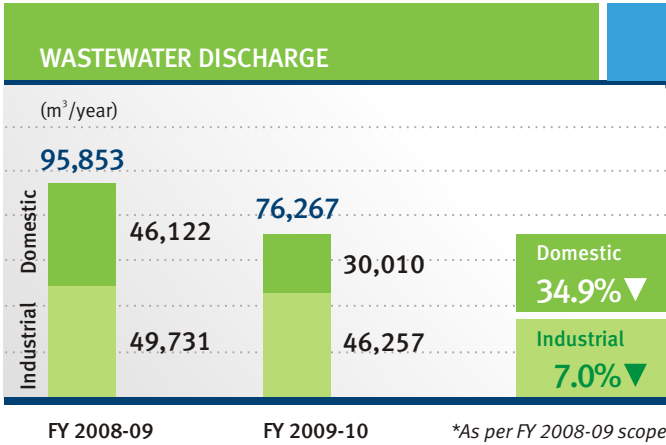
SOURCE-WISE WATER CONSUMPTION	FY 2008-09 m ³ /year	FY 2009-10 m ³ /year
River/Lake	1,846,737	1,791,335
Ground Water	205,075	198,923
Rainwater	1,900	6,900
Municipal Supply	433,902	420,885
Others	27,978	27,139
Total	2,515,592	2,445,181

Total Water Consumption as per current scope
5,032,814 m³/year

We have taken a slew of initiatives to increase water conservation. These include wastewater reuse, rainwater harvesting and monitoring consumption across locations. The company has set a target of reducing per capita water consumption by 10% by 2012. Major L&T campuses are targeting a zero wastewater discharge goal.

Considering the scope as of FY 2008-09, our water consumption has shown a reduction of 2.8%. For the same scope our wastewater discharge (industrial and domestic) too has come down by 20.4%.





Total wastewater discharge
as per current scope

771,906 m³/year

CONVERTING QUARRY PITS INTO IRRIGATION PONDS

Farmers of Beraja village, 60 km from the city of Rajkot, Gujarat, were dependent only on the monsoons for their farming needs.

Near this village, ECCD transformed abandoned quarry pits into irrigation ponds. Infrastructure like motors and pipelines up to the farmlands was also provided. This intervention helped meet long-term irrigation requirements of the farmers and enhanced farm productivity.

Over and above increased agricultural output, it also created more opportunities for local employment and helped rejuvenate the habitat.



Material Management

Between 2000 and 2050, the world population is projected to grow by 50%, global economic activity by 500%, and global energy and material usage by 300%. It is becoming increasingly clear that the larger challenges of energy use, climate change and the economy are, in part, a consequence of how we use materials.

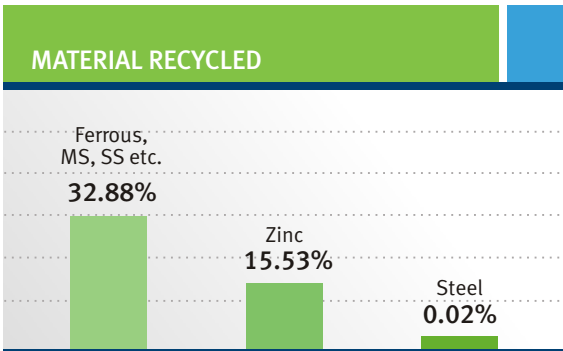
These materials are also the building blocks of our business. To address the issues behind the headlines, and yet remain competitive in the world economy, sustainable use of materials is a goal at L&T.

The concept of 'Reuse, Recycle, and Recover' is being communicated to all our constituents.

Raw Material Consumption

TYPE OF MATERIAL	FY 2009-10 (Tons/Year)
Metals	1,046,444
Hazardous Chemicals	235,283
Associated Materials*	95,738
Packaging	5,997
Total	1,383,462

* partially reported



MINIMISING MATERIAL HANDLING AND COST BY REDUCING WELD JOINT GROOVE ANGLE

The total weight of piles used at the Mumbai High North (MHN) offshore project, one of E&C Division's largest projects, was estimated to be approximately 8,400 MT. For pile fabrication, approximately 468 joints were needed to be weld and would result in weld metal deposition of approximately 33 MT. The key challenges were to reduce the amount of weld material, reduce welding days and minimise material handling for long sections.

A number of trials were conducted via the Submerged Arc Weld (SAW) process to reduce the weld groove angle. We successfully established a process wherein a 45° groove angle was used instead of the conventional 60°. This groove welding process reduced the amount of weld metal deposited from 33 MT to 21 MT and eliminated back-chipping, thus minimising safety hazards and enhancing cost savings.



Waste and Spills

Waste management strategies are integral to our environment management plans. We are committed to reduce the waste footprint of our operations which include office buildings, manufacturing facilities and project sites.

We have effective spill control measures to eliminate or contain any spill of chemicals, oils, fuels and hazardous waste to prevent any adverse impact on the environment and the sub-soil. Waste oil and used batteries are sent to agencies authorised by Pollution

Control Boards. During FY 2009-10, six used batteries were disposed off at an authorised landfill site. Non-hazardous waste (paper, cups, glasses etc.) continued to be disposed through an approved recycling agency.

We do not import or export any hazardous waste covered under the Basel Convention. All emissions are monitored periodically to ensure that they are well within the permissible limits.



With regard to e-waste, L&T has entered into agreements with certified vendors for recycling of PCs, laptops and servers. Regular checks are conducted to ensure compliance with relevant pollution control regulations.

WASTE DISPOSED	FY 2009-10 (Tons / Year)
Hazardous Waste & Waste Oil	7,003
Non-Hazardous Waste	24,778

Packaging Material

Our large, over-dimensioned equipment do not need extensive packaging. Wherever applicable, we have introduced eco-friendly recyclable packaging materials. For instance, at EBG, thermocol & expanded polystyrene is being replaced by bio-degradable materials. Reclaiming packaging material poses challenges considering our global customer base and the nature of our products.



Biodiversity

Our approach is to work in harmony with nature. At every large infrastructure project, we work closely with the relevant authorities to obtain all statutory compliances. This is especially true for core sector projects being executed through the PPP (Public Private Partnership) mode.

Our aim is to tread lightly and undertake all possible initiatives to enhance the local ecology. Towards this

objective, we carry out plantation activities in and around our units and project sites.

Around 35% of the available open land has been converted into a green belt by developing lawns, gardens and tree plantation at our campuses.

Our manufacturing facilities are located in notified industrial zones.

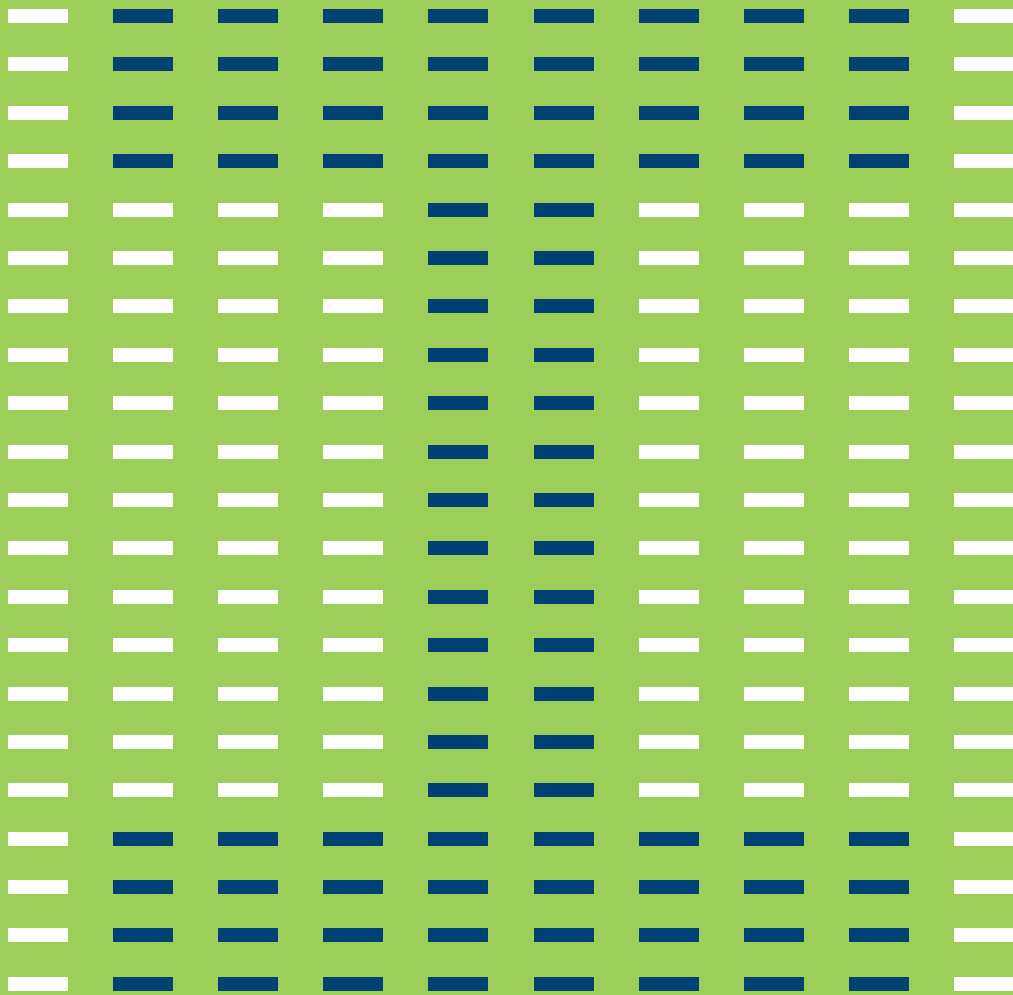


To educate and encourage school children on the significance of a greener planet, employees of ECCD have initiated 'Project Green Hands' with an aim to plant 50,000 saplings in and around Chennai.

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 and at manufacturing facilities. During the reporting period, no incident of non-compliance was reported and no fines were imposed.





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We is the New I

The view that economic and social objectives are in conflict is obsolete. They are no longer at opposite ends, but are means towards the same end. While companies are engines of progress, their success is interlinked with local communities.

We are aware that when more interests are aligned, more can be achieved for a longer duration of time. We are therefore creating win-win situations through an integrated approach which dissolves the concept of 'me' into the more powerful construct of 'us'.

Social Performance






L&T takes up social and community responsibilities in every sphere and sector that it operates. Our aim is to interweave business and social impacts and thereby contribute to the development of local communities. We are doing this by creating direct and indirect employment, empowering the youth with education, providing vocational and life skills training and offering healthcare access to the vulnerable.

The focus of our Corporate Social Initiatives (CSI) has been sharpened across thrust areas, which are critical for India's progress.

Reinforced focus on the social sphere

2005-2007	2007-2009	2009-2010
<p>Structured social interventions</p> <p>.....</p> <p>Defined thrust areas & CSI Policy</p> <p>.....</p> <p>Extended CSI across L&T locations</p> <p>.....</p> <p>Skill building through CSTI</p>	<p>Impetus to skill building in construction sector</p> <p>.....</p> <p>34 Ladies Clubs formed at various locations</p> <p>.....</p> <p>Reinforced processes and review mechanisms</p> <p>.....</p> <p>Spread of CSI in alignment with thrust areas</p>	<p>CSI accelerated</p> <p>.....</p> <p>Consolidation of Ladies Club activities leading to significant increase of beneficiaries</p> <p>.....</p> <p>Quantum leap in employee volunteering</p>

We seek to sustain our forward momentum by forging strong symbiotic relationships with neighbouring communities around our campuses and then panning out to projects sites across India. Testimony to our accelerated efforts is the multifold increase in the number of beneficiaries over the previous year.

THRUST AREAS	NO. OF BENEFICIARIES
 Education	67,000
 Mother & Child Healthcare	220,000
 Skill Building*	15,000+

* Training imparted to rural youth and school dropouts at CSTI, Project Sites and Vocational Training Centres to enhance employability of underprivileged

Over **300,000 people** benefited through the above initiatives during FY 2009-10

Our employees too showed greater involvement in being change agents through a quantum leap in participation across initiatives.

Our concentrated efforts towards Education, Mother & Child Healthcare and Skill Building are in line with the 'Voluntary Guidelines on Corporate Social Responsibility', released by the Ministry of Corporate Affairs in December 2009.

Education

A change in the literacy level can set in motion a process of transformation that can change the future of a nation.

During the reporting year, as the Parliament of India passed the historic 'Right to Education Act', we joined hands with our stakeholders to increase not just the access to education but also improve the quality of education.

Special schemes for employees' children

- The Larsen & Toubro Institute of Technology provides diploma courses to children of the employees.
- Employees' children, who are academic achievers, are recognised for their excellence through company wide schemes. Special schemes also assist the children of deceased employees so that they can continue to pursue education.

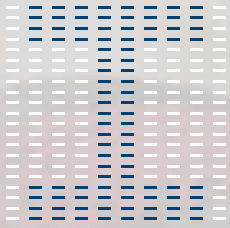
Programme ACE

ACE provides financial support to NGOs which work to encourage children's education. In FY 2009-10, ACE aided three projects:

- **Khelghar** - an institute that promotes value-based, holistic development of underprivileged children.
- **Seva Sahayog's** school kit donation drive.
- **ISC** - India Sponsorship Committee.

SPARK - Let's Ignite to Educate

L&T continued to support the education of children at the Gandhiji Rehabilitation Centre, an orphanage located in Poonamallee, Chennai.



Education is a potent enabler for inclusive and sustained growth. L&T's broad spectrum of social initiatives provide opportunity to those sections of society which need it most.

Enhancing Education and Infrastructure

- 'Universal Active Mathematics' - a mathematics-made-easy programme for the students of 18 schools in Mumbai.
- Visits by Nanha Munna Express (Mobile Toy Library) to nine schools in Powai, Mumbai.
- Educational projects in 25 community learning centres at Mumbai.
- Career guidance programme for around 70, class X, students of Hootagally High School, Mysore.
- Educational programmes for the children of Government Balwadi School, Mayur Dhvaj Vidyalaya and a tribal village at Chelidanga in Kolkata.
- Communication skill development programme for students in Jamshedpur.
- Audio-visual aid provided to F. S. Parekh Tech. School and Navchetan Vidyalaya at Surat.
- Up-grading infrastructure in Shriram Vidyalaya at Pimpalgaon, Malvi and a Primary school in Kancheepuram.



L&T set up a library at the Zilla Parsihad Prathmik Shala, Nav Lakh Umbre, Talegaon in association with Prayas Trust and Ladies Club of HED, Talegaon. The library houses a collection of over 700 books (400 purchased by L&T and over 300 collected by Prayas Trust and employees).

LEARNING CENTRES FOR THE UNDERPRIVILEGED

Children from slums often cannot realise the long-term benefits of education. Deprived of a conducive atmosphere at home, and lacking the incentive to continue studying, they drop out at an early age.

The learning centres located in and around Powai are an amalgam of 34 study centres and 28 balwadis, which reached out to 1,800 underprivileged children this year. In addition we have spread the benefits of education to 4,300 children through our learning programme at Paspoli Municipal and Milind Vidyalaya, Mumbai.



34 Study Centres provide additional coaching for children from Std I to VII, to help them cope with the curriculum in school. The teaching approach is interactive learning through participatory-subject discussion, role play, drama and Q&A sessions.



28 Balwadis are pre-school centres, where children below 5 years mix learning with fun in a warm and conducive environment. Teaching methods include play-way, singing and games.

Teachers are drawn from the local communities and are trained in teaching programmes like basic English, personality development, and health awareness.

ADOPTING A SCHOOL AT PIMPALGAON

L&T Ahmednagar campus adopted Shriram Vidyalaya, Pimpalgaon Malvi to provide a holistic learning experience for the village students. Support was provided to create better infrastructure facilities such as, upgrading the school library and providing a science & computer laboratory. A career guidance programme was also conducted for 10th and 12th students. To reinforce the skill sets of the teachers, they were trained in computers.



Skills Building

Empowering people with skills enables them to become self-sufficient and make a significant economic impact on the well-being of their families, communities and the nation. Our Construction Skills Training Institutes (CSTIs) provide vocational and life skills training to thousands of youth from the weaker sections of the society.

Construction Skills Training Institutes (CSTI)

This year the CSTI trained over 15,000 youths to make them employable and augment human capital in the construction industry. The programme also included training at the construction sites to gain true job-like experience.

Our initiatives to train people from the weaker sections of society and make them employable have been recognised by industry bodies, like FICCI and BCCI.

VOCATIONAL SKILLS FOR WOMEN

To enable women to be self-reliant, the Women's Development Training Centre at Pabal, near Pune, provided vocational training to 167 women in FY 2009-10. The initiative was supported by L&T Public Charitable Trust.

The training covered basic computer skills, food processing and home nursing. These women now have livelihood opportunities in small enterprises and the potential to become entrepreneurs.

At the training centres, vocational training is offered in basic computer skills, food processing, home nursing, tailoring and spoken English.



Mother & Child Healthcare

L&T participates in building a healthy community through a specific focus on mother & child care.

This year, we reached out to over 220,000 mothers and children across India through a spectrum of initiatives like setting up of health centres with a focus on reproductive health, conducting health check-up camps, cataract camps, health awareness workshops and anaemia camps etc.

- Over 27,954 women and children across Mumbai benefited from medical camps in schools and Community Learning Centres (CLCs) plus sessions on healthy diet & nutrition, seminars on family planning, workshops on pre & postnatal care and cooking competitions.
- A dental camp was conducted in Chennai which benefited 825 students of a Government Higher Secondary School.
- 731 women/children in Ahmednagar benefited from health camps for paediatric check-up, skin & venereal diseases, cancer screening, blood sugar and diabetic neuropathy, rubella vaccination, eye check-up, bone mineral density testing, etc.
- L&T continued to support the fully-equipped PHC (Primary Sub Health Centre) at Mora village, Hazira and provided free gynaecological and laboratory facilities to the villagers.

Andheri Health Centre (AHC), Mumbai

AHC provides health services to L&T employees, their families and the society. Two thirds of the patients availing its services are from the community.

In FY 2009-10 a total of 81,401 patient visits were registered as compared to 72,889 in FY 2008-09. Also a total of 1,182 outreach programmes were organised covering 40,362 people.

The centre is supported by 51 medical consultants. The spouses of L&T-ites carry out administrative and paramedical functions.

Thane Health Centre (THC), near Mumbai

The Thane Health Centre provides health services/consultation to the communities, employees and their family members.

A Dialysis Centre at THC provides treatment at concessional rates plus counselling to patients and their families. Besides the presence of a general physician, the centre offers super specialty consultation viz. Gynaecology and Obstetrics, Paediatrics, Skin and Leprosy, Ophthalmology, Orthopaedic, and ENT.

Apart from these consultations, THC organises outreach programmes such as medical camps, and health education programmes for schools as well as for patients being treated at the dialysis unit.

New Initiatives in FY 2009-10

ACTIVITIES	NO. OF CAMPS/ BENEFICIARIES
AHC Medical Camps	38
Mobile Van Medical Camps	180
Health Education Programmes	955
Family Planning Procedures	1,957
Diagnostic Investigations	30,890
Specialty Department Cases	48,554



In FY 2009-10 over 2,900 patients visited the centre.

DIALYSIS CENTRE

Over 1,300 dialysis sessions have been conducted by L&T's Dialysis Centre since inception on March 18, 2009. Equipped with top-of-the-line biomedical equipment, the centre conducts dialysis at nominal cost, and also offers medical and paramedical assistance.

The centre also conducts counselling sessions and support group meetings every month. Eminent doctors and professionals deliver lectures on coping with diseases, transplant surgeries, complications during dialysis and managing finances.



“It is the centre's effective guidance and mature support that makes its services excellent.”

Mr. Dinkar Bange | Dialysis patient

“Absolutely brilliant and timely consultation, at a reasonable cost. We need more of such centres!”

Mrs. Siddhi Torkar | OPD patient

OVERCOMING THE STIGMA OF LEPROSY

Leprosy and its stigma have a pervading effect on a patient's life. In spite of being cured of leprosy, many are still living on the fringes. At L&T, we are doing our bit by supporting rehabilitation of those affected.

The Poona District Leprosy Committee (PDLC), employs over 50 leprosy-cured and handicapped people for sub-assembly job work. L&T imparted training to PDLC employees and maintained business transactions with them over an extended period of time. In the reporting year, L&T organised a free health check-up camp for these employees and provided free medicines and follow up treatment at L&T Health Centre, Ahmednagar.

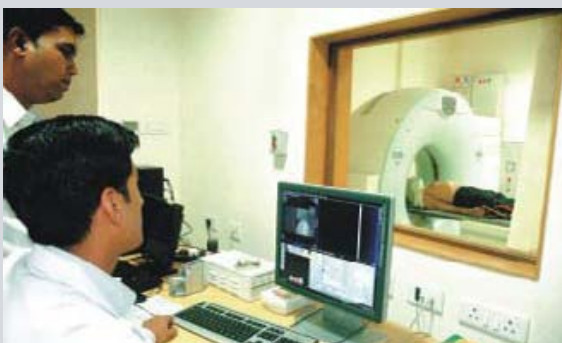




NIRALI MEMORIAL RADIATION CENTRE FOR CANCER TREATMENT

L&T's campus at Hazira is 30 km from Surat, one of Gujarat's bustling industrial and commercial cities. Working closely with communities, L&T has undertaken long-term programmes in health, education and skill building around Hazira and Surat.

The Bharat Cancer Hospital has been serving cancer patients in the city of Surat for years. However the absence of a full-fledged radiation treatment facility was a critical gap. Patients needed to travel to Mumbai or Vadodara for advanced treatment.



Mr. A.M. Naik, in his personal capacity, and L&T helped to bring about a change by contributing to set up the Nirali Memorial Radiation Centre.

This centre is equipped with top-of-the-line radiotherapy machines and associated facilities such as Linear Accelerator Oncor Expression capable of providing sophisticated radiation treatment.

This centre has also been provided with advanced 'Emotion & CT stimulator' for planning high precision external beam radiotherapy and virtual stimulation HDR for 3 dimensional treatment in cancers of breast, gynaecological sites, head & neck region, GI tract and sarcomas.

Nirali Memorial Radiation Centre at Surat is the answer to the prayers of cancer patients in and around the city. They can now depend on comprehensive cancer treatment with the best of facilities, at affordable rates nearer home.

L&Teering

Self-driven participation has the potential to trigger transformation. By nurturing volunteers among our employees, we tap a larger pool of resources, essential for the ongoing growth of communities. Volunteering boosts employee morale and provides them the opportunity to extend themselves beyond work and contribute to society.

This year, L&T witnessed a marked increase in the participation of 'L&Teers' (Employee Volunteers). To make the good efforts even better, periodic training programmes were conducted for the L&Teers by the Corporate Social Initiatives department.

NO. OF VOLUNTEERS

4,500

L&Teers tailor their efforts to the needs of the regions, through a wide spectrum of activities:

- 'Project Sankalp' involves recycling of waste paper generated in offices which is converted into notebooks, and is used by children of the adopted schools.
- 1,000 saplings were planted by employee volunteers of ECCD at Chennai.
- L&Teers across India participated in various programmes like Blood Donation, Tree Plantation, and conducting sensitisation workshops on Environment, Health & Hygiene.
- In Mumbai, L&Teers have contributed their time for 'Project Ujjwal' where they conduct scholarship classes in Mathematics, English & IQ for students of Std. IV and VII of Paspoli Municipal School, Powai.

COMMUNITY DEVELOPMENT INITIATIVES AT KANSBAHAL

The Ladies Club, Kansbahal organised:

- Health checkups for over 350 children from 25 anganwadis.
- Family planning camps for women at a nearby hospital.
- Vocational course in tailoring and embroidery for young women in the tribal belt.

Implementation Structure

At L&T, a CSI implementation system is in place. Team members formulate strategy and targets, translate them into action and monitor its implementation.

CSI Department

The department works closely with community leaders and local NGOs to assess community needs. It applies management experience and expertise to harness the most effective levers and enable long-term solutions to the identified needs. It brings consistency and propagates community initiatives across various locations.

At our project sites, social initiatives for the neighbouring communities are implemented by the project team.



Cookery competition for community women.

Ladies Clubs

These clubs, formed at different locations by the spouses of our employees undertake social work in communities and are the driving force behind L&T's social interventions. They also foster employee bonding by organising various programmes and events at regular intervals.



Providing mobility to the physically challenged.

Larsen & Toubro - Public Charitable Trust

The Trust is actively working towards sustainable development of society through well directed activities in education, vocational training, healthcare and water management. At many locations, the projects are executed in collaboration with reputed NGOs.



Vocational training to enhance employability of local youth.

CASE STUDY



REHABILITATION OF PROJECT AFFECTED FAMILIES

Around 100 families of fishermen were likely to be affected by the shipyard and port complex being set up by L&T and the Tamil Nadu Industrial Development Corporation Limited (TIDCO) on a 1,148 acre plot in Kattupalli Village, in the Tiruvallur District of Tamil Nadu. L&T took up the responsibility of rehabilitating and resettling these families.

In consultation with the Tamil Nadu government and with the consent of the villagers, a plot close to the village Kalanji near the project site was finalised as the alternate area for relocation. L&T took up construction of a modern resettlement colony and completed the project within six months.

Outcome

- The villagers were relocated, resettled and rehabilitated in an area of 5.6 acres.
- 110 dwellings with electricity, water and good sanitation.
- The colony was provided with:
 - Primary school building with a playground
 - Community hall
 - Medical centre and shopping complex
 - Internal roads and street lighting



CONSTRUCTION OF CHECK-DAMS FOR TRIBAL FARMERS

Paddy cultivation is the primary occupation of the tribal communities of Dahanu Taluka in Thane District, Maharashtra. Since rice is a water intensive crop, the farmers were entirely dependent on the vagaries of an erratic monsoon. This problem was compounded by the scarcity of potable water, and compelled many in the population to migrate in search of a stable income and better livelihood.

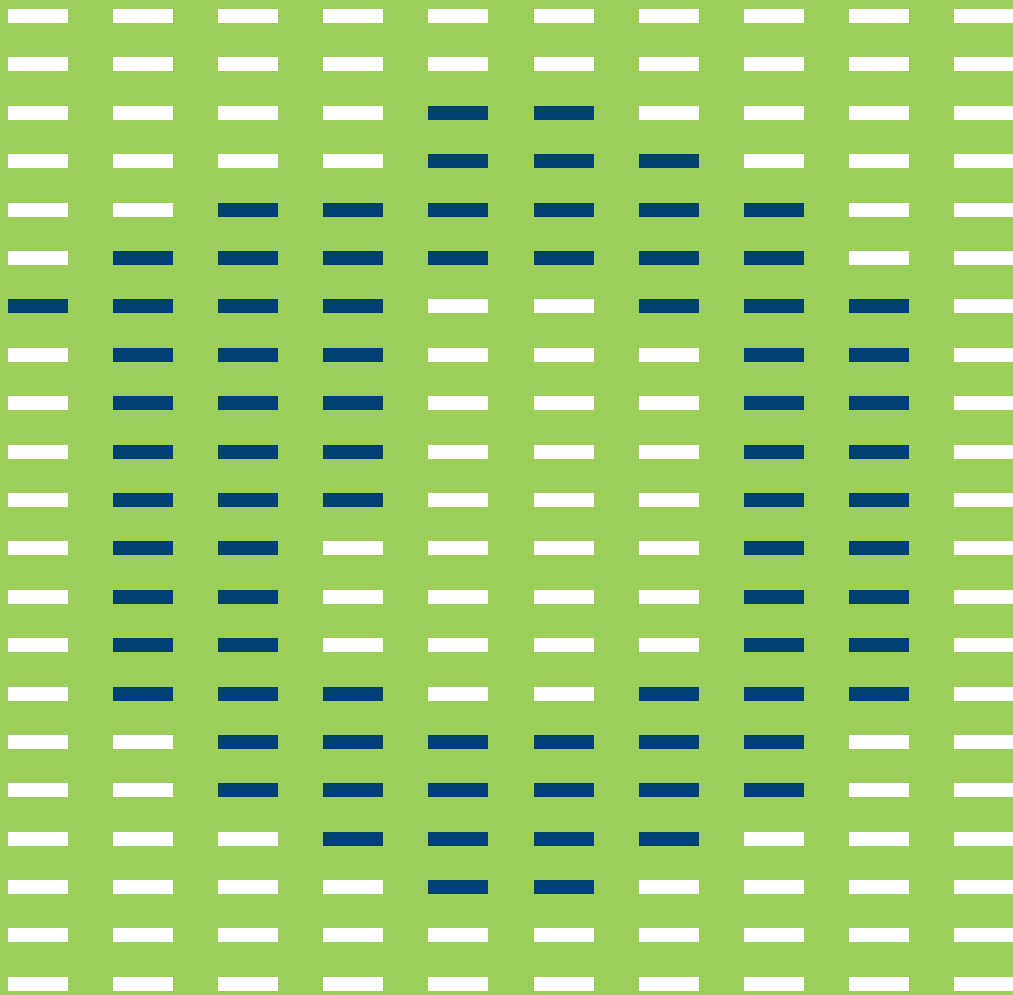
L&T conducted an extensive survey with the help of the Social Forestry Department of the Government of Maharashtra and the Rotary Volunteer Engineers, to identify sites for the construction of check-dams.

Larsen & Toubro Public Charitable Trust sponsored the construction of five check-dams. This was followed by various stakeholder meetings with the villagers and land owners to apprise them about the benefits of the project.

These check-dams are built of concrete with a main wall & four guide walls to prevent water from entering adjacent fields. This concrete structure requires minimal maintenance and has a life of 25-30 years.

Outcome

- Each check-dam stores over 3.5 million litres of water during the monsoon and recharges the ground water within an area of 1 sq km, thus providing drinking water to nearly 6,500 people.
 - These check-dams also help in cultivation of additional crops by the tribal farmers and reduce top soil erosion. There is also an increased possibility of harnessing seasonal streams in the area.
-



End is the New Beginning

Produce it. Sell it. Forget it. This historical operational framework of businesses is now obsolete. Today not only society and government but even customers are holding manufacturers responsible for the environmental, social and energy impacts of their product throughout its lifecycle.

We are adopting approaches where design decisions including material selection are decided after a thorough study of impacts from the use and disposal of the product.

Product Stewardship



Broadly, the concept of product stewardship can be defined as 'understanding, controlling, and communicating a product's environment, health, and safety related effects throughout its life cycle, from production to disposal.'

The concept of economic, environmental and social sustainability is embedded into our products from the conceptual stage. Products are reviewed for EHS, life cycle impacts and adherence to statutory & regulatory norms. Care is taken to mitigate risks.

At the production stage, raw materials are carefully chosen, as we increasingly adopt eco-friendly material. We increased our range of RoHS compliant components to 250 and intend to extend this further in the coming years.

The next step is ensuring that the products are sustainable throughout their service life. Towards this, clear updated information is provided to the customer regarding the possible impacts of product usage. Customer safety and satisfaction remain top priority.

As an industry leader, we are committed to set benchmarks in resource conservation and developing infrastructure and products that better serve our customers. The focus is on applying advanced technologies to work methods that enhance quality, sustainability performance and safety.

Given below are examples how every OD continued to develop more responsible products and processes:

ECCD

- The OD continues to be at the forefront of introducing the latest construction technology and materials. Towards this the division has entered into collaborations/JVs with leading companies across the globe.
- Sustainability strategy and initiatives have been adopted to add more value to its offering. Green Buildings are one of the thrust areas.

HED

- Contributed in the manufacture of India's first nuclear powered submarine, 'INS Arihant'.
- Implementation of Product Lifecycle Management (PLM) programme.
- The Talegaon factory has introduced a high level of visual controls in its operations to enhance productivity and reduce the learning curve.

E&C

- Metal consumption reduced by 22MT in cofferdam fabrication using FEA software ANSYS.
- Metal consumption lowered by 11.6MT during welding by reducing weld groove angle.

EBG

- A new superior range of Low Voltage distribution board, T-ERA, offers increased safety, reduced maintenance time & environment-friendly design.
- Reactive power compensation solutions that reduce kVA demand on the distribution system.
- As a leader in energy meters and demand controllers, it makes a vital contribution to the measurement and monitoring of energy consumption across households and industry.

MIPD

- Operational Excellence initiative ensures that deliveries are tailored to meet specific requirements of customers.
- Seven units are recognised for manufacturing/ business excellence by CII EXIM, F&S IMEA national awards.

L&T INFOTECH

- Assessed and recognized at the highest maturity Level 5 under CMMi. It is the only large Indian company to be assessed for all business units across locations in a single assessment.

New Product Development and Innovation

In today's competitive market, innovation is usually the only differentiating factor between a leader and a follower. L&T understands this and consistently endeavours to be ahead of the curve.

Employing a systematic new product development procedure, L&T uses market analysis and foresight to innovate, design and manufacture sustainable products that satisfy growing needs.

Our continued investment in Research and Development has led to industry-leading expertise. All our Operating Divisions have taken initiatives to reinforce knowledge competencies and strengthen the innovation system.

This helps L&T create value through growth, market leadership and profitability.

Highlights



E&C Division completed the **Motor Spirit quality upgradation project** at IOCL, Panipat refinery during FY 2009-10



L&T Infotech has made rapid progress in strengthening technology alliances and is foraying into **Cloud Computing**



L&T Infotech has joined the **Open Handset Alliance™ (OHA)** which has developed **Android™**, the first open and free mobile platform



HED manufactured **India's first Cr-MO-V Hydrocracker Reactor**



EBG has developed one of the **most compact Air Circuit Breaker**. The **U-POWER Omega series** incorporates breakthrough technology and multiple innovations (7 patents)



DEVELOPMENT OF HYDROGEN DISBONDING TEST FACILITY

The high pressure reactors and heat exchangers manufactured by HED involve SS weld overlay on Cr-Mo steels. Most of the applicable specifications call for Hydrogen Disbonding test for qualification of weld overlay.

Hydrogen Disbonding test is a method for the evaluation of hydrogen induced disbonding of bimetallic stainless alloy/steel plate. Conventionally, these tests were performed at our supplier's premises in Europe, which led to issues like:

- 6-8 weeks cycle time
- Cost fluctuations
- Limited control over testing schedule

HED decided to collaborate with an NABL certified vendor in India and developed a local test facility at Mumbai. Test guidelines and samples for trials were provided to the local partner. An autoclave for hydrogen charging was developed with assistance from IIT, Mumbai.

Tests were successfully performed at temperature and pressure of up to 520° C and 200 bars respectively. A minimum cooling rate of 150° C was found to be achievable. HED also developed a UT by C scan method before and after hydrogen charging. The facility was certified by an independent agency and subsequently accepted by the customer.

Outcome

- Development of local vendor for import substitution
- Cycle time reduced from 6-8 weeks to 2 weeks
- Cost reduction of 75%, realising total savings of INR 2.2 million in one year



IMPLEMENTATION OF TANDEM SAW ON MULTI WALL AMMONIA CONVERTER

Ammonia converters are among the core products of HED. These multi wall shells of 150 mm to 250 mm thickness are typically made of CrMo Steel and built by shrink fitting 4 to 5 shells. Hitherto, the circumferential seams were welded with single wire Submerged Arc Weld (SAW) with each seam having a weld metal deposition of 400-500kgs. This caused two major problems:

- Less productivity
- High cycle time

A team involving shop, production engineering & welding was formed to study the feasibility of implementing 5 mm dia Tandem SAW on multi wall shells.

Initially the implementation of narrow gap submerged arc welding using Tandem was a major challenge. Finally the welding technique was perfected after many trials on simulated mock up plates.

Tandem welding uses two separate power supplies, two wire feeders, and two large-diameter wires. Deposition rates are at least double than those achievable with single-wire SAW.

Outcome

- Two circumferential seams welded with zero repairs in RT & UT
- Increase in productivity by $\approx 90\%$
- Reduction in cycle time by $\approx 45\%$
- Can be replicated across future projects

Intellectual Property Rights

Intellectual Property Rights have traditionally been considered a stimulus to useful innovation and economic growth. We work towards creating significant value for the organisation by protecting our Intellectual Property Rights.

EBG has introduced a large number of innovative products. The adjacent table is its IPR score card.

NATURE	FY 2007-08	FY 2008-09	FY 2009-10
Patent	101	108	128
Design	32	33	22
Trademark	11	05	22

Customer Satisfaction

In a competitive marketplace, customer satisfaction is seen as a key differentiator and has increasingly become a vital element of business strategy. We regularly interact with customers to ensure that our products meet the highest quality standards and measure up to customer expectations.

Customer feedback is captured through steps defined in the DACP - Departmental Activity Control Procedures and SOPs as per the ISO 9001 requirements. We carry out surveys to measure customer satisfaction. Any complaint/feedback is analysed for continual improvement.

Customer Health and Safety

Safety is factored into every step of the production process.

- Integrating safety at the design stage.
- Benchmarking products against Indian and international standards like IS, IEC and BIS, among others.
- Employing manufacturing best practices to prevent adverse health and safety impacts throughout its life cycle.
- Training customer personnel in the best practices to use equipment safely.
- Constantly review health and safety impacts of products, projects and services for improvement during the project life cycle.
- Displaying cautionary signboards at all our completed project sites and products.

We are in the process of furnishing information that assists customers in safe disposal of electrical and electronic products.

Product Labelling

We follow a labelling process that adheres to relevant codes & specifications.

All electrical products used in machinery manufacturing carry the BIS label and around 50% products of LTM, a business unit of MIPD, have CE label.

For HED, labelling is carried out as per the codes & specifications and documentation relating to the product is sent to the customer on dispatch of the equipment.

Marketing Communications

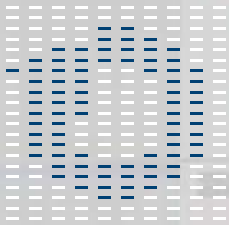
L&T's marketing communications reflect in tone and tenor the personality of the company and the way our businesses operate. Our communications therefore rest on the pillars of accuracy in content, clarity in expression and integrity of intent. Corporate communication practices of L&T conform to the laws and acts that govern corporate advertising, promotion and sponsorship. During the reporting period there were no complaints received on the subject of misleading marketing communication.

Compliance

We have taken stringent measures to ensure that relevant laws and regulations are complied with. We also have a structured system of communication through which any non-compliance can be reported. We do not deal in any product which contravenes statutory regulation. During the reporting period, there were no incidents of non-compliance with regulations or voluntary codes regarding products and services and no monetary fines were imposed.



27F



Innovative features in L&T's new T-ERA switchboard enhance customer convenience and reduce environmental impact.

Recognition



- **L&T's Sustainability Reporting receives Asian honours**

In the pan-Asia rankings, L&T was ranked 4th in India and 17th among 200 companies across the continent in its Sustainability disclosures. The ASR ranking affirms L&T's position as a company committed to corporate sustainability.

- **Business Standard 'Company of the Year' Award**

The jury of Business Standard conferred the 'Company of the Year' Award on L&T, declaring that L&T was best positioned for the future in complex and critical businesses that are vital for India's development.

- **NDTV Profit Business Leadership Award 2009**

L&T was voted India's Best Company in the Infrastructure Sector by India's leading business news channel, NDTV Profit. The selection for the awards had a stringent six-stage nomination process.

- **Ranks Among 'World's 50 Most Reputable Firms'**

The global media, including Forbes, has featured a study by Reputation Institute, a New York-based research and consultancy firm, that has ranked L&T in the top 50 of the world's 200 most reputable firms.

- **L&T on Forbes Asia's Fabulous 50 List – Fourth Time in a Row**

For the fourth successive year, L&T has made it to Forbes Asia's 'Fabulous 50' list of Asia-Pacific's publicly-traded companies with revenues or market capitalisation of at least \$5 billion. L&T is the only engineering and construction company in India to feature in the list.

- **L&T ranks among India's Top 10 Companies in a Wall Street Journal Asia Survey**

In the annual ranking of Asia's leading companies by the Wall Street Journal Asia, L&T featured in India's Top Ten for the third time in a row.

- **Business Today cites L&T as The Best Company to Work for in the Manufacturing Sector**

Business Today survey says that, L&T empowers its employees, has a young professional workforce, offers its best employees faster career paths, and has a wide range of businesses to choose from for career options. The survey covered 8742 respondents in 1000 organisations across 800 cities in India.

- **Two British Safety Council Swords of Honour for L&T**

L&T's Powai campus secured a double honour. In an audit conducted by the British Safety Council (BSC), London, the Heavy Engineering Division (HED) and Electrical & Electronics Division (EBG) of L&T have received Five Star ratings for their Safety and Health Management Systems. The prestigious Swords of Honour were presented at a ceremony in London.

- **Finance Asia rates L&T among India's Best Managed Companies, and Mr. Deosthalee as one of India's Best CFOs**

Finance Asia, a leading Hong Kong based publication for the investor and analyst community, has rated L&T as one of India's best managed companies.

- **EuroFinance Award for Corporate Treasury Management**

L&T impressed the EuroFinance jury by the thoroughness it demonstrated in developing its treasury strategy and the meticulous detail in tactics. EuroFinance is the global leader in conferences, training and research for the treasury management profession.

- **L&T wins the highest number of awards at the 49th Annual Awards Competition held by the ABCI (Association of Business Communicators of India). The L&T-ite bags 'Magazine of the Year Award'**

In recognition of the high professional quality of the magazine and fulfilment of its communication goals, the ABCI has conferred on it the coveted 'Magazine of the Year Award'.

- **FinanceAsia Achievement Award, 'Best India Deal' of 2009**

The successful \$600 million QIP and Convertible Bonds issue by L&T has been selected for an achievement award by *FinanceAsia* – Asia's leading financial publication for the investor and analyst community.

- **EBG wins IMC Ramkrishna Bajaj National Quality Award**

The award, comprising a glittering trophy and certificate, is recognition of ESP's commitment to achieve excellence in quality and a milestone in its journey towards becoming a world-class organisation.

- **Mr. Y. M. Deosthalee awarded 'CFO of the Year' by CNBC TV 18**

The 'CFO of the Year Award' is the highest accolade in the professional financial community. The citation highlighted the contribution of Chief Financial Officers to not only ensure the success of their own organizations but raise India's professional stature to global levels. The award gains special significance in the light of the global economic crisis that tested accepted wisdom and compelled CFOs to revolutionise their own roles.

AWARDS CONFERRED ON MR. A. M. NAIK, CHAIRMAN & MANAGING DIRECTOR

- Business Leader of the Year Award by OceanTEX
- 'CEO of the Year' Award from ISTD, Bangalore
- Features yet again in Business Week's 'India's 50 Most Powerful People'
- Features yet again in DNA's 'Mumbai's 50 Most Influentials'
- Conferred Bharat Shiromani Award
- LAKSHYA Business Visionary Award from NITIE
- National Statesman Award from Qimpro Platinum Standard



INDEPENDENT ASSURANCE STATEMENT

INTRODUCTION

Det Norske Veritas AS ('DNV') has been commissioned by the Management of Larsen & Toubro Limited ('L&T' or 'the Company') to carry out an assurance engagement on the L&T's Sustainability Report 2010 ('the Report'), against the Global Reporting Initiative 2006 Sustainability Reporting Guidelines Version 3.0 (GRI G3) and AccountAbility's AA1000 Assurance Standard 2008 (AA1000AS (2008)).

DNV is a global provider of sustainability services, with qualified environmental and social assurance specialists working in over 100 countries. DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV maintains complete impartiality toward any people interviewed. DNV expressly disclaims any liability or coresponsibility for any decision a person or entity would make based on this Assurance Statement.

The intended users of this assurance statement are the readers of L&T's Sustainability Report 2010. The Management of L&T is responsible for all information provided in the Report as well as the processes for collecting, analyzing and reporting the information. DNV's responsibility regarding this verification is to L&T only and in accordance with the agreed scope of work. The assurance engagement is based on the assumption that the data and information provided to us is complete and true.

SCOPE OF ASSURANCE

The scope of work agreed upon with L&T includes verification of the following:

- The content of Sustainability Report 2010 i.e. reporting of economic, environmental, and social indicators (for the year of activities covered in the Report, 1 April 2009 to 31 March 2010), except EC-1 which is as per L&T's 65th Annual Report (2009-10);
- Evaluation of the AccountAbility principles and specified performance information, described below, for a Type 2, moderate level of assurance, in accordance with the requirements of AA1000AS (2008):
- Information relating to L&T's issues, responses, performance data, case studies and underlying systems for the management of such information and data;
- Information relating to L&T's materiality assessment and stakeholder engagement processes;
- Confirm that the report meets the GRI G3 Application Level A, as declared by L&T.

The reporting boundary is as set out in the Report, and during the assurance process we did not come across limitations to the scope of the assurance engagement. The verification was conducted during July, October and November 2010.

VERIFICATION METHODOLOGY

This assurance engagement was planned and carried out in accordance with the AA1000AS (2008) and the DNV Protocol for Verification of Sustainability Reporting¹. The report has been evaluated against the following criteria:

- Adherence to the principles of Inclusivity, Materiality and Responsiveness as set out in the AA1000AS (2008); the Reliability of specified sustainability performance information, as required for a Type 2 and moderate level assurance engagement,
- Adherence to the additional principles of Completeness and Neutrality as set out in DNV's Protocol, and
- The principles and requirements of the GRI G3 for an application level A.

As part of the engagement, DNV has verified the statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls. In doing so, we have:

- Challenged the sustainability-related statements and claims made in the report and assessed the robustness of the data management system, information flow and controls;
- Examined and reviewed documents, data and other information made available by L&T;
- Visited the operating divisions, manufacturing units, and project sites of L&T at Powai, Hazira, Ranoli, Ahmednagar, Chennai, Pondicherry, Kansbahal to conduct on-site verification; and also visited one of its subsidiaries, L&T Infotech's office at Powai;
- Conducted interviews with Top/Senior management and key representatives in various operating divisions and functions, as well as at head office;
- Reviewed the Company's approach to stakeholder engagement and its materiality determination process;
- Performed sample-based reviews of the mechanisms for implementing the Company's sustainability related policies, as described in the Report;
- Performed sample-based checks of the processes for generating, gathering and managing the quantitative data and qualitative information included in the Report.

¹ www.dnv.com/services/assessment/corporate_responsibility/services_solutions/sustainabilityreporting/order/



OPPORTUNITIES FOR IMPROVEMENT

The following is an excerpt from the observations and opportunities for improvement reported to the Management of L&T and are considered for drawing our conclusion on the Report; however they are generally consistent with the Management's objectives:

- Further strengthening the materiality determination process and linking it to sustainability drivers will help to improve the organisation's sustainability performance, including timely detection of emerging issues and opportunities;
- Fully map stakeholder expectations and needs and incorporate these as inputs into the strategic planning process through an issue-based, multi-stakeholder engagement process, to develop long-term sustainable business strategies;
- Progressively expand the boundary of reporting, goals, targets and performance metrics for material issues;
- Fully report on partially reported GRI G3 indicators in subsequent reports;
- The data aggregation process and internal verification mechanism need to be strengthened to improve the quality of quantitative data.

CONCLUSIONS

We have evaluated the Report's adherence to the following principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement':

Inclusivity: Acceptable. As a part of L&T's stakeholder engagement process both stakeholder and management perspectives were considered to arrive at the material issues as reflected in the Report.

Materiality: Acceptable. The materiality determination process has been carried out by the Company and macro level issues of significance related to stakeholders have been responded to in the Report.

Responsiveness: Acceptable. We consider that the Company's response to key stakeholder concerns, through its policies and management systems, is fairly reflected in the Report.

ADDITIONAL PARAMETERS AS PER DNV'S PROTOCOL

Completeness: Acceptable. Certain GRI G3 core indicators have been responded to partially. The rationale for this and the exclusion of core indicators which are not applicable has been explained in the Report.

Neutrality: Good. The Company has reported its sustainability performance and related issues in a balanced manner, in terms of content and tone.

In our opinion, and based on the scope of this assurance engagement, L&T's Sustainability Report 2010 provides a fair representation of the Company's sustainability policies, objectives, management approach and performance during the reporting year.

In accordance with the AA1000AS (2008) requirements for a Type 2 moderate level assurance engagement, we conclude that the specified sustainability data and information presented in the Report is generally reliable.

DNV confirms that the Report meets the requirements for GRI application level A.

for Det Norske Veritas AS

Signed:

Vadakepatth Nandkumar

Lead Verifier

Det Norske Veritas AS, India

Signed:

Safavi Nilli

Assurance Engagement Reviewer, CR services,

Det Norske Veritas Ltd., UK

Bangalore, India, 29th November 2010



AA1000

Licensed Assurance Provider
000-10

GRI index

Profile Disclosure	Description	Reference	Remarks
1: Strategy and Analysis			
1.1	Statement from the most senior decision maker of the Organisation	1-2	
1.2	Description of Key impacts, risks and opportunities	26-28	
2: Organisational Profile			
2.1	Name of the Organisation	Cover Page	
2.2	Primary brands, products and/or services	9-10	
2.3	Operational Structure of the Organisation, including main divisions, operating companies, subsidiaries and joint ventures	7-8	
2.4	Location of Organisation's 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	11-12	
2.6	Nature of ownership and legal form	15	
2.7	Markets served	12	
2.8	Scale of the reporting Organisation	9-11	
2.9	Significant changes during the reporting period regarding size, structure, ownership	-	No significant change
2.10	Awards received in the reporting period	89-90	
3: Report Parameters			
3.1	Reporting period for information provided	30	
3.2	Date of most recent previous report	-	30 Nov 2009
3.3	Reporting cycle	30	
3.4	Contact point for questions regarding the report or its contents	30	
3.5	Process for defining report content	30	
3.6	Boundary of the report	30	
3.7	State any specific limitations on the scope, or boundary of the report	30	For project sites, material, energy, safety, manpower and training is included. At LTMN, material, manpower, energy & training are included.
3.8	Basis for reporting on joint ventures, subsidiaries, outsourced operations, etc	30	
3.9	Data measurement techniques and the bases of calculations	30	
3.10	Explanation of effect of re-statements of information provided in earlier reports and the reasons for such re-statement	-	Not Applicable
3.11	Significant changes from previous reports in the scope, boundary, or measurement methods applied in the report	30	Three manufacturing locations have reported for the first time in reporting boundary.
3.12	Table identifying the location of the Standard Disclosures in the report	93-96	
3.13	Policy and current practice with regard to seeking external assurance for the report	30	
4: Governance, Commitments and Engagement			
4.1	Governance structure of the Organisation	15-17	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	15-17	
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	15-17	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	15-17	
4.5	Link between compensation of Board and management with performance	16	
4.6	Processes in place for the Board to ensure conflicts of interest are avoided	17	
4.7	Process for determining the qualifications and expertise of the members of the Board	18	
4.8	Internally developed statements of mission or values, codes of conduct, and principles	18, 21	
4.9	Procedures of the Board for overseeing identification and management of performance	16	
4.10	Processes for evaluating the Board's own performance	16	

Profile Disclosure	Description	Reference	Remarks
4.11	Explanation of whether and how the precautionary approach or principle is addressed	19	
4.12	Externally developed economic, environmental and social charters / principles	19	
4.13	Memberships in associations	19	
4.14	List of stakeholder Groups engaged by the Organisation	33	
4.15	Basis for identification and selection of stakeholders with whom to engage	33	
4.16	Approaches to stakeholder engagements	33	
4.17	Key topics and concerns that have been raised through stakeholder engagement	29	
DISCLOSURES ON MANAGEMENT APPROACH (DMAs)			
DMA EC	Disclosure on Management Approach EC	20	
DMA EN	Disclosure on Management Approach EN	20	
DMA LA	Disclosure on Management Approach LA	22	
DMA HR	Disclosure on Management Approach HR	22	
DMA SO	Disclosure on Management Approach SO	22	
DMA PR	Disclosure on Management Approach PR	22	
PERFORMANCE INDICATORS			
Economic			
Performance Indicator	Description	Reference	Remarks
EC1	Direct Economic value generated and distributed	47-50	
EC2	Financial implications and other risks and opportunities for the Organisation's activities due to climate change	23, 51	
EC3	Coverage of the Organisation's defined benefit plan obligations	50	
EC4	Significant financial assistance received from Government	-	We did not receive any financial assistance from Government in 2009-10
EC5	Range of ratio of entry level wage compared to local minimum wage at significant locations of operation	50	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	51	
EC7	Procedures for local hiring, and proportion of senior management hired from the local community in locations of significant operation	51	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	51	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	51	
Environmental			
EN 1*	Materials used by weight	66	
EN 2	Materials used by weight that are recycled input materials	66	
EN 3*	Direct energy consumption by primary energy source	56	
EN 4	Indirect energy consumption by primary source	56	
EN 5*	Energy saved due to conservation and efficiency improvements	59	
EN 6	Initiatives to provide energy efficient products and services	-	Not Reported
EN 7	Initiatives to reduce indirect energy consumption	59	
EN 8*	Total water withdrawal by source	65	
EN 9	Water sources and related habitats significantly affected by withdrawal of water	-	Not Reported
EN 10	Percentage and total volume of water recycled and reused	-	Not Reported
EN 11	Location and size of land owned, leased, or managed in, or adjacent to, protected areas and areas of high bio-diversity value outside protected areas	68	
EN 12	Description of significant impacts of activities, products & services on biodiversity in protected areas	68	

GRI index

Performance Indicator	Description	Reference	Remarks
EN 13	Habitats protected or restored	68	
EN 14	Strategies, current actions, and future plans for managing impacts on biodiversity	68	
EN 15	IUCN Red List species and other list species with habitats affected by operations	-	Not Reported
EN 16	Total direct and indirect GHG emissions by weight	64	
EN 17	Other relevant indirect GHG emissions by weight	65	
EN 18	Initiatives to reduce greenhouse gas emissions and reductions achieved	-	Not Reported
EN 19	Emissions of ozone-depleting substances by weight	65	
EN 20*	NOx, SOx, and other significant air emissions by type weight	65	
EN 21*	Total water discharge by quality and destination	66	
EN 22	Total weight of waste by type and disposal method	66	
EN 23	Total number and volume of significant spills	47	
EN 24	Weight of waste transported deemed hazardous	-	Not Reported
EN 25	Details of water & habitats significantly affected by discharges of water and runoff	-	Not Reported
EN 26	Initiatives to manage the environmental impacts of products and services and extent of impact reduction	66	
EN 27	Percentage of products sold and their packaging materials reclaimed by category	68	
EN 28	Incidents of, and fines or non-monetary sanctions for, non-compliance with applicable environmental regulations	68	
EN 29	Significant environmental impacts of transporting products etc and workforce	-	Not Reported
EN 30	Total environmental protection expenditures by type	-	Not Reported
Labour Practices and Decent Work			
LA1	Total workforce by employment type, employment contract, and region	37	
LA2	Total number and rate of employee turnover by age group, gender, and region	38	India is considered as a region
LA3	Minimum benefits provided to full-time employees, which are not provided to temporary or part-time employees	39	
LA4	Percentage of employees covered by collective bargaining agreements	39	
LA5	Minimum notice period(s) regarding significant operational changes	38	
LA6	Percentage of workforce represented in formal joint management worker health and safety committees	41	
LA7	Rates of injury, occupational diseases, lost days & number of work-related fatalities by region	41	
LA8	Education, training, counseling, prevention, and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	39	
LA9	Health and safety topics covered in formal agreements with trade unions	41	
LA10*	Average hours of training per year per employee broken down by employee category	38	
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	38	
LA12	Percentage of employees receiving regular performance and career development reviews	38	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	38	
LA14	Ratio of basic salary of men to women by employee category	43	
Human Rights Performance Indicators			
HR1	Percentage and total number of significant investment agreements that include human rights clause or that have undergone human rights screening	44	

Performance Indicator	Description	Reference	Remarks
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	44	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	-	Not Reported
HR4	Total number of incidents of discrimination and actions taken	44	
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	44	
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour	44	
HR7	Operations identified as having significant risk for forced or compulsory labour and measures taken to contribute to the elimination of forced or compulsory labour	44	
HR8	Percentage of security personnel trained in the Organisation's policies or procedures concerning aspects of human rights that are relevant to operations	44	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	44	
Society Performance Indicators			
SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting	71-72	
SO2	Percentage and total number of business units analysed for risks related to corruption	19	
SO3	Percentage of employees trained in Organisation's anti-corruption policies	19	
SO4	Actions taken in response to incidents of corruption	19	
SO5	Public policy positions and participation in public policy development and lobbying	19	
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by Country	-	Not Reported
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	19	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	19	No non-compliance with laws and regulations. No fines.
Product Responsibility Performance Indicators			
PR1	Life cycle stage in which health and safety impacts of products and services are assessed for improvements and the percentage of significant products and services categories subjected to such procedures	87	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	87	
PR3	Type of product and service information required by procedures and percentage of significant products and services subjected to such information requirements	87	
PR4	Number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling by type of outcomes	-	No incident of non-compliance was reported
PR5	Practices related to customer satisfaction, including result of surveys measuring customer satisfaction	87	
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	87	
PR7	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising	87	
PR8	Number of substantiated complaints regarding breaches of customer privacy and losses of customer data	-	No such complaints were reported
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	87	

* partially reported

Acronyms

ACE	Aspiring for Children's Education	ILO	International Labour Organisation
AHC	Andheri Health Centre	INR	Indian National Rupee
ASME	American Society of Mechanical Engineers	IOCL	Indian Oil Corporation Limited
BCCI	Bombay Chamber of Commerce and Industry	IP	Intellectual Property
BEE	Bureau of Energy Efficiency	IPM	Institute of Project Management
BIS	Bureau of Indian Standards	IPMA	International Program Management Association
Bn	Billion	IQ	Intelligence Quotient
BPO	Business Process Outsourcing	IR	Industrial Relations
°C	Degree Celsius	IS	Indian Standard
CAGR	Compound Annual Growth Rate	ISO	International Organisation for Standardisation
CALD	Capability & Leadership Development	IT	Information Technology
CDM	Clean Development Mechanism	kVA	Kilo Volt Amperes
CE	Conformite Européenne	kWh	Kilo Watt per Hour
CIDC	Construction Industry Development Council	LAKSHYA	Lean, Agile, Knowledge, Speed, Humane, Yielding Value and Action
CII	Confederation of Indian Industry	LEED	Leadership in Energy and Environmental Design
CLC	Community Learning Centres	LEO	Leveraging Employee Opinion
CMC	Corporate Management Committee	LPG	Liquefied Petroleum Gas
CMMi	Capability Maturity Model Integration	LTIT	Larsen & Toubro Institute of Technology
CO ₂	Carbon Dioxide	LTMN	L&T Marketing Network
CSI	Corporate Social Initiatives	LTORC	L&T Officers Recreation Complex
CSTI	Construction Skill Training Institute	MDC	Management Development Centre
EBG	Electrical and Electronics Division	MIPD	Machinery & Industrial Products Division
E&C (P)	Engineering and Construction (Projects)	NAPCC	National Action Plan on Climate Change
ECAS	Enterprise-wide Collaboration for Alignment with Strategy	NG	Natural Gas
ECCD	Engineering Construction and Contracts Division	NGO	Non Governmental Organisation
EHS	Environment, Health and Safety	NITIE	National Institute of Industrial Engineering
ELITE	EBG's Lean Initiative Towards Excellence	NO _x	Oxides of Nitrogen
EPS	Earnings Per Share	OC	Operating Company
ESP	Electrical Standard Products	OD	Operating Division
EVA	Economic Value Added	ODS	Ozone Depleting Substances
FEA	Finite Element Analysis	OHS	Occupational Health and Safety
FICCI	Federation of Indian Chambers of Commerce and Industry	OHSAS	Occupational Health and Safety Assessment Series
F&SIMEA	Frost & Sullivan India Manufacturing Excellence Awards	PAT	Profit After Tax
GGBS	Ground Granulated Blast-furnace Slag	PAT&ICON	Praise, Applaud & Treasure and Icon programme
GETs	Graduate Engineer Trainees	PBIT	Profit before interest & tax
GHG	Green House Gas	PNG	Piped Natural Gas
GLOPAT	Global Expat Program	PPE	Personal Protective Equipment
GJ	Giga Joules	PPP	Public-Private Partnership
GRI	Global Reporting Initiative	ROCE	Return on Capital Employed
HED	Heavy Engineering Division	R&D	Research and Development
HR	Human Resources	RoHS	Restriction of Hazardous Substances
HRSG	Heat Recovery Steam Generator	SBU	Strategic Business Unit
HTFS	Heat Transfer and Fluid Flow Stimulation Software	SO _x	Oxides of Sulphur
IGBC	Indian Green Building Council	THC	Thane Health Centre
IICHe	Indian Institute of Chemical Engineers	USD	United States Dollar
IIM	Indian Institute of Management		

Sustainability Report 2010 : 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. Ajit Singh, Executive Vice President, Corporate Infrastructure & Services,
 Larsen & Toubro Limited, Saki Vihar Road, Powai, Mumbai 400 072, India.

Fax no: 091 22 6705 1001

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

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

Sector supplement in final version

The L&T Sustainability Report 2010, 'Negative is the New Positive', is a **'GRI Checked' Application Level A+ report.**

LAKSHYA 2005-10

STANDALONE FINANCIAL HIGHLIGHTS

CAGR for 2005-10	41% Order Book	23% Net Sales	38% PAT*	40% Net Worth	7.6 times Market Cap
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	Billion INR					
YEAR	2010	2009	2008	2007	2006	2005
Order Inflow	659.7	516.2	420.2	306.1	223.7	149.8
Order Book	1002.4	703.2	526.8	368.8	248.6	178.3
Net Sales & Service	366.8	336.5	248.6	175.7	147.4	130.5
Other Income	23.9	10.3	6.8	5.2	5.2	7.3
Total Revenues	390.6	346.8	255.3	180.9	152.5	137.8
Total PAT	43.8	34.8	21.7	14.0	10.1	9.8
PAT*	31.9	27.1	21.0	13.9	8.6	6.3
Dividend**	8.8	7.2	5.7	4.3	3.5	4.1
Net Worth	183.1	124.6	95.6	57.7	46.4	33.7
Loan Funds	68.0	65.6	35.8	20.8	14.5	18.6
Capital Employed	251.9	190.6	132.0	78.9	61.7	53.2
PAT* as % of Total Rev.	8.4	7.8	8.3	7.72	5.7	4.7
ROCE %	15.9	18.5	21.1	0.7	16.7	14.6
Gross Debt:Equity Ratio	0.37:1	0.53:1	0.38:1	0.36:1	0.32:1	0.56:1
Earning per Share	73.8	59.5	37.8	25.1	19.0	19.4
Book Value per Share	303.7	212.3	163.0	101.1	83.5	63.5
Market Capitalisation	979.4	393.9	884.2	458.6	334.2	129.3

* Excluding Extraordinary/Exceptional Items

** Incl. Dividend Distribution Tax

For details, kindly refer to
L&T's 65th Annual Report



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