



**LARSEN & TOUBRO**

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# Corporate Social Responsibility (CSR) Policy Framework

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# Larsen & Toubro Limited

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### CSR Philosophy

Larsen & Toubro Limited fosters a culture of caring, trust and continuous learning while meeting the expectations of all stakeholders and society at large. As a responsible Corporate Citizen, the Company contributes towards inclusive growth by empowering communities and accelerating development.

The Company's CSR Policy framework details the mechanisms for undertaking various programmes in accordance with section 135 of the Companies Act 2013 ('Act') and the Companies (Corporate Social Responsibility) Rules, 2014 ('CSR Rules') (as amended from time to time) for the benefit of the community.

### CSR Themes

The Company will primarily focus on 'Building India's Social Infrastructure' as part of its CSR programme which will include, amongst others, the following verticals –

**Water** – may include but not limited to programmes making clean drinking water available, conservation and purification of water.

**Education** - may include but not limited to education infrastructure support to educational Institutions, educational programmes & nurturing talent at various levels.

**Health** - may include but not limited to community health centres, mobile medical vans, dialysis centres, general and specialized health camps and outreach programmes, centres for elderly / disabled, support to HIV / AIDS programme.

**Skill Development** - may include but not limited to vocational training such as skill building, computer training, women empowerment, support to ITI's, support to specially abled (infrastructure support & vocational training), CSTI's, providing employability skills at project sites, creating training centres.

Governance & Technology would be the Key drivers across all these verticals.

## CSR Budget

- The Board of the Company shall allocate at least 2% of the average profit (as required by Companies Act 2013) during the three preceding financial years.
- The Company may collaborate or pool resources with other entities to undertake CSR activities.
- In case of any surplus arising out of CSR programmes, the same shall not form part of business profits of the Company and shall be ploughed back into the same project or transferred as per the provisions of the CSR Rules.
- The Company will comply with the provisions of the Act and the CSR Rules with respect to Unspent CSR amount with regard to Ongoing Projects and projects other than Ongoing Project.

## CSR - Roles and responsibilities

**The CSR Governance structure comprises of the Board, CSR Committee, Corporate CSR Team, IC CSR Teams and Unit CSR Teams.**

### The Board:

The Board of Directors of the Company will:

- Approve the CSR Policy of the Company
- Ensure spend of 2% of profits
- Ensure disclosure of the content of the CSR Policy in its report, place the Policy, Annual Action Plan and provide details of the Committee Composition on the Company's website as prescribed under Section 135 of the Act and the CSR Rules
- Ensure that the social programmes undertaken are aligned to the CSR Policy of the Company
- Specify reasons in its report for not spending the earmarked amount in case the Company fails to spend such amount
- Approve the Annual Action Plan (including amendments thereto) as recommended by the CSR Committee
- Authorize the CSR Committee to undertake urgent CSR activities in the nature of disaster relief

- Oversee and adhere to all other responsibilities as mandated by the CSR Rules.

### **CSR Committee of the Board:**

The Board has formed the CSR Committee in accordance with the requirements of the Act.

### **Responsibility of the CSR Committee:**

- Formulate and recommend the CSR Policy to the Board for approval
- Monitor the Policy from time to time
- Recommend the amount of expenditure to be incurred on CSR programmes
- Recommend to the Board 'Ongoing Projects' that require multi-year implementation and also may designate some of the existing CSR projects as 'Ongoing Project' subject to compliance with the CSR Rules in this regard
- Approve urgent CSR activities in the nature of disaster relief and inform the Board subsequently of the same
- Constitute transparent monitoring mechanism for ensuring implementation of the CSR programme
- Allocate the programmes to the Independent Companies ('IC's) / Corporate to implement the same
- Recommend the Annual Action Plan (including amendments thereto) to the Board for approval

### **Corporate CSR Team:**

#### **Responsibilities of the Corporate CSR Team:**

- Spread awareness regarding the approved CSR policy
- Facilitate effective implementation of L&T 's CSR policy across ICs and locations
- Provide guidance to IC CSR teams and Unit CSR teams and the IC management to ensure that all CSR programmes are aligned with L&T's CSR policy

- Recommend programmes to be undertaken during the financial year to the CSR Committee of the Board
- Prepare the Annual Action Plan delineating the CSR Programmes to be carried out during the financial year, including the budgets thereof, their manner of execution, implementation schedules, modalities of utilisation of funds, and monitoring & reporting mechanism for the CSR Programmes
- Promote synergy amongst ICs / locations and share best practices to achieve desired outcome for community development
- Develop measurable benchmarks and get the same approved by the CSR Committee
- Facilitate the social impact assessment studies through an independent agency for all CSR programmes of more than Rs. 1 crore at such intervals as may be prescribed by law
- Monitor that the CSR funds are used for the purpose for which they were approved by the Board and facilitate the obtaining of a CFO certificate to that effect.

### **IC CSR and Unit CSR Teams:**

#### **Responsibilities of the IC CSR and Unit CSR Team:**

- Identify programmes to be undertaken during the financial year and send the same to the Corporate CSR team to obtain CSR Committee / Board approval
- Implement the approved programmes so as to achieve desired outcome
- Report on the status of implementation of the programmes to the Corporate CSR Team on quarterly basis

### **Implementation**

- CSR programme will be undertaken by the Company in identified areas. The Company will undertake need assessments as and when required.
- The time period / duration over which a particular programme will be spread, will depend on its nature, extent of coverage and the intended impact of the programme.

- The Company may enter into partnerships with the government, business partners and communities to create multiplier effect of its social programmes.
- The mode of implementation of CSR programmes will include a combination of direct implementation and / or through partners such as NGOs, Trusts, academic institutions, business associates, registered societies etc. The Company will select its partners after appropriate due diligence and after complying with applicable laws.
- The Company may use the services of internal teams, employee volunteers, expert agencies, consultancy firms etc. wherever required for carrying out base line surveys, guidance on programme design and implementation, impact assessment surveys, etc.

## Monitoring and Reporting Framework

At the Unit and IC level:-

- The ICs will be responsible for monitoring and implementing their respective CSR programmes.
- The ICs will report the spend against each programme in the accounting system established by the Company.
- The IC CSR team will ensure that any capital assets acquired/created out of CSR funds are utilized for the purpose intended and in compliance with the provisions of the CSR rules.
- IC CSR team will ensure that the CSR budget allocated is spent in accordance with the stated objectives and scope of the project
- In event of short spend against allocated budget, IC shall provide reasons for the same.
- The IC CSR and Unit CSR teams and the ICs will ensure the effectiveness of its CSR programmes through third party audits and report the CSR performance to the Corporate CSR Team.

At Corporate CSR Team level:

- The Corporate CSR Team has constituted a mechanism to monitor and report the progress of its CSR programmes.
- An accounting system has been established by the Company to ensure programme wise accounting of CSR spends.

- The Corporate CSR Team will ensure that any capital assets acquired / created out of CSR funds are in compliance with the provisions of the CSR Rules.
- The Corporate CSR Team will review the implementation of the IC programmes.
- The Corporate CSR Team will monitor the implementation of the Corporate CSR programmes and ensure their effectiveness through third party audits.
- The Corporate CSR Team will present a consolidated update on the implementation status and effectiveness of the Company's CSR programmes.

At CSR Committee level:

- The CSR Committee will review the implementation of the CSR programmes and the CSR audit reports periodically, preferably on a quarterly basis and arrange to share in the Company the best practices.
- Review the implementation and monitoring mechanism appropriately.
- Report to the Board appropriately.

## **Disclosure**

The CSR Policy framework, Committee composition and projects approved by the Board (Annual Action Plan) will be displayed on the website of the Company. The Board Report will include an Annual report on the CSR activities in the format specified under the CSR Rules. Impact Assessment Reports will also be attached to the Annual report on CSR.

## **Review & Amendment**

Any changes in the CSR Policy arising out of statutory amendments will be reviewed by the CSR Committee and recommended to the Board for approval. Any changes arising out of internal process / organization changes will be approved by the Executive Committee (ECom) of the Company and informed to the CSR Committee and the Board.