



Strengthening
our Roots



Commitment to Values

L&T is a professionally-managed Indian multinational, committed to total customer satisfaction and enhancement of stakeholder value. The Company is guided by the highest principles of corporate governance and believes that promoting fairness, integrity, transparency and accountability is paramount. Our corporate governance philosophy is built on a rich legacy of transparent governance and disclosure practices. This includes respect for human values, individual dignity and adherence to norms of ethical and professional conduct.

The Company's Vision and Policies state its commitment to these values, and are extended to all subsidiaries and associate companies. We accord priority to accountability, equity and transparency in all our dealings and operations, both financial and non-financial, on the ground and off it – without exception. L&T believes that it is the only way to achieve targets, manage risk and optimise performance.

Our governance structure consists of systems, processes and principles that help us realize our long term business goals, while simultaneously providing value to our stakeholders and preserving the environment. Our governance structure is overseen by the Board of Directors, who supervise management activities and ensure effective delivery of value to all stakeholders. The composition of our Board conforms to Regulation 17 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, which stipulates that at least 50% of the Board should consist of Independent Directors, if the Chairman of the Board is an Executive Director.

Governance Structure

The Corporate Governance Structure of Larsen & Toubro provides a comprehensive framework to enhance accountability to shareholders, while ensuring timely and accurate disclosures of all material aspects. The governance structure consists of:

Strategic Supervision

By the Board of Directors comprising the Executive Directors, Non-Executive Directors and Independent Directors.



Executive Management

By the Corporate Management comprising of Group Executive Chairman, the Deputy Managing Director, four Executive Directors, one Non-Executive Director, three Senior Managerial Personnel and one Advisor to the Chairman.



Strategy & Operational Management

By the Independent Company Boards of each Independent Company (IC) comprising representatives from the Company Board, Senior Executives from the IC and independent members.



Operational Management

By the Business Unit (BU) Heads.



This four-level governance structure facilitates increased autonomy to businesses, performance discipline and development of business leaders, leading to greater management accountability and credibility, and increased public confidence.

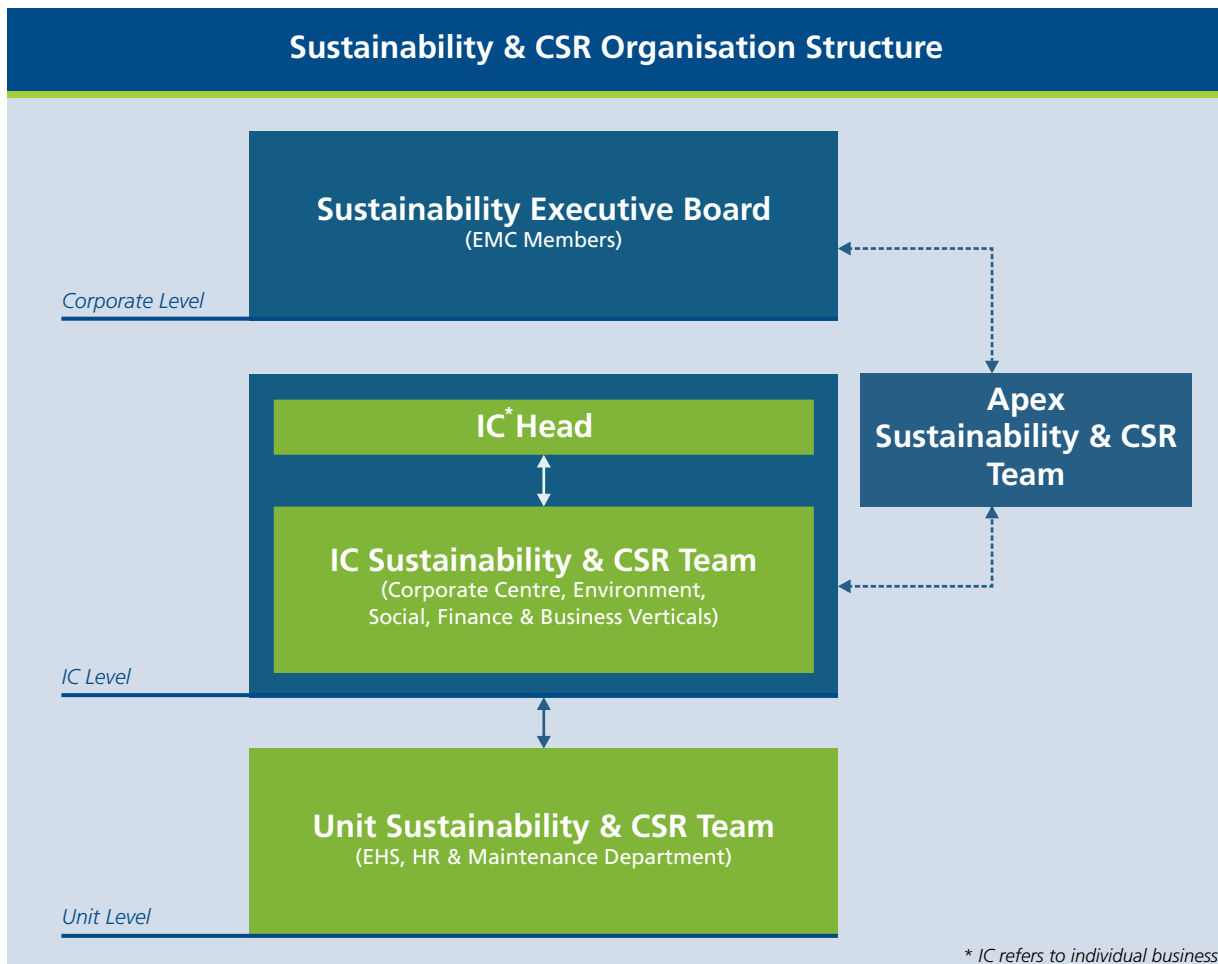
The Board of Directors has constituted five Board Committees i.e., Audit Committee, Nomination & Remuneration Committee, Stakeholders’ Relationship Committee, Corporate Social Responsibility Committee and Risk Management Committee. The terms of reference of the Board Committees are governed by relevant legislation and / or determined by the Board from time to time. The Board is responsible for constituting, assigning and co-opting the members of the Committees.

Further details on L&T’s governance structure, the Board of Directors, Board Committees, and their roles and responsibilities are provided in the Annual Report FY 2015-16 Pg 77 - 87, available on our website www.Larsentoubro.com.

Sustainability Structure

L&T’s Sustainability Executive Board (SEB) consists of the Company’s Executive Management Committee (EMC) members. The EMC members provide guidance and are responsible for formulating sustainability policy. The sustainability performance of the Company is reviewed annually.

The Apex Sustainability & CSR (SCSR) team comprises of sustainability coordinators from individual businesses and members from corporate functions like investor relations, secretarial etc. The Apex Sustainability & CSR (SCSR) team develops the sustainability strategy for the L&T Group. This is implemented by SCSR teams at the individual businesses level and unit level. The SCSR teams at the individual businesses level and unit level are also empowered to design their sustainability agenda, based on their material issues. This approach helps the L&T Group to manage challenges arising both at the individual businesses and company level.





Release of Sustainability Report 2015

Code of Conduct

The Company has laid down a Code of Conduct (CoC) for all employees, featured on the Company's Intranet. The Group Executive Chairman makes an Annual Declaration to the shareholders on the compliance with the Company's CoC by the senior management. Every new employee is introduced to the CoC through a detailed online module on the Company's 'Any Time Learning' (ATL) portal. Critical aspects of the CoC are also included in the HR Orientation Programme. Another unique initiative ensures each individual employee of the Company is required to confirm his/her acceptance of the Code of Conduct, Corporate Governance policies and guidelines in writing or online. This is a 'once-a-year' requirement, which creates awareness about the CoC, policies and guidelines, and encourages employees to take responsibility for their actions.

The CoC Apex Committee, constituted by a minimum of five senior members of Executive Management Committee (EMC) functions as the Apex Body, and is required to meet at least twice a year.

The Compliance Officer acts as the Ex-Officio Secretary of the Apex Committee.

This Committee interacts, informs and advises the EMC on all issues relating to the CoC. Its key function is to ensure implementation of the CoC across the Company and deal with instances of non-compliance, apart from overseeing the functioning of the unit-level CoC Committees.

Unit-level CoC Committees consist of at least four members, headed by the Unit Head, along with Head of Accounts, Head of HR and a senior member from the Operations team. The Unit-level Committees are required to meet at least once in a quarter. The role of the Committee is to create awareness about CoC, motivate employees to follow it, monitor compliance and investigate instances of non-compliance.

The code of conduct is available on the Company's website Larsentoubro.com

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
Group Executive Chairman

Date: May 25, 2016
Place: Mumbai

Whistle Blower Policy

The Company put in place a Whistle Blower Policy in 2004, which has been amended to meet the requirements of The Companies Act, 2013. The Whistle Blower Policy has been created to establish a vigil mechanism for encouraging all employees and directors to report, without fear, any wrongdoings which may adversely impact the Company, concerns about unethical behaviour, actual/suspected frauds and violation of Company's Code of Conduct. The employees can either submit a verbal report or send a written note to the Whistle Blowing Investigation committee's address. While the policy requires the whistleblower to identify himself / herself, the management assures maintaining anonymity of the whistleblower at all times.

The Company has a Whistle Blowing Investigation Committee with the key role of investigation of reported matters through appropriate delegation/ agencies and recommending a corrective course of action.

The Committee presently consists of 4 senior executives of the Company, viz., the Whole-time Director & Chief Financial Officer, Head – Corporate HR, Executive Vice President & Company Secretary and Head – Corporate Audit Services. Senior officers of the Company based at various locations are appointed as coordinators for respective individual businesses/ Corporate departments.

Compliance

Operational and financial controls are in place across the L&T Group to prevent acts or behaviour that deviate from the Company's stated policies of fair and ethical practice.

Internal Control System

Our corporate policy on internal control provides a framework for identification, rectification, monitoring and reporting of internal control weaknesses in the organization. Additionally, we periodically engage independent professional firms to review the effectiveness of control processes in businesses and support functions. All significant observations and corrective actions taken are reviewed by the management and Audit Committee of the Board.

Corruption & Anti-competitive Behaviour

We remain committed to behaviour that is in consonance with the principles of ethical and fair business practices. We will not be party to any act or measure that compromises or is likely to compromise our values. No incidences of corruption were reported during the year. We also comply with relevant statutory requirements including anti-competitive behaviour.

Precautionary Approach

We recognise that environmental risks may be associated with our operations, including our facilities and project sites. We have implemented a structured Risk Management System for early-stage identification, understanding and mitigation of impacts.

"This year we released LAKSHYA 2021, our business plan for implementation of strategic initiatives encompassing product & technology development, risk management, mergers – acquisitions, human resource functions and operational excellence initiatives.

Remuneration Policy

The remuneration of the Board Members is based on the Company's size and the markets it serves; along with its economic and financial factors, industrial trends, and compensation paid by other peer companies. The Company has in place a Nomination & Remuneration Committee in accordance with the requirements of the Companies Act, 2013 read with the rules made thereunder and Regulation 19 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. The Committee has formulated a policy on Director's appointment and remuneration, recommendations on remuneration of the key managerial personnel and other employees, board diversity, composition and the criteria for determining qualifications, positive attributes and independence of a Director.

The compensation paid to the Executive Directors is based on recommendations of the Nomination & Remuneration (NRC) Committee, approval of the Board and the shareholders. Its components are salary, perquisites and retirement benefits (fixed components) and commission (variable component). The commission component is based on the performance of the business as well as qualitative factors, and is calculated with reference to the net profits of the Company in the Financial Year, subject to the overall ceiling stipulated under the Section 197 of The Companies Act, 2013.

The Non-Executive Directors (NEDs) are paid remuneration by way of commission and sitting fees. The commission is paid subject to a limit not exceeding 1% p.a. of the profits of the Company as approved by shareholders (computed in accordance with Section 197 of the Companies Act, 2013). In the case of nominees of Financial Institutions, the commission is paid to the Financial Institutions.

The performance criteria in the remuneration policy of the Board and senior executives evaluates performance on economic, environmental and social aspects of the Company.



Commitment to External Initiatives

We support/follow/commit to the following:

- Global Reporting Initiative (GRI) framework
- United Nations Global Compact Network, India (GCNI)
- Applicable International Labour Organization (ILO) conventions
- The National Voluntary Guidelines (NVG), India
- Other United Nations (UN) directives that cover:
 - Statutory and regulatory compliance
 - Business ethics
 - Fair and equal opportunity to all employees
 - Employee development through training
 - Labour camps at construction sites
 - Medical facilities at units, offices and project sites
 - Steps to measure, monitor and conserve materials and energy

Memberships

We engage with multiple business forums and trade organizations. Our senior executives are active members of industry bodies that participate in the formulation of public policy affecting our industry. We have active memberships with the following:

- Confederation of Indian Industry (CII)
- Federation of Indian Chambers of Commerce and Industry (FICCI)
- Associated Chambers of Commerce and Industry of India (ASSOCHAM)
- Bombay Chamber of Commerce & Industry (BCCI)
- Bureau of Indian Standards
- Construction Industry Development Council (CIDC)
- Indian Electrical and Electronics Manufacturers Association
- National Safety Council
- Indian Institute of Chemical Engineers (IChE)
- National Fire Protection Association
- British Safety Council
- Association of Business Communicators of India

Note: The list is indicative, not exhaustive.