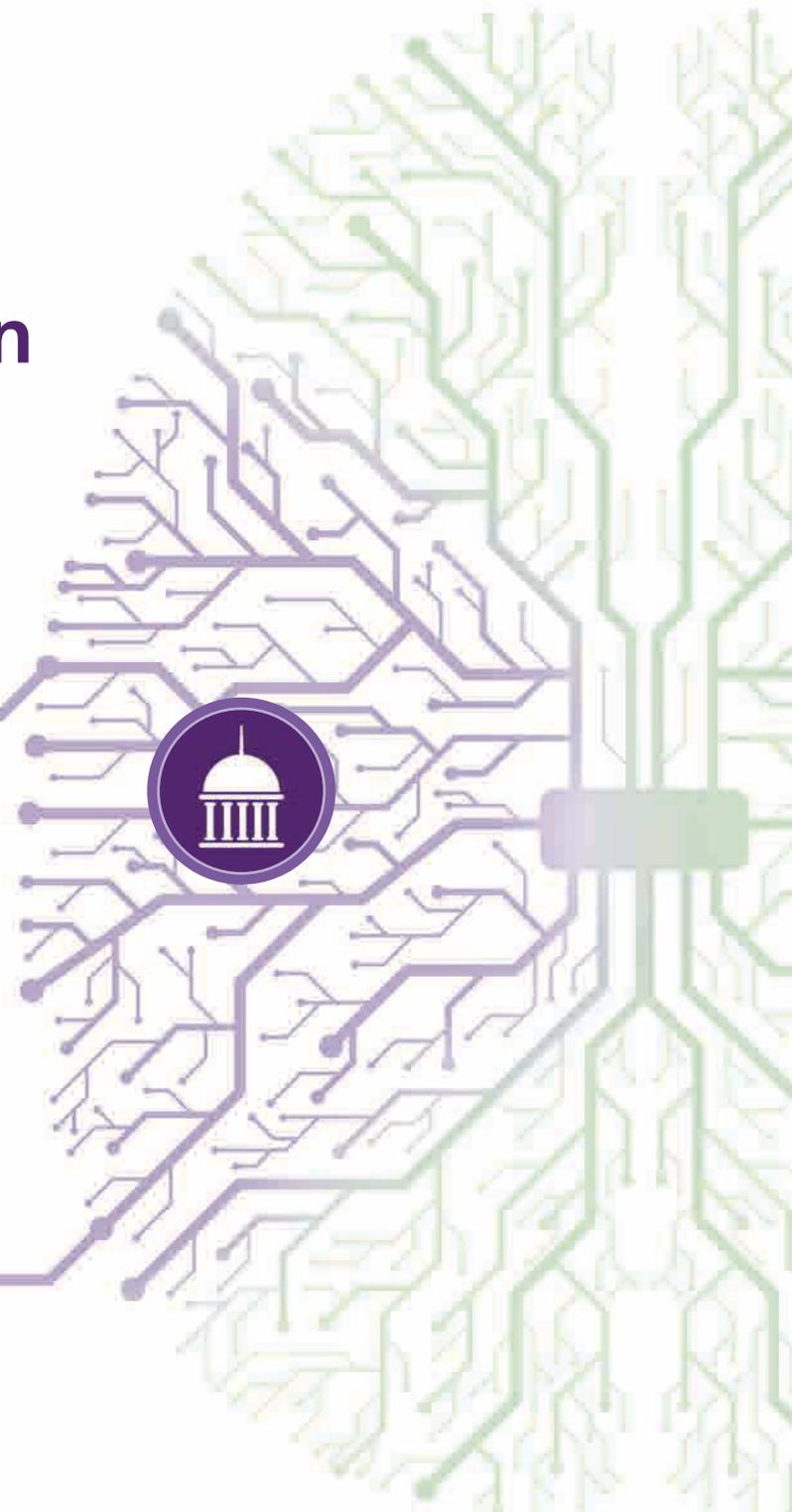


corporate governance

**From Information
to Trust**





Commitment to Values

L&T's stringent adherence to high standards of corporate governance is the key to the support and confidence it enjoys from its stakeholders. The Company is endowed with a rich legacy of accountability, responsibility, impartiality, and transparent disclosure practices. We are committed to uphold practices that enhance investor value, and excel in customer service.

Our corporate governance philosophy incorporates the principles of human values, individual dignity, ethical practices and professional conduct. The vision and policies that guide our activities and approach, are also extended to our subsidiaries and associate companies.

Governance Structure

Our governance structure entails systems, processes and principles that streamline our long-term business goals and deliver stakeholder value while protecting the environment. 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.



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.

At the apex level, we have the Board of Directors to supervise management activities. The composition of our Board conforms to the provisions of the Companies Act, 2013 and Regulation 17 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

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 at regular intervals. The Board is responsible for constituting, assigning and co-opting members of the committees.

The four-level governance structure provides independence to businesses, brings discipline in performance, accountability and credibility, while creating a leadership pipeline, thereby gaining public confidence. 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 2016-17, available on our website Larsentoubro.com

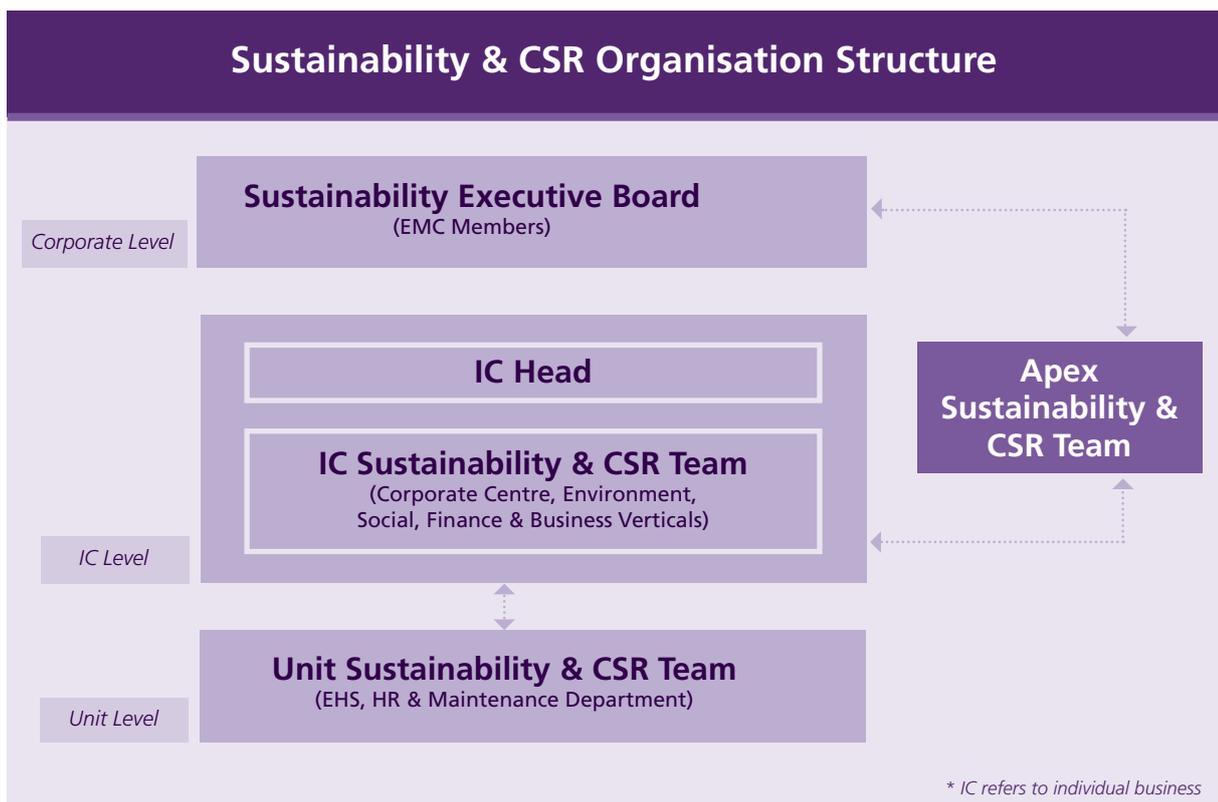
sustainability structure

Sustainability Structure

L&T's sustainability structure consists of teams at the corporate level, business level and unit level. At the corporate level, the Sustainability Executive Board (SEB) consists of the Company's Executive Management Committee (EMC) members. They oversee the functioning of the structure, provide guidance and review performance. The SEB is also responsible for formulating its sustainability policy and devising a roadmap for progress.

The Apex Sustainability & CSR (SCSR) team comprises of sustainability coordinators from businesses, and

members drawn from corporate functions like investor relations, secretarial and Corporate Brand Management & Communication. The team develops, drives and implements the sustainability roadmap of the L&T Group. Further, IC SCSR and Unit-level SCSR teams are responsible for implementing targets and various initiatives of respective businesses and units, as per the strategy. The teams are authorized to strategize the sustainability agenda, based on material issues. This top-down and bottoms-up approach enables the L&T Group to overcome challenges of individual businesses, and that of the company.



Code of Conduct

L&T has laid out the Code of Conduct (CoC) for all its employees, which acts as a standard professional guidebook. It outlines the Company's expectations with regards to appropriate workplace behaviour and makes them responsible and accountable for their actions with regards to the Company. The CoC is a reflection of L&T's vision, values and policies.

Every year, all the employees of the Company confirm their acceptance of the Code of Conduct, Corporate Governance policies and guidelines, online. This annual exercise reminds, encourages and motivates them to remain conscious of their responsibility towards the Company. The Group Executive Chairman makes an Annual Declaration to the shareholders on the compliance with the Company's CoC by the senior management. The CoC is introduced to new employees through a detailed online module on the Company's 'Any Time Learning' (ATL) portal as well. Critical aspects of the CoC are also included in the HR Orientation Programme. The Code of Conduct for the Board & Senior Management is available on the Company's website **Larsentoubro.com**, while the Code of Conduct for the employees is available on the Intranet portal.

The Company's CoC structure is designed to enable implementation of the Code of Conduct across the organization. At the Apex level, there is a CoC Apex Committee, with a minimum of five Executive Management Committee (EMC) members who meet twice a year. The Compliance Officer acts as the Ex-Officio Secretary of the Apex Committee. 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. The committee interacts, informs and advises the EMC on all issues relating to the CoC.

At the unit level, there are Unit CoC Committees which consist of at least four members, chaired by the Unit Head, along with Head of Accounts, Head of HR and a senior member from the operations team. The Unit level Committees must 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. Senior officers of the Company based at various locations are appointed as coordinators for respective individual businesses / corporate departments.

Release of Sustainability Report 2016



Whistle Blower Policy

The Whistle Blower Policy was first established in 2004, and amended to meet the requirements of the revised Companies Act, 2013. The policy aimed at setting up a mechanism that would encourage employees and directors to report, without fear, any wrongdoings unethical behaviour, actual/suspected frauds and violation of Company's Code of Conduct, which may adversely impact the Company.

The Audit Committee oversees the implementation of the Whistle Blower Policy. As on March 31, 2017, it comprised three independent directors and a non-executive director. A Whistle Blowing Investigation Committee comprising the CFO, Head-Corporate HR, Company Secretary and Chief Internal Auditor. Employees can either submit a written complaint or a send verbal communication to the Whistle Blower Investigation Committee. While the policy requires whistle-blowers to identify themselves, the management assures that they shall safeguard the identity of whistle-blowers, at all times.

Since 2016-17, the Whistle Blower Policy has been extended to vendors and channel partners as well, in order to enable them to express their concerns about unethical behaviour, improper practices, misconduct, violation of legal or similar requirements, actual or suspected fraud by an official of the Company; without fear of punishment or unfair treatment. During 2016-17, a total of 15 complaints were received. 100% of these were investigated and dealt with in accordance with the Company's protocol, and none are under review. Senior management and the Audit Committee of the Board is periodically apprised on the internal processes of the Company with respect to internal controls, statutory compliances and assurance.

Compliance

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

Internal Control System

The Company has a robust framework for internal controls, commensurate with the size and complexity of its business. There is a system wherein the senior management and the Audit Committee of the Board is regularly apprised of the internal processes of the Company, with respect to internal financial controls, statutory compliances and assurance. The Company's Code of Conduct is based on company's vision and values, and acts a standard guide for employee performance. The Company's whistle blower policy enables employees to have direct access to the members of the Board of Directors.

The Company has reviewed and ensured sustained effectiveness of internal financial controls by adopting a systematic approach to assess operational effectiveness. Additionally, independent professional firms are engaged regularly to review the effectiveness of internal control processes in businesses and support functions.

Corruption and 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 recognize environmental challenges associated with our operations at our facilities and project sites. We have implemented a structured risk management system for early-stage identification, understanding and mitigation of environmental impact.

whistle blower policy



Remuneration Policy

At L&T, the compensation paid to the executive directors is based on recommendations of the Nomination and Remuneration (NRC) Committee, approval of the Board and the shareholders. The Company constituted a Nomination and 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. Compensation reflects each board member's responsibility and performance. The remuneration 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 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 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, 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.

The Company developed in-house workshops to sensitize employees on aspects of Corporate Governance, including Code of Conduct, Whistle Blower Policy, Protection of Women's Rights at Workplace, SEBI Insider Trading Regulations, etc.

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 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)
- World Business Council for Sustainable Development (WBCSD) – India Water Tool
- Bureau of Indian Standards
- Construction Industry Development Council (CIDC)
- Indian Electrical and Electronics Manufacturers Association
- National Safety Council
- Indian Institute of Chemical Engineers (IICChE)
- National Fire Protection Association
- British Safety Council
- Association of Business Communicators of India