

An abstract graphic design featuring three blue circles of varying sizes. The largest circle is at the top right, a medium-sized one is in the center, and a large one is at the bottom right. Two thin blue lines originate from the top left and extend towards the circles, and another line extends from the top left towards the bottom right circle. The circles have a layered, 3D effect with different shades of blue.

Responsible Infrastructure

HCC Sustainability Report 2010-11



Statement GRI Application Level Check

GRI hereby states that **Hindustan Construction Company Ltd** has presented its report "Responsible Infrastructure" (2010) to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 12 October 2011

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a faint background watermark of a globe.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because Hindustan Construction Company Ltd has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 19 September 2011. GRI explicitly excludes the statement being applied to any later changes to such material.

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This report is based on GRI G3 guidelines and is a ‘GRI Checked’ application level ‘A+’ report.

Company Highlights

Hindustan Construction Company Ltd. (HCC) is a leader in Engineering and Construction, Real Estate, Infrastructure Development and Integrated Urban Development and Management sectors.

Founded by visionary industrialist Seth Walchand Hirachand in 1926, HCC is executing some of India's most important and challenging infrastructure projects today.

Projects across India bear HCC's hallmark of world-class innovation - from roads and expressways to tunnels, bridges, dams and barrages.

HCC has created more than 25% of India's hydro power and over 50% of India's nuclear power generation capacity.

HCC is a signatory of the U.N. Global Compact's CEO Water Mandate and is an active participant in the U.N. Global Compact (UNGC), U.N. Leadership Development Programme (UN-LEAD) and the TERI Business Council for Sustainable Development (TERI-BCSD).

HCC is an Organizational Stakeholder of the Global Reporting Initiative (GRI) and a member of the GRI's Working Group on Construction and Real Estate sector (CRESS), tasked with developing sector-specific sustainability reporting guidance.

HCC ranked India's 2nd Most Respected Infrastructure Company



In a recent survey conducted by *Businessworld*, HCC was ranked India's 2nd 'Most Respected Company' in the Infrastructure sector. The award is a measure and reflection of the respect and trust earned by HCC from its industry peers.

This ranking was arrived at by a process (including a peer survey) wherein only senior managers with deep knowledge of their industries (GMs, Vice-Presidents, Directors) rated firms in their own sector. The key parameters that were considered included ethics and transparency, innovativeness, global competitiveness, quality of products and services, HR practices, apart from financial performance.

The rankings were based on a survey conducted by *Businessworld* with Delhi-based Research Company 'Ipos Indica Research', and covered sectors ranging from IT, infrastructure, to banking and telecom.

Performance Highlights during 2010-11

- Order Book at Rs. 18,127 crore at the close of 2010-11.
- Revenue from operations increased by 7.3% from Rs. 3,863 crore in 2009-10 to Rs. 4,144 crore in 2010-11.
- EBITDA (before profits from JV and other income) grew by 21.9% from Rs. 442.9 crore in 2009-10 to Rs. 539.8 crore in 2010-11.
- PAT (including profit from JVs and other income) decreased by 12.8% from Rs. 81.4 crore in 2009-10 to Rs. 71.0 crore in 2010-11.
- ROCE in 2010-11 was 8.6%; RONW was 4.6%.
- On 1st April, 2010, we extended our internal Information Technology (IT) function to form a new company - Highbar Technologies Limited - that is focused on improving IT utilization in the construction industry.
- We converted our partnership firm Vikhroli Corporate Park into a company called Vikhroli Corporate Park Pvt. Ltd. during the past year. Subsequently, we have monetized part of this asset.
- The 247 Park commercial complex at Vikhroli West in Mumbai, developed by HCC Real Estate was awarded 'Excellence in Commercial Segment' in the 'Safety Norms' category by the Economic Times ACETECH, and was selected for the Royal Institute of Chartered Surveyors (RICS) - Vestian study titled 'Sustainable IT Workplaces of India'.

About the Report

Responsible Infrastructure 2010-11 is Hindustan Construction Company's (HCC) second report following up on the activities detailed and commitments laid out in our first report, and introducing the readers to the new developments at HCC in this past year. We have continued to adopt the Global Reporting Initiative's (GRI) sustainability reporting guidelines (G3) and this report is of application level A+. Wherever necessary, we have explained the assumptions and/or exceptions while reporting on the GRI indicator protocols.

This report also serves as our 3rd Communication on Progress (COP) for the UN Global Compact's CEO Water Mandate initiative, for the same reporting period (2010-11).

The report's primary target audiences are our employees, investors, customers and suppliers, regulatory authorities as well as individuals and organizations who would be interested in our triple bottom line performance.

HCC has a robust information management system. Most of the data disclosed in the report are from our regular monitoring reports. In some cases, we have collected information specifically for the purpose of sustainability reporting.

The scope of reporting of key performance indicators is limited to our Engineering & Construction business. Further, the number of sites reporting increased to 27, as against 24 last year. We have added three new sites and a few sites from last year's scope have not reported as they are being demobilized on account of project completion.

We engaged Ernst & Young (India) Pvt. Ltd, an independent and professional services firm, to provide assurance to this sustainability report. A representative sample of data was made open for scrutiny and verification for their external assurance team. This has been done not only to add credibility to our report but also with an objective to strengthen our approach to sustainability through capacity building of our team.

Readers may kindly address their queries or feedback on the content of the report to:

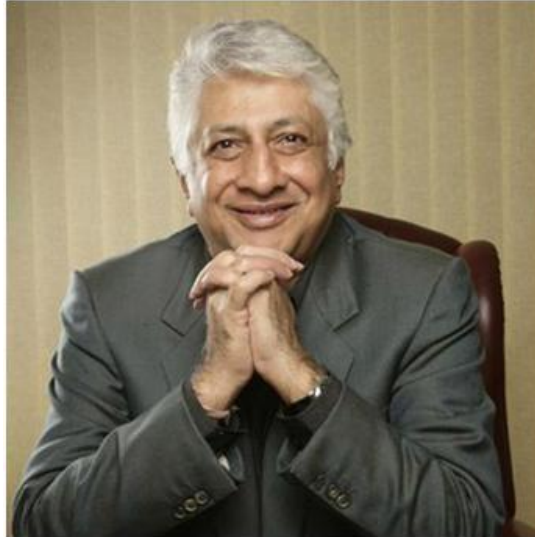
Ms. Niyati Sareen
General Manager
Corporate Social Responsibility
niyati.sareen@hccindia.com

Mr. Aditya Patwardhan
Manager
Sustainability
aditya.patwardhan@hccindia.com

All financial values are expressed in terms of Indian rupees ("INR" or "Rs."). Large numbers may be expressed in terms called Lakhs, Crores or Millions; these are terms of monetary value commonly used and accepted in the Indian sub-continent.

From the Chairman and Managing Director's Desk

....continuing our sustained commitment to Responsible Infrastructure



I am happy and proud to present our second Sustainability Report that meets the requirements of the highest Reporting Application Level as per GRI G3 Guidelines, which is A+, for the second year in a row. The report reflects the continued progress HCC has made towards fulfilling its sustainability goals of achieving water neutrality, minimizing construction waste, zero-reportable injuries for employee health and safety, and promoting the development of the communities we operate in. Highlights of the Company's economic, environmental and social performance as well as employee engagement and technological innovations are presented on the following pages. This Report (Chapter on Water on page 49) is intended to also serve the purpose of our Communication on Progress (COP) for the UN Global Compact's CEO Water Mandate initiative, for the same reporting period. Over the past year, we maintained active participation in global forums such as the World Economic Forum, the UN Global Compact, the TERI Business Council of Sustainable Development (TERI-BCSD), and the CRESS Working Group under GRI to foster our vision of a sustainable future achieved through collaboration. Our sustainability reporting and other initiatives are not disparate. They stem from our vision of becoming leaders in sustainability practice in the Engineering & Construction community worldwide.

Macro-Economic Environment

In terms of the business environment, 2010-11 was a mixed year. While the long-term signals were largely positive, there were some industry-specific concerns that adversely affected business. With the global economy recovering from the lows of 2008, we are seeing positive trends that have led to lower risk perceptions, greater global financial stability and improved business sentiments. Much of the new growth impetus is coming from the developing and emerging economies, including the Indian economy, which is well on its way to regaining the high growth momentum witnessed immediately prior to the economic meltdown of 2008. Since economic growth and infrastructure development share a reciprocal relationship, the infrastructure Industry in India is poised to grow significantly in the coming years. However, the commodity price based inflation seen since the beginning of 2010 has led to a margin squeeze in the Indian construction industry since not all input cost increases can be passed on to the customer. Also, an increase in the benchmark repo rate and subsequent hardening of lending rates across the industry has resulted in early signs of a slowdown in large investment outlays. With an expected economic growth and large-scale infrastructural development in India, we look forward to a good next year for the construction industry.

Construction Industry Landscape

Despite high expectations, 2010-11 witnessed a slowdown in the momentum of new project development in the construction sector on account of fewer new projects and major implementation issues with ongoing projects. The power sector showed a similar trend, with low rates of realization on the planned generation capacity. Environmental repercussions of planned hydel power projects and global safety concerns over nuclear power generation are significant factors currently affecting the development of the power sector. While some of the factors for this slowdown can be attributed to administrative issues with the implementation agencies, much of it is related to planning and policy - especially the critical need to find the right balance between socio-political and economic factors. Serious issues regarding land acquisition, environmental clearances and risk ownership in public-private partnerships will have to be addressed soon if we wish to see a sustainable growth in India.

The following sections contain some of my key perspectives on Sustainability, Corporate Governance, Technology and Innovation, and Corporate Social Responsibility, that together will help us achieve our organizational goal of creating Responsible Infrastructure.

Sustainability at HCC

We pride ourselves on being providers of high quality infrastructure that promote economic growth and improve the quality of life for all the people. We have a long-standing commitment of creating Responsible Infrastructure. Hence, the core concept of sustainability, namely holistic growth with a responsibility towards people and the environment, has easily found a home at HCC. As we continue to innovate and apply next - gen practices to successfully execute some of the largest and most challenging projects in the country, we also remain committed to our various social responsibilities. HCC's sustainability drive has taken on the form of specific initiatives in different areas. On the environmental front, we have made progress on minimizing the environmental impact at all our project sites through reduced material consumption and waste generation. We have taken concrete steps to precisely measure our water consumption and discharge at our sites, and are implementing water reuse and recycling techniques that will help us fulfil our stated goal of zero water discharge. One of our key policy initiatives involves is to rigorously focus on the safety and health of our employees, and ultimately achieving the goal of zero reportable injuries across our operations. Over the past year, we have received multiple recognitions for our safety records. Our environmental, health and safety practices go beyond the statutory requirements and form part of our internationally-certified Integrated Management Systems. We are also working towards improving awareness of the Integrated Management Systems among our employees. As part of our social commitment, we are actively engaged in numerous initiatives across our local communities in the areas of education, healthcare and disaster relief.

Corporate Governance

Our commitment to the principles of transparency, integrity, professionalism and accountability in all our dealings forms the foundation for our continuous endeavour to create sustainable value for our stakeholders, including the society at large. In this pursuit, HCC places highest emphasis on business ethics and Corporate Governance practices across all its business activities. These strong governance systems have helped us make

progress towards our sustainability goals. Our Board of Directors and Management are playing active roles in fulfilling their obligations and responsibilities. Timely disclosures and transparent business practices have made our governance framework very effective. HCC has established systems to encourage employee participation in various environmental, health and safety, and social initiatives. In addition, a number of new programs and initiatives have been undertaken to effectively engage our internal and external holders with the goal of making them a part of our sustainability journey.

Technology and Innovation

In a highly competitive construction market, improving technical and technological competencies and enhancing efficiency is becoming increasingly important. At HCC, we firmly believe that technological innovation will not only make us competitive, but also help us meet our goals of creating Responsible Infrastructure. We are based in India but we operate in a manner that is world-class. In that respect, we are a global company. With an objective of capturing, creating and delivering value, we have developed a strategic plan for Research and Development (R&D). In 2010-11, we also created an Innovention Forum for collecting and developing new ideas generated within the organization. The program has witnessed overwhelming participation from our employees. They have submitted ideas for improving efficiency in ongoing projects as well as novel strategies for energy and water conservation, and reducing environmental damages. Many of these ideas are being developed in collaboration with the company Management and a few have already been implemented at our sites. To encourage and recognize employee participation, the top innovative idea generators are rewarded with trophies and cash prizes. Through effective implementation of these strategies, it is our endeavour to achieve excellence in construction design and solutions. We recognise that innovation is going to be the key industry differentiator for us going forward and hence we believe it would be material to our sustainability as a Company.

Corporate Social Responsibility

At HCC, our Corporate Social Responsibility (CSR) activities build an important bridge between business operations and social commitments, thereby ultimately helping us focus on the development of Responsible Infrastructure. Our CSR initiatives fall under the five categories of Education, Water Conservation, Disaster Response, HIV/AIDS Awareness and

Community Development. Further to our 'Re-Strategising CSR' initiative in 2009-10, we continued to contribute to and invest in the communities around our project sites under each of these categories. As part of our achievements in the Workplace Intervention Program (WPI) for raising awareness about HIV/AIDS among our workforce, we made great inroads in expanding our pool of Master Trainers and Peer Educators. With this enhanced in-house training capacity, we no longer need to rely on outside resources to carry forward the WPI program. Another major CSR highlight was the disaster relief and restoration work undertaken by the employees of two HCC project sites in the immediate aftermath of the Leh flash floods in August 2010. The courageous and earnest service performed by our employees won an all-round appreciation from the members of local communities as well as the local administration. This is a reflection of the deep social commitment ingrained in our organization and in our people. Our commitment to the communities around us does not depend on having a formal policy alone. It is part of the DNA of our Company that the personnel at site respond to the needs of the communities around them.

The rest of the Report provides highlights of our sustainability initiatives and achievements in 2010-11. As we move forward in our sustainability journey, we welcome feedback from you and all our stakeholders.

From the President and Whole Time Director's Desk

Excerpts from Interview with Mr. Arun V. Karambelkar



In the year 2010-11, we made continued and significant progress towards fulfilling HCC's top three organizational sustainability commitments - health, safety & environmental practices, water management, and awareness of workforce. The scope of existing initiatives was extended to cover more number of project sites and new sustainability strategies were designed and implemented.

Corporate social responsibility and inclusivity of all stakeholders is intrinsic to the way we do business. Society is the biggest stakeholder across our business verticals, especially in infrastructure projects, and it is our endeavor to create Dependable and Responsible Infrastructure that excels in aesthetics, engineering quality and being ahead of schedule. The monumental Bandra-Worli Sea Link project in Mumbai, inaugurated in June 2009, is testament to the quality of our work. The road surface is in good condition and has required negligible maintenance work even after three monsoon seasons.

Creation of Responsible Infrastructure entails responsibility towards people, environment, investors, employees and clients. A major aspect of this responsibility is providing a safe work-place environment to our employees who often work at challenging locations. Building upon HCC's excellent safety track record, we were accorded several recognitions for various project sites during the past year. Among the many proactive measures we have undertaken to further enhance safety at our project sites are improved workforce awareness programs and video-based safety trainings. Having achieved progress in our accident statistics, we are in the process of implementing a more stringent severity index, which will ultimately pave way to a zero-tolerance policy, requiring a total absence of fatal accidents.

As signatories of the CEO Water Mandate, we continue to implement solutions and make progress in addressing the issue of water scarcity. This includes creating better awareness and installing water flow meters across the project sites for measuring water consumption.

Moreover, HCC has adopted specific budget allocation for constructing wastewater treatment units, water reuse and recycling facilities at all (old and new) project sites. We are on track to meet our goal of making all our sites zero-water discharge and then moving towards being a water-positive organization.

Sustainability is increasingly playing a major role in how we operate as a business. Our organizational sustainability framework is built around Integrated Management System (IMS) 'Champions' at every project site. At each quarterly Project Managers' meeting, one session is dedicated exclusively to planning and reviewing HCC's sustainability initiatives. Non-financial aspects of our performance are beginning to differentiate us from competitors while qualifying for global projects and partnerships. Looking forward, every strategic decision we make about entering into new sectors will take into account sustainability aspects, including the potential impact of planned activities on the natural environment. Over the coming years, we intend to keep building on our current progress and will strive to achieve the highest global sustainability standards.

Organizational Profile

HCC Engineering & Construction is a part of the HCC Group of Companies. The scope of this report is limited to the Engineering & Construction (E&C) entity only.

Key Group Companies



Hindustan Construction Company Ltd.

Engineering & Construction Projects

Design & Build Projects

EPC

Lump Sum Turnkey



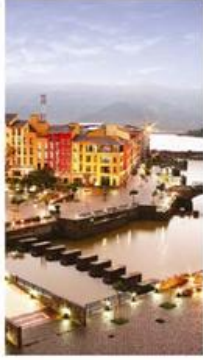
HCC Infrastructure Company Ltd.

Infrastructure Projects on PPP/BOT Format



HCC Real Estate Ltd.

Integrated Real Estate Development



Lavasa Corporation Ltd.

Urban Development & Management



Karl Steiner AG

Total Services Contractor

Project Management Services

Facility Management

The E&C business was segmented into the following four vertical systems during the reporting year. The highlights of each of these verticals are discussed below in brief:

Hydro Power

- HCC is involved in construction of thirteen hydroelectric projects (HEP) - six for NHPC and two for private developers.
- The 3 x 110 MW Kishanganga HEP plant, worth Rs. 2,725 crore, is HCC's largest HEP and is being implemented as an EPC contract. By the end of 2010-11, we had commended the most critical activity of tunnel excavation by a sophisticated tunnel boring machine.

- Two other projects are under implementation in Bhutan - the 114 MW Dagachhu HEP and the 1,200 MW Punatsangchhu I HEP. They are expected to gain further momentum in the next financial year.
- Work on both packages of the Teesta HEP Stage-VI in Sikkim I is progressing well.
- In 2010-11, HCC secured contracts for Sainj HEP and Alaknanda HEP. Sainj is an EPC contract worth Rs. 431 crore for a 100 MW HEP for Himachal Pradesh Power Corporation Ltd. (HPPCL), and Alaknanda is a 300 MW HEP worth Rs. 660 crore promoted by the GMR group.

Transportation

- We continue to win accolades for our landmark transportation projects including the Bandra-Worli Sea Link and the Delhi-Faridabad Elevated Expressway (see the Awards and Recognition section of this report).
- During 2010-11, our joint ventures completed two packages of the Airport Metro Express Line for Delhi Metro.
- We also completed the main carriageway at all four sections of the Lucknow-Muzaffarpur section of National Highway NH-28 as well as the Chennai Bypass project.
- Three packages of the National Highway NH-34 aggregating 256 km is being executed in full swing on a Build Operate Transfer (BOT) basis.
- The project quarry received an award for Best Mines, Best Crusher, and Best Pollution Control from the Director General of Mines Safety.
- Foundation and substructure works are underway on the Kolkata Elevated Corridor Project, which is a 4.23 km long flyover from Park Circus to EM Bypass in Kolkata.

Water Solutions

- We are associated with seven water supply and irrigation projects in Andhra Pradesh.
- The JCR Devedulla Godavari Lift Irrigation Scheme is the second largest water scheme of its kind in the world and will cater to the irrigation and drinking water needs across 6.47 lakh acres of land.
- We are engaged in two water supply contracts in Mumbai. The first contract involves laying a 15.7 km steel pipeline and is near completion. The other envisages construction of a 12 km long tunnel about 65 m below ground level. One section of this tunnel is complete, while in the second section, 70% of the tunnel boring is complete.
- In 2010-11, we secured an EPC contract for construction of a 56 km long section of Kachchh Branch Canal for Sardar Sarovar Narmada Nigam Ltd. The contract value is Rs. 345 crore with a construction period of 24 months.

Nuclear Power

- In 2010-11, we completed two packages for the 2 x 1000 MW Kudankulam Nuclear Power Project. These are the first light water nuclear reactors commissioned by the Nuclear Power Corporation of India Ltd. (NPCIL), at the southern tip of the country.
- We secured a Rs. 888 crore contract for civil works of Rajasthan Atomic Power Project (RAPP) Units 7 and 8 from NPCIL. The execution duration of the contract is 50 months.

Business Lines under E&C:

At the beginning of the Financial Year 2011-12, we initiated re-orientation of our organizational structure along specific functional business lines to reinforce enhanced focus and accountability in various areas of business including execution, business development, strategy, marketing and sales, and technology. Depicted below are the new business lines along with their targeted niche project areas:



Hydro

Dams & Barrages
Tunnels
Powerhouses
Shafts & Penstocks
EPC



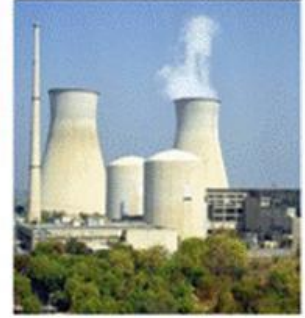
Water Solutions

Storage Dams
Barrages
Bulk water transmission canals
Tunnels
Pipelines
Pumping Stations
Treatment Plants
EPC



Transportation

Roads
Bridges
Tunnels
MRTS
EPC



Nuclear

Nuclear Power Plants
Utility Buildings
EPC



Industrial

Metals Plants
Industrial Complexes
Factories
Utility Buildings
Metro Stations
EPC



Ports & Marine

Core Port Infrastructure - Berths, Jetties, Wharfs, Quays
Tanker Terminals
Port Connectivity - Road, Railway
Sea Links, EPC



Thermal Power

EPC of entire Plant
BTG
BOP
Coal based PP
Gas based PP



Hydrocarbons

Refinery & Utilities
Petrochemical Complexes
Gas Gathering Stations
Terminals
Offsites & Utilities
EPC

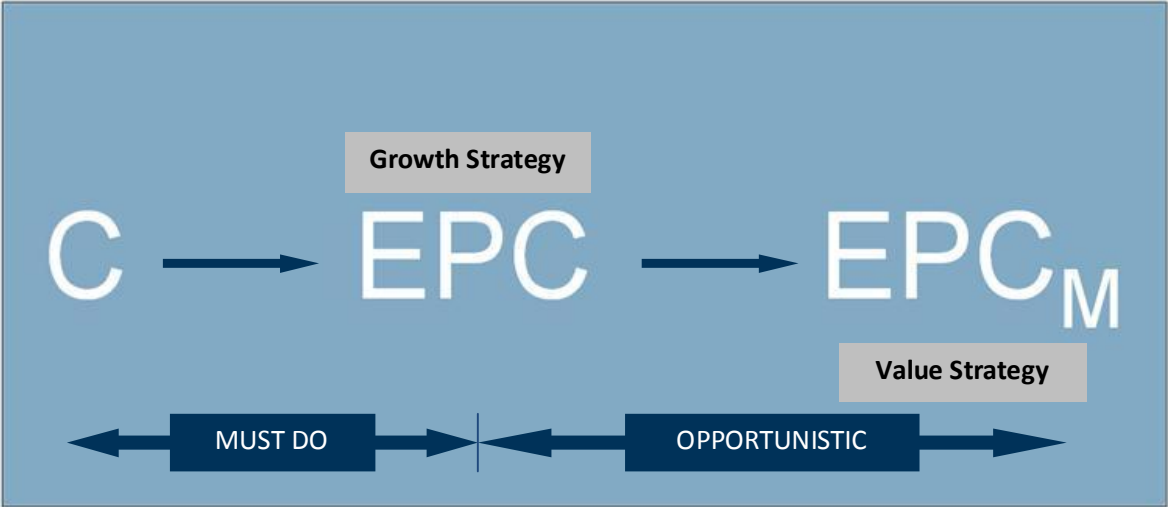
E&C Strategy Implementation

Our strategy to move from being a construction firm to evolve into an Engineering Procurement Construction (EPC) entity is in response to the industry needs and is in sync with our growth strategy.

The recent trends of global knowledge transfer, global partnerships, value-driven high impact projects along with improvements in 'what if' virtual design efficiency, delivery times and efficiency of scale have direct impacts on our business.

Our business ecosystem is experiencing shifts - more of our projects are public private partnerships, and the scale is only growing larger. We see that our customers are moving towards 'value' instead of 'commodity'. We are increasingly working with our suppliers on a collaborative mode, borrowing and sharing expertise. Our investors are globally influenced and are mostly image and optics driven. Our workforce consists of people of a younger average age, who are technology savvy and driven by performance.

These shifts in our business ecosystem coupled with the trends impacting our business are some of the key drivers in our vision to move towards the EPCM space. This is what forms our value strategy.



In order to move into the EPCM space, in 2010-11, we developed and implemented the Engineering & Construction Strategy. Herein, we identified the need for development in seven specific competencies (covered below). While we possess expertise in construction services across different sectors and have built capacity on the engineering and consulting front, we intend to increase our scope within construction services to cover mechanical, piping and electrical works and strengthen our engineering and consulting division while establishing subsystem procurement and manufacturing and site services. The following strategic developmental needs were identified to achieve this goal:

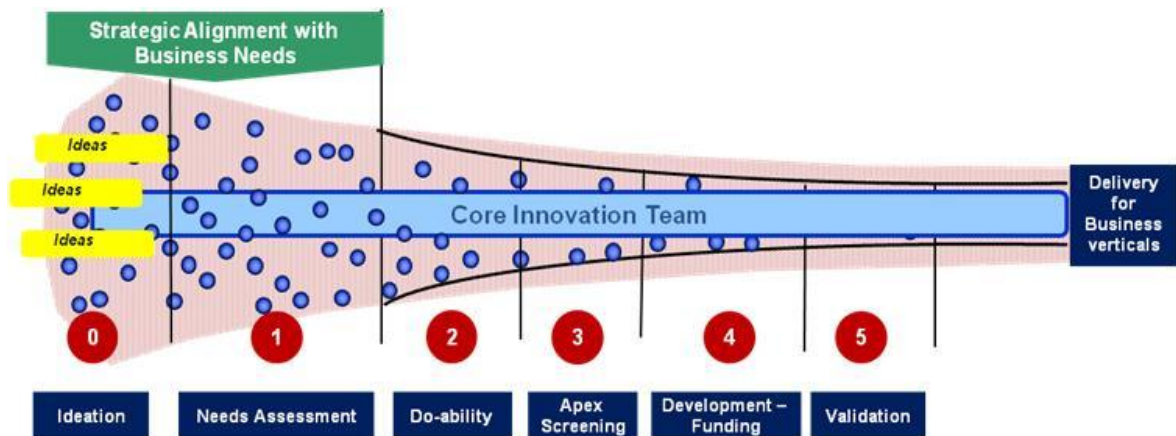
a. Engineering Capability

In order to build our engineering capability, we have identified probable engineering partners to form alliances. By riding on the India growth factor as well as our past successes and 'Hi-tech' brand image (with projects such as the Bandra Worli Sea Link), we have successfully formed engineering, sales and supply chain alliances over three years with engineering firms as depicted below:



b. Innovation Framework

We have realigned our Research & Development (R&D) cell so that there is constant collaboration between our cell and Global R&D hubs, equipment technology manufacturers and specialists (such as Atlas-Copco, JCB, etc), our construction material research laboratory, other knowledge management platforms and e-communities of interest. Participation at these different platforms would allow us to stay abreast of current developments and reduce adoption time for new technologies.



In establishing the innovation framework, we have completed rollout of the following:

- Innovation process : Established overall process and roles based on best practices; Senior management forum formed and idea collection/ evaluation process kicked off across HCC sites and HO; Defined mechanism for external idea capture and recognition of best ideas
- Innovation portal: Established supporting technology (portal); Assisted in portal design, vendor selection and portal finalization

c. Value Selling

We have adopted Customer Relationship Management plans as part of our E&C strategy. As a part of this, we now have in focus - 'key client accounts'. We understand different segments have different expectations and needs from our products and have accordingly developed understanding of different segment value definitions. We have completed the following tasks in implementing 'value selling' in our business-

- End-to-end support on business process definition - including modules such as 'key account management' (KAM), VoC, Partnership Management and MRA
- Defined roles and responsibility matrix for key sales processes
- IT vendor selection, and BRS handover
- KAM rollout and account plan creation has been completed

d. Procurement and Contracting

As a part of our strategy implementation, in order to develop needs in procurement and contracting, we have analyzed and recommended final strategy on risk management through steel hedging (based on industry best practices). We have completed roll out of centralized payment process for 4 raw materials and have enforced tighter process controls in payments such as SAP based payments.

e. Subcontract Development

Aspects of subcontracting/outsourcing include WBS and standard packages, qualification and standardization, embedded productivity/performance contracts, and long-term contracts/asset ownership.

f. World-class Project Management

In order to improve our project management skills, we have defined initial scope, charter and objectives of SAP PS. It has been rolled out in 3 projects in January - February 2011. We continue to monitor it weekly to keep the process on track, evaluate and improve. We intend to roll it out in all projects soon.

g. Employee Development and Engagement

This aspect of our strategy implementation is ongoing and is driven by our Human Resources division. We have done the following so far-

- Recruitment and Training tracking: Tracked recruitment and training process on weekly basis for May-July 2011
- Manpower planning tool: Developed overall tool design based on best practices, assisted in vendor selection and web-based tool development
- Employee engagement: Conducted a diagnostic and defined 3-5 key actions (with action-plan) to increase employee engagement

We aim to achieve the following:

- ✓ Drive Brand Behavior to connect with organization
- ✓ Provide more Learning & Development opportunities
- ✓ Be recognized as a caring organization
- ✓ Standardize hygiene factors for employees

Case Study: Project Implementation System - 'Project Tree'

Project Tree is an HCC initiative that seeks to improve the overall project management capabilities of the organization and to have better control on the projects. M/s Parsons Brinckerhoff, one of the world's leading project management consultants, was brought to help us conduct this exercise and to recommend best practices. Project Tree was first implemented in November 2009.

Five pilot projects were chosen in order to study the systems within HCC - Maroshi-Ruparel Tunnel, Badarpur Elevated Corridor, Kishanganga Hydroelectric Power Project, Teesta Hydroelectric Power Project Stage VI Lot IV and Vishakhapatnam Cavern Project.

The overall exercise was divided into three phases:

Phase I - study of existing practices and systems within the company, establishing the gaps with respect to the best practices of project management, and identify the systems, processes and documentation necessary to close these gaps.

Phase II and Phase III - implementation of the accepted systems and processes, closing the gaps identified previously, and training the employees on the use of tools, methods, practices, systems and gauge the improvements.

After the study of the Head-Office and the pilot project sites during Phase I, the consultants identified certain processes and systems to be missing in the organization. The HCC Management agreed to bring in these processes and tools in order to close the gaps.

During Phase II and Phase III, the teams visited the project sites, set up the tools, processes and systems that were identified, and trained the project teams on the use and importance of these processes in managing the projects.

At the end of the exercise, certain key documents were developed and submitted to the Management for review and acceptance, and subsequent implementation across the organization.

The pilot project sites that were part of this exercise are now reaping the benefits of the implemented Project Control System through the use of new tools and systems.

Nature of Ownership and Legal Form

We are a public limited company listed on the Bombay Stock Exchange (BSE) and National Stock Exchange of India Ltd (NSE). The Global Depository Shares (GDSs) of the Company are listed on the Luxembourg Stock Exchange.

Top Ten Shareholders of the Company as on 31st March, 2011

Sr. No.	Name of the Shareholder	Category	No. of Shares	Percentage of Shareholding
1	Hincon Holdings Limited	Promoter	20,07,03,600	33.09
2	HSBC Global Investment Funds A/C HSBC Global Invest Funds Mauritius Limited	FII	5,01,74,601	8.27
3	Hincon Finance Limited	Promoter	3,83,65,500	6.32
4	Copthall Mauritius Investment Limited	FII	1,48,69,751	2.45
5	SIWA Holdings Limited	FII	1,43,65,841	2.37
6	BNP Paribas Arbitrage	FII	98,20,000	1.62
7	Reliance Capital Trustee Co. Ltd. - Reliance Infrastructure Fund	Mutual Fund	81,60,961	1.35
8	Life Insurance Corporation of India	Insurance Company	59,40,480	0.98
9	Barclays Capital Mauritius	FII	59,19,800	0.98
10	Wellington Management Company, LLP A/C Bay Pond MB	FII	51,60,016	0.85
	Total		35,34,80,550	58.28

India's Firsts: Executed by HCC

Sr.No.	Project	India's First	Year of completion
1	Vizag Cavern Project, Vishakhapatnam	India's first strategic oil reserve	(Scheduled for completion by October 2011)
2	Bandra Worli Sealink, Mumbai	India's first bridge constructed in open sea conditions.	September 2007
3	Mumbai-Pune Expressway, Section B, Maharashtra.	India's first concrete pavement expressway	March 2002
4	Metro Railway Project, Kolkata	India's first Metro Railway Project	October 1996
5	Idukki Dam across River Periyar, Kerala	India's first and only double curvature arch dam	May 1976
6	Dam across lake Vaitarna, Maharashtra	India's first concrete gravity dam.	January 1954
7	Rajasthan Atomic Power Project (units 1 & 2)	First Nuclear Power Project	1971- 1972
8	Bhilai Steel Plant, Madhya Pradesh	India's first integrated steel plant	1971
9	Tata Thermal Power Station	First Thermal Power Project	1956
10	Kadamparai Pumped Storage Hydroelectric Project (400 MW), Tamil Nadu	India's first pumped storage project	September 1988
11	Yamuna Hydroelectric Project (228 MW), Uttar Pradesh	India's first underground powerhouse in the Himalayan region	March 1975
12	Maithon Hydroelectric Project, Bihar (Client: Damodar Valley Corporation)	India's first underground powerhouse	October 1956
13.	Bridge across River Torsa, Assam	India's first bridge	1954
14	Haldia , West Bengal	Fist Port - Impounded dock for Haldia	1967
15	MGD Sewage Treatment Plant, Mumbai	India's first water treatment plant	1954
16	Sonne Barrage, Bihar	First Barrage	1966

Projects in Scope for Sustainability Report 2010-11

Hydro Power Projects	Water Solutions Projects	Transportation Projects	Nuclear and Special Projects
Nimmo Bazgo HEP	Maroshi Ruparel Tunnel Project	Mughal Road Project	POT Shell Fabrication Works for Aditya Aluminium Project
Chutak HEP	Middle Vaitarna Project	AS-23 (East West Corridor) Assam	Piling and Civil Works for Aditya Smelter Project
Uri-II HEP Lot 1	Polavaram Right Main Canal	Kolkata Elevated Road Corridor Project	Vishakhapatnam Rock Cavern Project for Crude Oil Storage
Teesta Low Dam IV HEP	Pumped Water Supply Scheme (NC-25)	NH 34 Package 3	Padur Rock Cavern Project for Crude Oil Storage
Teesta HEP Stage VI Lot II		NH 34 Package 4	
Teesta HEP Stage VI Lot IV		NH 34 Package 5	
Dagachhu HEP			
Pare HEP			
Kashang HEP			
Punatsangchhu HEP Stage 1			
Kishanganga HEP			
PirPanjal VA			
PirPanjal VB			

The report contains data on key sustainability performance indicators from the above sites and has Company wide data on economic performance, human resources, policies, and key initiatives during the reporting period.

Vision

"To be the Industry Leader and a Market - Driven Engineering Construction Company renowned for excellence, quality, performance and reliability in all types of construction"

The Vision Statement has been inspired by the global infrastructure development needs of tomorrow, with the Customer as the central focus. It was developed after conducting a series of in-house workshops. Senior Leaders within the organization are actively involved in developing and maintaining an effective and efficient management system to disseminate the Vision across HCC in order to achieve 'Customer Delight.'

Mission

The HCC Corporate Mission encompasses the overall strategies, objectives and goals of the Organization-

- To be a leading construction company in the global market.
- To become the customers' most preferred choice by attaining excellence in quality and timely completed value added projects.
- To continually innovate, develop and adopt state-of-the-art technology in methods and materials to enhance productivity and cost effectiveness.
- To continually improve the competence of our people and make them proud to work at HCC.
- To build a safety culture aimed at continually reducing the frequency severity rate towards achieving zero accidents.
- To identify and mitigate all the environmental impacts arising from our activities and comply with applicable environmental norms.
- To develop and adopt eco-friendly concrete technology to reduce one million tons of greenhouse gas (GHG) emissions in the next 10 years.
- To contribute to the development of the local community and society at large as a part of our corporate social responsibility.

Values

Bold, determined, committed and quality conscious at all times - these values are the driving force behind our organization, defining us and guiding us every step of the way. Quality, for us, is a beacon that inspires us in everything we do, and a facet which is carefully nurtured at HCC. We believe that our people are our knowledge assets. We adhere to international standards of governance, and are extremely serious about our corporate and social responsibilities. Our values are representative of who we are and how we behave. They impact our everyday work life and give us a competitive edge.

The HCC brand has come to stand for many admirable qualities:

- Breadth of vision by thinking big;
- Painstaking attention to detail;
- Passion for what we do;
- Tirelessly striving to be world-class in our technology and business practices.

Our brand image reflects all of these – clean, contemporary, precise and focused. As a company, the single most important investment we make is protecting and fostering our brand by applying these values consistently, correctly and single-mindedly.

In a market of accelerating growth in project size, scope, complexity and raised customer demands for over-delivery on budget and completion dates, our company is a world-class Indian construction group, taking Big Ideas into Action:

Ideas with entrepreneurial drive which master challenges, drive project excellence and continuously contribute to the progress of our company, our industry and the quality of life in India. Ideas which create value for all.

But while we may think and build big, we are obsessed with details in Quality, Safety and Environment Management, wherever we go, in whatever we do.

Our world-class people work with passionate commitment to the success of our customers, partnering to consistently deliver superior quality, innovative solutions and solid returns on investment.

In 2010-11, we continued with our initiatives to enhance and promote the 'HCC' brand and its associated value. We built our 'verbal brand driver', to share with our stakeholders, standard practices on walking and communicating the power of our brand."

Building Our Brand

In 2010-11, we continued with our initiatives to enhance and promote the 'HCC' brand and its associated value. Our brand had a significant presence in about 15 key business and industry events and expositions where our wide ranging expertise and experience was showcased. The inauguration of the second (North) carriageway of the Bandra-Worli Sea Link by prominent personalities once again raised HCC's brand value in the past year.

Our involvement in key projects such as the NH-34 North-South Corridor project linking West Bengal to the North-Eastern states further established our leadership in the development of modern infrastructure in India. The laying of this project's foundation stone by the Union Finance Minister underlines the importance of the project. The Delhi-Faridabad Elevated Expressway, which has vastly improved connectivity and touched a chord with local commuters, was inaugurated a month ahead of schedule amidst great fanfare. Likewise, branding around the currently underway Kolkata Elevated Highway Project has created an impressive presence for HCC in the minds of the city's commuters as they look forward to the improved commute.

During the year 2010-11, we undertook several key initiatives involving investors and business partners aimed at enhancing their connect with Brand HCC. Analyst meets were conducted every quarter and sub-contractor meets initiated in Mumbai, Delhi and Kolkata.

As part of our continued engagement with the brand consultants Landor, we are developing a special brand engagement program which will involve all Company staff in taking ownership of the brand and assimilating brand values.

Professional Memberships

Mr. Ajit Gulabchand, Chairman and Managing Director of HCC, is a regular participant at the World Economic Forum (WEF), Davos, for almost two decades. He was Co-Chair of the WEF's India Economic Summit, 2010 and has chaired the governor's steering board of the Engineering & Construction Community at the WEF's Annual Meeting 2011 in Davos. He is also the only Indian business leader honored to actively participate on panels at the U.N. Annual Summit on Climate Change, as well on the U.N. Global Compact Summit. He is also an Executive Committee member of The Energy and Resources Institute (TERI) - Business Council for Sustainable Development.

In addition to the above, HCC holds active memberships with several key industry bodies, as listed below:

Bombay Chamber of Commerce & Industry	Indian Overseas Construction Corporation Ltd.
Indian Chamber of Commerce	ICC India
Indo-German Chamber of Commerce	Maharashtra Chamber of Commerce & Industry & Agriculture
The India Automobiles Association	Indian Merchants' Chamber of Commerce
Maharashtra Economic Development Council	Indian Water Works Association
Overseas Construction Council	Indian Atomic Industrial Forum
NICMAR	Indian Road Congress
Indian National Committee - International Chamber of Commerce	Indian Committee - National Hydroelectric Power Corporation Ltd.
Indian Council of Arbitration	All India Association of Industries
Confederation of Engineering Industry	Confederation of Indian Industry
Indo-American Chamber of Commerce	Federation of Indian Chambers of Commerce and Industry (FICCI)
Engineering & Construction Risk Institute	World Nuclear Association
Construction Federation of India	Construction Industry Development Council
Project Exports Promotion Council of India	National Highways builders Federation
The Associated Chamber of Commerce & Industry of India (ASSOCHEM)	Central board of Irrigation & Power
	Builders Association of India

Awards and Recognition

- Infrastructure Excellence Award - 2011 for Delhi Faridabad Elevated Expressway (*dfskeyway*TM) by CNBC TV18.
- Vishwakarma Award for Best Project - 2011 for Delhi Faridabad Expressway (*dfskeyway*TM) by the Construction Industry Development Council (CIDC).
- India's 2nd Most Respected Company in the Infrastructure Sector - 2011 by *Businessworld*.
- Infrastructure Project of the Year for Bandra-Worli Sea Link project at Property Awards 2010.
- 'Most Admired Construction Companies' Award 2010 at the 8th Annual Construction World Awards.

Our Strategic Partners

Design & Engineering Partners



Technology Partners



Joint Venture Partners (Execution / Risk Sharing / Resource Sharing)



Our Clients



Stakeholder Engagement

At HCC, we are committed to engaging in collective action, advocacy and public policy discussions at the highest level of our Management. To this end, Mr. Ajit Gulabchand, HCC's Chairman and Managing Director, continued to actively participate in various thought leadership forums, some of which are listed below:

Forum	Date
Summer Davos - Tianjin, 'Sustainable Cities: Rethinking Urbanization'	September 13-15, 2010
India Economic Summit, 'From Delhi to Davos: The Road to Inclusive Growth', 'De-stressing Urban Infrastructure'	November 13-15, 2010
City of London and High Commission of India Conference, 'Financing India's Infrastructure - Building Partnership with the UK'	November 22, 2010
President Sarkozy's visit to India, G20 Agenda	December 7, 2010
TERI Roundtable	January 7, 2011
Vibrant Gujarat	January 12, 2011
World Economic Forum Annual Meeting 2011, 'Leapfrogging to Low-Carbon Growth', 'Catalyzing Land Use and Role of Private Sector'	January 26-30, 2011
Delhi Sustainable Development Summit	February 2, 2011
Chatham House, 'Urban Planning for Sustainable Infrastructure and Mobility'	February 28, 2011
EDGE Conference, 'Education Infrastructure'	March 10, 2011
India Today Conclave	March 18, 2011

In 2010-11, we continued engaging with various internal and external stakeholder categories that were identified as most significant to the organization in 2009-10. The process of identifying our most significant stakeholder categories has largely been internal so far. We plan to make the existing ways of engagement more robust and with a sustainability focus. In order of importance and proximity to our day-to-day operations, the following six categories of stakeholders engaged by us are: Customers, Suppliers/Sub-contractors, Employees, Investors and Shareholders, JV Partners, and Local Communities. Highlights of various on-going and new engagement initiatives undertaken are presented in the section below.

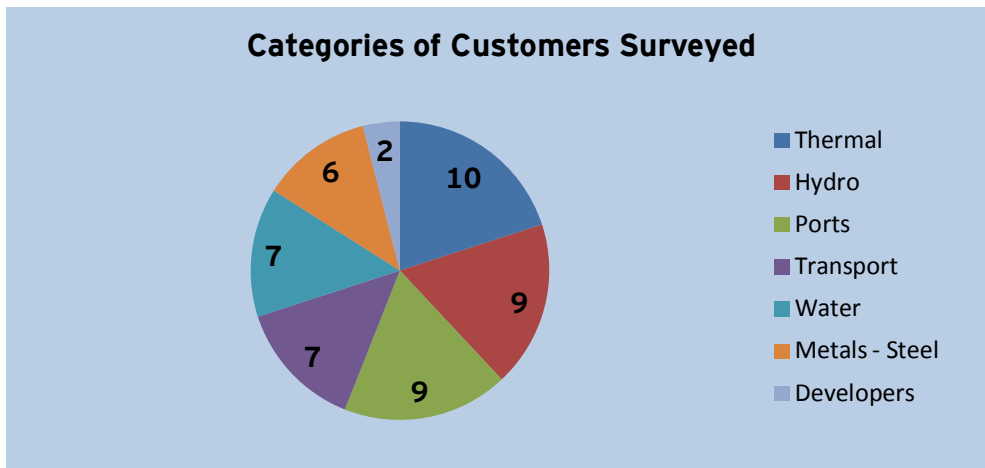
'Voice of Customer' - Customer Engagement Program

Objectives:

- Understanding of customer expectations
- Identifying key areas of concern
- Changes expected in contracting mechanism (scope, packaging, PQ etc)
- Willingness of customer (private sector) to pay a premium for concerns addressed
- Develop organization strategy based on customer inputs, successful case studies

Methodology:

- One-on-one interactions with 50 prospective and current clients across different sectors



Key Findings/Feedback Received:

- Overall good perception of the HCC Brand among our customers
- Suggestions on the market positioning and partnerships that HCC may undertake in order to improve business performance
- Feedback on the organizational culture, challenges being faced in project implementation, bandwidth issues
- Insight into the future construction needs as well as type of preferences for construction services
- We got a good idea of the future business potential and infrastructure development activity expected to happen in the next 3-5 years
- Customer feedback has been taken into consideration while developing the organization strategy for E&C division

Partnership Management - New Approach

In 2010-11, we began implementation of a new strategy to manage our Joint Venture (JV) Partners. The driver for this initiative is the need to develop and maintain stable, sustained alliances with our partners during all project phases. Described below are our major objectives and salient strategy points:

Objective 1: Development of a Long-Term Partnering Strategy

- Forecast partnering requirements from Business Plan
- Finalize strategy based on long-term projected needs and opportunities
- Seek alliances well ahead so that business development actions can be taken in unison

Objective 2: Introduce the Concept of 'Partner Account Management'

- Identify list of probable partners who could meet HCC's partnering needs
- Nominate an HCC E&C employee as a single point of contact (Partner Account Manager - PAM) to maintain clear and constant line of communication

- Nominate a senior HCC E&C official (Sponsor) who has closely dealt with the specific partner company in the past and can grow the alliance further

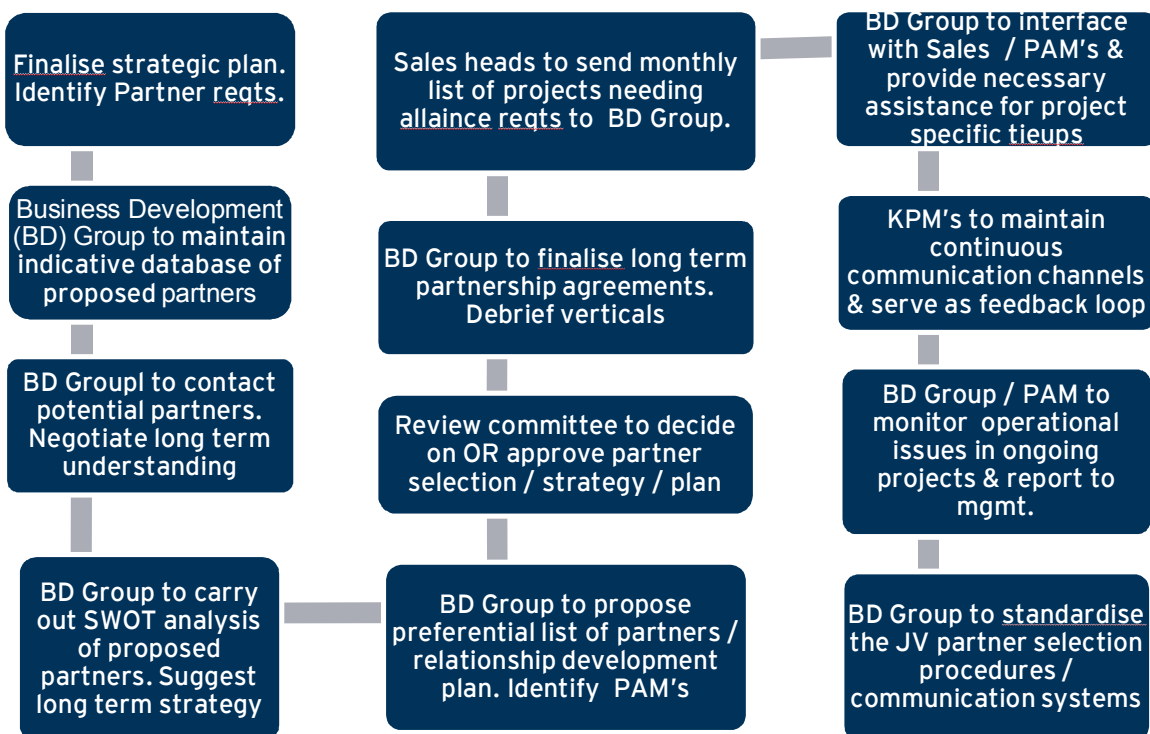
Objective 3: Build Sustainable Relationships with Partners:

- PAM/Sponsor to carry and nurture relationship beyond the contract award stage, irrespective of a win or loss on a specific project
- During the contract execution stage, the PAM/Sponsor will strive for continued engagement with his/her counterpart in the partner organization to understand any issues of "pain-gain" that are likely to adversely affect long-term relations, and take up these issues appropriately with the E&C Management for resolution
- All things being equal in the selection of bid partners, long-term/strategic partners will get a 'Preferred Partner' status and will be extended preferential selection

Objective 4: Engagement Plan to Develop Long Term Partners

- Procedures to be developed to ensure periodic contact (monthly/quarterly/annual) depending on the possible future opportunities of mutual interest
- Partner development strategy will also seek to develop multi-sector alignment rather than a case-specific opportunistic view
- Engagement to focus on better appreciation of mutual requirements/interests. Thus ensuring a better understanding amongst partners

Managing JV Partnerships - Long Term Strategy



"We are happy to have found a Partner which understands us as well as we understand them, and with whom we can solve all our mutual business issues amicably"

- VINCI Construction Grands Projects (a HCC JV Partner)

Supplier Relationship Assessment (SRA) Program

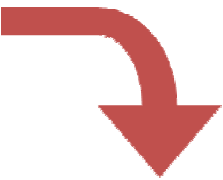
We carried out the second Supplier Relationship Assessment program from September 2010 to December 2010. IMRB International (CSMM), a 3rd party consulting firm specializing in stakeholder measurement, was contracted to execute this exercise to ensure objectivity and anonymity. Compared to the first SRA program completed in 2009, a larger number of suppliers (i.e. 225), both included both domestic and international firms, were included in the survey this time.

Objectives of the SRA Survey

- Assess the needs, requirements and expectations that suppliers have from HCC
- Determine the relative impacts of each of these expectations on the overall loyalty of suppliers
- Assess the current satisfaction levels amongst suppliers with regard to HCC
- Identify strengths and weaknesses of HCC vis-à-vis competition
- Provide strategic direction for improvement in critical areas and identify useful opportunities
- Tracking of performances over a period of time

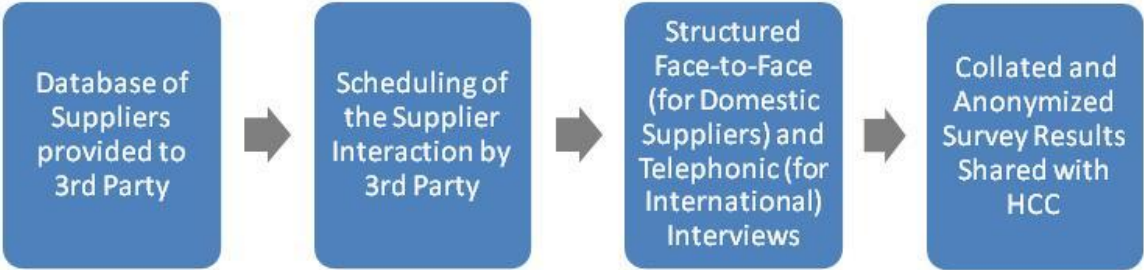
Categories of Suppliers Surveyed

Category	Sample Size	%
Base:	225	225
Subcontractors	106	47%
Equipment	59	26%
Materials	44	20%
Logistics & POL	16	7%



Sub-contracting category	%	Sub-contracting category	%
Base:	105	Base:	105
Transport	31%	Hutting	7%
Earthwork	27%	Road Marking	7%
Fabricator	19%	Crushing Plant operation	7%
Transport Earthwork	16%	Geo-tech Service	6%
Piping	14%	Prestressing	6%
Hiring	13%	R.E. Wall	6%
Grouting	11%	Marine	5%
Quarry	10%	Structural Painting	5%
S.S. Fabrication	10%	Piling	4%
Tunneling work	10%	Utility	4%
Painting	9%	Canal Linink	4%
CD/ Earthworks	8%	EM	3%
Earthwork/Marine	8%	Others	38%

Methodology

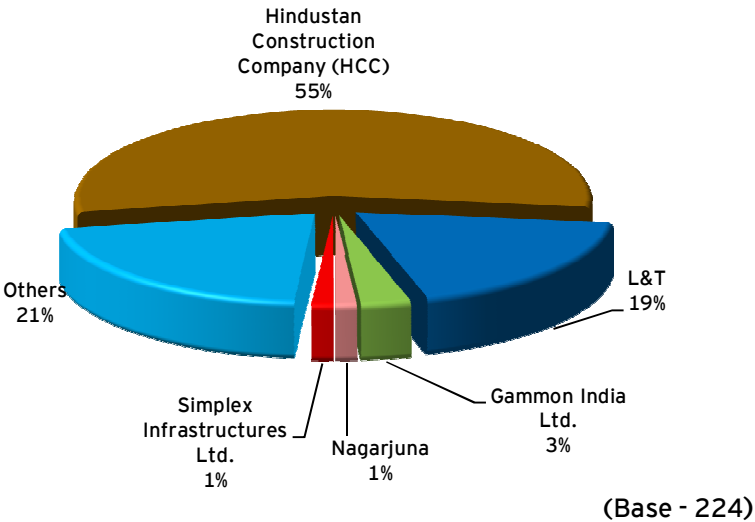


Measurement Parameters

- Contracting/Purchase Order Issuing Process
- Senior Personnel of the Procurement Team
- Managerial Personnel of the Procurement Team
- Mobilization at Site
- Site Managers
- Technical Personnel at the Site/HO
- Accounts & Payments
- Relationship Building

Survey Findings

Greater positive feedback was received compared to the previous year's results, indicating improved satisfactions levels among our suppliers. More than 50% of the respondents identified HCC as their preferred company.



Snapshot of Engagement with Key Stakeholders

Stakeholder Category	Purpose of Engagement	Mode of Engagement	Engagement Highlights during 2010-11	Future Plans
Customers/ Clients (Annually for Voice of Customer program, one-on-one interactions as needed)	Understand customer expectations and identify key areas of concern	One-on-one interactions with current and potential customers Customer satisfaction surveys	'Voice of Customer' Program (Details provided in the Stakeholder Engagement section of this report)	Develop organizational business strategies based on customer feedback
Suppliers, Sub-Contractors (Annually for SRA Program, Vendor meets as needed)	Assess the needs, expectations and satisfactions levels of suppliers Identify strengths and weaknesses of HCC vis-à-vis competition	3 rd -party administered anonymous survey of all significant existing suppliers One-on-one engagement with suppliers at the project site Tracking and refining of sub-contractor feedback system	2 nd 'Supplier Relationship Assessment' (SRA) Program (Details provided in the Stakeholder Engagement section of this report) Vendor meets were organized at Delhi and Kolkata	Based on supplier feedback, adopt strategic direction for improvement in critical areas and identify useful opportunities Track performance over a period of time
Employees (On-going interactions, trainings and communications)	To meet employee expectations, encourage employee training and development, support employee welfare at remote project locations	HCC Newsletters and 'E&C Connect' newsletters, employee surveys, structured performance management systems, various training under the 'Practical Learning At Your Workplace	Extensive focus on Health, Safety & Environmental trainings at project sites In-house survey of employee welfare activities carried out in August 2010	Provide trauma and emergency training to the workforce Improve employee welfare at various project sites

Investors and Shareholders <i>(Quarterly Analysts meets, On-going communications)</i>	Transparently communicating the company's financial information, building investor trust	AGMs, EGMs, Quarterly Analysts Meets, Corporate Website and various Corporate Publications	Regular dissemination of the Company's financial and performance data Analyst meets	Increase the value for shareholders and maintain high level trust among the shareholders
JV Partners <i>(On-going Partner Management Approach)</i>	Develop long-term strategic and sustainable partnerships across business domains and geographical locations Create effective communication channel with Partners for positive project outcomes Identify potential partners for future project bids to ensure good lead time for establishing areas of mutual strength	Appointment of a single point responsibility for interfacing / coordinating with the Partners Procedures to be developed for monthly / quarterly / annual meetings with Long Term Partners, depending on the possible future opportunities of mutual interest HCC Newsletter and 'E&C Connect' newsletters	New 'Partner Management Approach' adopted <i>(Details provided in the Stakeholder Engagement section of this report)</i>	Nominate 'Partner Account Managers' and 'Sponsors' to for enhanced engagement with Partners during the contract execution stage Build an internal list of probable local and global partners that will help HCC win future project bids
Local Community <i>(On-going and need-based community programs and initiatives)</i>	Contribute to the welfare and development of local communities by creating infrastructure around our project sites. Carry out emergency relief and rehabilitation work during natural disasters.	Various programs and initiatives structured around our five pillars of CSR. Voluntary work by HCC employees under the Disaster Relief Network (DRN) activities.	<i>Details provided in the Corporate Stewardship section of this report.</i>	Continuation of proactive and need-based CSR initiatives across all our local communities

Material Issues Identification

We identified the following four sustainability issues as material to our business in the previous reporting year (2009-10). In the current reporting year, a structured brainstorming exercise and scoring of relevant issues within the organization established the continued materiality of these issues. We have endeavoured to continually refine and recalibrate our specific goals and actions plans within these material issues, and will continue to do so in the future.

Employee Health & Safety	
Goal	To achieve zero reportable injuries across project sites.
Action Plan	<ul style="list-style-type: none"> We will continue to stress on usage of best safety practices, safe work methods, protection equipment and technology across our project sites. We will continue our focus on safety training for all our employees and contract labor across all our project sites.

Construction Waste Minimization	
Goal	To minimize the generation of construction waste and encourage recycling to reduce landfill.
Action Plan	<ul style="list-style-type: none"> We will adopt the most modern construction techniques in order to reduce waste generation at sites. Further we will adopt systems and practices to recycle and reuse the waste generated thereby avoiding its landfill.

Pollution and Water	
Goal	To achieve water-neutrality across all our project sites. To reduce project site emissions by 7% on an annual basis.
Action Plan	<ul style="list-style-type: none"> We continue to explore ways of recovering and reclaiming water from waste streams. We plan to achieve the target by introducing water recovery, treatment and reuse systems across all our sites. We will deploy measures to reduce air emissions at our project sites. Further we will continually assess the ambient air quality at our sites to track progress.

Community Development	
Goal	To ensure proactive participation in community development on issues of health, education and water.
Action Plan	<ul style="list-style-type: none"> We have devised a strategy for community development, making it more focused and need-based to address the issues of the concerned community.

Corporate Governance

Our commitment to the principles of transparency, integrity, professionalism and accountability in all our dealings is the foundation of our continuous endeavor to create sustainable value for all our stakeholders including the society at large. We place highest emphasis on business ethics and have adopted high standards of Corporate Governance practices across all business activities. These strong governance systems have helped us promote an industry-wide initiative of developing 'Responsible infrastructure'.

Corporate Governance at HCC is an ongoing process and we continuously strive to improve upon our practices in line with changing demands of the business environment. These governance structures are the foundation that provides adequate empowerment across the organization in leveraging opportunities for rapid sustainable growth.

We have established systems to encourage and recognize employee participation in environmental and social initiatives that contribute to environmental sustainability and promotion of safety and health, which are an integral part of our business model.

Board of Directors

The Board plays an active role in fulfilling its fiduciary obligations to the shareholders of the Company by efficiently overseeing management functions to ensure their effectiveness in delivering shareholder value.

As on 31st March, 2011, the HCC Board comprised of ten Directors - one Executive Director and nine non-Executive Directors. The Executive Chairman and Managing Director is the Promoter Director of the Company. Of the nine Non-Executive Directors, seven are Independent Directors. Except the Chairman and Managing Director, all Directors are liable to retire by rotation. All the Directors possess the requisite qualifications and experience that enables them to contribute effectively in their capacity as Directors of the Company.

Name	Position
Ajit Gulabchand	Promoter, Chairman and Managing Director
Y. H. Malegam	Independent Director
K. G. Tendulkar	Non-Executive Director
Rajas R. Doshi	Independent Director
D. M. Popat	Independent Director
Ram P. Gandhi	Independent Director
Prof. Fred Moavenzadeh	Non-Executive Director
Sharad M. Kulkarni	Independent Director
Nirmal P. Bhogilal	Independent Director
Anil C. Singhvi	Independent Director
Arun V. Karambelkar*	President & Whole-time Director

*Was appointed by the Board as President and Whole-time Director w.e.f. 29th April, 2011 for a period of 5 years.

Code of Conduct

Good governance and ethical business practices are more important now than ever. We have always strived to embed our core values¹ into everyday decision making processes and this philosophy is further strengthened by adoption of a 'Code of Conduct'. There are two separate categories of 'Codes of Conduct' - one for the Non-Executive Directors and the other for the Executive Directors and the designated employees in the senior management². The Code is intended to serve as a guiding principle for senior management who affirm compliance with this code on an annual basis as at the end of each financial year. The Code of Conduct for Executive and Non-Executive Directors clearly defines processes in place to avoid conflicts of interest.

The Code of Conduct is handed over and explained to all the designated employees in the senior management during induction. The Company has also instituted a comprehensive Code of Conduct for prevention of insider trading, for its Directors and designated employees. It deals with the treatment of insider information, is available to all the designated employees of the Company. It clearly mentions that, "All Directors/Members of Senior Management/Designated Employees shall comply with insider trading regulations issued by the Securities and Exchange Board of India and the Insider Trading Code issued by the Company as may be applicable to them.

Further, the Code of Conduct for Senior Management also provides that they and their immediate family members should not accept any gift, gratuity, fee or other benefits of any kind from suppliers, customers, competitors and related business parties if it is known, believed or suspected that its purpose is to influence a transaction and/or if the value such an item is significant and/or might cause embarrassment to the Company.

For the purpose of the Code, the Company has appointed the Company Secretary as the Compliance Officer, who shall be available to the Senior Management to answer their queries and to help them comply with the Code."

We support the UN Global Compact and the tenth, anti-corruption principle thereof.

Board Meetings / Board Level Committees

All major decisions, material issues, investment and capital expenditure related issues go through the approval of the Board and information like fatal or serious accidents, dangerous occurrences, major effluent or pollution related problems, labour and industrial relations related issues are regularly brought to the notice of the Board as part of various Board meetings. The Board met five times during the year 2010-11. The maximum time gap between any two consecutive meetings did not exceed four months. The Board periodically reviews compliance reports of all laws applicable to the Company, prepared by the Company as well as steps taken by the company to rectify instances of non-compliances, if any.

¹ HCC's Mission and Vision are available on the website of the Company www.hccindia.com

² Copies of both the codes of conduct are available on the website of the Company www.hccindia.com

We strictly adhere to Section 299 of the Companies Act, 1956, under which 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.

We have instituted mechanisms to inform our Board members about initiatives for risk assessment and minimization as well as a periodic review that would strengthen our risk governance. Our framework facilitates building an early-stage understanding of the exposure to various risks and uncertainties, leading to timely response and effective mitigation.

The Board has also constituted five Board Committees - Audit Committee, Remuneration Committee, Shareholders'/Investors' Grievance Committee, ESOP Compensation Committee and Selection Committee of the Board.

Audit Committee:

The Audit Committee oversees the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible. Apart from this, it also reviews with the Management, the annual financial statements before submission to the Board, performance of statutory and internal auditors and adequacy of the internal control systems, and deals with various other matters as prescribed under the Listing Agreement with the Stock Exchanges.

Remuneration Committee:

The Remuneration Committee is responsible to recommend to the Board the compensation package for the Whole-time Directors including Managing Director of the Company. The Committee also recommends the remuneration payable to the Non-Executive Directors of the Company.

Shareholders / Investor Grievance Committee:

The Committee monitors redressal of queries/complaints received from shareholders relating to transfers, non-receipt of Annual Report, dividend etc.

ESOP Compensation Committee:

The ESOP Compensation Committee deals with various matters related to administration of the HCC Employee Stock Option Scheme such as the number of Options to be granted, the exercise period within which the employee should exercise the options, the conditions under which option vested in the employees may lapse and other related issues / matters.

Selection Committee:

The Selection Committee of the Board deals with matters concerning the appointment and remuneration of Director's Relatives in respect of holding Office or Place of Profit in the Company.

Corporate Policies and Management Systems

The HCC Management has established Quality, Environmental and Safety policies consistent with the HCC Mission. These policies, outlined in the HCC Management System Manual, meet all the specific requirements of ISO 9001: 2008 Quality Management System, ISO 14001: 2004 Environmental Management System and OHSAS 18001: 2007 Occupational Health & Safety Management System. The Management System applies to the areas of Project Management, Engineering and Design, Research and Development, Procurement, and Construction, Operation and Maintenance of Projects. It is applicable to all our Head Office, Workshop-R&D-Training Center in Panvel, and all Project Sites.

During November-December 2010, M/s TUV NORD, the certifying agency, conducted a recertification audit for the all the above three management systems to verify the status of compliance to the requirements of these standards. The objective and effectiveness of Integrated Management System was verified during this audit course. The certifications are valid up to March 2014.

These policies are intended to direct and control HCC towards enhancing quality of its products and services, and achieving excellence in health, safety and environmental performance. Quality, Environmental and Occupational, Health and Safety policies are displayed at and communicated to all of HCC's operational areas and also made available to the interested parties. Established policies are reviewed periodically in the management review meeting for its continuing suitability.

We have adopted an integrated approach towards quality, environment and safety, and have integrated these in business practices, to inculcate a culture of continuous improvement that will enhance quality of the products and maintain the highest standards of environmental protection and safety of the project teams to maximize customer satisfaction.



Risk Management

In July 2010, HCC implemented a new Procedure on Risk Assessment applicable to the entirety of E&C business. It reflects our commitment to high standards of business conduct and good risk management. The new procedure is intended to ensure that an effective risk management framework is established and implemented within the E&C business and to provide regular reports on the performance of that framework to the Risk Management / Audit Committee and Board of Directors of the Company.

The scope of the new procedure includes the identification and management of existing and new risks in a planned manner with minimum disruption and cost. It also focuses on developing a "risk" culture that encourages all staff to identify risks and associated opportunities and to respond to them effectively. The procedure establishes clear responsibilities and authorities in the organization's risk management process - the President E&C has overall responsibility while the responsibility for implementation lies with the E&C Management team.

The process for Risk Management incorporates a systematic application of policies, procedures and checks to identify potential risks and lessen their impact on E&C business. This involves: Identifying potential risks; Assessing their potential impact on the business and/or on HCC group; Taking timely action to minimize the potential impact; and, Monitoring and reporting on the status of key risks on a regular basis.

The Risk Management is structured at the two levels of Enterprise Risk Management and Project Risk Management. At the project site level, the HSE department adopts the Hazard Identification, Risk Assessment and Control (HIRAC) methodology for various activities during the construction phase of the projects. It helps control risks related to health and

safety in addition to enforcement of strict adherence to quality standards and procedures so as to keep risk at the lowest level and ensure the safety of the construction site. In another significant development, Mr. Stuart Aitken - Chief Business Development Officer, HCC Ltd., has been elected to serve as a Director of the Engineering & Construction Risk Institute (ECRI). ECRI is an international risk management and consulting forum that helps the global E&C industry to establish, maintain and improve their Project Risk Management capabilities and to develop and share best practices. ECRI has its headquarters at Connecticut, USA, with operations in UK, Europe, Africa, Far-East and India. It was formed in 2005 at the World Economic Forum meeting in Davos by 17 leading E&C firms across the world. HCC was one of the founding members of ECRI.



Mr. Stuart Aitken - Chief Business Development Officer, HCC Ltd.

As Director, Mr. Aitken will be responsible for reviewing emerging developments within the ECRI, monitor the performance of the Managing Director and CEO, review the annual budget and financial report, and ensure compliance to the organization's charter, bylaws and Board-approved policies. Mr. Aitken's tenure commenced in June 1, 2011 and will extend up to May 31, 2013.

Economic Performance

HCC entered the year 2010-11 with a healthy order book, and during the year, we efficiently executed these orders more or less as per schedule. Given the damp market conditions, the executed orders could not be fully replenished with new orders and the order book reduced a little to Rs. 18,127 at the close of 2010-11. The order backlog is well distributed across various sectors including power, transport, water and industrial.

Our turnover improved by 7.3% to Rs. 4,144 crore in 2010-11. With the second half of 2009-10 witnessing an increase in activity, one had expected 2010-11 to be a better year for execution but as the year progressed, some serious issues regarding land acquisition and environment clearances derailed the anticipated growth. However, the Group turnover crossed Rs. 7,000 crore post-acquisition of Karl Steiner AG, Switzerland. Operating (EBITDA) margins increased to 13.2% from 12.2%.

While we continued top-line growth in line with the project execution schedule for the year, it is commendable that this was achieved by maintaining EBITDA margins in an inflationary environment, through a judicious mix of projects and effective monitoring of operational costs across projects.

Interest costs on the other hand have been high, largely due to an increase in working capital requirements given the delays in payments and settlement of claims by some clients as well as increase in interest rates caused by RBI policies. This impacted the bottom line. To an extent, the Company has controlled capital requirements by increasing subcontracting activities across its different projects.

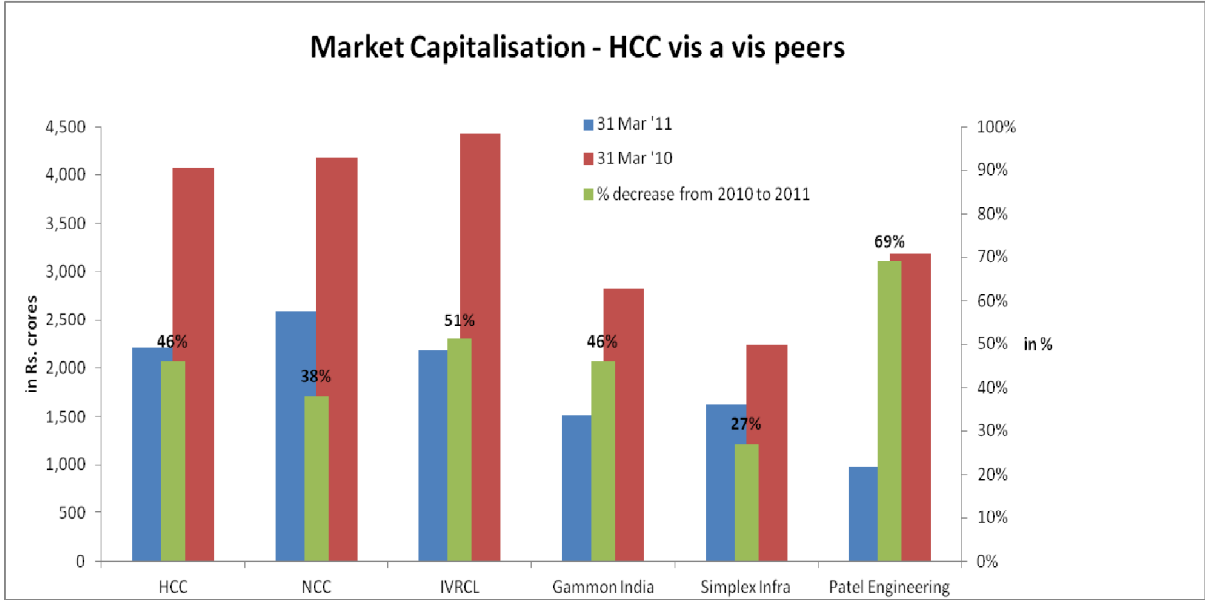
Economic Value Generated & Distributed (EVG&D)	FY 2009-10 (Million INR)	FY 2010-11 (Million INR)
Economic Value Generated	36422.2	40931.70
Economic Value Distributed	34752.6	39126.10
Operating Costs	28050.1	30857.60
Employee benefits and wages	3943.5	4676.40
Payment to providers of capital	2294.1	3141.60
Payment to Governments (Indian)	445.2	446.10
Community Investments	19.7	4.40
Economic Value Retained	1669.6	1805.60

We received financial assistance from export credit agencies to the tune of 124.91 million INR.

The order backlogs for our five business verticals are presented in the table below. Hydro continued to remain the dominant sector in the financial year 2010-11.

Vertical	Opening Order Backlog (1 st April 2010)	Closing Order Backlog (31 st March 2011)	Growth
Hydro	8130	7694	-5%
Water	4043	3673	-9%
Transportation	5136	3933	-23%
Nuclear and Special Projects	1501	2827	88%
Total	18,810	18,127	-4%

The share price performance of HCC and a few comparable construction industry players from March 31, 2010 to March 31, 2011 on the Bombay Stock Exchange is shown below:



Market Capitalization of HCC vis-à-vis industry players

Suppliers

We have stringent policies and practices governing suppliers and transporters' registration, evaluation and selection. We also practice periodic evaluation of their performance. The evaluation has clauses of cost effectiveness, health and safety practices and compliances, amongst others. We strongly prefer procurement of materials required at the project sites from locations in proximity. Not only will this create opportunities for livelihood during the project duration, but will also help the local suppliers to upgrade and maintain quality of products to cater to HCC's quality standards.

While we continue to define all procurements within India as local, HCC makes every attempt at procuring most materials from in and around the project sites to reduce complexity of logistics barring some standard raw materials, which are procured centrally. Our top 10 significant suppliers in terms of their monetary value are all locally based and account for as much as 41.12% of the total supplier costs.

Case Study: Monetary Savings & Resource Conservation through Procurement Changes

Procurement of construction material accounts for as much as 40% of HCC's total expenses. It thus becomes imperative to conserve and use these resources optimally, as they bear a cost implication on our business. In 2010-11, we undertook the following initiatives to conserve resources and minimize waste, leading to significant cost savings of more than Rs. 55 Lakhs at the Maroshi Ruparel Tunnel Project and more than Rs. 45 Lakhs at Teesta Hydroelectric Power Project Lot IV.

1. Procuring steel to custom specifications directly from vendor:

Steel rebars, a necessary resource in our business, is available in the market in random lengths between 10 to 12 meters. We often have to convert them into specific lengths & shapes per our requirements. The cutting and bending is done at our project sites. For large scale infrastructure projects, these modifications at the field result in a substantial waste of resources. To avoid this, we partnered with Tata Steel, one of our key steel suppliers, to directly procure rebars of custom lengths and sizes. This requires us to plan our material needs ahead of time to give sufficient lead time to our suppliers. This cooperation has worked successfully, especially in our Maroshi Tunnel project - where we had to use many 12.5 m long rebars to make steel rings. Use of fixed length rebars led to zero wastage at this site. We have also achieved significant reduction in wastage at our Badarpur flyover project by using fixed length rebars.

2. Controlling Rolling Margins:

We worked with our suppliers to procure steel rebars with controlled rolling margin (tolerance) in order to conserve amount of steel used but remained within critical standards and quality levels required.

3. Material reconciliation:

It used to be a practice across our sites to order fuel as and when required directly by our appointed project site authorities. Fuel being a non renewable, fast depleting resource, we have begun streamlining and optimizing its consumption. Now, all orders are required to be placed through the head office. We have also placed a cap of Rs. 5000 for any emergency direct on-site fuel purchase. During project planning, specific budgets are allocated for each type of materials. In the past year, we strongly pushed our site teams to use lesser than the allocated budget for HSD. Many of our sites have managed to keep their spending on HSD well below the budget, owing to enhanced awareness and strict monitoring of consumption patterns.

We intend to extend this material reconciliation targets to other major construction materials at all sites. By creating a core team to monitor the site performance on these parameters, we will continue to aggressively implement our waste minimization initiatives across our projects.

Environmental Performance

Environmental Policy

It is our environmental policy to manage our project activities/products/services in an environmentally responsible and lawful manner, so that their environmental impacts are reduced to a practicable minimum and that there is continual improvement in our environmental performance.



Scope and comparison

While we have introduced the scope for this report, we will discuss some other aspects of our scope impacting the comparison of the environmental performance parameters herein.

Under the hydro-power vertical last year we had 11 projects compared to the 13 this year. 3 new sites - Punatsangchchu, Dagachhu and Pare - have started to report on their sustainability performance in addition to full-fledged reporting from our Kishanganga site which started only last year. Our project at Chamera has been demobilized and hence is not in scope this year.

In our Transport vertical, 4 new projects have been brought under the sustainability umbrella - NH 34 package 3, 4 and 5, along with the Kolkata Elevated Corridor Project. The Chennai by-pass project, Badarpur elevated corridor project and NH -28 Packages 1, 2, 3 and 4 are not in scope this year, as these projects have begun to demobilize.

In the Water vertical, Ghodazari site from last year is nearing completion and has not reported this year. PWS NC-25 has been added to scope.

The Nuclear & Special project vertical has grown in scope by introducing three new sites as a part of this report - Aditya Potshell (Civil works and fabrication works) and Padur rock cavern project have been added.

This change in scope itself makes comparison of the data from last year to this difficult as we have reported vertical wise and not project wise on many indicators. Further, our projects have different requirements in each of their phases, in terms of materials required or power consumption, making comparison invalid between two different phases. Thus, we here present our performance on the environmental indicators, with this disclaimer, for the period 2010-11.

Material Consumption and Reuse

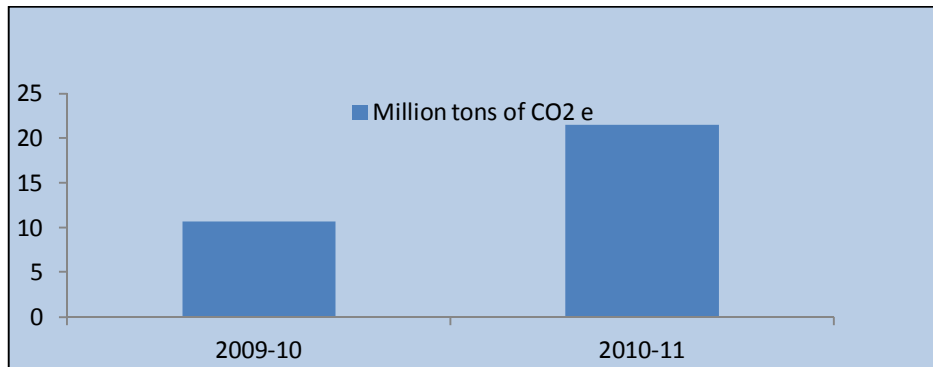
The following table gives a glimpse of amount of materials consumed at our sites for the year 2010-11.

Source	Unit	2009-10	2010-11	Recycled materials (2010-11)
Raw Materials	Tons	1200887	794848.79	96581
	Cu. M.	1737992	3102384.61	
Semi Manufactured Goods	Tons	4267427	3573852.04	116230
	Cu. M.	645689	601604.24	
	Sq. M.	133358	39048	
Associated Materials	Tons	14418.43		52.5
Total Materials in Tons		5482732	4368701	212863.5

Energy Consumption

In 2010-11, we used 8472 million litres of diesel, and 12.18 million litres of aviation turbine fuel (ATF). We require ATF for high altitude operations as it is a suitable fuel for low temperature zones. Our cumulative electricity consumption at all project sites within scope was 25.6 million kWh.

Due to direct energy consumption, our total greenhouse gas (GHG) emissions stood at 21.55 million tons of CO₂ e. The figure below represents a comparison of GHG emissions of HCC for this year and the last. The total GHG emissions from indirect energy consumption, i.e., electricity purchased (from non-renewable sources) were 20,727 tons CO₂ e.



GHG emissions

Many of our sites have adopted different methods of energy conservation:

- From energy savings due to process re-design:
Uri site saved 4,35,751 kWh by replacing higher capacity compressor with smaller capacity compressor for the Gantry vibrator operation on site.

Fuel of 809 L was saved by replacement of 500KVA DG by 125KVA DG for domestic use during non commercial uses.
- Savings due to conversion and retrofitting of equipment:
The conversion from halogen lamps to High Pressure Sodium Vapour (HPSV) lamps resulted in huge savings of 1,12,050 kWh at the AAP Fabrication site and 1,24,150 kWh at the civil works site.

At the Assam Road Project, by fixing the APFC panel power factor, we achieved a rebate of 1-2% in energy consumption amounting to as much as 2721 kWh.

AAP Civil works site started used of 2 Phase AC arc welding machine in lieu of Motor-Generator DC arc welding machine accruing savings of 51,236 kWh. Further, this site also made changes to the sloping belt system for transport of batch aggregates so that it would come to a halt immediately instead of the one minute it used to take before. This has resulted in 5,571 kWh of savings. By replacing 7.5 kW sump pump with an over head water tank, this site further saved 15,936 kWh.
- Changes in employee behavior
The Assam Road Project team educated all people on site to put off geysers & lights before leaving the rooms or when not in use, subsequently reducing power consumption by 38,880 kWh.
Chutak project practiced switching off DG sets for fixed low utility hours at the Officer and worker camps saving 18,209 kWh of power consumption.

Summary of energy conservation measures and resulting savings:

Energy savings due to process re-design	4,35,751 kWh 809 L diesel
Savings due to conversion and retrofitting of equipment	3,31,664 kWh
Changes in employee behavior	57,089 kWh

In 2010-11, our environmental expenditures were to the tune of INR 34.07 million. The following table gives a break up according to the different categories and verticals.

Environmental expenditures (in million INR) by category vertical-wise:

Category	Hydro	Nuclear	Transport	Water	Total	Grand Total
Waste disposal, emissions treatment and statutory consents/license costs	2.76	0.50	0.37	0.30	3.93	34.07
Prevention and environmental management costs	25.38	0.66	3.28	0.24	29.56	

In addition, we incurred an expenditure of Rs. 40 million for salaries for Health, Safety and Environmental (HSE) engineers and personnel responsible for general environmental management activities across our sites and corporate head office.

Waste

Below is the summary of waste generated across all sites within our scope during 2010-11:

Hazardous Waste Generated	Weight / Quantity	Disposal Method	
		Onsite storage and direct disposal	Sold to contractor / recycler
Batteries	159 nos.	90 nos.	69 nos.
Non-refillable containers	4674 nos.	729 nos.	3434 nos.
Used oil filters	2414 nos.	--	490 nos.
Oil soaked cotton	831 Kg	--	--
Used Oil	48.8 KL	4.05 KL	15.3 KL
Non Hazardous Waste Generated	Weight / Quantity	Onsite storage and direct disposal	Sold to contractor / recycler
Used tires	2896 nos.	56 nos.	968 nos.
Empty cement bags	936029 nos.	57583 nos.	303550 nos.
Steel scrap	2290.1 tons	--	1086 tons
Used spares	3039.1 tons	--	3001.7 tons

Total reported non-hazardous waste disposal was 4087.7 tons through contractors/recyclers. Other wastes (which include tyres, cement bags, batteries etc.) which are disposed off through waste disposal contractors or stored onsite until responsible disposal, are not reportable in tonnes as they are counted as numbers, or measured as volumes. We comply with all relevant regulations with respect to waste disposal, and the actual quantity disposed is tracked regularly in our systems.

Case Study: Environmental Issues and Remedial Actions Taken at the Punatsangchhu-I Hydro Electric Project (Bhutan)

We won the Rs. 688.06 crore order for Package MC3 of 120MW Punatsangchhu-I Hydro Electric Project located in 2009. The project site is located on the Punatsangchhu river in Wangdue Phodrang Dzongkhag in western Bhutan.

The project involves the construction of a Head Race Tunnel (from Surge Shaft end), Surge Shaft, Butterfly Valve Chamber, Pressure Shafts, Power House and a Tail Race Tunnel, including the hydro-mechanical works. The project is proposed to be completed in 66 months.

The following table shows some of the environmental issues encountered at the Punatsangchhu project site in 2010-11, and the remedial actions undertaken to successfully overcome these problems;

Issues at Punatsangchchu Site and Remedial Actions Taken:

Issues	Action and Status
Mucks entering the river stream as they were disposed on the riverside	We relocated the dumping site thereby, eliminating possibility of it entering the river
No barricade on the surge shaft top dumping yard causing mucks to fall over the BVC tunnel	We completed barricading the yard and allocated a separate zone for mucks disposal
No arrest barrier on upper portion of TRT for disposal of mucks - affecting downstream and environment	We built an arrest barrier and have already allocated a separate zone as disposal area.
Electrical line passes through near BHU - it falls within the mucks falling zone	We rerouted the transmission line on consultation with BPC.
Storage of hazardous and non biodegradable products at store without proper arrangement.	Now, we have allocated specific rooms and dustbins for these discarded items and arranged for collection of hazardous and non-biodegradable wastes

Water Management at HCC: UN CEO Water Mandate COP - 2011

The concept of sustainability, which has so far been used to focus only on environmental issues, can only work effectively if developmental and societal issues such as poverty reduction, sustainable agriculture, and comprehensive water management are taken into account.

Water is an important environmental and developmental area of concern. At HCC, we have begun recycling water and now use 30 per cent less water than before at our construction sites. We have gained a lot in this process - despite the recent drought in Andhra Pradesh which put a stop in the construction activity around the state, we were able to continue our construction because we were recycling water.

We believe water supply in India is in imminent danger; however this shortage can be effectively addressed by recycling industrial water and a good part of our personal-use water. This would require large-scale investment in water recycling and reuse implementation. So, infrastructure is not only in conflict with environment, part of it is actually environment protecting and enhancing.

Water initiatives undertaken by us as part of the UN CEO Water Mandate essentially reflect HCC's commitment towards water resource management. We strive for and will continue to pursue the development of sustainable infrastructure by adopting sustainable water resource management approaches at our construction sites and by advocating the same to our peer industry group, people and communities in HCC's sphere of influence at local, national and global levels.

Yours sincerely,

Ajit Gulabchand
Chairman & Managing Director

Introduction

With unprecedented increases in urban populations, constrained water supplies, energy shifts to mitigate climate change, and vulnerability to disasters, communities worldwide are seeking more sustainable infrastructures that are resilient, high-performing, resource-efficient, cost-effective and environment-friendly. In order to create an enabling environment, there is need for coordinated effort from all the stakeholders in general, and corporate players engaged in developing infrastructure in particular.

HCC, an integrated group spanning Engineering & Construction, Real Estate, Infrastructure and Urban Development & Management, recognizes the correlation of business sustainability with water resource and is committed to reducing the amount of water used across our construction project sites.

As the first Indian Company to endorse United Nations Global Compact's CEO Water Mandate, we make it a point to embed the principles of water resource management in our work. As a responsible corporate steward, we have always motivated other companies to

join this initiative by presenting best practices of water stewardship at HCC at various local, regional, national, and international conferences and symposia. Such moves are crucial in bringing about inclusive development for the nation and for the development of sustainable infrastructure.

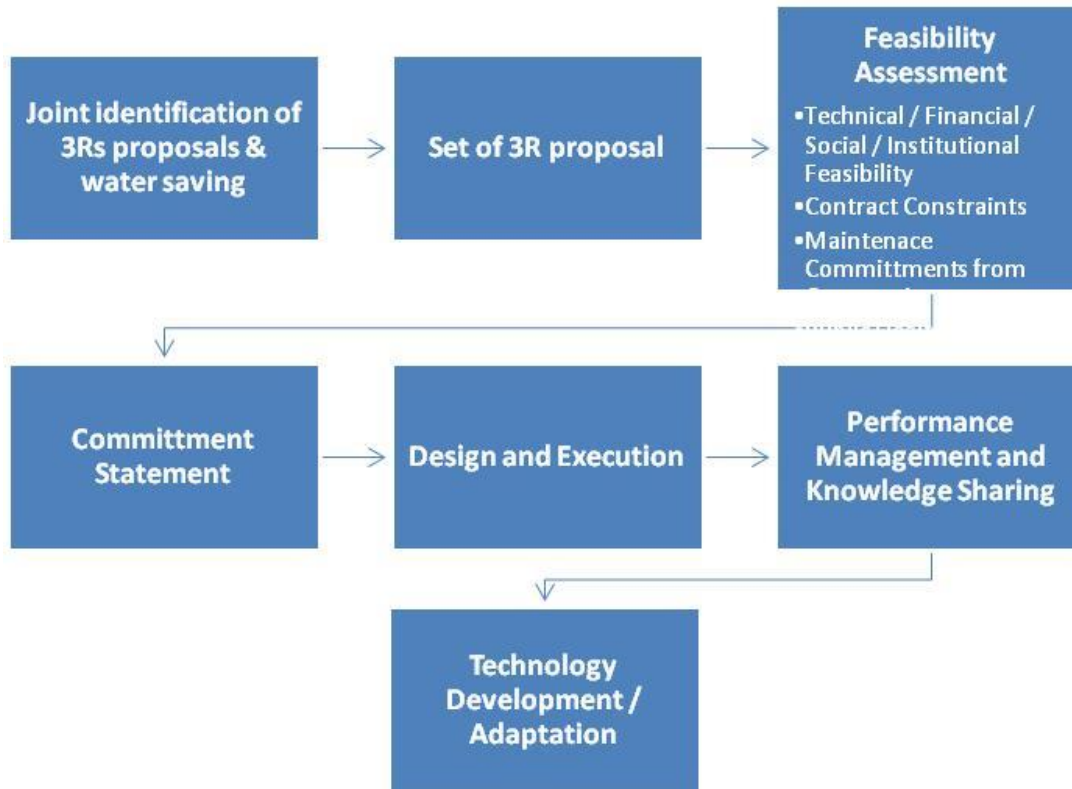
This chapter describes the efforts we undertook in the past one year to maintain and improve our group wide water consciousness as well as implementation of the 4R water principles (Reduce, Recycle, Reuse, and Recharge) at all our direct operations and beyond. Besides, efforts have also been made to highlight HCC's engagement with various organizations dealing with issues related to water. Each section of this chapter outlines activities / efforts undertaken by us in implementing the six key elements of the CEO Water Mandate: Direct Operations, Supply Chain and Watershed Management, Collective Action, Public Policy, Community Engagement and Transparency.

Direct Operations

Considering the significance of water management at our projects sites, HCC has internalized a process for implementing the six key areas of action under the aegis of The CEO Water Mandate. The implementation process was thoroughly described in HCC's first Communication on Progress (COP-Water) in 2009. The specific elements of this process are listed below:

- **HCC's UN Water Mandate Team & Communication Mechanisms:** The team comprises of water experts and practitioners based at HCC's Head Office in Mumbai, who communicates with the project sites through a nodal officer ("Water Champion") designated at each site.
- **Implementation Process:** The implementation process includes visit of UN Water Mandate team member(s) to project sites for assessment of ground situation, techno-economic and social assessment for the implementation of identified water interventions, costing of the feasible interventions, and development of detailed proposal for water intervention activities at the sites in consultation with respective project managers and the respective Water Champion. Each feasible proposal has a specific deadline for its execution at the project site. The implementation process is schematically described in the diagram below.
- **Methodology & Tools:** A set of resource documents are created to serve as implementation tools. These have been found effective for increased standardization and systematic performance management.
- **Monitoring Water related activities on site and internal accountability mechanisms:** Commitment for implementation from project managers and monthly progress reports from each project sites enables our UN water Mandate team at Mumbai Head Office to keep track of all the interventions being undertaken and their performance against anticipated outcomes.

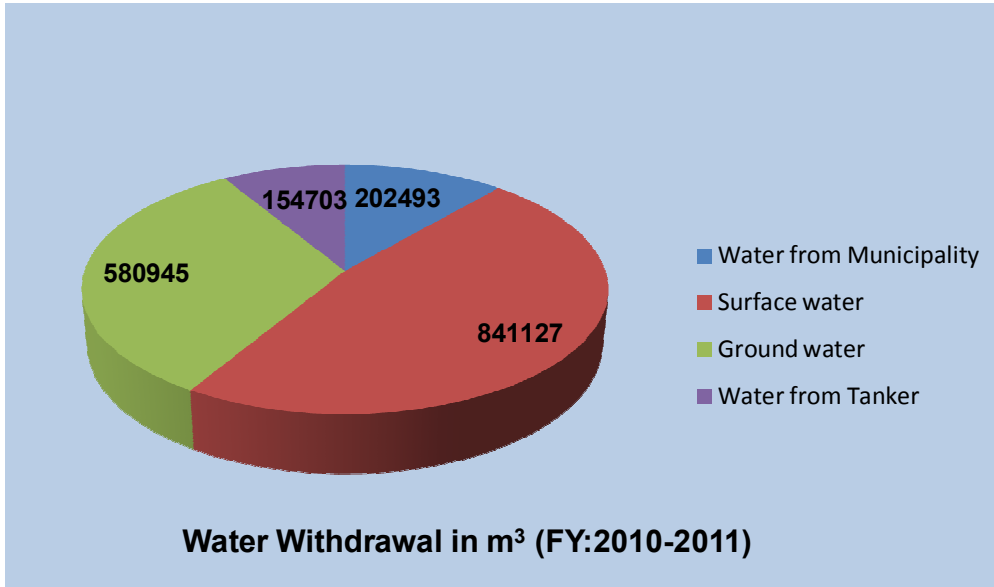
Details of this implementation process can be found in HCC's COP-Water of 2009.



Schematic Representation of the Implementation Process of The CEO Water Mandate at HCC

Water Intake by Source

Water meters have been installed on all our operating sites. Our total water consumption for the Financial Year 2010-11 stands at 1.78 million m³ including groundwater, surface water, rainwater, water from municipalities and water tankers. We recycled 374372 m³ of water, which is 21 per cent of all water consumed, across all our project sites.



Snapshots of Water Interventions at Our Project Sites

During the past year, our UN Water Mandate team visited several construction sites across India and abroad to implement technically and socio-economically feasible proposals for reduction, recycle, reuse, and recharge of water. Efforts were also made to evaluate the performance of water interventions proposed earlier.

Out of several water interventions proposed and implemented at our construction projects, we present the following two illustrate the progress we have made on our CEO Water Mandate commitment:

Case Study: Water Conservation and Reuse at the Padur Cavern Project

The Padur Cavern site is a prestigious contract work from Indian Strategic Petroleum Reserves Limited (ISPRL) to construct a strategic crude oil storage cavern at Padur, Karnataka. The work includes construction of underground rock caverns (Part A) to store 1.25 million tons crude oil. The sub activities include detailed engineering and design, underground excavation, access tunnels, water curtain galleries, main storage cavern, shafts and associated underground civil works including geological mapping. The main activity of tunnelling requires high quantities of water for bore-hole pressurization, drilling, dust suppression during mucking, curing and rock-bolt grouting.

Our Vizag Cavern Project at Vishakhapatnam, Andhra Pradesh, which has similar features as the Padur site, served as a good example of implementation of wastewater treatment and reuse (details of Vizag Cavern Project water interventions can be found in HCC's COP-Water for 2009 and 2010). Motivated from the Vizag Cavern success story, we installed a tailor-made wastewater treatment plant of 1 MLD capacity to treat the wastewater to reusable parameters and recycled it for the tunnelling activities.

Apart from the wastewater treatment, our UN water Mandate team explored the rain water harvesting potential at the site and suggested a proposal to recharge the bore-well located at the worker's camp by roof-top rain water harvesting systems.



Recycling of tunnel wastewater for tunnel construction activities by Introducing WWTP

As of August 2011, the aforementioned tunnelling activity is in its primary stage, therefore the water consumption and corresponding wastewater generation is relatively very low (0.2MLD) when compared to designed capacity of the wastewater treatment plant (1MLD). The treated water is currently being used for tunnelling activity as well as for dust suppression. The water consumption for tunnelling activities is however expected to reach 1 MLD/day as the project progresses.

This water intervention assists the HCC's project site at Padur in:

- Minimize dependency for water on external sources,
- Save costs expected to be incurred for the procurement of water, and
- Save huge quantity of fresh water for the neighbouring community.

Case Study: Installation of Desalination plant at DGNP Dry-Dock Site

The DGNP Dry-Dock project is located besides sea face at Mumbai, Maharashtra. The construction activity mainly involves cement concrete work. The only way to fulfil the water requirement of this project was to procure fresh water from Municipal Corporation of Greater Mumbai (MCGM). However, this would have created a water burden on the local community, which already faces acute water scarcity, especially in summer. We therefore decided to install a desalination plant of 5 m³ / hr capacity.

The parameters of treated water were set as below:

- Quality of water - Suitable for construction purpose
- Quantity of processed water or output from the plant - 5m³/hr
- Assumed hours of operation - 20hr/day

Till June 2011, 3282 KL of treated water was made available through the desalination plant and was used for construction activities. The projected water conservation for the period of 3 years is estimated to be 108000 KL.

Supply Chain and Watershed Management

We recognize the fact that the adoption of comprehensive and total water management, aimed at developing responsible infrastructure, is not possible without engaging contractors & subcontractors (who execute various sub-tasks at our projects sites), suppliers (supplying raw materials), and service providers assisting directly or indirectly in the execution of our construction projects.

We are effectively engaging stakeholders by communicating the significance and strategies of adopting the 4R water practices through focused events, conferences, workshops, & symposium organized at local, state, and national levels.

For instance, on the occasion of World Water Day 22nd March 2011, a communiqué detailing the significance of HCC’s water initiatives was sent to all contractors, suppliers, & service providers. It was aimed at sensitizing them to adopt water conservation measures in their respective activities & operations.



World Water Day 2011 Celebrations at the HCC Head Office



HCC Communiqué sent out on the World Water Day, 2011

Collective Action & Public Policy

Recognising the importance of joint efforts through collective action, and in keeping with the role HCC has historically played in the public policy arena, we have been involved in the articulation and promotion of actions and activities through partnership with civil society representatives, multilateral agencies, corporate groups and others. We also participate in various policy advocacy forums at the company, local, regional, national, and international levels.

This section highlights HCC's participation in various advocacy events during 2010-11, both on theme of water conservation as well as those pertaining to the larger sustainable development context³:

World Economic Forum's India Economic Summit 2010

The India Economic Summit, held in New Delhi, India on November 14-16, 2010, paid particular attention to how inclusive social and economic progress can be delivered in India and serve as a model for other developing economies. India's imperatives include building critical infrastructure, expanding skills development, addressing security threats and achieving income and gender equality.

The global financial crisis accelerated a shift of power from the West back to the East and, in the resulting landscape companies will need to forge new business models that generate not only profit, but also more inclusive economic growth, according to panellists in the opening meeting of the Summit.

Mr. Ajit Gulabchand, HCC Chairman and Managing Director and a co-Chair of the Summit said that "The private sector needs to understand that they are now expected by society to play a role that goes beyond the role for which their business was created. They have a transformational role to play."

The global financial crisis hastened an ongoing, profound shift in the balance of global economic and political power, Klaus Schwab, the Forum's Founder and Executive Chairman, told the 800 participants from more than 45 countries who had convened for the three-day Summit. "This crisis was not just a cyclical crisis; it was a fundamental structural crisis."

World Economic Forum Annual Meeting 2011

The World Economic Forum Annual Meeting 2011 was held at Davos on January 26 - 30, 2011. The theme this year was Shared Norms for the New Reality, reflecting the fact that we live in a world that is becoming increasingly complex and interconnected but also experiencing an erosion of common values and principles.

³ The Collective Action and Public Policy participations presented in this section fulfill both the UN CEO Water Mandate COP – 2011 and G3 GRI Sustainability Report 2010-11 requirements.

Mr. Ajit Gulabchand, the Chair of the Governor's Steering Board of the Engineering and Construction Community of the World Economic Forum (WEF), participated in a series of meetings and panel discussions that deliberated on a range of themes, such as pathways for a water secure future, emerging opportunities for the engineering and construction sector, and how emerging economies can successfully embark on a low-carbon path.

The WEF's Disaster Resource Network (DRN), of which Mr. Gulabchand is a Founding Member, also announced the beginning of the process to launch the third country network of the Disaster Resource Partnership in Indonesia. This initiative, announced by the Indonesian President, Mr. Susilo Bambang Yudhoyono, will further enhance the DRN's capabilities for quick response and recovery efforts and also aid in prevention efforts.

Mr. Gulabchand noted that the World Economic Forum in Davos is a great platform for the business industry to find out what is really happening in the world. He was also part of the 130-member strong Confederation of Indian Industry (CII) delegation from India that participated in Davos 2011. The delegation, which comprised of high-ranking Government officials, CEOs of major Indian companies, media and civil society representatives, organized several events on the sidelines of the Annual Meeting. The main attraction at this year's Annual Meeting was CII's 'India Inclusive' campaign, which aimed to raise India's profile as a vibrant democracy, a fast growing stable economic power, and a cultural hub.

World CEO Forum on Sustainable Development 2011

Mr. Ajit Gulabchand was invited to be a panellist for high level panel discussion "Developing the Green Economy in India". The panel discussion on developing the green economy in India was moderated by Mr Nitin Desai, Chairperson - TERI-BCSD India, Distinguished Fellow, TERI and former UN Under Secretary General. The panel discussion was aimed at discussing what the corporates have done to build a sustainable economy and how they can work together for a greener future.

Mr. Gulabchand, who is also an executive member of the TERI Business Council for Sustainable Development (TERI-BCSD), stressed that there are two aspects to green business – green processes and green products, both of which will have to be combined in order to develop green businesses.

6th National Convention of UN Global Compact 2011

The 6th National Convention of Global Compact Network, India bearing the theme 'Globalization through Global Compact: Towards a Sustainable Business' was held in Hyderabad on 4th February 2011.

The Convention was well attended by over 200 delegates from the Corporate, Civil Society Organizations and Academic Institutions. The Honorable Governor of Hyderabad Mr. E S L Narsimhan, Mr. Arun Maira, Member, Planning Commission, Padmashri Dr S Subramanian, Mr. Rana Som, CMD NMDC, Dr. Uddesh Kohli, Sr. Advisor UNGC and other eminent speakers shared their knowledge and wisdom during the Convention. The deliberations centered around the issues of Supply Chain Management, collaboration opportunities

among government/enforcement agencies and corporate, especially in the context of Public Private Partnerships and challenges of diffusion and adaption of environment-friendly technologies and green business.

Mr. Mohit Bhutani from HCC participated in the convention and shared the experience of UN CEO Water Mandate implementation and development of UNGC's Communication on Progress. Being an endorser, HCC is committed to develop a sustainable model of working, directed towards betterment of all its stakeholders.

Water Resource Group (WRG) Phase II Session 2010

The World Economic Forum ("the Forum") and its Water Initiative ("Forum Water Initiative") is currently in an alignment with the Water Resources Group ("WRG"). This alignment was agreed at a meeting of Water Initiative CEOs, representatives of the Forum's Global Agenda Council on Water Security and WRG principals in a session in Davos, January 2010, where the Davos Initiative was proposed. The Alignment is called WRG Phase 2.

The overall goal of the WRG Phase 2 is to create an enhanced WRG brand with a validated, financed and uniquely public-private model that can, if invited to do so, support many other governments facing water security challenges to catalyze change in their water sectors in the long run. Countries which have shown most interest in engaging with WRG include India, South Africa and Jordan; Ethiopia, Mexico, Mongolia, Pakistan, and Saudi Arabia.

HCC, which is a member company of the WRG Phase 2, actively participates in all activities aligned in WRG Phase 2, including the India-specific initiatives.

Aquatech India 2011

The UN Water Mandate team of HCC actively participated in the Aquatech India 2011, an exhibition on the water industry dealing in waste water management, drinking water and other water related activities during 2nd - 4th March at the Bombay Exhibition Centre, Goregaon, Mumbai, India. The 3-day exhibition and conference was a confluence of decision makers, professionals, advisors, technical experts, engineering organisations, consultants and users from the water industry.



Ms. Kavita Patil speaking at Aquatech India 2011

Ms. Kavita Patil of UN Water Mandate team at HCC presented a paper entitled "Implementation of The CEO Water Mandate in Coastal region: Significance of Rain Water Harvesting". Ms. Patil, after providing a glimpse of the preceding water scenario at the coastal Village Kihim, explained the necessity of rain water harvesting and narrated the success stories of initiatives taken by the HCC team at Kihim in this regard.

India Water Forum 2011

The theme of India Water Forum (IWF) 2011 organized by The Energy Research Institute (TERI) was 'Water Security and Climate Change: Challenges and Opportunities'. Considering its great significance in today's world, HCC became Diamond Sponsor of the event and actively participated in conference deliberations by initiating discussion on efficient water management in business planning by corporates and sharing HCC's actions on the ground in developing responsible infrastructure. Our UN Water Mandate Team, comprising of Dr. Manoj Chaturvedi, Mr. Tushar Thakur, Mr. Mohit Bhutani, and Ms. Kavita Patil, represented HCC at the Forum.



Mr. Mohit Bhutani speaking at India Water Forum 2011

Mr. Mohit Bhutani, an UN Water Mandate team member at HCC, presented a paper entitled “Water Initiatives by Hindustan Construction Company Ltd. Aiming at Developing Sustainable Infrastructure” wherein besides providing an overview of water initiatives and its impact at HCC’s construction site, Mr. Bhutani invited other corporate colleagues to join hands in promoting the water initiative under the aegis of the CEO Water Mandate.

TERI’s Stakeholder Dialogue on Water Use Efficiency in the Indian Corporate Sector

“Stakeholder Dialogue on Water Use Efficiency in the Indian Corporate Sector” that the TERI Business Council on Sustainable Development (TERI-BCSD) had organised as a Special Event at India Water Forum had participation from more than 70 senior representatives from corporate sector and other stakeholders at the event to discuss and deliberate on the efficient water management needs in business planning. The finale of the dialogue saw a high level Panel Discussion from the corporate sector.

Dr. Manoj Chaturvedi, Deputy General Manager-CSR - UN Water Mandate at HCC, was among the panellists. Dr. Chaturvedi stressed on the need to internalize the issue of water as an integral part of core business development by giving examples of various water initiatives taken by the HCC and its impact on the ambient water environment, in general, and in the neighbouring community, in particular.



Stakeholder Dialogue on Water Use Efficiency in the Indian Corporate Sector, Dr. Manoj Chaturvedi representing the Hindustan Construction Company on the Panel

United Nations Global Compact Week 2011

Dr. Manoj Chaturvedi and Mr. Mohit Bhutani represented HCC in “The Seventh Working Conference of the CEO Water Mandate” at Copenhagen during May 16 - 20, 2011. The CEO Water Mandate conducted two day multi-stakeholder sessions, mainly focused on corporate water disclosure. Sessions were centered on a range of emerging and salient water disclosure issues, including how companies can measure and effectively

communicate water-related risk, whether there is a general approach for understanding water-related materiality, as well as how the issue of "sustainability context" relates to both of the aforementioned.

Dr. Chaturvedi was invited by UNGC to speak during the Roundtable Session A: Implementation of GC Resources and Learnings. The Master of Ceremony (MoC) introduced this session followed by presentations of 10 discussants - two panellists from each issue platform (Human Rights, Labour, Environment, Anti-Corruption, and Business and Peace). The other panelist in environment segment was Ms. Habiba Al Marashi, Chair, Emirates Environmental Group and Board Member of the UN Global Compact, who interviewed Dr. Chaturvedi.

Dr. Chaturvedi shared his views on the significance of resources developed by environment working group & Caring for Climate (such as Environmental Stewardship Strategy, Low Carbon Leaders Project, Guide to Responsible Business Engagement with Water Policy) and HCC experiences on translating these resources into action within the company and its spheres of influence.



Roundtable Session on Implementation of GC Resources and Learnings: Dr. Manoj Chaturvedi from Hindustan Construction Company being interviewed by Ms. Habiba Al Marashi, Chair, Emirates Environmental Group and Board Member of the UN Global Compact

WWF-India Water Stewardship Workshop 2011

HCC participated in a multi stakeholder workshop, Water Stewardship Workshop organized by WWF India on 21st July 2011 to discuss the role of the private sector in promoting India's sustainable water future and the opportunities and risks associated with corporate water stewardship.

WWF has been pioneering and developing new partnerships with private sector actors globally to foster genuine, far reaching contributions to sustainable water management. Engagements range from water efficiency in agricultural crops, on-site water accounting

and demand management, to pro-active investment in watershed management, water footprint assessments and reduction, the development of new international standards and participation in national and international water policy debates, and better understanding of biodiversity and concern for aquatic and other wildlife.

The objectives of this multistakeholder workshop were: To develop a shared understanding of water stewardship activities, Validate the analysis and information base developed to scope water stewardship engagement, Consider what role water stewardship could usefully play in securing a fair and sustainable water future in India, Explore and evaluate the risks and opportunities of water stewardship for all stakeholders, and Foster a better undertaking of our concerns for bio-diversity.

Dr. Manoj Chaturvedi represented HCC in the multistakeholder workshop and shared HCC's perspective on water stewardship.

United Nations Global Compact Leaders Summit 2010

The UN Global Compact Leaders Summit 2010 - 'Building a New Era of Sustainability' was held in New York on June 24-25, 2010. The summit brought together more than 1,200 leaders from business, civil society and governments from across the world to assess the state of corporate responsibility and chart a course towards a new era of sustainability.

On 24th June, 2010, the opening Press Briefing for the summit was addressed by H.E. Ban Ki-moon, Secretary-General, United Nations; Mr. Ajit Gulabchand, Chairman and Managing Director, HCC; Mr. Mark Foster, Group Chief Executive, Accenture; Ms. Huguette Labelle, Chair of the Board of Directors, Transparency International; and Mr. Paul Polman, CEO, Unilever. The press briefing was intended to provide an overview of the sustainability agenda and the UN Global Compact, and to articulate expectations from the Leaders Summit.

HCC, the only Indian company on the dais, represented by Mr. Gulabchand, has set a benchmark at the global platform, on the critical role businesses in developing countries play towards sustainable development.

"As we grow, we have the opportunity to get things right the first time and therefore we have been able to espouse the cause of sustainability and join the Global Compact," said Mr. Gulabchand. Highlighting the efforts in the field of water, he added, "We have been doing advocacy to create a water policy framework and have also engaged in the serious practice of reducing the use of water and making sure we are water neutral in every construct. In addition to that, we being a construction company are pledged to create a responsible infrastructure. We intend to embed sustainability not only in the structure but also in the operation of those structures as well as in the process of constructing them."

On 25th June, 2010, a Plenary Meeting was held on 'Achieving Development', wherein business leaders from across the world exchanged ideas on how corporate organizations could contribute through 'social investments' to ensure holistic development. Mr. Gulabchand, who was a Plenary Leader at this session, addressed the crucial issue of water sustainability and highlighted HCC's active participation in The CEO Water Mandate. "What

is important to understand is that water is a profoundly cross-cutting issue - and has environmental, social, developmental and political ramifications. In fact, many businesses are only now realizing the extent to which they are dependent on this scarce resource," observed Mr. Gulabchand.

The Global Compact Leaders Summit marks the tenth anniversary of the Millennium Development Goals initiative, launched in July 2000 with then forty-four businesses making a commitment to adopt universal human rights, labor, environment, and anti-corruption principles in their strategies and day-to-day operations. It is a leadership program, endorsed by Chief Executive Officers, offering a unique strategic platform for participants to advance their commitments to sustainability and corporate citizenship.

Global Reporting Initiative's Construction and Real Estate Sector Supplement Working Group's Final Meeting 2011

As a member of GRI's Construction and Real Estate Sector Supplement (CRESS) working group, we proudly hosted the group's final meeting at Mumbai on 29 - 30 March 2011. The working group consists of sustainability experts from real estate and construction companies, external stakeholders like investors, labor organizations etc from around the world. The Mumbai meeting was the final of a series of six meetings and the agenda was to review public comments feedback incorporating them as appropriate and to complete the sector supplement. It is expected that from January 2013, all real estate and construction companies using the GRI framework for Sustainability Reporting will use this supplement.



Delegates participating in the CRESS Working Group Meeting hosted by HCC in Mumbai

Community Engagement

We make every possible effort to engage in and work for our local communities, ranging from those communities within the fence (project affected community), around the fence (community in vicinity of the project site), and beyond the fence (communities under our sphere of influence but beyond our project activity).

With respect to within and around the fence, all project sites provides or make arrangements for availing drinking water & sanitation facilities besides opportunities to undergo health checkups through our special periodic medical check-up camps. Some of the activities carried out or initiated in the reporting period beyond our fence are described below:

Akash Ganga Project

The Akash Ganga Project is funded by the Department of Science & Technology, Government of India, and is being executed by Sustainable Innovations (SI), a non-profit organization based in the U.S. The project holistically addresses sustainable rainwater harvesting. Akash Ganga has won accolades for innovation and sustainability from the World Bank, Massachusetts Institute of Technology, and Energy Globe Foundation.

The Akash Ganga Project aims at:

- Showcasing economical, cultural, and operational sustainability in the current six villages
- Implementing Akash Ganga in two clusters of villages as social enterprise or public-private-community partnership
- Building prototype of rainwater harvesting park

HCC has signed a Memorandum of Understanding with SI, under which HCC is providing technical support for the Akash Ganga network design, review of designs, and development of rainwater harvesting park.

Water Initiative at Kihim, Maharashtra

Kihim is a coastal village in Raigarh district of Maharashtra *i.e.* in the Konkan coastal zone. It has a scenic beach, and is primarily a tourist destination. Details of the interventions at Kihim can be found in HCC's COP-Water for 2010.

In line with our earlier initiative, efforts are continually being made to spread the significance of environmental enhancement projects at Kihim amongst local residents of Kihim. Aimed at addressing fresh water availability in the coastal village of Maharashtra, efforts were made to establish rain water harvesting systems in the village. There were a total of three Pilot proposals, three Public proposals, four Private proposals and seven Community proposals. Execution of rain-water harvesting (RWH) structures was carried out as per these proposals. Total water conserved through these RWH structures in 2010

is summarized hereunder. All the results are based on community observations and log records maintained by members of the community.

Below are the figures for months of July 2010 to Sept. 2010:

- Quantity of water recharge through bore wells is 78.5 m³
- Quantity of water recharge through open well is 138.8 m³
- Total quantity of water recharge through bore well & open well is 217.3 m³
- Quantity of treated municipal tap water saved by using rain water for household activities is 168.8 m³

After the implementation of these aforementioned RWH based water initiative, these proposals proved to be significant for the long-term water conservation solution at Kihim. It should be noted that through the aforementioned interventions at Kihim, villagers have realized that abandoned wells can be used for water recharge and that RWH lightens the work load of women by making water available for household activity at the utilization point. The execution of RWH projects at Kihim helped the plumbers understand the functional purpose of each component of design. It also allowed the masons to display their skill. To increase the quantity of recharged water, we further explored a pilot project, wherein the roof of a local school was connected to the recharge well. Over the years, our initiatives have positively impacted residents of Kihim, and during the past year, they voluntarily came forward for guidance on adopting rain-water harvesting in their respective premises.

Following are some pictures of the voluntary implementation of RWH projects under the technical guidance of our UN Water Mandate Team:



Pictures of bore-well recharges in the households of Kihim residents

Water initiatives at Walchand College of Engineering, Sangli

HCC's UN Water Mandate Team visited the Walchand College of Engineering (WCE) at Sangli to provide an overview of The CEO Water Mandate as well as the significance of 4R (Reduce, Recycle, Reuse and Recharge) options for water management. Efforts are underway to form a group of students who would develop and execute projects pertaining to management of water resources and sanitation aspects at the College.

Transparency

Communication on Progress (COP)

We continue to support the United Nations Global Compact's CEO Water Mandate initiative and we, therefore, have worked and will continue working with all our stakeholders (internal as well as external) to promote water consciousness, internalize water efficiency in business decisions, and develop strategies for the development of sustainable infrastructure by ensuring implementation of appropriate approaches for 4Rs: Reduce, Recycle, Reuse, and Recharge at all our direct operations and within our sphere of influence and reporting on progress made during the reporting period.

We recognize the correlation of business sustainability with water resource management and are committed to reduce the amount of water used across our construction project sites, especially in regions where water availability is already difficult. Our water consciousness is elucidated in our Company's Mission: "To contribute and actively participate in the UN CEO Water Mandate" (HCC's Management System Manual Chapter 2.1 of HCC Q 01 02 01).

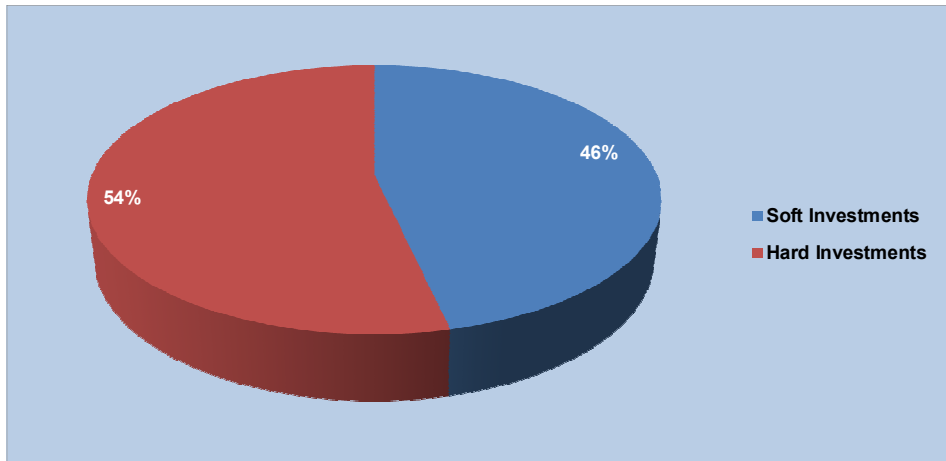
Sections of this chapter essentially focus on six key areas of action under the CEO Water Mandate's (Direct Operations, Supply Chain and Watershed Management, Collective Action, Public Policy, Community Engagement and Transparency) and delineate the outcomes of specific activities and/or actions undertaken by us in these key areas. This chapter serves as our Communication on Progress (COP-Water) for year 2010-2011. The reporting period for the COP is September 2010 to August 2011.

Budget Allocations

In line with our Mission Statement and in continuance to HCC's top Management decision of last year, the annual budget proposals for all our projects (old, new, and upcoming) have provisions for implementing water initiatives related to 4R (reduce, recycle, reuse, and recharge) interventions this year too. Our projects sites are entitled to carry out these projects on their own if the installation cost is Rs. 2 million or less. Interventions costing more than this value are implemented in consultation with our Corporate Head Office.

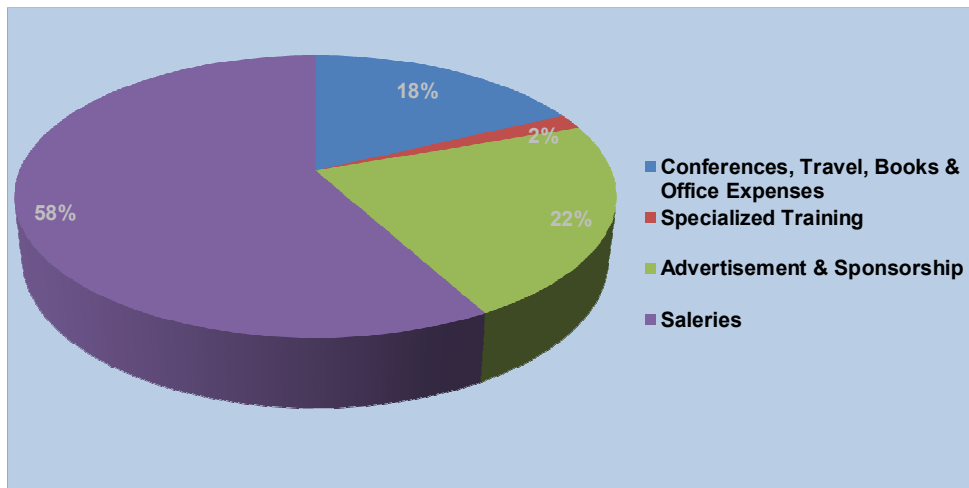
Investments for Water Initiatives

We have invested Rs. 18.68 millions in implementing The CEO Water Mandate. This amount covers various soft activities and installation of hardware for water interventions.



Soft Investments

The soft investments include sponsoring of and participation in conferences and workshops, travel expenses, books & periodicals, salaries, cost of specialized training, contribution to the UNGC Foundation, promotional activities etc. Our total soft investments are to the tune of Rs. 8.68 million, as shown below:



Hard Investments

The investments made in execution of water consciousness proposals of the 4 R water interventions (Reduce, Reuse, Recycle, Recharge) at our project sites are reported under hard investments, which amount to Rs. 10 million for this reporting period.

Epilogue

Since our inception in 1926, we have been a pioneer in the Indian engineering and construction sector, having executed some of the largest and most technically challenging infrastructure projects in the country. Our Company's history is inextricably linked with India's nation-building endeavour. We being a construction company are committed to create responsible infrastructure. We intend to embed sustainability not only in the structure but also in to the operation of those structures as well as in the process of constructing them. Aiming at and maintaining our commitment towards building responsible infrastructure, we have endorsed various UNGC initiatives including the CEO Water Mandate & Caring for Climate, which have essentially helped us realize our sustainability goals in an effective manner. At HCC, we not only follow Best Practices but follow Next Practices.

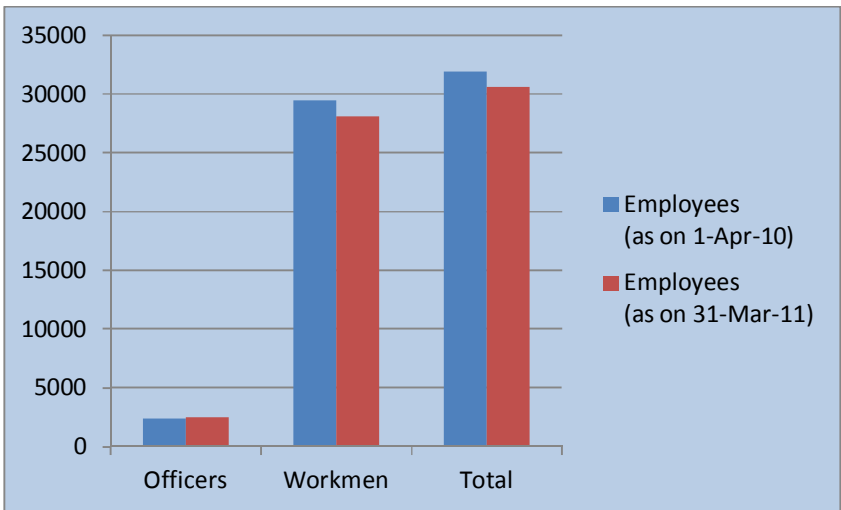
Over the past three years of implementing the CEO Water Mandate at our projects, we have been able to optimize the utilization of water. This has given us a greater ability to conserve precious freshwater on the one hand, and minimize our carbon footprint associated with resourcing and pumping the freshwater to our construction sites on the other. With continual engagement in various UNGC initiatives including the CEO Water Mandate, we have been able to disseminate our experiences and success stories of our work in water management at various advocacy and public forums.

Social Performance

Employees

We are committed to the creation and retention of a world-class workforce to help it in our mission of building responsible infrastructure in the country.

As of 31st March 2011, HCC’s total workforce was 30636, comprising of 2531 officers (senior, middle and junior management and trainees; 118 officers are women) and 28105 workmen (on project rolls, sub-contractor rolls and piece rate workers).



In 2010-11, there was a 15.7% increase in the number of women employed in the officer category (both permanent and contractual) at HCC.

All our workmen (both permanent and temporary) at all our offices and project sites have the right of collective bargaining. While the workers on HCC rolls (~35% of our total workforce) are fully unionized, the terms and conditions of the workmen on sub-contractor rolls and piece rate workers or PRWs (who represent about 60% of our total workforce) are bargained by their respective sub-contractors/PRWs.

Gender (Officer Category)	Employees (as on 1-Apr-10)	Employees (as on 31-Mar 11)	Rate of employees leaving employment**
Male	2323	2413	20.35%
Female	102	118	12.73%
TOTAL	2425	2531	Overall: 20.02%
Age Groups (Officer Category)	Employees (as on 1-Apr-10)	Employees (as on 31-Mar-11)	Rate of employees leaving employment**
<30	616	649	36.54%
30-50	1557	1614	16.52%
>50	252	268	7.27%
TOTAL	2425	2531	Overall: 20.02%

** Turnover rate calculated using average manpower in the period April 1, 2010 to March 31, 2011

Respect for diversity and human rights is intrinsic to our Company philosophy and culture. We are committed to fair labor practices and comply with all local laws and statutory requirements. Being an equal opportunity employer, HCC does not discriminate on the basis of caste, religion, region, nationality or gender among existing and potential employees. We follow a zero-tolerance approach towards child labor issues. To this end, we strictly enforce the age verification of all our employees and contract laborers at all our project sites.

Our full time employees enjoy the following benefits during their association with us:

- Medical Insurance Scheme
- Group Superannuation Scheme/ Pension Scheme
- Executive Health check-up facility (Senior & Middle Management)
- Employees Stock Options (Senior Management)
- Annual Performance linked incentive (Senior & Middle Management) & incentives for project sites
- Additional allowance/ benefits for employees posted in difficult locations

The Provident Fund benefit is also extended to our contractual employees in addition to our full time staff.

Our workforce continues to be eligible for the set of retirement benefits we reported last year. These are:

- Group Superannuation Scheme with LIC (defined contribution plan)
- Family Pension Scheme under Employees Provident Fund
- Gratuity
- Provident Fund

Provident Fund, including family pension (under RPF) and Superannuation Scheme with LIC of India are looked after by a separate trust. The other plans such as gratuity continue to be met by the company from its accounts.

We continue to focus on bringing in talent into the organization at the project and corporate levels. A recruitment tracking tool has also been developed to streamline the manpower budgeting and approval process. In addition, a planned performance management process was implemented and concluded in the reporting year.

Learning and Development continues to be a critical aspect of our human resources strategy. For officers, a gamut of technical & managerial programs catering to specific needs of various business sectors, functions & individual employees have been designed & rolled out in 2010-11. This year, our officers underwent training at an average of 16.6 hours per employee.

Training for workers (including sub-contract & PRW staff) is organized at site. These trainings are focused on skill enhancement (have a higher practical component) and enable the workmen to upgrade their skill for continued employability. Industry experts are used

as faculty for these programs. Technical programs related to equipment operation & maintenance (O&M) are conducted by the relevant OEMs. Our workers underwent training at an average of 2.3 hours per worker.

Special emphasis is given to the training of graduate & management trainees. A combination of classroom, on-the-job training & special assignments coupled with coaching by seniors helps these new entrants to transition into their corporate life. Trainees received as much as 67.4 hours per person in 2010-11.

In addition to organizing in-house customized programs, employees are nominated for national and international seminars / conferences for skill and knowledge enhancement. This enables them to stay up-to-date with the latest technology/ developments in their domain. This year 751 man-days of training were imparted through these external seminars alone.

At HCC, we also extend financial support for external training or education as we recognize its importance for our employees. Employees who wish to pursue higher studies can avail the policy of sabbatical leave, which (if approved by the management) can be availed for a maximum period of 2 years, while maintaining lien on their job in HCC.

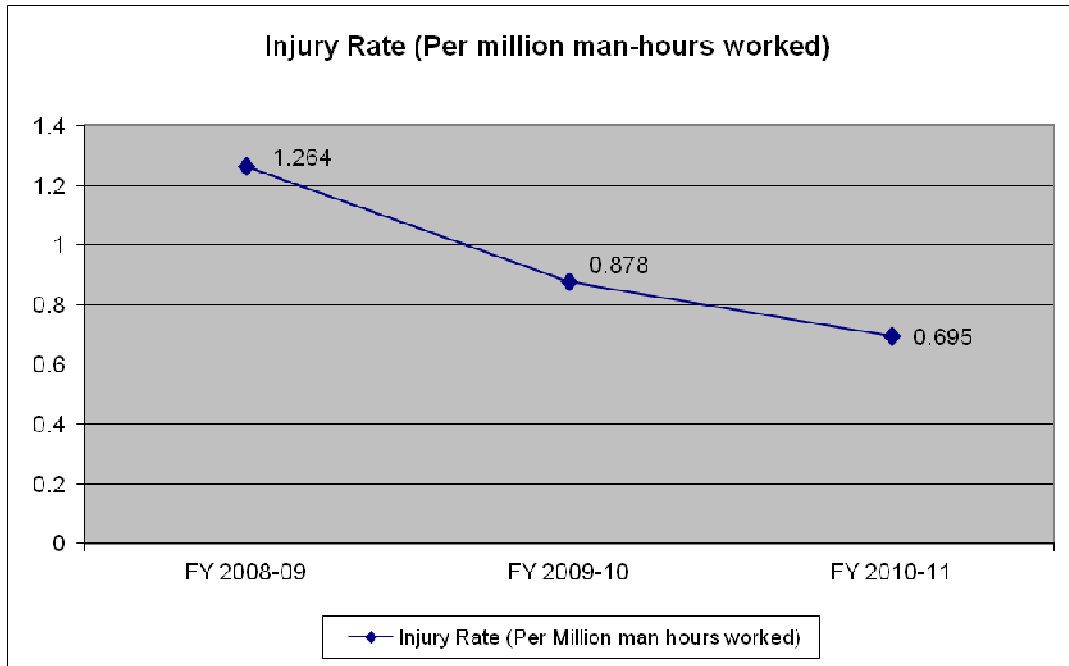
We attach the utmost importance to the Occupational Health and Safety of our employees and project sites. In the past year, we enhanced our safety and health related trainings at all our project sites for our employees, contract workers and also members of the surrounding communities. Our emphasis on creating safe and healthy workplaces has earned us numerous accolades and recognitions in the past year. We are committed to achieve our stated corporate goal of zero reportable injury across all our operations.

Employee Health and Safety

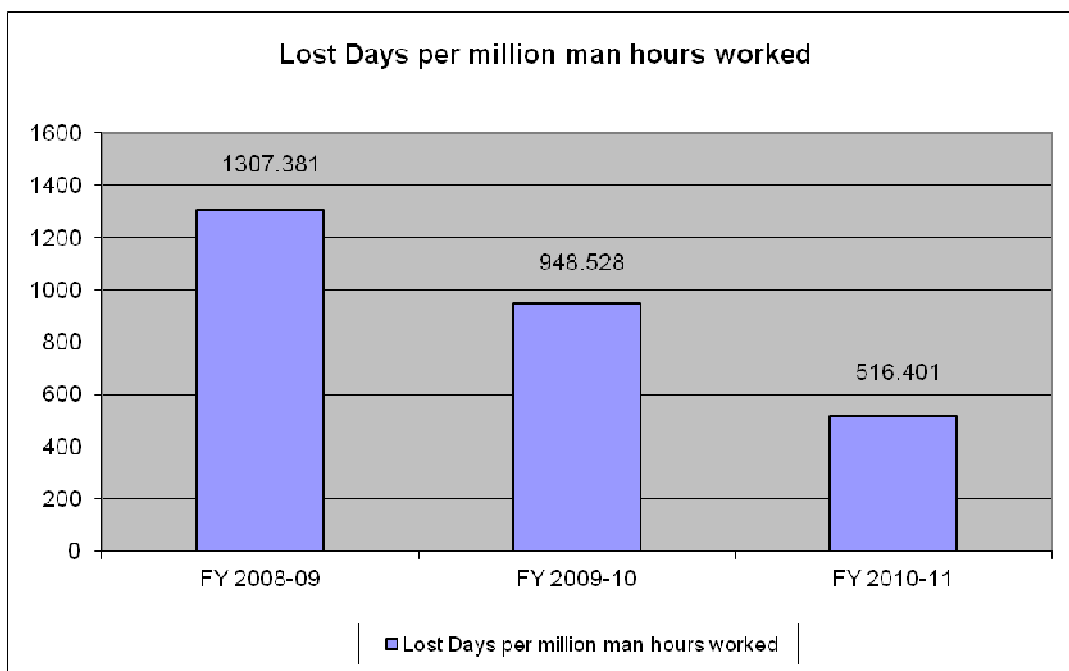
At HCC, safety at the project site has always been an area of utmost priority. A number of our projects were commended with certificates of appreciation for achieving record Safe Man Hours in the year 2010-11:

- The Polavaram Right Main Canal Project achieved 6 million Safe Man Hours from January 15, 2009, to September 30, 2010, and has received a Certificate of Appreciation from the Irrigation Department of the Government of Andhra Pradesh.
- Nimmo Bazgo Hydro Power Project received a Certificate of Appreciation on completing 5.27 million Safe Man Hours from October 2008 to September 2010, and were highly commended by the client, NHPC (National Hydro Power Corporation) for this achievement despite logistic and climate constraints.

Last year, we had reported the injury rate and lost days per million manhours worked for all sites where data was available. In order to streamline the reporting, this year we have calculated these parameters only for those sites that are in scope this year. This is presented in the following graph, which gives a vertical wise trend at sites in scope.



We see an encouraging trend of fall in injury rate across all four verticals. All four projects in scope under the water vertical stood out with their record of zero injuries and fatalities. While we maintain a record of even first aid level injuries, we have reported injuries that classify as lost-time cases herein; the lost-days count start only after the 48-hour period for reportable injuries as per the Factories Act, 1948. We have continued to enforce stricter safety measures to avoid a similar incident at the site.



At most of our sites, we also run awareness, counseling and risk control programs on HIV/ AIDS management for our employees as well as members of the community.

Employee Training

The total numbers of man-hours of training carried out in the reporting period is depicted in the table below:

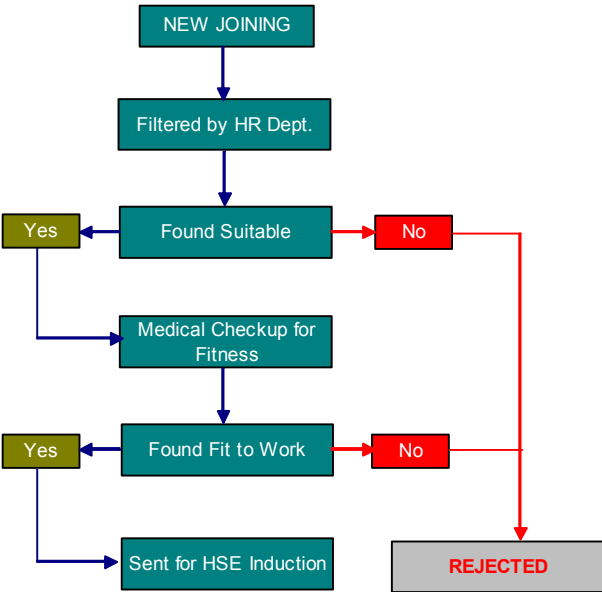
Category of Employment	2010-11 (Hours/person/year)
All Officers	16.62
Trainees	67.43
Workers	2.32

Case Study: Employee Health & Safety Initiatives at Kolkata Elevated Corridor Project

Any construction activity is anticipated to have potential hazard to health and safety of the employees. HCC being a BS OHSAS 18001 certified company carries out all its activities in a manner that does not affect the health and safety of our employees. To achieve this goal, the Project Management team at the Kolkata Elevated Corridor Project site has established a systematic occupational safety and health management system described below:

Medical Checkup during Joining:

The following flowchart describes the procedure for enforcement of a medical checkup of every individual laborer employed at the project site.



Regular Medical Checkup:

Apart from medical fitness checkup during initial employment, the following specialized medical examinations are conducted on a regular basis:

For Drivers & Operators: Eye Test
For Cement handlers: PFT Test
For Food Handlers: Pathology Test

Dispensary / First Aid Center:

A first aid center is located at our casting yard at Nona Danga. All the medicines of general nature, first-aid supplies, oxygen cylinders with necessary accessories, stretchers and beds for patients are available at this center. All minor cases are handled at our dispensary and the medicines given are under the guidance of a qualified doctor. Two male nurses are appointed for both day and night shifts. A competent doctor visits the dispensary six days a week for an hour each day.

Apart from this we have a tie up with a well reputed nearby hospital. Any major emergency major is referred to this hospital. The agreement with the hospital comes with a privilege to have immediate cashless treatment facility.

Ambulance Facility:

An ambulance with all the required accessories is provided for emergencies. Two drivers have been appointed for the ambulance for day and night shifts. The contact numbers of the drivers are displayed in the emergency telephone number chart provided at various locations. Regular maintenance of the ambulance is done by the project mechanical department to ensure that it is in good condition.

Safety:

Our apex guiding manual named "Project Occupational Health & Safety Management Plan" at the project site level, describes in detail how the potential hazards associated with each activity leading to effect on the safety and health of the employees and all interested parties and shall be identified and controlled. All the potential hazards of the project shall be identified, so that the adverse effect can be prevented, controlled or minimized by having suitable engineering, administrative and operational control measures.

The following objectives have been set to meet the requirements of the Occupational Health & Safety (OH & S) Policy:

- Minimize risk to our employees and other interested parties who may be exposed to OH & S risks associated with our activities.
- Continual improvement of the OH & S Management System.
- Reducing the frequency of all incidents and minimizing/eliminating loss of man days.

- Train and retrain the Site Personnel for enhancing their competence and expertise with the view to reduce accidents/incidents.
- Procure best quality Personal Protective Equipment (PPE) and ensure its use to minimize exposure to physical risks.
- Integrate OH & S with other business processes.

The initiatives we undertook to meet the above objectives include:

- Safety induction is compulsory for all the labors, supervisors, Engineers and Sub contractors. After the induction PPEs issued to them. Then only they are allowed to go to the site.
- Regular site visits by the HSE personnel, inspection of equipments, electrical installations, housekeeping, height works, hot works, and use of PPEs etc are being conducted.
- Hazards arising from the activities involved in the project are identified along with their controlling measures.
- Safety and cautionary signages are displayed at site. Safety posters and slogans displayed for awareness.
- Weekly meetings, tool box talks, trainings conducted to enhance the understanding of safety amongst the workforce.
- A safety committee is formed which includes equal number of members from management & non management (Workers & sub contractor) level. The committee gathers for meeting on monthly basis.
- A team from the committee visits the site on monthly basis to rate the performance of various activities from safety point of view.
- Use of PPE is scrupulously enforced among all site workers every single day. These include safety helmets, safety belts, safety shoes, hand gloves, fall arrested, e

Corporate Stewardship at HCC

Five Areas of Corporate Stewardship at HCC:



Disaster
Resource
Network



HIV/AIDS
Awareness



Water



Education



Community
Development

Water

We recognize the close correlation of business sustainability with water resource management and are striving to reduce the amount of water used across our operations and activities as well as implementing water conservation initiatives for the communities in which we operate. We are an endorser of the UN Global Compact's CEO Water Mandate, and the water consciousness initiatives we undertook in the reporting year are described in the CEO Water Mandate Communication on Progress (COP-Water) section of this report.

Education

It is our endeavor to create trained engineers and other personnel for our in-house Human Resource needs. Closing the productivity gap vis-à-vis global competition is a critical need in the infrastructure sector. Walchand College of Engineering (WCE), one of the oldest engineering colleges in India, started by the Walchand family is mentored by Mr. Ajit Gulabchand, Chairman & Managing Director of HCC, and Chairman of the College Board. The College is a major success story towards the realization of this objective. This prestigious academic institution received autonomy in 2007, and in May 2011, the first batch of B.Tech students graduated under this autonomy. Addressing the students as they embarked on a new journey, Mr. Gulabchand urged them to keep in touch with new development and to learn and educate themselves continuously. In all, 468 engineers passed out of WCE in the academic year 2010-11, including 20 medalists. In true reflection of the caliber of WCE's engineering faculty, all the students of the 2010-11 batch have been placed in India's premier companies under the campus recruitment program.

HIV/AIDS Awareness

We have long recognized the serious impact that HIV/AIDS amongst migrant workers can have on the enterprise and has initiated the Workplace Intervention Program (WPI) since 2004. The program aims to sustain optimal workplace productivity by conducting prevention, education and awareness training. As HIV/AIDS have emerged as a major threat not only to the health system but also to the economy of the nation, we view HIV/AIDS more as a social-economic issue than a purely social one.

Our Goal is to "Educate, raise awareness on HIV/AIDS among the workforce to enable them to protect themselves and their families by minimizing HIV infection and contributing a supportive environment for prevention response."

Rationale for adopting HIV/AIDS as CSR Mandate:

- We directly and indirectly employ 45,000 migrant laborers and truck drivers. They form one of the most vulnerable groups to acquire HIV/AIDS, due to lack of knowledge and awareness. Mainly falling under the productive and reproductive age group of 15-49, they act as a bridge population.
- While there is still no cure for HIV/AIDS, prevention has proven to be effective.
- Workplace Intervention Program (WPI) helps protect the rights of infected people and reduces the stigma/discrimination attached to the epidemic.
- National AIDS Control Organization (NACO) emphasizes partnerships and alliances with corporate/private sector in combating HIV/AIDS as these sectors have a significant stake in the overall well-being of the nation.

Components of the HIV/AIDS WPI-Prevention Program:

- HIV/AIDS educational and awareness programs
- Training the trainers - Master Trainers program
- Training of peer educators
- Behavior change activities
- Involvement of people living with HIV/AIDS in training programs
- Linking testing, care and support services with the government facilities

The WPI model is based on three tier system viz. Training of Trainers, Creating trained Peer Educators and Sensitization of Management (Officers), so that their support the program will percolate down to all beneficiaries. The objective behind deputing a team of Trained Trainers (Master Trainers) is to promote good health among our workforce in order to derive higher productivity, prevention of infection, and providing care by reducing the stigma and discrimination at the workplace.

Training of the Trainers: Master Trainers Program

The Master Trainer's play very important role in Prevention and Creating HIV/AIDS awareness at project sites in following way:

- Sustainability of the program
- Consistency in delivering correct HIV/AIDS messages to the workforce
- Regular monitoring within the site/department
- Abiding to the HIV/AIDS Work Place Policy by implementing effectively the WPI program
- Reaching to the employees who are "Vulnerable and "At Risk" and ultimately securing them and their families future and health.
- Catering to all the employees entering in the project at any given point of time by educating, making them aware on the issue and empowering them for adopting preventive measures.
- Broadening the CSR HIV/AIDS initiative and expanding to community systematically and effectively.
- Creating conducive environment which will result in minimizing infection and stigma and discrimination.

In the past year, the Training of Trainers - Master Trainers (TOT) was conducted at our Head Office for volunteers nominated from various departments. During this program twelve Champions on HCC's HIV/AIDS Policy and Program were trained. The two day program was conducted by an International Labor Organization (ILO) team from New Delhi, comprising of Ms. Divya Verma, Senior Coordinator, WPI and Mr. S.M. Baqar.



HIV/AIDS Master Training Program at HCC Head Office, Mumbai

The program was inaugurated by Mr. Suhas Putambekar, Head, Internal Audit, where he mentioned essentially the company's policy vis-a-vis the program and importance of the issue. Mr. Vasudevan, Head, IMS, felicitated all the trainers by giving certificate of completion.

A similar Master Trainers training program was also conducted for all project site volunteers. It helped in enhancing the skills of the trainers to enable them practice sessions on HIV/AIDS/STIs, prevention, care and support on site, effectiveness of their

Health Education sessions at the workplace and familiarize to the concept/process of Behavior Change in the context of HIV/AIDS program. Furthermore, a team of our Head Office Master Trainers conducted series of sensitization sessions for all corporate departments successfully.

At the end of the year 2010-11, a total of 46,398 officers and workers have been covered through the WPI program. We have created a pool of 301 Master Trainers and Peer Educators across our project sites. The total number of man-hours spent on the WPI program is now 143,674 hours. Creation of a trained Master Trainer and Peer Educator pools has helped us fulfill our employee sensitization and training in-house without the need of an outside consultant.

New Strategic Partnership:

In March 2011, HCC and the Times Foundation, in association with the Municipal Corporation of Greater Mumbai (MCGM), launched a health initiative titled Project Sahyog. Technically and financially supported by HCC, this initiative will complement our Corporate Social Responsibility mandate on health, primarily focusing on the HIV/AIDS issue among the slum pockets of Mumbai and supporting the government program under the Public Private Partnership model. This year-long project will enhance the outreach skills of the frontline health workers of MCGM and will help them to increase community contacts for carrying these slum pockets, the messages on maternal and child health, gynecological health and prevention of HIV/AIDS.

World AIDS Day Celebration at HCC:

The World AIDS Day was celebrated on 1st December 2010 at the HCC Head Office in Mumbai and at various project sites to show our solidarity and commitment to work towards the prevention of the epidemic. The theme for the year 2010 was 'Stop AIDS Keep the Promise - Universal Access and Human Rights'. Activities organized across our project sites include screening of informative movies, street plays, distribution of literature, blood donation campus and various competitions.

Disaster Response Network

The Disaster Resource Network (DRN) is a global network of engineering and construction companies that provides engineering and construction expertise for relief work during and after natural disasters and crises. The DRN was established in November 2002 in the aftermath of the 2001 Gujarat earthquake. While the global network did not take off immediately, two chapters - DRN India and Mexico - kickstarted as pilots. HCC was one of the strong facilitators in forming this network first as a founding member, and continuing to have representation on DRN's Board of Directors. Our Chairman and Managing Director, Mr. Ajit Gulabchand is also the Chairman of DRN India chapter.

Building on the DRN model in India and Mexico, the Engineering & Construction Disaster Response Partnership (DRP)*⁴ - a new private public partnership model for disaster response emerged in the early months of FY 2010-11; this includes global partnerships and regional networks. HCC was one of the actively participating companies that shared specific interventions in past natural disasters to steer work in the creation of DRP.

In 2010-11, HCC expanded the emergency trainings to cover more number of sites and employees. While the First Responder Training is a basic training given to employees on how to respond during crises, Engineering in Emergencies Training is an advanced level residential training given to a subset of HCC engineers to qualify them for emergency relief and rehabilitation work. The following table shows the total number of man-hours and employees covered under both the training programs:

Type of DRN Training	Employees	Man-hours
First Responder Training	10,415	41,660
Engineering in Emergencies Training	66	3,696

Case Study: Relief and Restoration Work in the Leh Flash Floods

In August 2010, a catastrophic cloud burst and flash floods ravaged Leh, in Jammu and Kashmir, leaving behind a trail of death and huge destruction. HCC, which has two large engineering project sites in the Ladakh and Kargil regions, deployed trained engineers for relief and restoration work in the affected villages close to the project sites.

A total of 380 staff members, led by 'Engineering in Emergencies' trained engineers, clocked 1,36,800 man-hours for the relief work. The support activities included rescue operations, cleaning of villages, schools and monasteries, restoration of roads and bridges, provision of drinking water and sanitation facilities, distribution of relief materials and medicines, and health check-ups for the villagers.

Among the various restoration activities carried out by HCC were the rebuilding of the Druk White Lotus School in Shey, cleaning of the Rizhong Monastery at Uleytokpo, building a drinking water canal at Khaling, and repairing a bridge at Hemischoo. HCC partnered with various players in the humanitarian sector such as NDMA, OXFAM, SEEDS, Save the Children, WHO, REDR, etc.

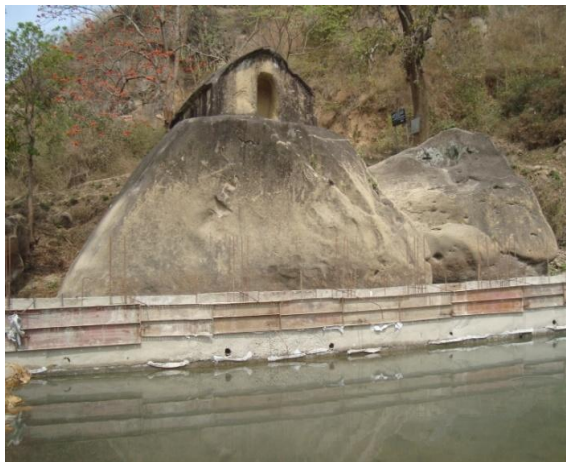
⁴ More information regarding DRP is available on http://www3.weforum.org/docs/WEF_EN_DisasterResourcePartnership_Report_2010.pdf

Community Development Initiatives by HCC at Assam Road Project Site

The Assam Road Project is one of the most prestigious projects of HCC in Northeastern India being carried out under the National Highways Development Project (NHDP), Ministry of Roads and Transport, Government of India. Upon its successful completion, the highway project will connect the extreme eastern and western parts of the country and contribute to the overall development within Assam. The project stretches along the northern half of the Dima Hasao Autonomous Hill District in Assam, a region marked by difficult hilly terrain, under-development and militancy. Very poor connectivity to the outside world has been identified as the major cause for the lack of development in this region.

As the lone contractor in the area until recently, we have played a pivotal role in providing connectivity to this remote region, resulting in new employment opportunities for the local communities and tourism activity. This will hopefully bring an end to the militancy.

Through structured intervention, we have been successful in winning the faith and building up the confidence of the residents of Dima Hasao District. Some of our initiatives include sponsorship and material help in the local community festivals and construction of approach roads for easier transportation of the local people. We have also sponsored a 'National Integration Mela' at Haflong and initiated the restoration and protection of 'Stone House', a local heritage structure originally built in the 16th Century. In addition, we have sponsored the construction of a temple and developed a football field for the village youth. A total of Rs. 7,19,680 was spent on these community initiatives.



Restored heritage structure and newly developed football field at the Dima Hasao District of Assam

CSR Activities at Kihim, Maharashtra

We have partnered with Kihim Gram Panchayat for developing effective Solid Waste Management over the past three years. Last year, in response to the lack of garbage collection facility in the village, we handed over a scientific garbage collection van to the village Sarpanch. The van was purchased on the basis of a public private partnership between HCC and the village Gram Panchayat.

A beach cleaning drive was organized by HCC at Kihim on October 3, 2010. The main objective of this program was to clean the beach through community participation and engage students and the youth through creation of posters with relevant messages. The event saw a strong turnout, including 82 students, 65 community representatives and other Gram Panchayat members and staff. After the beach cleaning, the students participated in a poster-session on the themes of water, sanitation, solid waste management and messages for the tourists to keep the beaches clean.

We have also partnered with the Gram Panchayat over the past three years to address environmental and developmental issues. As part of the initiative to educate the village students, HCC donated computers to three local schools between January 2011 and March 2011. The main objective of this gift is to educate the students on various aspects of health and environment through the medium of information technology.



***HCC Chairman & Managing Director Mr. Ajit Gulabchand
with School Children***

In addition to the above case studies, a summary of the community initiatives undertaken by some of our other project sites is presented below:

- The civil works arm of our Aditya Potshell project spent Rs. 4, 41,000 on making drinking water supply available to the local community. In addition, the fabrication works division at the site also improved the community's connectivity by modifying approach road to the state highway.
- Our Vizag site donated Rs. 2, 50, 000/- for the construction of Community Hall under Company's CSR activities at village Pendurthi. The newly constructed community hall was inaugurated by Mr. K R Vishvanath, Sr. Vice President, HCC Mumbai along with Mr. K V Ramana Rao, Project Manager among others.
- Our Nimmo Bazgo hydroelectric power project site organized a Pulse Polio Camp at the site dispensary. Three female nurses from the government hospital at Saspol, two male nurses and Site Medical Officer made this event a success.
- Our site team at the Mughal Road project has been deeply appreciated by the locals for effecting water supply to Padpavan village round the year through the use of HCC

tankers. The total cost was to the tune of Rs. 2,70,000 for this effort. Further, we spent Rs. 5,940 in making available first aid facility and free public medical consultations.

- The Polavaram project site took up the construction of permanent shed for a hostel belonging to an organization for physically challenged children at the Devarapalli village.
- The Kishanganga hydroelectric-power project team has spent Rs. 9,09,000 for supply of food items, blankets, warm clothing, social services etc, to the local residents, taking a pro-active need-based approach.
- The Kashang project has sponsored lunch for students and parents during annual events at the local senior secondary school in Pangi. The team also organizes medical checkup twice every a week. The financial contributions amounted to Rs. 4,51,000.
- The Chutak hydroelectric power team has donated Rs. 3,17,220 for the renovation of the 'Imam Bara' in Stickhey village and other community development projects.
- Our medical facility at the Dagacchu (in Bhutan) hydropower plant makes available free consultations and medicines to the local communities. The project team has also helped in the construction of the community school building and participated in tree plantation. Direct costs incurred for these activities were to the tune of Rs. 5,00,000.

Gulabchand Foundation

The Gulabchand Foundation is engaged in undertaking a number of Corporate Social Responsibility activities. In the past year, the Foundation has supported, amongst other causes, Cochlear Implant surgery for children. This is a surgical procedure to implant a digital device within the ear to treat profound deafness; this surgery being most effective in children. We support persons financially for the surgery based on several factors like the recommendation of doctor, age of the patient, financial status of the parents, parent's commitment etc established through home visit, interview with parents, etc. In 2010, Rs. 5,12,000 were donated for the CI surgery of four year old boy.

The Foundation has helped in making available health services to burn victims below the poverty line. We have supported the Burns and Plastic Surgery Department of BTN Medical College and BYL Nair Charitable Hospital, in this regard in the form of a donation to the tune of Rs. 1,40,50,000 for purchase of equipments for their Clinical Skilled Laboratory. Through this facility which would serve as a role model in patient care and teaching, we hope to reach out to a larger population in need of such facilities by producing excellent surgeons in the field.

Innovation at HCC

Sustainable technology effort:

At HCC, the technology wing is unceasingly focusing on incorporating sustainable technologies, improvising existing technologies and creating sustainable business value through multi-disciplinary approach. The technology wing spearheads HCC's engineering, innovation, research and construction development activities. Dividing its activities into five primary functions viz. engineering, innovation, construction research and development, integrated management systems (Quality, safety and environment) and tendering, the technology wing creates value from the stage of winning projects to executing them. The following two sections describe innovation and construction research and development efforts.

Value Engineering through Engineering & Design:

With high growth demands and speed construction demands and to have cost effective proposals, the engineering & design works were carried out by National, International design consultants and in-house design teams by using 2D, 3D modeling & physical modeling with AUTOCAD, STADDPRO, WALLAP, PHASE 2 software. Engineering and design inputs were selected from site investigation and field testing/study to have continuous improvements in design inputs.

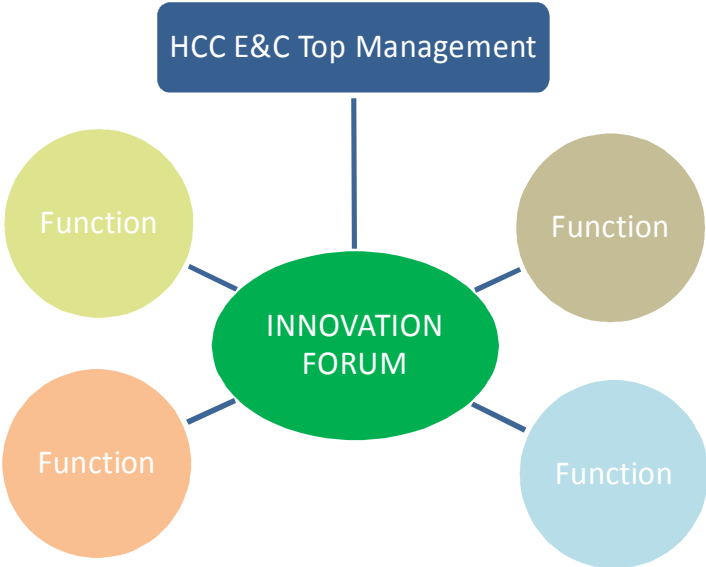
The alternative proposals were developed in the field of hydro-electric projects, transport projects, water sector projects & special projects from tender stage to execution stage keeping the vision of sustainable growth of Company for which design teams are formed during tender stage and execution stage. Team consists of tendering engineers, design engineers, planning engineers, construction engineers and external consultant & advisors. The designs were made more effective and economical from the point of reduction in construction materials and speedy construction.



Physical Model of Study of Dagachhu HEP at Innsbruck, Austria

Creation of Innovation Department

A dedicated Innovation Forum has been established to drive innovation at HCC. This forum is placed at the heart of HCC’s organizational map; innovation is central for all the functions. Activities of all the functions are seamlessly integrated with innovation department. HCC has coined a new name for Innovation activity - “Innovention” (a fusion of “Innovation” and “Invention”).



Key Components of Innovention Forum

Innovention Forum	<ul style="list-style-type: none"> •Dedicated forum to facilitate Innovention activity •Forum for taking ideas from seed stage to implementation
Innovention Portal	<ul style="list-style-type: none"> •Interaction channel for employee and Innovention Forum •Idea capture, sharing, knowledge management
Structured Evaluation Process	<ul style="list-style-type: none"> •For taking up good ideas for implementation
Rewards	<ul style="list-style-type: none"> •Rewarding individual employees and project teams for contributing/implementing innovative ideas
Communication	<ul style="list-style-type: none"> •Through e-mails, portal and SMS for encouraging active participation of all employees
External Idea Capture Mechanism	<ul style="list-style-type: none"> •By collaborations with universities, apex bodies and clients •By establishing networks with suppliers and vendors
Knowledge Management	<ul style="list-style-type: none"> •Through portal •By encouraging employees to share project experiences

Objectives of Innovation Portal

The Innovation Portal, launched in October 2010, has received an enthusiastic response from HCC employees. The ideas submitted by them and the innovations executed at the project sites are short-listed and evaluated by structured evaluation process.

We strongly believe that innovation is a direct function of creativity and motivation. At HCC, we motivate our employees to contribute to productivity, cost-saving, quality, and also for innovativeness. Out-of-box thinkers are recognized and rewarded. Thus, the innovation culture is nurtured in the company by providing an atmosphere of energy and excitement which provides high levels of motivation.

To recognize the talent of our employees and provide an incentive for participation in this program, we present monthly and yearly awards (monetary reward and certificate of recognition) to employees who submit the most impactful ideas/solutions as well as to the best innovation team.



Examples of Innovation Ideas Developed by HCC Employees

- Dry Classifier System for crusher-produced fine aggregates
- Audtomation of designs by integrating various softwares into one application
- Development of small hydro power schemes at HCC project sites to generate electricity that can be used for the project
- Application of milling and recycling of existing pavements for a highway construction project
- Innovative method to control seepage in underground tunnels
- Innovative design of a low-cost snow remover

Sustainable Construction Research and Development

Research and development (R&D) are becoming key and core drivers of construction business. The grand challenges of human society are making every civil engineer think - how to make each infrastructure sustainable right from its inception to execution to handing over; and from handing over to maintenance to its demolition and reuse. For each ounce of resource we consume today, we are and will increasingly become accountable to the contemporary society and coming generations. The R&D department at HCC is driving its efforts with this motif.

Vision and Mission

The vision of the R&D department is to assist HCC become a world-class, cost-effective construction leader. Through controlled proactive and responsive undertakings vis-à-vis construction research and technological development, the R&D department aims to continually reinforce and strengthen the organization's ability to meet the current and future construction challenges.

One of the internationally acknowledged visions that the R&D department is trying to cultivate is the Vision 2025 of the American Society of Civil Engineers (ASCE):

The Vision for Civil Engineering in 2025

Entrusted by society to create a sustainable world and enhance the global quality of life, civil engineers serve competently, collaboratively, and ethically as master:

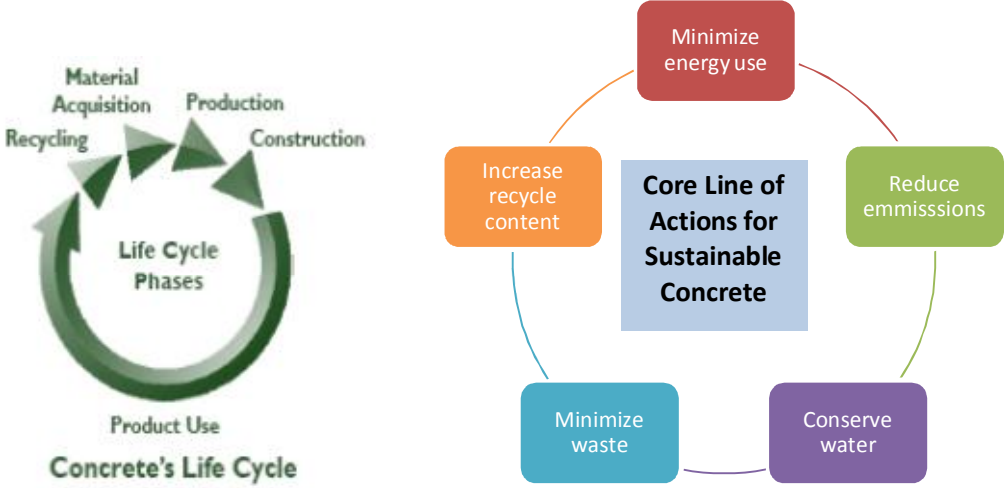
- *planners, designers, constructors, and operators of society's economic and social engine--the built environment;*
- *stewards of the natural environment and its resources;*
- *innovators and integrators of ideas and technology across the public, private, and academic sectors;*
- *managers of risk and uncertainty caused by natural events, accidents, and other threats; and*
- *leaders in discussions and decisions shaping public environmental and infrastructure policy.*

In order to meet these goals, we have envisaged embarking upon a seven-fold action plan that will help us develop these core abilities:

- Develop a world-class Research and Technology Program
- Promote and demonstrate sustainable technology leadership
- Facilitate technology transfer
- Develop scholarship
- Nurture fellowship and outreach
- Professional practice and perpetual improvement
- Knowledge Management

Concrete Life Cycle and its Stages: Building Through an Example

Concrete is one of the most widely used construction materials. While the availability of raw materials is rapidly depleting, the capability of existing processes to recycle materials has remained constant or is not rapidly evolving. The National Ready-Mixed Concrete Association (NRMCA) of USA envisions the transformation of the built environment by improving the way concrete is manufactured and used, in order to achieve an optimum balance among environmental, social and economic conditions. A structured approach to overcome this sustainability challenge is to individually address the various lifecycle of concrete, as shown in the figure below:



HCC has begun to embrace such concepts and inducing them in live projects in a phased manner. Following are some of the sustainability strategies our R&D department has been actively pursuing:

- Improved concreting practices that eliminate one or two steps completely, leading to reduced energy consumption. Example alternative concreting ways for dam concrete.
- Enhanced use of supplementary cementitious materials such as polycarboxylate based water reducers.
- Judicious selection of equipment for aggregates and their optimal use in concrete.
- Concreting that require less curing by balancing between strength gain rate and specifications.
- Judicious use of chemical admixtures through research and development.
- Recycling of concrete and asphalt pavements.
- Use of large volumes of pond ash for embankment construction and sub-grade stabilization.
- Alternative additive materials that reduce section thicknesses while improving the performance - and hence the life - of structure.

Research & Development Collaborations

We gain R&D insights and foresights through our close and active associations, partnering and participation in various national and international industry dialogues.

Procuring Value

With dramatic changes in the nature of construction technology, it will become critical for suppliers and manufacturers to propose value-added products and services. Hence a part of our R&D efforts involve the procurement of such 'value additions' through coordinated and planned partnerships with our suppliers. Some of the strategies under consideration include alternative concrete placement techniques, advanced concrete proportioning methods, alternative and sustainable pavement designs, soil stabilization strategies, and construction equipment modifications tailored for specific applications.

Academic Dialogue

As a structured part of our overall research efforts, the R&D department carries out active academic and research dialogue on concrete technology, technology management and alternative construction methodologies.

One such event was an industry-academia workshop hosted by HCC in February 2011. The day-long interaction, the first of its kind to be held in India, brought together leading experts from both the academic and industry community on a common platform and offered fresh perspectives on a range of issues related to concrete science and technology.

The discussions were held under six broad themes — educational needs of industry and academia, fundamental research, applied research, domestic and international collaborations, ongoing research in the industry and industry research needs. Reputed faculty members from the Indian Institutes of Technologies (IITs), the Indian Institute of Science (IISc), Bangalore and Howard University, USA as well as eminent industry researchers participated in this event.



Some of the key outcomes of the discussions include: identification of key areas of basic and applied concrete research over the next five years, identification of research areas where industry and academia can collaborate, the need for enhancing industry-academic interaction through internships, sabbatical research leaves for faculty members, instituting industrial professorships and sponsored research. To ensure an ongoing engagement and continuation of such a novel effort, a second meeting on similar lines will be organized by the IIT, Kanpur in August 2011.

International Conversations

Internationally, construction companies, engineering organizations, professional societies and standardizing bodies are rapidly assimilating sustainability as a key organizational attribute. At HCC, we firmly believe that benchmarking and learning from international practices is a critical and sustainable way of learning “best practices”.

As a part of endeavor, HCC has become member of the Massachusetts Institute of Technology (MIT) - led Industrial Liaison Program. The Department of Civil Engineering at the MIT is home to the ‘Concrete Sustainability Hub’, which has been primarily created through industry-academic collaboration. The primary goal of this interdisciplinary center is to accelerate emerging breakthroughs in concrete science and engineering and transferring that science into practice.

In addition, we also regularly invite international experts to address various gatherings as part of our sustainable capacity building efforts. Such dialogues provide a critical international flavor and insight to our initiatives.

Through sustained efforts driven by the objective of establishing sustainable overall competitiveness, the culture of focused research and development are taking deeper roots into HCC’s culture.

Intellectual Property

The World Intellectual Property Day was celebrated on April 26, 2011 to highlight the role of design in the market-place, in society and in shaping the innovations of the future. The Designing function at HCC is shifting the focus from designing for technological possibilities to designing with an emphasis on ecologically sound living. "Designing out waste" is becoming an inspiration shared by many creators. Sustainable design processes can help lower production costs and reduce environmental impact. This is possible only by critically analyzing, and innovating, in all processes, bringing in new technologies and equipments that will improve productivity and quality. HCC has so far completed the formalities under the Patents Act 1970 on the following inventions, which are currently under examination by the Patent Office:

- 1) Pipe joint leak testing device
- 2) A system for automatic accounting of fluids in a vessel, container or tank
- 3) New capping system for testing concrete and rock cores
- 4) System and method for online monitoring of fuel consumption in automobiles
- 5) System and method for detecting trespassing below a parked vehicle
- 6) Geo-textile Sand Container Mattresses (GSCM) lining for temporary river bed diversion channels.

Sustainable living means designing that takes into account life cycle cost analysis. With the establishment of our new Innovention and R&D Framework, HCC has bright chances of filing many more patent applications. The underlying basis for HCC's technology efforts is to create improvements that our country can be proud of. Some of the ways in which is being addressed include sustainable use of construction materials, local energy generation, and use of better technologies to improve productivity. To make this happen, HCC encourages all its employees to actively participate in Innovention and R&D activities and come up with high-value and high-impact innovations.

Case Study: IP Protection at Aditya Aluminum Project (Orissa)

Challenges:

A total of 180 Potshells were required to be delivered within a time-frame of 15 months for the Aluminum Smelter project. As per the contract, the design drawings for these Potshells were to be released to HCC after the client confirmed compliance to HCC's Intellectual Property Documents protection setup. Our challenge was to implement the solution within 45 days and get required compliance confirmation from the Client.

Business need:

Some of the key Client requirements are summarized below:

- A clear audit trail for all the documents. The requirement was so stringent that the Client also wanted to trace how many printouts were fired for each document and who all have access to them.

- To prevent leakage of information from the end-points of desktop/laptop, the desktop and laptop needed to be protected for information leakage.
- This setup had to be isolated from rest of the computer network. Only one system in that setup should have access to email, while rest of the services like FTP, Telnet, remote desktop, network sharing had to be blocked.
- All data pertaining to Intellectual Property should not be allowed to be stored on local desktops.
- Audit trails on who accessed the yellow rooms where the documents were generated and printed.

Solutions Implemented:

- In order to generate audit trails for the documents, HCC implemented Seclore Information Rights Management Solution with plug-ins for AutoCAD to protect the drawings. It also provided protection for MS Word Excel, PowerPoint, Text and JPEG. The concept of Seclore Hot folder was also implemented and policies were created for the use of these folders. The strength of this software was that the moment any user stores or creates a document in that folder, the policy gets applied to that document. With the help of Information Rights Management, control was applied to the Edit, Copy and Print functions on the contents of the documents.
- On the perimeter security for the network, we implemented Firewall and Network Access control so that only registered MAC address of the PC can only access this network. Services like FTP, Telnet and Remote Desktop were also controlled with the implementation of Firewall and Network Access Control. We implemented End Point Protection to control the usage of USB, Bluetooth and IR devices. The software also was able to capture snapshot of the prints taken from the machine. For server authentication, we implemented the RSA 2 Factor Authentication Manger for login and logout processes. A System Idle Time-out policy was also defined for desktops and laptops.
- An Access Control system which monitors and controls access to these rooms.
- When certain documents were shared with the Client Manager for approval, its usage was controlled by specifying a document expiry, so that they automatically expire after the timeline pre-defined on the server.

We successfully met the stringent Client compliance for IP protection of the design drawings by implementing the above solutions.

Other Group Companies

HCC Infrastructure Company Ltd.

A wholly owned subsidiary of HCC Ltd., HCC Infrastructure is committed to serving society's need for sustainable and quality infrastructure development.

Since its inception in 2007-08, HCC Infrastructure has created a concessions portfolio of assets worth Rs. 5,539 crore. The assets under management include six National Highways Authority of India (NHAI) road concessions, of which two are operational. These are the Delhi Faridabad Elevated Expressway (NH-2) (*dfskyway*TM) and the Nirmal (NBL) Annuity (NH-7). Assets under development include the Dhule Palesner (DPTL) Highway Project (NH-3) and the West Bengal (NH-34) Highway Project.

In addition to its maturing transportation business, HCC Infrastructure is also actively pursuing new business opportunities in power, water, city gas distribution, airports and urban transport sectors. HCC expects to build a diversified infrastructure asset portfolio in the coming years.

To achieve high returns on equity while effectively managing risk and maximizing free cash flow, HCC Infrastructure adopts a disciplined and patient investment strategy complemented by top class construction execution and operations and maintenance (O&M). Each of HCC's projects meets a high hurdle rate of return, with significant upside characteristics. The Company has also partnered with leading global developers and O&M providers to bring world-class systems and best practices to India. The Company has made the requisite strategic and financial tie-ups to achieve its growth objectives. During the year ended 31st March, 2011, the equity holding in various road concession SPVs has also been consolidated to facilitate future fund-raising.

HCC Real Estate

HCC Real Estate aims to develop and execute unique high value projects that would help build sustained communities across India. Given the market uncertainties in the Indian real estate sector, especially in the commercial segment, HCC has adopted a cautious approach in growing the real estate business. The focus has been on consolidating its position in respect of land titles and other documentation for the land held by the Company.

247 Park, built by HCC Real Estate in Vikhroli (West) Mumbai, has achieved more than 90% occupancy. During 2010-11, the Company converted its partnership firm Vikhroli Corporate Park into a company called Vikhroli Corporate Park Pvt. Ltd. (VCPPL). In July 2010, VCPPL issued further shares to IL&FS Milestone Real Estate Fund. Consequently, HCC Group's stake has reduced to 26%.

247 Park continued to receive awards and recognition in 2010-11, including the 'Excellence in Commercial Segment' award in the 'Safety Norms' category by The Economic Times ACETECH.

HCC Real Estate has undertaken development of a land parcel owned by HCC at Hariyali village in Vikhroli (E), Mumbai. This parcel was declared a slum under the Slum Rehabilitation Act of 1973. The Company is developing it through Panchkutir Developers Ltd., a wholly owned subsidiary of HCC. Consent has been received from more than 70% of slum dwellers for the development, and the necessary documentation has been filed with the statutory authorities seeking an approval for the development on this parcel.

As an extension to the real estate portfolio, HCC had made investments in developing vineyard near Nashik. During 2010-11, the Company has decided to go slow in acquiring further land at Charosa Wineries and the focus is on developing the existing asset. The Company also got an approval under the Bombay Tenancy and Agricultural Lands Act of 1948 declaring the Charosa Wineries project as 'Wine Tourism'. This will allow the development of a separate stream of business from the property.

Integrated Urban Development and Management - Lavasa

As free India's planned hill city, Lavasa offers a wide range of residential and commercial facilities, tie-ups with premier, national and international educational institutions, an extensive range of tourist activities, family entertainment opportunities and several business avenues across a range of industries. 2010-11 saw several developments at Lavasa.

In the hospitality space, Accor Hospitality launched two of its brands including the Mercure Lavasa and the 1500 plenary capacity Lavasa International Convention Centre. Novotel and Pullman, also Accor brands are in the process of being built, while Hilton, Comfort Inn, Days Inn, Oakwood, Jukaso, Langham Place and Eaton, amongst others, are slated to follow in quick succession.

On the retail front, a significant area has already been leased. Restaurants like American Diner, Granma's Homemade Patisserie, Brewberrys -The Coffee Bar, Chor Bizzare, Subway and Oriental Octopus, Past Times Pub, Tabakh, Pizzavala, Hungry Hippo and Fruity Bat have commenced operations.

On the education front, 2010-11 saw the launch of Christel House Lavasa. Ecole Hoteliere Lavasa started its second batch and academic certification from Ecole Hoteliere Lausanne has now been received to conduct Masters programs. Next in the pipeline this year for opening is Le Mont High School Lavasa by Educomp for an IB school and EuroKids and Birla Edutech with primary and pre-primary schools. Professional and executive education took off at Lavasa in a big way with Massachusetts Institute of Technology (MIT) having conducted their first program on Airport and Airline Systems, Planning and Management.

My City Technology, a company promoted by Lavasa, Cisco and Wipro to develop IT infrastructure, also began its operations in 2010-11.

There was continuous stress on creating awareness through marketing initiatives, primarily by exposing the city to a wider audience through events. A television series called

'Urban Longings' was aired to highlight the need for planned new cities. This was supplemented by a series of articles by personalities like Dr. APJ Abdul Kalam, who shared their ideas of a 'future city'. Events like 'Literature Live' and Lavasa Mifta Awards brought the city closer to arts and culture. The 'City Planning and Governance Summit' in November 2010 brought international experts on city governance and sustainability to Lavasa, where they shared their expertise with the delegates.

On the sales front, the Company has sold out all the residential units in Dasve and handover of the units commenced in the first quarter of 2010. Total corporate land sales to institutions has been over 244.11 acres and leased area is 43 acres. Prominent names like State Bank of India, Birla Edutech, Ryan International, Euro School, AB Hotels (Radisson) among others are the buyers/ lessees. The Company also leased out 39,784 sq ft of office space in the first commercial building at Dasve named 247 Business Square.

While operational progress was on track, construction operations have been stalled since 25th November, 2010, after the Ministry of Environment and Forests (MoEF) issued 'stop-work' notice to the Company for alleged violation of environmental norms. There continues to be some policy confusion, unclear interpretation of terms and the matter remains sub-judice. HCC is confident that a solution to this matter will be in place in the near future.

Karl Steiner AG, Switzerland

In May 2010, HCC through its wholly owned subsidiary HCC Mauritius Enterprises Limited acquired a controlling interest in Karl Steiner AG, Switzerland (KSAG). With the subscription of newly issued shares of KSAG in consideration for a CHF 35 million cash investment, HCC now owns 66% stake in KSAG. The acquisition of KSAG is the Company's first international acquisition and provides HCC with access to a rich experience of constructing world-class integrated buildings.

KSAG is a leading general contracting company in Switzerland, specialized in turnkey development of new buildings and refurbishments, and offers services in all facets of real estate development and construction. As per the acquisition agreement, in 2014, KSAG's sole minority shareholder will sell his remaining shares to the Company at a pre-agreed price based on KSAG's earnings achieved between 2010 and 2013.

Pursuant to the consolidated IGAAP financial statement of KSAG, the revenue of KSAG amounted to CHF 597.40 million and the profit before tax amounted to CHF 2.32 million in the period from 5th May, 2010 (date of acquisition of KSAG) to 31st March, 2011 (11 months).

During 2010-11, KSAG signed two big projects in Switzerland: Project SkyKey, a large scale commercial building, and Project Urbahn, an integrated development project, with contract values of CHF 265 million and CHF 107 million respectively. In March 2011, the order backlog of KSAG amounted to CHF 1,018 million.

In addition, KSAG has been awarded 6 contracts with a value of CHF 410 million, for which contracts are yet to be signed. These contracts are expected to be signed during 2011-12.

During 2010-11, KSAG has re-organized its operations. In order to effectively monitor its business, Switzerland's east region has been divided into two regions, namely, the region 'Centre' and the region 'East'. KSAG has created central functions, such as the technical department, procurement and monitoring to support projects with their expertise.

Highbar Technologies

To leverage the expertise developed in providing in-house IT services and cater to the IT needs of the construction industry, on 1st April, 2010, HCC hived off its IT department into a separate company called Highbar Technologies. The core team comprises IT and infrastructure professionals who have amalgamated the legacy of domain knowledge in the infrastructure business with information technology. Highbar focuses on IT implementation initiatives from a business transformation perspective rather than technology implementation perspective.

In its very first year of operations, Highbar was able to compete against well-established industry players to serve 17 new customers. With this, the total customer base increased to 43. A testimony of Highbar's delivery capabilities is the fact that it continues to secure repeat business and customers on reference. To extend its footprints to the infrastructure industry in the Middle East, Highbar Technologies has incorporated a subsidiary in Dubai, named 'Highbar Technologies FZ-LLC'. Highbar has also bagged its first customer in the Middle East. Highbar Technologies has developed a strategic alliance with SAP as 'Service Partner'. Gartner, the world's leading IT research and advisory company, recognizes Highbar as '*vendors to watch*' in Indian ERP space and attributes its rapid growth to domain capability and knowledge.

Highbar continues to support HCC in its IT usage. Today, the SAP ERP is well established in HCC's Engineering and Construction division at the corporate head office and in 61 projects, as well as in group companies and subsidiaries including HCC Infrastructure, HCC Real Estate and Lavasa Corporation. SAP Document Management System (DMS) is now operational at nine critical departments within HCC. More than 300 vendors including suppliers, sub-contractors, transporters and service providers use the supplier portal for collaborating and transacting with HCC on a daily basis.

HCC implemented SAP CRM for enabling a better hit ratio, increased market share and better profit margins, in January 2011. This will provide integrated information management between sales, business development, regional offices and marketing for bringing efficiency in the business processes. To ensure sustained productivity advantage, an "online time cycle monitoring system" has been put in place, which improves efficiencies of cyclical processes of construction operations and is being used across 13 project sites. An 'Innovention' portal has also been launched to promote innovation at HCC.

All the IT applications are supported at the back end by a rugged and scalable IT infrastructure comprising state-of-the-art wide area network and a well connected data centre. IT systems for the newly acquired company Karl Steiner AG are also in the process of getting integrated with the overall HCC Group IT architecture.

Disclosures on Management Approach

Economic Indicators

HCC operates a portfolio of diverse but integrated businesses, each having different markets, requiring different skill sets and operating under varying risk return profiles. The entire gamut of activities is unified under the HCC value chain. Engineering and Construction, our core business, focuses on Transportation, Water Solutions, Hydro Power and Nuclear Power projects.

As part of our growth strategy, our business has been extended to offering complete Engineering, Procurement and Construction (EPC) services, a delivery model that the Company is looking to strengthen further. We have tied up with international players to win strategic projects in the EPC space, including those in the emerging business lines.

The past year witnessed a slowdown in new project development in the construction sector. Inflationary pressure, high input costs and interest costs, environmental and safety concerns about planned projects, and regulatory uncertainties were other factors that affected our financial performance.

We have robust controls in place at the Board of Directors and Management levels to monitor and effectively supervise our financial reporting, risk management and business planning. The Board of Directors play an active role in fulfilling its fiduciary obligations to shareholders by efficiently overseeing management functions to ensure their effectiveness in delivering shareholder value. The Management assumes overall responsibility for developing the Company's strategic goals and executing the functional operations of the business. This governance framework is made effective through an efficient system of timely disclosures and transparent business practices.

We have established a well-documented and robust risk management framework. Under this framework, risks are identified across all business processes of the Company on a continuous basis. Once identified, each risk is mapped to the concerned department for further action. The framework consists of various specified procedures to manage our risks.

It is our continuous endeavor to source our suppliers and workforce from the local communities surrounding our project sites thereby contributing to local economical well-being.

Environmental Indicators

Given our commitment to build Responsible Infrastructure, one of our major sustainability priorities is to design and build structures in an environmentally responsible manner. The HCC Corporate Environmental Policy clearly conveys our commitment of improving our performance on various environmental aspects such as prevention and control of pollution,

waste minimization, conservation of natural resources, compliance of all applicable environmental regulations, and creation of environmental awareness.

Our Integrated Management System (IMS) adheres to the requirements of ISO 14001: 2004 Environmental Management Systems, ISO 9001: 2008 Quality Management Systems, and BS OHSAS 18001: 2007 Occupational, Health and Safety Systems. During November-December 2010, M/s. TUV NORD, the certifying agency, conducted a recertification audit to verify the status of our compliance to the requirements of these standards. The HCC Management System comprises of a number of policies and procedures that are regularly revised by our top Management, and communicated to and implemented across all our project locations.

Given the fact construction activity is water and natural resource-intensive, continued availability of high-quality, low-cost and locally-sourced supply of raw materials will become a critical challenge in the future. Since we execute large and technically complex construction projects in geographically challenging locations, we also recognize the impact of unpredictable weather-related events (such as drought, cyclones, etc) arising due to the global climate change on our operations as a major environmental risk going forward.

Reduction in the water consumption at our project sites annually by ten percent is one of our major environmental goals. It is in line with our ultimate objective of achieving water-neutrality and is strongly supported by our top decision-makers. We are in the process of introducing water flow meters across our project sites in order to measure and track our water consumption footprint. Our commitment to water sustainability is further exemplified by the third successful Communication on Progress (CoP-Water) we published in 2011 to meet our UN Global Compact CEO Water Mandate obligations.

We have also introduced several changes in our materials procuring practices to ensure optimal use of critical natural resources. The material and cost savings thus realized are being recorded and tracked by our Procurement Department. Use of latest technology and engineering innovations developed through our employee-driven Innovention Forum further help us meet our goal of reuse and recycling of our materials. Environmental, health and safety awareness has become a major area of focus in our workforce training programs across all project sites. Structured training modules, dedicated in-house and external faculty, and pre- and post-testing of employees ensure the effectiveness of our training programs.

Labor Practices, Decent Work and Human Rights Indicators

We are committed to the creation and retention of a world-class workforce to help us in our mission of building Responsible Infrastructure in the country.

Learning and Development continues to be our focus area in our Human Resources policies. In addition to organizing in-house customized programs in focus areas, teams were nominated for national and international level seminars for skill and knowledge enhancement. We continue to focus on bringing in talent into the organization at the project and corporate levels. A recruitment tracking tool has also been developed to

streamline the manpower budgeting and approval process. In addition, a planned performance management process was implemented and concluded in the reporting year.

We attach the utmost importance to the Occupational Health and Safety of our employees and project sites. In the past year, we enhanced our safety and health related trainings at all our project sites for our employees, contract workers and also members of the surrounding communities. Our emphasis on creating safe and healthy workplaces has earned us numerous accolades and recognitions in the past year. We are committed to achieve our stated corporate goal of zero reportable injury across all our operations.

We are committed to fair labor practices and are in compliance with all local laws and industry best practices. Respect for diversity and human rights is intrinsic to our Company philosophy and culture. In this regard, we go beyond legal requirements and follow global best practices, including the UN Global Compact on principle of labor standards and human rights. We follow a zero-tolerance approach on employee discrimination and child labor issues. To this end, we strictly enforce the age verification of all our employees and contract laborers at all our project sites.

Society Indicators

At HCC, business goes beyond efficient project execution. Our Corporate Social Responsibility (CSR) activities build an important bridge between business operations and social commitments that help us in our mission of responsible infrastructure development.

In the past year, we continued with our long tradition of contributing to and investing in communities around our project sites. Our CSR initiatives fall under the five categories of education, HIV/AIDS awareness, water conservation, disaster response and community development. Our community development initiatives are managed at the project level while the other four CSR mandates are managed at the enterprise level and have specified goals and targets. We continually refine our CSR efforts by assessing the effectiveness of our ongoing initiatives and carrying out needs-assessment in the communities we serve.

Our CSR commitment was amply reflected in the disaster response and rebuilding efforts carried out by our workforce in the wake of the Leh floods in the past year. We were also part of the steering committee in the creation Disaster Resource Partnerships - built on the DRN model - a new private-public partnership model for disaster response.

As part of our HIV/AIDS Workplace Intervention Program, we have created an expanded pool of trained Master Trainer and Peer Educator pools in the past year. This has helped us internalize our employee sensitization and training needs.

In line with our organizational ethics, we continue to proactively reinforce anti-corruption and anti-competitive behavior and comply with all relevant legal requirements in this respect.

We recognize the importance of joint efforts through collective action, and have historically played a role in the public policy arena. In the past reporting year, we were

involved in thought leadership, articulation of ideas and promotion of actions in partnership with the civil society, regulatory agencies, corporate groups and the academia. We also participated in various policy advocacy forums at the local, national and international levels.

Product Responsibility Indicators

Although we do not have any direct impacts on our customers through our products and services, we are committed to the creation of responsible and high-quality infrastructure for all end users. We continually engage with our customers to understand their expectations and gain feedback to ensure customer satisfaction.

Our projects are in compliance with all relevant statutory requirements and best industry practices pertaining to workplace health and safety

Over the past year, an international firm was engaged to study our Project Management functions and recommended best-in-class processes. They have concluded the study and relevant recommendations are being implemented in our pilot projects.

We continue with our initiatives to enhance and promote the 'HCC' brand and its associated values. In the reporting year, our brand had significant presence in about 15 key business and industry events and expositions, where we showcased our wide ranging expertise and experience. We have also engaged a leading brand consultant to develop a special brand engagement program which will involve all Company staff in taking ownership of the brand and assimilating the brand values.

In continuing with our close customer engagement, we carried out a comprehensive survey of about fifty current and prospective clients across various business sectors in the reporting year. This 'Voice of Customer' program helped us understand the various customer concerns about project implementation and other industry issues. The survey revealed an overall good perception of the HCC Brand among our existing clients. It also gave us a good idea of the future business potential and infrastructure development activity expected to happen in the next few years. The feedback so received is being actively taken into consideration while developing our organizational business strategy.

We have also adopted a concept of 'Cycle Time Monitoring' so as to continually monitor the performance of the projects and take appropriate mid-term course corrections.

G3 Content Index

Application Level A+

Assured by Ernst & Young (India) Pvt. Ltd.

1. Strategy and Analysis

Profile Disclosure	Description	Reported	Cross-reference / Direct answer	If applicable, indicate the part not reported	Reason for omission	Explanation
1.1	Statement from the most senior decision-maker of the organization.	Fully	4			From the Chairman and Managing Director's Desk
1.2	Description of key impacts, risks, and opportunities.	Fully	4 – 8, 40 (Risk Management)			Dwelt upon in the "From the Chairman and Managing Director's Desk" section and Risk Management

2. Organizational Profile

2.1	Name of the organization.	Fully	Hindustan Construction Company			
2.2	Primary brands, products, and/or services.	Fully	11-12 (Organizational Profile), 13 (Business lines under E&C)			
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	11-12 (Organizational profile), 13 (Business lines under E&C), 95 (Other Group Companies - HCC Infrastructure and HCC Real Estate) 96 (Lavasa), 97 (Karl Steiner AG), 98 (Highbar Technologies)			
2.4	Location of organization's headquarters.	Fully	Back cover			
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability	Fully	The projects in scope are located in India and Bhutan only			

	issues covered in the report.					
2.6	Nature of ownership and legal form.	Fully	18			
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	11- 13			
2.8	Scale of the reporting organization.	Fully	42 (under Economic Performance), 43 (under Market Capitalization), 69 (under Employees). For further details, please refer our annual report available at http://www.hccindia.com/hcc_admin/data_content/investor_pdf/Annual_Report_2010-11.pdf - Pg. 21 (under Financial Review, Pg. 41 (under Dematerialization of Shares & Liquidity), Pg. 43 (under Details regarding Listing & Redemption of Debt Securities), Pg. 82-83 (Under Balance Sheet), Pg. 102 (under Cash Flow Statement)			
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	No significant changes in the reporting entity, including ownership, during the reporting period			
2.10	Awards received in the reporting period.	Fully	24			
3. Report Parameters						
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Fully	1st April 2010 to 31st March 2011			
3.2	Date of most recent previous report (if any).	Fully	2009-10			
3.3	Reporting cycle	Fully	Annual			

	(annual, biennial, etc.)					
3.4	Contact point for questions regarding the report or its contents.	Fully	3			
3.5	Process for defining report content.	Fully	20 (Projects in scope), 35 (Materiality)			
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	3,11- 13			
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Fully	Exclusion of specific projects/ locations/ entities mentioned throughout the Report wherever applicable			
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Fully	11 – 13, 20 (Disclaimer given below the table)			
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially	Fully	3			

	diverge from, the GRI Indicator Protocols.					
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Fully	During the reporting period, there were no mergers or acquisitions and thus no restatements to this effect.			
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	11 – 13, 20 (Disclaimer given below the table)			
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	103 - 127			
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	3			
4. Governance, Commitments, and Engagement						
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Fully	36 (Board of Directors), 37 -39 (Board meetings/ board level committees), For details of the composition of the Board committees, please refer our Annual Report available at http://www.hccindia.com/hcc_admin/data_content/investor_pdf/Annual_Report_2010-11.pdf			
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	36			

4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Fully	36			
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	38 (Shareholders/ Investor Grievance Committee)			
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Fully	No linkage at the moment			
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	37			
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	Fully	Currently there is no clear process for the Board to guide the organization of ESG issues			
4.8	Internally developed statements of mission or values, codes of conduct, and principles	Fully	21-22 (Vision, Mission, Values) 37 (Code of Conduct)			

	relevant to economic, environmental, and social performance and the status of their implementation.					
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Fully	Currently there is no defined oversight on our ESG performance by our highest governance body			
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	Currently there is no defined oversight on our ESG performance by our highest governance body			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Fully	39			Last paragraph under "Risk Management" - reference to HIRAC methodology
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Fully	39 – 40 (Management Systems) 50 (UN CEO water mandate) 57-58 (UNGC)			
4.13	Memberships in associations (such as industry associations) and/or	Fully	23 (Professional Memberships) 63 (CRESS)			

	national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.					
4.14	List of stakeholder groups engaged by the organization.	Fully	33-34			
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	27			
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	33-34			
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Fully	33-34			
STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)						
DMA EC	Disclosure on Management Approach EC	Fully	99 (EC DMA)			
Aspects	Economic performance	Fully	42 (details of economic performance),99			
	Market presence	Fully	GRI Content Index(Standard disclosure-2.5),99			

	Indirect economic impacts	Fully	99			Our spending on development of infrastructure provided primarily for the public benefit was on need based interventions , determined locally at project sites.
		Partially	99-100 (EN DMA)			
Aspects	Materials	Fully	100			Conservation of natural resources
	Energy	Fully	99-100			Prevention & control of pollution; Compliance to all applicable regulations; Use of latest technology and engineering innovations;
	Water	Fully	100			Paragraph 3 on page 100
	Biodiversity	Not			Not applicable	None of our activities, products, and services are recognized to have significant impacts on biodiversity in protected areas and areas of high biodiversity value outside protected areas.
	Emissions, effluents and waste	Fully	100			

	Products and services	Not			Not Reported	As a construction company, we do not manufacture any products. We have however included initiatives to use environmental friendly materials wherever possible. We do not sell any products directly to the consumers.
	Compliance	Fully	100			First sentence on pg. 100 followed by paragraph on IMS systems
	Transport	Not			Not available	Employee travel is being tracked and will be reported from the next reporting cycle 2012
	Overall	Fully	99-100			
DMA LA	Disclosure on Management Approach LA	Fully	100-101			
Aspects	Employment	Fully	100			
	Labor/management relations	Fully	69 (last paragraph-workmen and collective bargaining rights)			
	Occupational health and safety	Fully	101			At the project level, all HSE committees have a 1:1 Management: Non-management

						representation as per the requirements laid out in the Factories Act
	Training and education	Fully	100			
	Diversity and equal opportunity	Fully	101 (last paragraph in LA DMA)			
DMA HR	Disclosure on Management Approach HR	Partially	100-101			
Aspects	Investment and procurement practices	Fully	100-101, Currently, our investment agreements do not have human rights clauses (GRI Content Index)			
	Non-discrimination	Fully	101			
	Freedom of association and collective bargaining	Not			Not applicable	None of our operations run any risk to the right of freedom of association and collective bargaining
	Child labor	Fully	101			
	Forced and compulsory labor	Fully	101 (adherence to UNGC principle of labor standards)			
	Security practices	Fully	101, GRI Content Index			Our security personnel enforce the checks at the gate at all our project sites for all employees and contract laborers
	Indigenous rights	Not			Not applicable	Our operations do not impinge on the rights of the indigenous people
DMA SO	Disclosure on Management Approach SO	Fully	101-102 (SO DMA)			

Aspects	Community	Fully	101 and same page nos. as those mentioned against SO 1 in GRI Content Index			
	Corruption	Fully	101 , pg. 37 (Code of Conduct),			We have not analyzed any of our business units for corruption related risks and there were no instances of corruption in the organization during the reporting period
	Public policy	Fully	101-102			
	Anti-competitive behavior	Fully	101			
	Compliance	Fully	101			
DMA PR	Disclosure on Management Approach PR	Partially	102			
Aspects	Customer health and safety	Fully	102 (first para under PR DMA)			
	Product and service labeling	Fully	Not Applicable- GRI Content Index			As a construction company, the product information related indicator is not relevant to us as we do not manufacture a 'product'.
	Marketing communications	Fully	102 (HCC brand guidelines)			The Corporate communications practices of HCC conform to the laws and acts that govern corporate advertising, promotion and sponsorship

	Customer privacy	Not			Not applicable	We do not sell any products directly to the consumers.
	Compliance	Fully	102			
STANDARD DISCLOSURES PART III: Performance Indicators						
Economic						
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Fully	42			
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Not			Not available	We have not yet quantified the financial implications of climate change on our business. However, we have started to put systems in place to quantify the same. We have already started to track employee air- travel at head office. Going ahead, we will work on

						understanding and quantifying the financial impacts of climate change on our organization. We plan to report on this indicator by 2012
EC3	Coverage of the organization's defined benefit plan obligations.	Fully	70			For details of the composition of the Board committees, please refer our annual report available at http://www.hccindia.com/hcc_admin/data_content/invester_pdf/Annual_Report_2010-11.pdf
EC4	Significant financial assistance received from government.	Fully	42 (Assistance from export credit agencies), We do not receive significant financial assistance from the Government. The Government is not present in the shareholding structure			
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Fully	For all sites reported on, we have met or exceeded the local wage requirement. We have exceeded by over 20% at 17 of our sites across skill levels.			
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Fully	43-44			

EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Fully	99			Dwelt upon in the Disclosure on Management Approach EC
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Fully	84-85 (section starting below the pictures), GRI Content Index			Our spending on development of infrastructure provided primarily for the public benefit was on need based interventions, determined locally at project sites.
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Not				
Environmental						
EN1	Materials used by weight or volume.	Fully	46			
EN2	Percentage of materials used that are recycled input materials.	Fully	46			
EN3	Direct energy consumption by primary energy source.	Fully	46-47, Total energy consumption = 3.2×10^8 GJ (All from non-renewable sources: Energy from diesel = 3.1×10^8 GJ, Energy from ATF = 1.6×10^7 GJ)			
EN4	Indirect energy consumption by primary source.	Fully	46-47, Electricity purchased from grid = 9.2×10^4 GJ (All indirect energy consumption from non-renewable sources)			
EN5	Energy saved due to conservation and efficiency improvements.	Fully	47-48			
EN6	Initiatives to provide energy-	Not				

	efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.					
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Not				
EN8	Total water withdrawal by source.	Fully	52			
EN9	Water sources significantly affected by withdrawal of water.	Not				
EN10	Percentage and total volume of water recycled and reused.	Fully	52			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Fully	GRI Content Index			None of our project sites qualify as per stated criteria
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Fully	GRI Content Index			None of our project sites qualify as per stated criteria
EN13	Habitats protected or restored.	Not				
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not				
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas	Not				

	affected by operations, by level of extinction risk.					
EN16	Total direct and indirect greenhouse gas emissions by weight.	Fully	47, GRI Content Index			Using emission factors (IPCC Guidelines) for GHGs (CO2, CH4, N2O) for fuels used (such as ATF, Diesel), we have established the emissions from direct energy consumption . For India, an emission factor of 0.81 tons CO2e per MWh of power generated has been used for establishing the emission for indirect energy consumption , as per UNFCCC recommendation.
EN17	Other relevant indirect greenhouse gas emissions by weight.	Fully	GRI Content Index			We plan to enhance our scope to include air emissions from employee travel going forward. We should be able to track this successfully by 2012.
EN18	Initiatives to reduce greenhouse gas emissions and reductions	Not				

	achieved.					
EN19	Emissions of ozone-depleting substances by weight.	Fully	GRI Content Index			We do not use any ODS substances in our operations
EN20	NOx, SOx, and other significant air emissions by type and weight.	Fully	GRI Content Index			Within stipulated limits, but exact values would be reported by 2012
EN21	Total water discharge by quality and destination.	Partially	GRI Content Index			Our water discharge at all sites are in accordance with the consented values, where specified by Pollution Control Boards in 'Consent to Operate' or water consents. This is allocated to us as per our planned water discharge we provide in applications as estimates. Further, none of the water discharged from any of the HCC operations is reused by any other organization.
EN22	Total weight of waste by type and disposal method.	Partial	48		Not Applicable	We do not report on weight of all wastes since wastes such as tyres, cement bags, batteries,

						non-refillable containers etc are disposed off through waste disposal contractors or stored onsite until responsible disposal, are not reportable in tonnes as they are counted as numbers, or measured as volumes. We comply with all relevant regulations with respect to waste disposal, and the actual quantity disposed is tracked regularly in our systems.
EN23	Total number and volume of significant spills.	Fully	GRI Content Index			No significant spills in the reporting period
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not				
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the	Not				

	reporting organization's discharges of water and runoff.					
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Fully	Not applicable		Not applicable	As a construction company, we do not manufacture any products. We have however included initiatives to use environmental friendly materials wherever possible.
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Fully	Not applicable		Not applicable	We do not sell any products directly to the consumers. We are a B2B company
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	GRI Content Index			No such fines or sanctions during the reporting period
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not				
EN30	Total environmental protection expenditures and investments by type.	Fully	48			

Social: Labor Practices and Decent Work						
LA1	Total workforce by employment type, employment contract, and region.	Fully	69-70			Given the mobility of workforce across project sites, currently we have not reported on regional break up.
LA2	Total number and rate of employee turnover by age group, gender, and region.	Fully	69-70			Given the mobility of workforce across project sites, currently we have not reported on regional break up.
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Fully	70			
LA4	Percentage of employees covered by collective bargaining agreements.	Fully	69			
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Fully	GRI Content Index			No such changes during the reporting period. As prescribed under the Industrial Disputes Act, 1947, 21 days notice period is given
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Fully	At the project level, all HSE committees have a 1:1 Management: Non-management representation as per the requirements laid out in the Factories Act			

LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Fully	72-73			
LA8	Education, training, counseling, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	78-79			HIV AIDS Awareness
LA9	Health and safety topics covered in formal agreements with trade unions.	Not				
LA10	Average hours of training per year per employee by employee category.	Fully	73			
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Fully	71			
LA12	Percentage of employees receiving regular performance and career development reviews.	Fully	GRI Content Index			All permanent employees receive performance feedback annually.
LA13	Composition of governance bodies and breakdown of	Fully	GRI Content Index			Details on this are provided in the Annual

	employees per category according to gender, age group, minority group membership, and other indicators of diversity.					Report. It can be accessed on http://www.hccindia.com/hcc_admin/data_content/investor_pdf/Annual_Report_2010-11.pdf . Minority group representation is not undertaken.
LA14	Ratio of basic salary of men to women by employee category.	Fully	GRI Content Index			No discrimination in remuneration of employees based on gender. This is a part of our Code of Conduct.
Social: Human Rights						
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Fully	GRI Content Index			Currently, our investment agreements do not have human rights clauses.
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Fully	GRI Content Index			We have not conducted any human rights assessment of our suppliers and contractors so far.
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				

HR4	Total number of incidents of discrimination and actions taken.	Fully	GRI Content Index			No incidents of discrimination have been reported during the reporting period.
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.	Fully	Not applicable		Not applicable	None of our operations run this risk
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Fully	101 (Disclosure to Management Approach LA – last paragraph before Society Indicators)			Our contracts forbid child labor while hiring labor at sites. Further, there are checks at every site at the entry point. When suspected, identity proof is asked for.
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	Fully	101			
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not				
HR9	Total number of incidents of violations	Not				

	involving rights of indigenous people and actions taken.					
Social: Society						
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Fully	8 (Second Last paragraph - From the CMD's Desk for entry and operation strategy). For operations- 64-65 (Water Initiatives at Kihim) 77 (5 areas of Corporate Stewardship) 78 (HIV/ AIDS Awareness) 79 (Disaster Response Network)			During operations, apart from our flagship programs of HIV/ AIDS Awareness and DRN, as mentioned in 'Beyond Bread', the Sustainable Development Report 2009-10, we have 5 key areas we work on (page 76).
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Fully	GRI Content Index			We have not analyzed our business units for corruption related risks
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Fully	37			Code of Conduct under Corporate Governance covers this clause
SO4	Actions taken in response to incidents of corruption.	Fully	GRI Content Index			In this reporting year, there were no reported incidents of corruption in the organization

SO5	Public policy positions and participation in public policy development and lobbying.	Fully	56 (World Economic Forum's Annual Meeting 2011) 57 (World CEO Forum on Sustainable Development, 6th National Convention of UNGC) 58 (Water Resource Group Phase II session 2010, Aquatech India 2011) 59 (India Water Forum 2011, TERI's stakeholder dialogue) 60 (UNGC week 2011) 61 (WWF Water Stewardship Workshop) 62 (UNGC Leaders Summit 2010) 63 (GRI CRESS Final Meeting 2011)			
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not				
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Not				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	GRI Content Index			No fines paid for legal non-compliance during the reporting period. The Head of HR issues a certificate on achieving compliance every quarter.

Social: Product Responsibility						
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Fully	Not Applicable			As a construction company, we do not manufacture products or deliver direct services. We ensure that our structures are safe from the design up to completion stage, though we do not carry out life cycle assessments at this point
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Fully	No incidents of non-compliance during the reporting period.			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Fully	Not Applicable			As a construction company, this indicator is not relevant to us as we do not manufacture a 'product'.
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Not				
PR5	Practices related to customer satisfaction, including results	Fully	27-28			

	of surveys measuring customer satisfaction.					
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Fully	GRI Content Index			The Corporate communications practices of HCC conform to the laws and acts that govern corporate advertising, promotion and sponsorship.
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Not				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not				
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	GRI Content Index			No such fines paid during the reporting period.



Ernst & Young Pvt. Ltd.
3rd Floor, Block 'C'
22 Camac Road
Kolkata-700016, India
Tel: +91 33 6615 3400
Fax: +91 33 2281 7750
www.ey.com/india

INDEPENDENT ASSURANCE STATEMENT

The Management and Board of Directors
Hindustan Construction Company Limited
Mumbai, India.

Our engagement

Ernst & Young Pvt. Ltd. ("EY") was retained by Hindustan Construction Company Ltd. ("Company") to provide an independent assurance on its Corporate Sustainability Report titled 'Responsible Infrastructure' for its Engineering and Construction Business for the financial year 2010-11 (the "Report").

The Company's management is responsible for the contents of the Report, identification of key issues, engagement with stakeholders and its presentation. EY's responsibility is to provide independent assurance on the report content as described in the scope of assurance.

Our responsibility in performing our assurance activities is to the management of the Company only, and in accordance with the terms of reference agreed with the Company. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. Any dependence that any such third party may place on the Report is entirely at its own risk. The assurance report should not be taken as a basis for interpreting the Company's overall performance, except for the aspects mentioned in the scope below.

Scope of assurance

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

- Data and information related to the Company's sustainability performance for the period 1 April 2010 to 31 March 2011;
- Review of sustainability data and information covering the Company's four business units under the Engineering and Construction business;
 - Transportation business unit,
 - Water Solutions business unit,
 - Hydro Power business unit, and
 - Nuclear Power and Special Projects business unit
- The Company's internal policies, protocols and processes related to collection and collation of sustainability performance data.

Exclusions

The assurance scope excludes:

- Operations of the Company other than the Engineering and Construction Business;
- Aspects of the Report other than those mentioned above;

- Data and information outside the defined reporting period (1 April 2010 to 31 March 2011);
- The Company's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention;
- Review of the 'economic performance indicators' included in the Report which, we understand, are derived from the Company's audited Annual Report FY 2010-11.

Level of assurance and criteria used

The assurance engagement was planned and performed in accordance with International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000). Our evidence-gathering procedures were designed to obtain a 'limited' level of assurance (as set out in ISAE 3000) on reporting principles, as well as sustainability performance indicators as per GRI 2006 (GRI G3) guidelines.

Our review methodology

The performance of our engagement involved the following key steps:

- Interviews at the Company's corporate office with Engineering and Construction Business Heads, Function Heads and key personnel to understand the sustainability vision, mechanism for management of key sustainability issues and engagement with key stakeholders;
- Visits to three sites covering three out of the Company's four business units as mentioned in the 'Scope of Assurance' above;
 - Transportation business unit at Kolkata Elevated Corridor Project, Kolkata, West Bengal;
 - Water Solutions business unit at Maroshi Ruparel Tunnel Project, Mumbai, Maharashtra; and
 - Hydro Power business unit at Teesta Hydro-electric Power Project Stage VI Lot IV, Sikkim
- Review of relevant documents and systems for gathering, analyzing and aggregating sustainability performance data for the reporting period;
- Evidencing support of claims made in the Report regarding the Company's sustainability performance.
- Review of selected qualitative statements and sample case studies in various sections of the Report;

Observations

Our key observations are as follows:

- The Company has continued to demonstrate its commitment to sustainability by publishing its second sustainability report at the GRI G3 A+ level and its third Communication on Progress (COP) to the UN CEO Water Mandate in a row;⁵
- The Company has an Occupational Health & Safety (OH & S) reporting system which records First Aid Incidence Rate and Environmental Incidents. HCC could report these statistics in addition to the injury rate, fatalities, severity and frequency rate henceforth;

⁵ This year, the sustainability report also contains the COP to the UN CEO Water Mandate

- The Company has taken the following concrete actions to strengthen its water management
 - Installation of flow meters to track water usage at project sites as witnessed at all three sites visited
 - Construction of water treatment facilities as evidenced at Kolkata Elevated Corridor project site
- A certain amount of data changed during the process of review. The Company is still in the process of establishing indicator protocols and streamlining data compilation for key performance indicators such as air emissions, waste;
- The Company has continued to report on issues identified as material in its previous Sustainability Report ('Beyond Bread', 2009-10). These views on materiality continue to remain internal to a large extent, and the Company could incorporate materiality analysis by external stakeholders in the future;
- Given the presence of its project sites across the country, the Company's current definition for local suppliers includes all those entities that are located within India. Going forward, the Company might consider suppliers operating in and around the project sites specifically as local.

Our conclusion

On the basis of our review scope and methodology, nothing has come to our attention that would cause us not to believe that the Report presents the Company's triple-bottom-line performance in material respect.

Our assurance team

Our assurance team, comprising of multidisciplinary professionals, has been drawn from our Climate Change and Sustainability Services, and undertakes similar engagements with various Indian and international companies. As an assurance provider, EY is required to comply with the independence requirements set out in International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants. EY's independence policies and procedures ensure compliance with the Code.

For Ernst & Young Private Limited



Sudipta Das
Partner
Dated: 28th September 2011
Kolkata

Hindustan Construction Co. Ltd.

Hincon House

Lal Bahadur Shastri Marg

Vikhroli (West)

Mumbai 400083

India

Tel.: +91 22 2577 5959

Fax: +91 22 2577 7568

www.hccindia.com