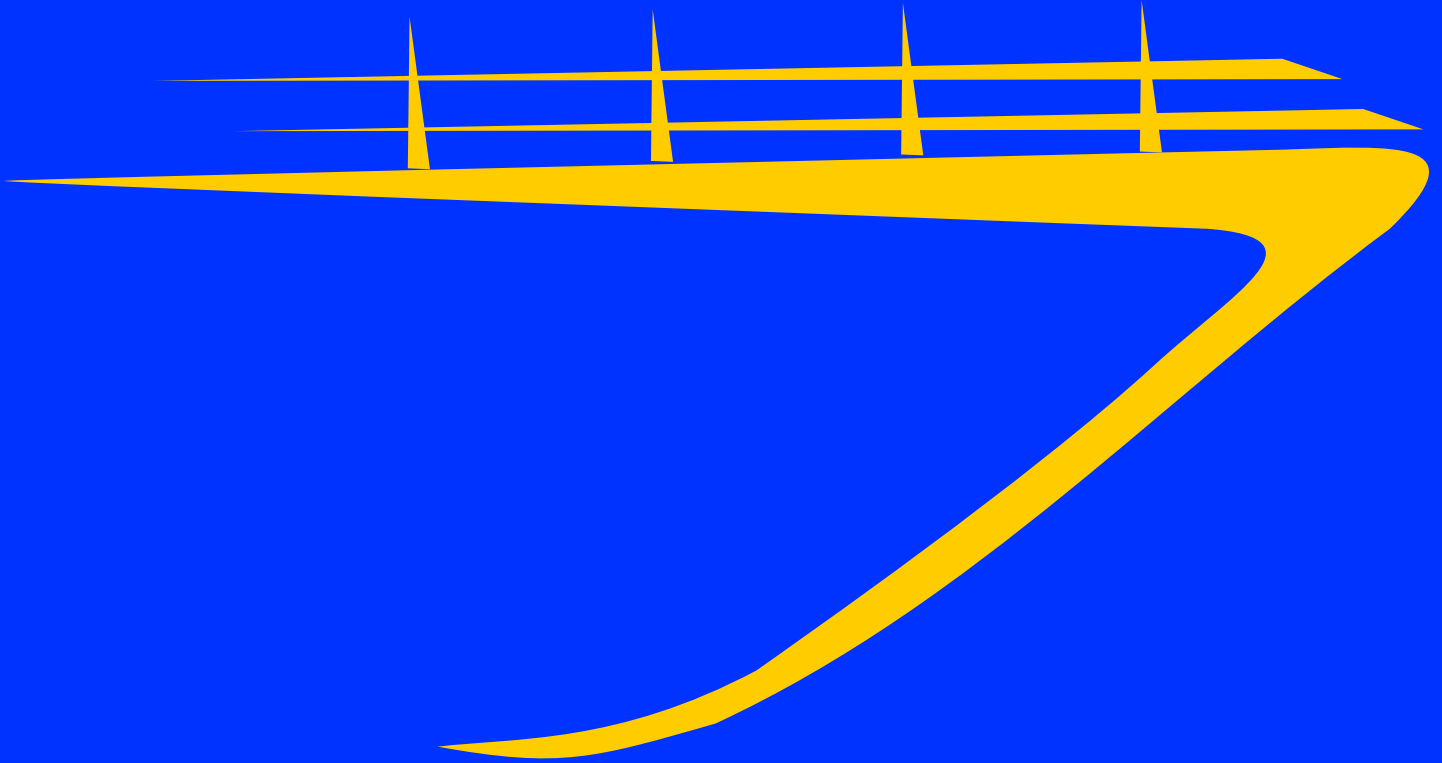


Sustainability

– Our Propelling Force



Sustainability Report

April, 2010 – March, 2011

Essar Shipping Limited



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Message from A R Ramakrishnan

Managing Director, Essar Shipping Limited



It gives me great pleasure to present the first sustainability report of Essar Shipping Limited.

This is a step towards consolidating our sustainability efforts and communicating our economic, social and governance performance, strategy and outlook to our stakeholders on an annual basis.

We have come a long way since the time we invested, over the years, in a diverse shipping fleet and oilrigs, to being an integrated logistics solution provider today with investments in logistics services, sea transportation and oilfield drilling services.

Last year the Board of Essar Shipping Ports & Logistics Limited (ESPLL) decided to demerge its shipping, oilfields and logistics businesses into a separate entity viz. Essar Shipping Limited to enhance our capability in taking advantage of the huge growth opportunities in these business segments. Post demerger, Essar Shipping Ltd got listed in October, 2011. We are continually investing in long term assets to ensure economic sustainability. In the next two years we will add 12 new building vessels to our fleet which will be employed on long term contracts for transportation of coal, iron ore and other raw materials for the steel and power sector. Our company's exposure to the volatile spot market will reduce with a substantial part of our fleet under Contracts of Affreightment or time charter. Oilfield Services business has two jack-up rigs on order that are expected to be delivered by

the next financial year. Our Logistics business, currently operating a fleet of over 5,000 trucks for the movement of petroleum and steel products all across the country will acquire more assets in the future to augment its inter-modal cargo movement capabilities.

Although the shipping sector moves more than 90% of the world's trade and is considered to be the most environment - friendly, the sector is facing a lot of challenges and there is pressure for long term sustainability. Financial pressures are ever building with the rising cost of fuel and thus the cost of operating ships. The regulatory scenario is changing to curtail shipping's emissions and move to a low carbon economy. We see climate change both as a challenge and as an opportunity for future growth. We hope that the emerging changes in the regulatory environment will help in management of this issue at a global level. Estimating Greenhouse Gas (GHG) emissions of our businesses and gap analysis in alignment with sectoral benchmarks will be one of our focus areas in the coming year. In addition, we will ensure that each of our ships has an energy efficiency management plan before the regulation comes into force.

Modal shift in goods transport has been a focus area in our efforts to reduce our Carbon footprint. It has also brought significant gains in traffic avoidance given our present infrastructure constraints. Our assets in Logistics and Sea transportation have been moving greater volumes of cargo by sea that were once handled by trucks on the road.

We continue to face the challenge of skilled manpower shortage in a growth scenario. We strive to retain our talent and have introduced various innovative engagement initiatives. The success of some of our engagement initiatives is reflected in the improvement in our employee engagement score from 54 in 2008 to 61 percent in 2010. In the coming year we will focus on identifying, nurturing and growing internal talent. We aim to identify key critical positions, the right successors and build the leadership pipeline through a range of developmental activities. Managing human capital and realizing the full potential of our team will be a key target activity. The focus will also be on systematic cascading of the Company's business plan in order to align employee's key responsibility areas to the business objectives.

As a company we believe in taking the proactive path and leading from the front. We have many firsts in India to our credit and last year we became the first Indian shipping company to be certified to OHSAS 18001:2007. We also partnered Schlumberger in drilling the 1st shale gas well in India.

Safety continues to be one of our critical priorities equal in importance to profits, costs and quality. Essar Oilfield Services Ltd (EOSL) achieved a major milestone when it completed two years of continuous operations without Lost Time Incident on the Semi Submersible drilling rig Essar Wildcat. Our overall lost time injury frequency rate reduced by 40% over last year's performance. We successfully cleared 13 regulatory and mandatory external audits related to ISM, and 3 audits related to ISO 9001, ISO 14001 and OHSAS 18001.

We are deeply concerned about the growing risk of piracy and the security risk entailed in operating in hostile environment and the threat to our crew. We have increased security measures on our ships moving in piracy zones and our crew has been trained to be more alert. We have also joined hands with the Indian Coast Guard to sensitize the coastal communities on the need to be vigilant.

We are committed to creating opportunities for our stakeholders to participate in and benefit from our growth process. Towards this end, our aim next year is to encourage employees to volunteer several hours in community initiatives planned across locations in Mumbai and Hazira.

We will continue to improve our internal systems for accountability, risk management and corporate governance to be on par with the best industry practices. Integrating the environmental and social aspects in our business strategy and generating value for our stakeholders while pursuing measured opportunities for growth is what will drive the course of our company in the future.

We have embarked on a committed sustainability journey and the path from here on is resonated in Essar Group's tagline "Let's Begin" and its key message that every achievement is not an end but the beginning of a new journey.

Let's Begin!



A.R. Ramakrishnan

Our Vision

We will be a respected global entrepreneur through the power of positive action

Our Mission

The company will achieve its vision by:

- Providing quality services to its customers
- Continuous improvement with sustainable and profitable growth
- Reducing costs and increasing efficiency
- Striving to achieve zero incidents and zero spills
- Being a good corporate citizen



Company at a glance

Essar Shipping is among the largest shipping companies in India providing global transportation logistics solutions. It provides end-to-end sea transportation, logistics and oilfield services, including shipping, lighterage services, logistics services and dispatch of finished products to onshore and offshore drilling services, and offshore construction services.

The company has structured its operations under three businesses:

- Sea Transportation
- Oilfield Services
- Logistics Services

Sea transportation business

The company's sea transportation business offers integrated transportation management and logistics solutions to global oil majors and the energy, steel and power industries. It provides crude oil transportation, transportation management services and integrated dry bulk and finished goods transportation services.

The current fleet strength of 26 ships includes two double-hull VLCCs, six capesize vessels, two modern supramax vessels, two handysize bulk carriers, 10 mini bulk carriers and four tugs with aggregate capacity of 1.6 Mn DWT.

Six mini-capesize vessels, being built at the STX Shipyard in Dalian (China), and six supramax vessels, being built at ABG Shipyard, Dahej (Gujarat), are due to join the fleet shortly. With the addition of these vessels, the company's total tonnage is expected to rise to 2.6 Mn DWT. The new building vessels will be acquired on bare boat charter basis.

The company adopts the policy of entering into long-term contracts with reputed global oil and industrial majors, thereby ensuring assured cash flows and long-term profitability of the company, as well as hedging the company against spot market volatility and industrial cyclicality. Most of the company's vessels have committed cargo contracts well into the next decade, with committed cargo contracts worth USD 3.8 billion to be serviced over the next 15 years.

Oilfield services

Essar Shipping, through its subsidiaries Essar Oilfield Services Ltd (EOSL) and Essar Oilfield Services (India) Ltd. (EOSIL), provides quality onshore and offshore drilling services to international clients. The company owns and operates a fleet of 13 rigs, which includes one offshore semi-submersible rig, Essar Wildcat, and 12 onshore rigs. Essar Wildcat is a third-generation semi-submersible offshore rig, which is rated to work in water depths up to 1,300 feet and has a drilling capacity of 25,000 feet and can be upgraded for deeper waters.

The company's contracted revenue is based on long-term contracts with domestic and international clientele, catered to by a diversified mix of assets. The onshore rig fleet comprises seven mobile rigs and five land rigs; with capacities varying from 250 HP to 2000 HP.

Essar Shipping has entered into a contract with ABG Shipyard, Dahej (Gujarat), for the construction of two new jack-up rigs. The JU-2000A rigs are state-of-the-art rigs and have been designed by Freide & Goldman Limited, USA, one of the world's leading designers of mobile offshore drilling and production units in the world.

The rigs will be built in accordance with the stringent rules and standards set by the American Bureau of Shipping (ABS) relating to safety of life and property at sea. The rigs are designed to operate round the year in regions like the Gulf of Mexico and also in harsh environments such as the North Sea.

These rigs will have the capacity to operate at depths upto 350 feet, drill into the seabed upto 30,000 feet and be able to withstand harsh conditions. The main features of the design include increased storm criteria, extended cantilever reach, a lightweight and efficient drilling package.

Logistics business

The company, through its subsidiary Essar Logistics Ltd (ELL), provides logistics management, transshipment and port services. The company specializes in handling, storage, distribution and movement of cargo by sea, road and rail. The company operates as an end-to-end logistics service provider with services including cargo, transshipment, lighterage and trucking services to steel mills and oil refineries. ELL also has made investments in acquiring assets for movement of project cargo.

The company also provides lighterage support services and onshore and offshore logistics services by a fleet of transshipment assets that include 10 articulated barges, two floating cranes and six tugs.

The company also operates a fleet of 5,000 trucks to provide inland transportation of steel and petroleum products. It services the entire logistics requirements of Essar Steel Limited at its 10-MTPA steel plant at Hazira, Gujarat.

For more information about the company please visit www.essar.com

Our Pedigree

An international footprint

Positioned for growth in high-potential markets



The Essar Group is a multinational conglomerate and a leading player in the sectors of Steel, Oil & Gas, Power, BPO & Telecom Services, Shipping, Ports, and Projects. With operations in more than 25 countries across five continents, the Group employs 75,000 people, and has revenues of USD 17 billion.

Essar began as a construction company in 1969 and diversified into manufacturing, services and retail. Over the last decade, it has captured new markets and discovered new sources for raw materials through strategic global acquisitions and partnerships, or through Greenfield and Brownfield development projects. It is also building a strong presence in sectors such as Mining & Minerals.

Today, the Group continues to expand its global footprint focusing on the Asian, American, African and European markets. Essar invests significantly in forward and backward integration of its businesses, and on leveraging synergies between them. The Group also focuses on in-house research and innovation and embracing the latest technology to remain a low-cost manufacturer with high quality products and innovative customer offerings.

For more information about Essar Group please visit www.essar.com

Our Credentials

First Indian shipping
company to be certified
to ISO 9001:2000
and Internal
Safety Management Code

First Indian private sector
player in contract
drilling space

Driller of first
shale gas well
in India

First Indian shipping company
to comply with the
International Ship
and
Port Security Code

First Indian company
to secure
international
drilling contracts

First shipping company
in India to
acquire six modern
double hull suezmax tankers

First Indian Shipping
Company to get
certified to
OHSAS 18001:2007

The year at a Glance

| | |
|--------------|---|
| May 11, 2010 | Essar Oilfields Services Limited (EOSL) wins first contract outside India in Vietnam; deploys its semi-submersible rig Wildcat for drilling a 4,800-m well with Vietsovpetro JV (VSP), an E&P company operating in Vietnam. Contract valued at approximately US\$ 40 million and ended mid October 2010 |
| Jun 29, 2010 | Essar Shipping is the first Indian Shipping Company to be awarded OHSAS 18001:2007 certificate |
| Jul 01, 2010 | ELL enhances its capabilities by successfully delivering 1600 MT Coke fractioner to Essar Oil |
| Aug 03, 2010 | MV Tvisha joins shipping fleet |
| Aug 06, 2010 | MV Tuhina joins shipping fleet |
| Oct 15, 2010 | EOSL rig spuds India's first Shale gas well |
| Nov 25, 2010 | Wildcat crosses 2 years LTI-free milestone |
| Dec 23, 2010 | Re-organization of Essar Ports Limited & Essar Shipping Limited announced |
| Feb 03, 2011 | Wildcat felicitated by IADC for 2 years LTI-free milestone |
| Feb 23, 2011 | Capesize Bulker MV Badri Prasad joins shipping fleet |
| Mar 3, 2011 | Gujarat High Court approves demerger of Essar Shipping Ports & Logistics Ltd |
| Mar 17, 2011 | Essar Shipping expands fleet with inclusion of MV Ram Prasad |
| Mar 25, 2011 | EOSL completes second Shale Gas Well; receives appreciation from Schlumberger |

Sustainability performance highlights

- Employee engagement score improved by 13%
- 2 years of LTI free milestone achieved by semi-submersible rig - Wildcat
- Overall LTIFR reduced by 40%
- Sea Transportation business certified to OHSAS 18001:2007
- ELL certified to Integrated Management System (ISO 14001:2004 and OHSAS 18001:2007)
- ELL ranked 4th in the Heavyweights category in the Business World Fastest Growing Companies list



Our Sustainability Approach

We see sustainability reporting as a key element of sustainability management and a driver for internal change.

We have adopted international best practice in our reporting strategy and our first report adheres to GRI G3.1 Guidelines. We have also tried to address the 3 principles of AccountAbility as per AA1000APS - 2008: Inclusivity, Materiality and Responsiveness. Our alignment with the recently introduced National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business by Ministry of Corporate Affairs, Government of India is also included.

This year the focus was to involve key personnel from top management of the business and create greater awareness about sustainable development. Sustainability workshops, brain-storming sessions and one on one discussions were held to create a better understanding of sustainability issues. Our reporting this year was also influenced by our approach towards materiality and stakeholder inclusiveness. More details on our approach are given under the materiality and stakeholder engagement sections.

This report includes information on our three businesses namely Sea Transportation, Oilfield Services and Logistics. Two ships that were in service during the reporting period but sold prior year ending are also included.

The report excludes information on:

- our landrigs because most of our landrigs were under refurbishment in the reporting period and for the few that operated intermittently, data was not collated.
- 9 Mini Bulk Carriers, 4 tugs and 2 DSVs as most of them are classed under Inland Vessels and the operations were not significant in the reporting period.
- 2 of our owned ships as one of them is not directly under our management control and the other commenced operation post Mar'11.
- logistics locations with less than 20 employees/contract workmen.

The report includes information on economic, social and environmental performance for 2 years - FY 10 and FY 11, where available.

As an organization we are convinced that assurance brings credibility to the report. It helps in enhancing the quality and reliability of information provided therein and gives us feedback from a different perspective that is vital in our quest for improvement. We engaged DNV to provide independent assurance on our first report as per the requirements of VeriSustain (DNV's verification protocol) and AA 1000AS Type 2 Moderate Assurance.

We shall continue to report on our sustainability performance on a yearly basis.

We are on path of continual improvement and will address the indicators in the subsequent reports as per the commitment made in this report.

Though we have tried to include information that our stakeholders would like to see or know in this report, we are open to any comments to improve our subsequent reports.

You may send your feedback or suggestions to Ms. Sonal Kohli, Lead - Sustainability at Essar House, 11, KK Marg, Mahalaxmi, Mumbai 400 034. Email: sonal.kohli@essar.com.

Essar Group Sustainability Policy

This policy was released in early 2011 by the Chairman, Essar Group. It applies to all Essar businesses including Essar Shipping Limited.



Sustainability Policy & Objectives

At Essar, we shall make sustainable development an integral part of our business model by focusing on economic, social and environmental activities.

While doing so, we shall maintain accountability and will continue to improve our stakeholder engagement program.

We shall incorporate sustainable practices in our existing and new businesses and design our growth strategy to remain competitive and be a good corporate citizen.

Economic Objectives

- Enhance profitability and generate wealth for our stakeholders while pursuing opportunities for growth.
- Assess, prevent, mitigate and manage full-spectrum business risks on a continual basis.
- Create sustainable value by maintaining and improving the quality of our products and services.

Social Objectives

- Have an injury free and healthy workplace and institutionalise a culture of safety in the organisation.
- Foster continual improvement, benchmark our performance and adopt best practices in health & safety.
- Build an organisation that is committed to good corporate governance and social responsibility.
- Implement community development programmes in and around the areas of our operation.
- Enhance economic benefits from our operations and develop partnerships that foster the sustainable development of our host communities.
- Create enabling environment for the community around areas of our businesses in which they can improve their quality of life through enhanced educational, economic and health care opportunities.
- Encourage a diverse workforce and provide a work environment in which everyone is treated fairly and with respect.

Environmental Objectives

- Minimize pollution and continually improve the performance to reduce the environmental foot print.
- Optimise resource consumption by planning and carrying out operations using sustainable technologies and processes.
- Ensure compliance to all applicable legal and other requirements.

A handwritten signature in blue ink, belonging to Shri Shashi Ruia. The signature is stylized and cursive.

Shri Shashi Ruia

January 17, 2011

Stakeholder Engagement

As an organisation, we consider stakeholder engagement to be fundamental to a successful business. Engaging with our stakeholders not only helps us in business decision making but also helps us in prioritizing material issues. This engagement brings many diverse perspectives on issues and gives us an opportunity to devise an effective plan. The aim of our stakeholder engagement is to seek a win-win outcome.

This year the focus was to deepen our understanding of key stakeholder groups and issues. Workshops and one-on-one meetings with personnel were conducted for top management to identify the stakeholder influence dependency matrix.

This matrix consists of stakeholders who can have an impact on the economic, social, or environmental performance of the organization or can be affected by our operations. The following dimensions were considered while identifying the stakeholders: responsibility, influence, proximity, dependency and representation.

The stakeholders were grouped within high, medium, and low categories depending on the degree and manner in which they affect or get affected by the organization and its activities.

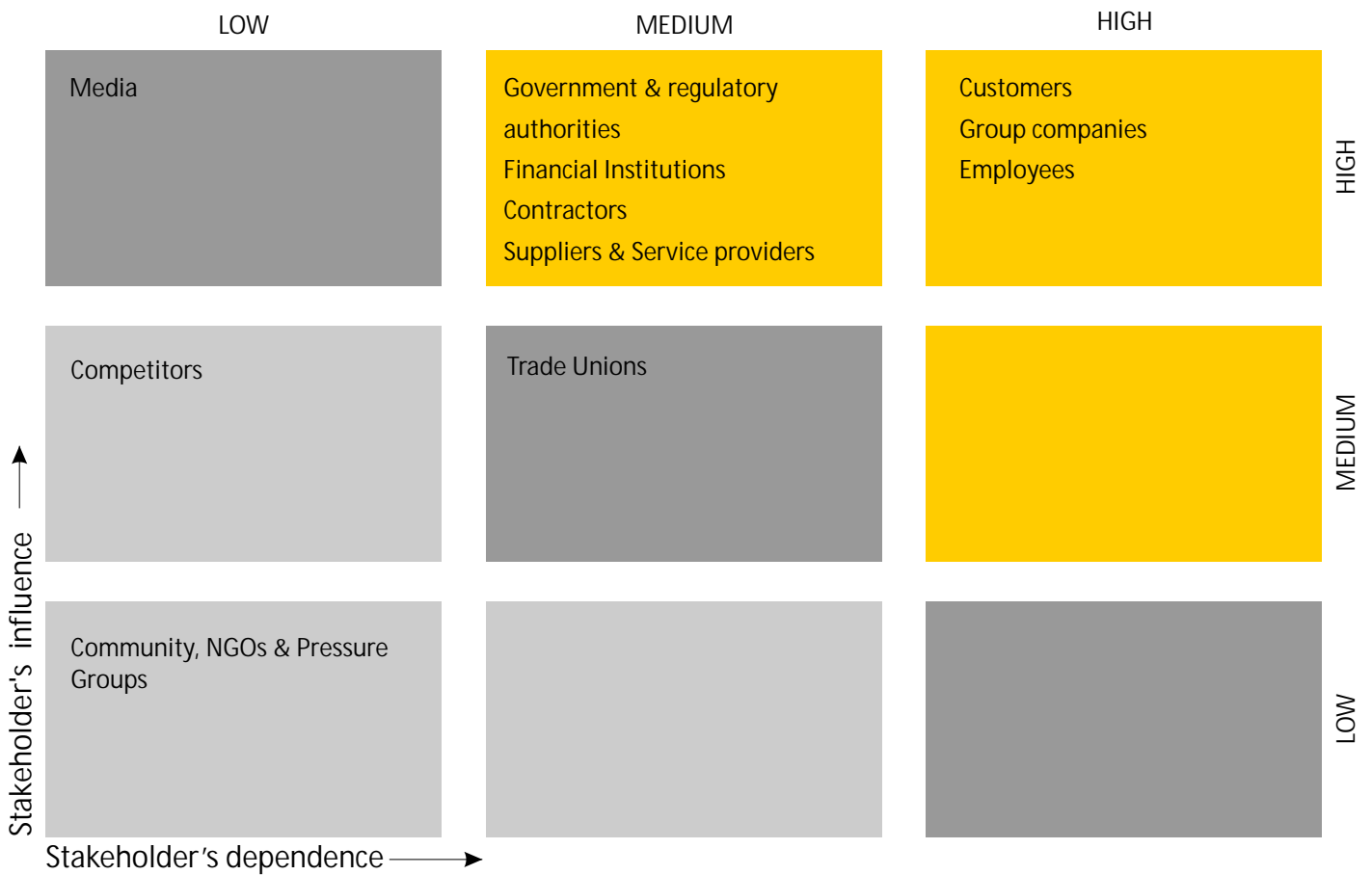
We identified our current approach to engagement with the stakeholders based on the following parameters:

- 1) Communication: Conveying information about us, our products, growth plans, and more.
- 2) Consultation: The process of gathering information or advice about us from our stakeholders.
- 3) Dialogue: This involves an exchange of views and opinions initiated by the company, which may be influenced by stakeholders.
- 4) Partnership: This can originate between any combination of people, public, business, and civil constituencies.

The following page shows the diverse range of stakeholders our company engages with and the engagement relationship with each stakeholder.



Stakeholder Influence Dependency Matrix



The following gives information about our current engagement initiatives with the various stakeholders.

| Stakeholder Group | Mode of Engagement | Frequency | Topics discussed |
|-------------------------------------|--|---|---|
| Customers | Technical briefings, company brochures and reports, website, Visits, Meetings, Presentations, E-mail, Phone calls | Daily basis, Meetings/ Visits when required | Contract related matters, New Business Development |
| Group Companies | Technical briefings, meetings, Phone calls, E-mails | Daily basis. Meetings when required | Current business and Contract related matters |
| Employees | Knowledge sharing sessions, town halls, training, intranet, engagement surveys, focus group discussions, meetings, off-sites | From monthly to yearly | Individual concerns, Rewards & recognition, Information |
| Suppliers / Service providers | Meetings, Phone calls, E-mails, Visits | As and when required | Quality, reliability and cost of service, Feedback on service, new business requirements |
| Contractors | Monthly meetings, Training sessions | Monthly | Safety issues. Contractual issues, Health awareness |
| Financial Institutions | Company brochures, annual reports, press release, Visits, phone calls, mails, conferences/events | Daily basis, visit/meeting when required | Processing documents, Current business and New Business development |
| Government & Regulatory authorities | Meetings (INSA), Office visits for Documentary process with DGS/MMD, Conferences/events, Focus group discussions | Daily basis, Annual Surveys, Port/Class inspections | Statutory documentation, Compliance surveys, Sector outlook, Issues and concerns; current and emerging regulation |
| Trade Unions | Meetings with representatives, regular communication | As and when required | Floating staff related matters; Collective bargaining agreements |
| Media | Quarterly Results and if need arises, conferences/events | Every 3 months and in between as and when required | Strategy, business plan, new announcement, milestones, future trends and market review |
| Competitors | Lobbying with the Government; Through Agents/Brokers, Mails, Phone calls, conferences/events | When required | Sectoral issues; policies, regulation |
| Community, NGOs and Pressure Groups | Phone calls, e-mails, meeting with representatives, conferences/events | When required | Charity / Event Sponsorship, Current affairs matter at hand |

Materiality

Our approach to materiality is based on long term business success. The materiality process involved issue identification, prioritization, and review. The material issues were identified on the basis of the five-part materiality test:

1. Policy-based performance
2. Direct, short-term financial impacts
3. Stakeholder behavior and concerns
4. Societal norms (regulatory and non-regulatory)
5. Business peer based norms

Each material issue was mapped against key stakeholders' concerns to arrive at the final matrix. In the process, we also identified those issues that were germane to the organization and also of concern to the stakeholder but did not find their way into the Annual Business Plan.

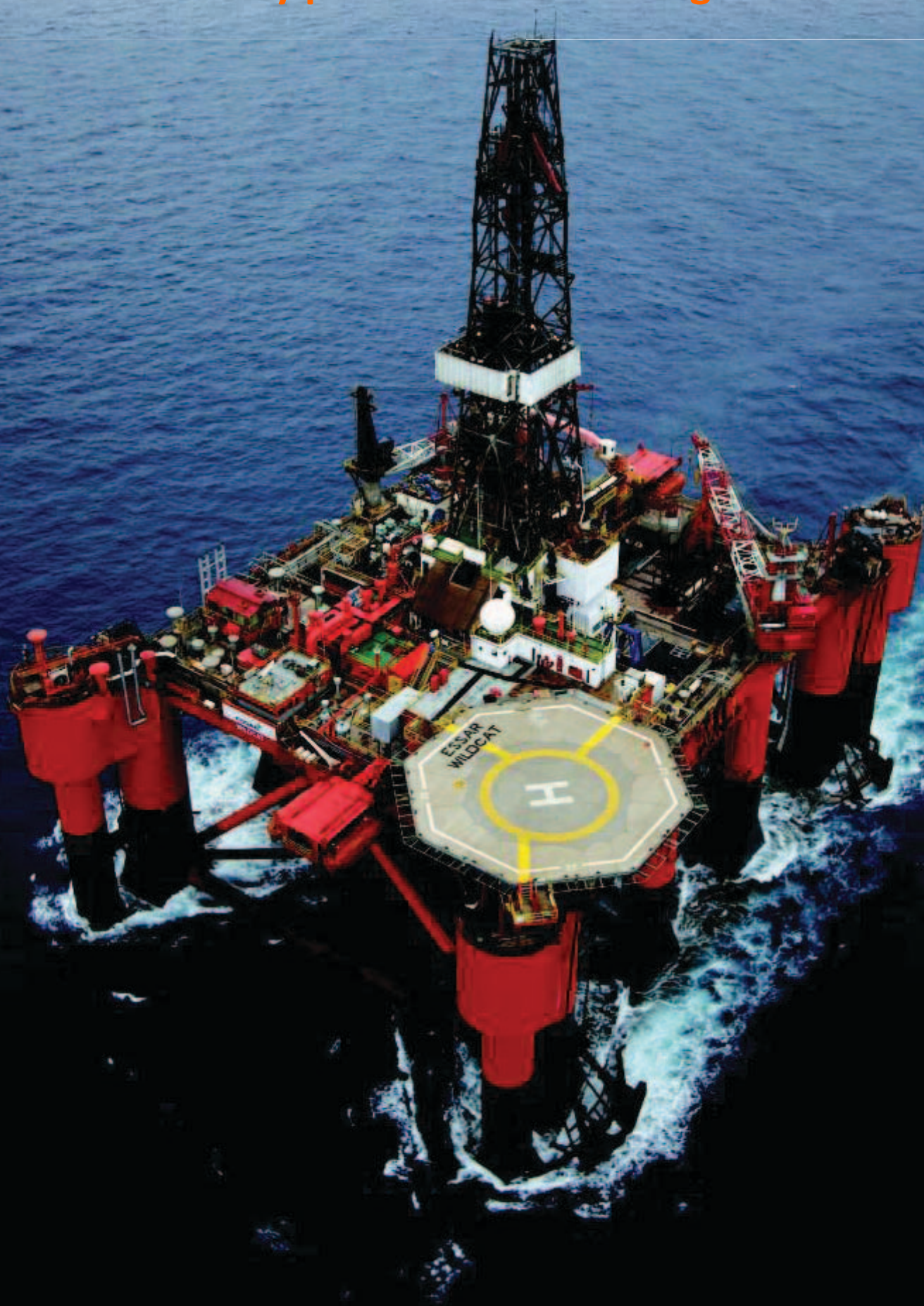
Although the material issue identification exercise was done separately for each business vertical, the resultant matrix is the consolidated version of the 3 matrices. We have segregated our material issues by aspect and the issues in the matrix reflect our significant environmental, economic, social impacts that would influence the assessment and decision by the stakeholders. While some of the material issues are relevant to the sector, others are more specific to Essar Shipping. This report, being our first one, addresses the issues material to Essar Shipping.



Materiality Matrix



Sustainability performance and targets



Economic

| Aspect | Our approach | What we did | What we will do | | |
|--|--|---|--|---|---|
| | | | Short – term (1-2 years) | Mid-term (3- 5 years) | Long- term (>5 years) |
| Cost of operation | Continuously monitor our costs and seek opportunities to reduce the same without compromising safety or quality | Benchmarking with the industry in procurement and manning to be competitive in cost | Aim to reduce cost by 3% after allowing for inflation | Aim to reduce cost by further 3% after allowing for inflation | Aim to reduce cost by 7% after allowing for inflation |
| Freight rates | Ensure that undue risks in the market is avoided by fixing most vessels on long term charters to secure revenue streams whilst some vessels on spot to take advantage of market opportunities. Rig to be fixed with reputed operator | Approximately 80% of the fleet fixed on long term charter. Rig hired out to top end operator Conoco Phillips | Ensure steady revenue through judicious mix of long term and spot fixtures 80:20 | | |
| Asset value | Ensure that proper maintenance and repairs keep asset value high | Extensive maintenance and dry dock plans to retain asset value | Strengthen preventive maintenance through Planned Maintenance Systems | | |
| Seafarer Taxation policies | To retain the best talent in the industry whilst keeping the costs low. Seafarers on foreign flag ships have NRI status with tax benefits | Lobbied with the government through INSA on Seafarer taxation | Continue lobbying for sector friendly policies | | |
| Fleet Expansion | Expand the fleet to meet the tonnage requirements of our group companies and third party contracts | Acquired 2 cape size bulk carriers and 2 hand size general cargo vessels | Take delivery of 12 new buildings bulk carriers and 2 jackup rigs. Acquire other tonnage should business opportunities arise | | |
| Availability & Cost of Finance | Firm contracts to be used to secure finance. | 70:30 Debt:Equity ratio maintained for financing new assets | Continue to maintain 70:30 Debt:Equity ratio. | | |
| Civil unrest | Avoid damage and delays to our cargo due to civil unrest | Proper information on risk areas and avoiding them. Training drivers on precautions to be taken | Locations and destinations in the logistics routes to be sensitized on civil unrest hazards and communication means to be strengthened | | |
| Inadequate Public / Private Infrastructure | Development of port facilities, roads and rail for efficient movement of cargo | Deepened our captive port. Developed internal roads and a rail network for intercarting of cargo within the plant. Lobbied with local authorities for improving existing roads. Constructed a 8 km bypass road in Hazira for vehicles engaged in logistics operations thereby reducing the interaction of vehicles with public vehicles | Concreting/Bitumen of entire marshalling yard area and associated facilities to be completed | Rail network to link the plant to rail head. Further expansion of port to handle bigger vessels | |

Environment

| Aspect | Our approach | What we did | What we will do | | |
|---------------------------------|--|---|--|--|--------------------------|
| | | | Short – term (1-2 years) | Mid-term (3- 5 years) | Long- term (>5 years) |
| Modal shift | Move greater volumes of cargo by sea that were handled by trucks on the road | Bought 2 bulk carriers - MV Tvisha and MV Tuhina to carry cargo to and from Hazira | Increase modal shift by 5% | | |
| CO ₂ emissions | Reduce our carbon footprint by deploying carbon emission reduction measures | Calculated direct and indirect GHG emissions for our owned vessels, semi-submersible rig and vehicles | Monitor emissions and introduce initiatives such as such as voyage management, weather routing, trim, speed reduction for STB, enhancing vehicle maintenance for logistics, renewal of motors to energy efficient type at EOSL | Reduce by 5% | Reduce by 10% |
| Ballast water management | Comply with existing Ballast water requirements | Continued complying with the regulation. Ballast water management plans and logs on all our vessels maintained | | | |
| Fuel Sulfur content | Comply with existing Sulfur requirements around the globe | Modifications to vessels machinery to switch to low sulfur fuel | Efficient monitoring of purchase of fuel to comply with lower limits | | |
| Age of Ships | Invest in younger ships, rigs and trucks which will be more efficient and environment friendly | Placed order for 12 new build ships, 2 new jack up rigs and trucks. Phase out of 2 old vessels | Take delivery of all assets ordered. Phase out of older assets | Renew older tonnage with newer vessels | |
| Regulation | Prepare for emerging regulations and comply with current regulations in all areas of operations | Continuous monitoring of all present and future regulations | Implement emerging regulations ahead of time, as far as possible. | | |
| Spills and Detentions | Strive to achieve zero spills and nil detentions | Training on Spill response to office and floating personnel. Attended Coast Guard drills and seminars. Strengthened operations management | Continue further training and management | | |
| Certification to ISO 14001:2008 | Follow a proactive approach to adopt new mandatory and voluntary requirements | ELL - Hazira certified | Maintain certification of STB and ELL -Hazira. Revise Rig Operating Management System to include the requirements of ISO 14001:2008 | Implement continual improvement measures | |
| Material consumption | Optimise consumption of materials for minimum environmental impact, reduced emissions and waste generation | Monitoring and analysis of consumption of materials such as fuel, lubricants, wood and tyres | Monitor consumption of materials including those that were not part of data collection system in the reporting period | Continue to explore opportunities where reductions can be made in material consumption | |
| Waste management | Reduce waste generation | Monitored waste as per environmental management systems and completed gap analysis of indicators not included in management systems and required by GRI | Implementation of data capturing, analysis and reduction | | |

Labor Practices, Decent Work and Human Rights

| Aspect | Our approach | What we did | What we will do | | |
|--------------------------------------|---|---|--|--|--------------------------------|
| | | | Short – term (1-2 years) | Mid-term (3- 5 years) | Long- term (>5 years) |
| Employee engagement | Create a highly engaged workforce that is committed to organization's journey of value creation | Essar partnered with Aon Hewitt in an initiative to gauge employee feedback in Nov,2010 - Jan, 2011. The study was designed to capture employee opinions and reactions from a sample set of population; hence it was named a Dipstick Study | Achieve 70% score | Achieve 75% score | |
| Employee training | Invest in the future development of the employees whilst equipping them with the skills required in their present roles | Maximum utilization of Learning Management System(LMS) and its offerings. Ensured employees' participation in training programs prescribed in their Individual Learning Plans. Achieved 2 days of training per employee | 3.5 days of training per employee | 5 days of training per employee | |
| Reward and recognition | Create a performance driven culture and reward sustained performance of the employees | Short Term Incentive Plan for the middle management and Employee Stock Options Scheme for the senior management introduced. Spot recognition schemes initiated | Re-launch the recognition scheme – ESL Star in conjunction with the new performance management system eCompass. Introduce innovative schemes to increase employee motivation | | |
| Cost of manpower | Optimization of manpower relative to asset size through process automation and newer technologies | Local hiring on semi - submersible rig | Reduce the cost by 5% accounting for inflation | Reduce the cost by 7-10 % accounting for inflation | |
| Contractor training | Given the nature of the business, competent and welltrained workforce will ensure safe & efficient operation | Periodic training and communication. Hired a training officer for ship's crew | 2 training days per contractor | 2.5 training days per contractor | 3 training days per contractor |
| | Ensure that contractors deployed are suitably trained | 3726 contractors trained | Provide additional infrastructure and resources for contractor training at logistics locations | | |
| Manpower availability and competence | Recruit, train and retain a pool of competent manpower | Increased training by introducing mandatory training. Facilitated external training programs. Inducted a dedicated training officer for ships | Strengthen the recruitment process. Increase competence through identified training programs and retain the talent pool through engagement programs | | |
| | | | | | |

Labor Practices, Decent Work and Human Rights

| Aspect | Our approach | What we did | What we will do | | |
|---------------------|--|--|--|---------------------------------|--------------------------|
| | | | Short – term (1-2 years) | Mid-term (3- 5 years) | Long- term (>5 years) |
| Attrition | Prevent attrition through various strategies in order to retain our talent pipeline and enable succession planning | Initiated Stay Interview, Job rotation and Job enrichment programs | Maintain the rate of attrition below the industry average | | |
| Rest hours | Monitoring of rest hours through proper planning and co-ordination to avoid any violation against the norms | Regular monitoring of shift duties. Tracking of attendance and working hours system punch card | Strengthen attendance monitoring at logistics locations | | |
| Compensation | Fitment of right compensation in comparison with the industry, region and minimum wages criteria | Compensation benchmarking survey conducted for key positions | Keep abreast of market trends in compensation to ensure our employees are adequately compensated | | |
| Welfare | To maintain a healthy work environment with engagement activity through employee connect and other initiatives | EAP program–Counseling; Canteen / Rest room / Transport facility | Have frequent employee connect and other programs so that workforce satisfaction is maintained at a high level | | |
| Amenities | Provide amenities for the workforce at our sites that make the atmosphere conducive to a healthy work environment | Extensive amenities such as cafeterias, rest rooms, wash rooms etc upgraded at truck parking area and marshalling yard | Ensure that all locations have suitable facilities | | |
| Overtime | Strive towards optimum utilization of available human resources | Dedicated resource allocation to handle contract management and introduction of C2 Software to track the over time hrs | Introduce tracking mechanism to restrict and reduce overtime | As per the statute | As per the statute |
| Grievance Redressal | In order to have better engagement at all level, grievance redressal plays crucial role towards engagement | Complaint tracking system strengthened | Reduction of 5% | Reduction of 10% | Reduction of 10% |
| | | | | | |

Health & Safety

| Aspect | Our approach | What we did | What we will do | | |
|--|--|---|---|--|--------------------------|
| | | | Short – term (1-2 years) | Mid-term (3- 5 years) | Long- term (>5 years) |
| Piracy | Ensure safety of ships and crews from the menace of piracy | Installation of equipment. Followed industry Best management practice. Followed convoys and took armed guards where necessary | Training to crews on piracy. Install citadels and procure proven anti piracy equipment | | |
| Employee training in health and safety | Improve safety culture through training | 3 levels of training depending on requirement. For offshore personnel, certified and uncertified training strengthened. Introduced 409 employees underwent training. 100% achieved during first round of online training training | Increase training sessions by 50%. All new employees to undergo induction in HSE. All newly promoted staff to undergo HSE training as identified for their new role | | |
| Safety performance | Reduction in LTIFR by 10% over previous year's target | Reduction of 40% | A further reduction of 10% each year | | |
| Certification to OHSAS 18001:2007 | Companies to incorporate OHSAS 18001:2007 in their Management systems and attain certification | STB and ELL achieved certification | Continual improvement. EOQL to review EROMS and incorporate OHSAS requirements in the existing Safety Management System | All companies to be certified | |
| Health Monitoring | Periodic health monitoring and workplace health and wellness programmes to achieve our goal of a healthy work place | Mandatory health checkups for all employees. Awareness programmes conducted for floating personnel and contract workmen | Continue health checkup and monitoring of industrial hygiene aspects | | |
| Driving Safety | Office and Transportation drivers to be trained in defensive driving | Conducted courses in office and at ELL. Over 23,252 drivers trained in Hazira | All new drivers to be trained and existing drivers to get refresher training | | |
| Vehicle safety | All transportation vehicles to be fully fit for the task. Fitness certification for all intercarting vehicles | All owned vehicles were inspected and certified. All transportation vehicles inspected prior loading | Incorporate IT based system to track safety checks and shortfalls | Ensure every vehicle (owned or hired) to be safety certified | |
| Competency assessment | All skilled labour (riggers, slinger, welder, crane operator, intercarting drivers) to undergo competency assessment | 68% of contracted staff were assessed | Increase competency assessment to achieve greater than 80% assessment | All personnel to be assessed and certified prior undertaking any safety critical tasks | |
| | | | | | |

Product Responsibility

| Aspect | Our approach | What we did | What we will do | | |
|--------------------------------------|--|--|---|---|--------------------------|
| | | | Short – term (1-2 years) | Mid-term (3- 5 years) | Long- term (>5 years) |
| Procurement cost of goods & services | To procure goods and services at the most competitive price without compromise on safety and quality | Vendor selection process streamlined. Procedures for procurement updated | Upgrade IT based systems to create database for vendor selection and rejection | Continuously streamline procurement processes to reduce costs | |
| Quality of services received | To ensure that all services are as per specifications | All services to have a quality remark and approval prior payment | Capture quality of services remarks against vendors in the database | | |
| Route planning/ Voyage management | Reduce fuel consumption and emissions through voyage management | Weather routing and monitoring system incorporated alongwith continuous monitoring and predictions to enhance ships voyage consumption | Use other means such as Just-in -Time arrival and slow steaming where applicable to reduce fuel and emissions | | |
| Vessel Performance | Avoid performance claims from charterers | Continuous monitoring of ships at sea and in port to avoid potential claims | Develop IT systems to accurately analyze performance against contracted targets | | |
| Route planning | To use optimal routes to save fuel and time | Consulted weather services for optimal use of currents and weather patterns | | | |
| Backhaul cargo | Actively pursue backhaul cargo to increase carbon efficiency | Identified routes on which backhaul cargo is available | Actively pursue backhaul cargo to increase carbon efficiency | | |
| Safe handling and on - time delivery | To ensure that cargo claims are minimized | Follow best practice for stowage. New securing means explored | | | |
| Customer feedback | Encourage customer feedback as a tool to improve the quality of service | Customer feedback forms introduced in all businesses and actions taken | Develop IT system to track feedback and implementation | | |
| | | | | | |

Community

| Aspect | Our approach | What we did | What we will do | | |
|-------------------|--|---|---|--------------------------|--------------------------|
| | | | Short – term (1-2 years) | Mid-term (3- 5 years) | Long- term (>5 years) |
| Education | Identify and support educational programs to benefit stakeholders in and around our work locations | Health camps held for truckers and villagers in Hazira. Health issues highlighted in Safety seminars for floating staff | Organize health awareness campaigns at site. Initiate mentoring program for adolescents in partnership with an NGO | | |
| Environment | Minimize our environmental impact | Supported Beach cleanup at Mumbai, Kochi and Kavaratti on International Coastal Cleanup day | Continue to support International Coastal Clean Up. Organize environmental awareness campaigns for maximum employee participation | | |
| Coastal Community | Identify and support worthy causes that benefit the marine and coastal communities | Organized a 9 day motorcycle rally in partnership with the ICG to sensitize the coastal communities on the need to be vigilant. Felicitated the brave men and women in uniform who perform the task of Search and Rescue along the Indian Coast | Continue to support worthy causes. Increase employee participation through awareness | | |
| | | | | | |

Corporate Governance



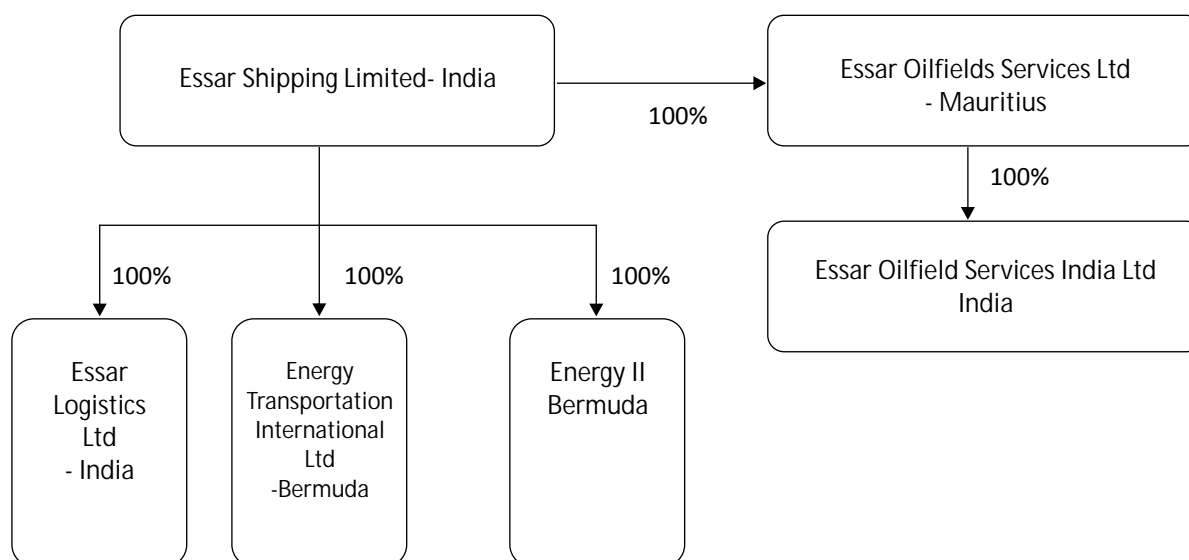
L to R : A. R. Ramakrishnan, MD, ESL, Ankur Gupta, CEO, Oilfield Services, Rahul Himatsingka, CEO, Logistics Services, Capt. Anoop Sharma, CEO, Sea transportation

The Corporate Governance Charter at Essar Shipping sets forth the vision and principles of our governance structure. It is through this structure that the company objectives are set, and the means to attain those objectives and monitor performance are provided.

In August, 2010 the Board of ESPLL unanimously passed a decision to demerge its shipping, oilfields and logistics businesses into a separate entity. In the demerger scheme, it was decided to rename ESPLL as Essar Ports and the resulting company to be called Essar Shipping. Subsequently Gujarat High Court approved demerger of ESPLL in March, 2011. The scheme also included share capital to be split in the ratio 2:1. For every 3 shares of ESPLL held, the shareholder to get 2 shares of Essar Ports and 1 share of Essar Shipping. The resulting company continues to be listed on BSE and NSE. For more investor related information please visit our website www.essar.com

The immediate holding company of Essar Shipping Ltd is Essar Shipping & Logistics Ltd. ESL is a company limited by shares and incorporated under the Companies Act, 1956.

The structure of the company is as below:



The new Board of ESL is in conformance with SEBI Clause 49 of the Listing agreement and is as follows:

| S. No. | Name of the Director | Office held |
|--------|--------------------------|------------------------|
| 1 | Mr. Anshuman Ruia | Non-Executive Director |
| 2 | Mr. R. N. Bansal | Independent Director |
| 3 | Mr. N. Srinivasan | Independent Director |
| 4 | Mr. K. V. Krishnamurthy | Independent Director |
| 5 | Mr. Deepak Kumar Varma | Independent Director |
| 6 | Mr. A. R. Ramakrishnan | Managing Director |
| 7 | Capt. Anoop Kumar Sharma | Whole-time Director |
| 8 | Mr. Ankur Gupta | Director |

6 out of 8 Directors are above the age of 50 and 2 are in the age group of 30 to 50. There are no women on the Board. An 'independent director' is a non-executive director of the company who apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the director. The term "Independent Director" has been defined under Clause 49 of the Listing Agreement entered with Stock Exchange viz. National Stock Exchange Limited and the Bombay Stock Exchange Limited.

A Non-Executive Director is a member of the board of directors of a company who does not form part of the Executive Management Team. Any Director other than Managing Director and Whole-time Director is considered as Non-Executive Director.

Each Director declares his interest in accordance with the provisions of the Companies' Act, 1956 to ensure conflicts of interest are avoided at all times. Additionally the company has formulated a Code of Conduct for Prevention of Insider Trading for its Directors, Officers and Employees as also a Code of Corporate Disclosure Practices.

The Company does not have a designated Chairman of the Board. The Chairman is nominated by the quorum at each meeting.

The Board of Directors of the Company has constituted the following committees in compliance with SEBI Clause 49 of the Listing agreement. All the members are selected on the basis of skills, experience, expertise, foresight, managerial qualities and time availability.

- a) Audit Committee
- b) Compensation Committee
- c) Share Transfer & Shareholders' Grievance Committee

a) Audit Committee (Composition, Charter and Role)

The Audit Committee is mandated to perform the functions specified under section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. The members of the Audit Committee are as follows:

Chairman

Mr. K. V. Krishnamurthy Independent Director

Members

Mr. Anshuman Ruia Non-Executive Director

Mr. R. N. Bansal Independent Director

Mr. N. Srinivasan Independent Director

Executives of the Company viz. Managing Director, Chief Financial Officer, Chief Executive Officer, Statutory Auditor, Head Accounts and Internal Auditor attend the meeting of Audit Committee. The Company Secretary is the Secretary to the Committee.

The Role and Charter of the Committee is given below.

- The Committee is empowered to investigate any activity within its terms of reference.
- The Committee is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, if necessary.
- The Committee is authorized to call upon Executive Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Heads of Department, Internal Auditors and Statutory Auditors for any meetings of the Committee for any clarification or information the Committee may require.

b) Compensation Committee

The members of the Compensation Committee are as follows:

Mr. Anshuman Ruia

Mr. R. N. Bansal

Mr. N. Srinivasan

Role and Charter of the Committee is as below:

- To recommend the compensation of Managing Director, Whole-time Directors of the Company.
- To recommend ESOP scheme to the benefit of employees and Directors.
- To administer ESOP Scheme of the Company
- To monitor and review the scheme at regular intervals

c) Share Transfer & Shareholders' Grievance Committee

The members of the committee are as follows:

Mr. Deepak Kumar Varma,

Mr. A. R. Ramakrishnan,

Capt. Anoop Kumar Sharma

Mr. Ankur Gupta.

Mr. Deepak Kumar Varma has been appointed as Chairman of the Committee.

Terms of reference of Shareholders Grievance Committee are as follows:

To redress grievances and complaints of members on all matters pertaining to their shareholding in the Company and to oversee the functioning of the Registrar & Share Transfer Agent and ensure that the process of share transfers, transmission and issue of duplicate shares is effective and efficient.

Shareholders can provide recommendations to the Board during the Annual General meeting or can write to the company.

Additionally, the Board of Directors has adopted a Code of Conduct to maintain the standard of business conduct for Essar Shipping Limited and to ensure compliance with the requirement of Clause 49 of the Listing Agreement entered into with Stock Exchanges. We have a system to ensure that the code of conduct is understood and adhered to by all members of the organization.

For more information on the provisions of the code please visit www.essar.com For detailed information on the provisions of each committee, please see our Annual report for FY 11.

Risk Management

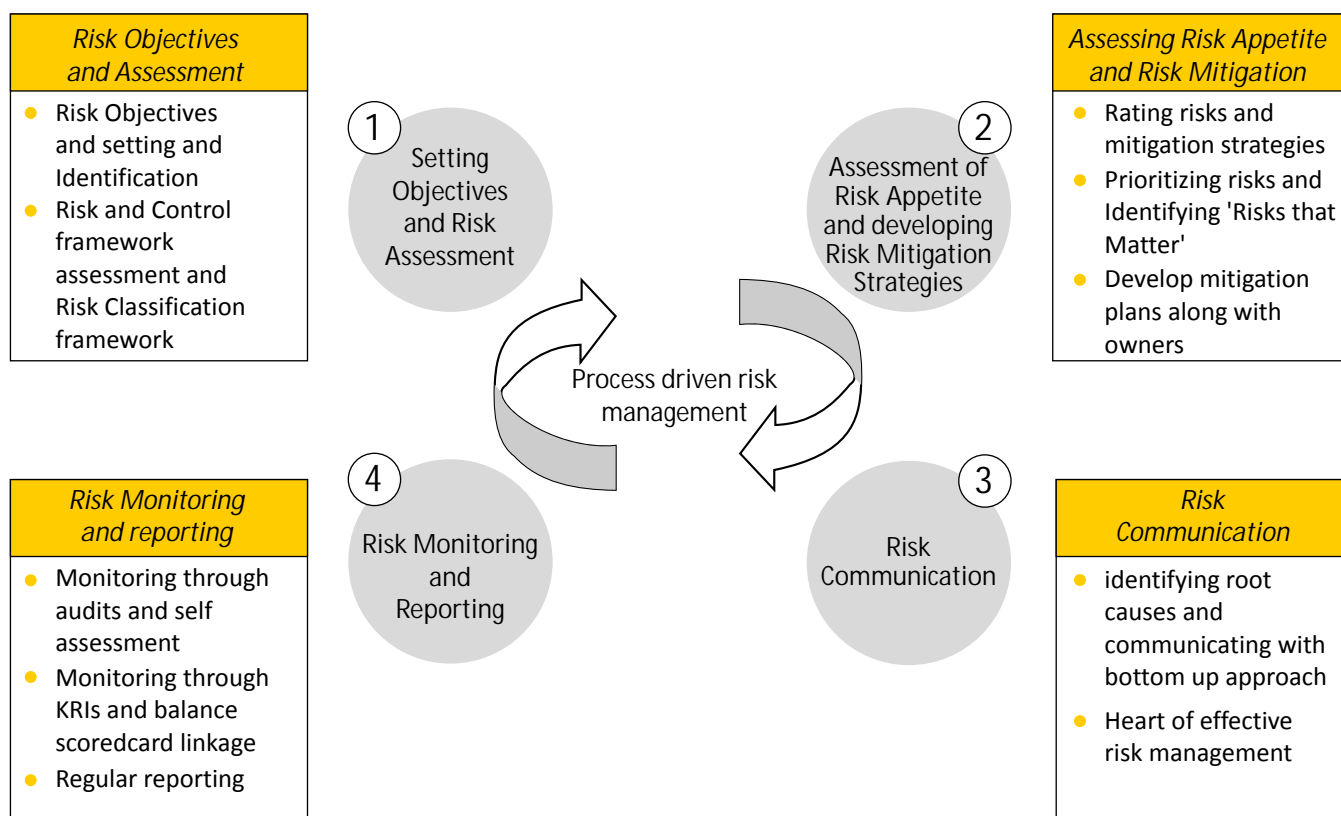
The Company is committed to strengthening its risk management capability in order to protect and enhance shareholder value. Our Risk Management Framework (RM) ensures consistency in methods used for assessing, monitoring and communicating risks throughout the Group and alignment of risk management efforts with the company's vision, mission and strategic and business objectives.

We have an RM Policy that outlines the framework and procedures adopted by the Company to assess and mitigate the impact of risks, and to update the Board and the senior management on a periodic basis on the risk assessed, actions taken for mitigation, efficacy of mitigation measures.

Our RM framework aims to achieve the following:

- Respond to the Board's and Executive Management's need for enhanced risk information and improved governance.
- Provide the ability to prioritize, manage and monitor the increasingly complex risks in the business.
- Provide an explicit, comprehensive process to the regulators, and other stakeholders, that significant risks are being effectively managed.

Risk Management Process at Essar



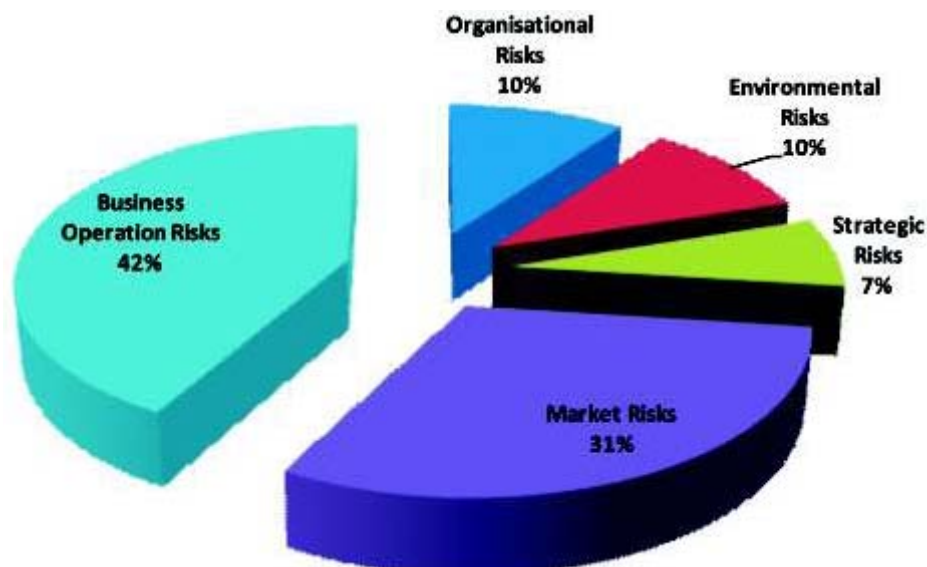
Bottom-up Approach to Managing Risks

The Company operates through independent Business Units and risks are controlled through business decisions and operations. These are in turn driven by the Business Units and the centralized functions. Accordingly, the Company follows a bottom-up approach in identifying and managing risks. Under this approach, risks are identified and addressed across Business Units and Central Functions. Key Strategic risks that are not addressed or reviewed by the Business Units and centralized functions are managed by the executive management.



The following gives a snapshot of Risk Contribution by type for ESL :

Essar Shipping: Contribution by Type of Risk



Regulatory Compliance

In an ever changing regulatory environment it becomes imperative for any organization to identify and manage existing as well as future regulatory risks. Because of our diversified interests and operations across different geographies, our company is focused on compliance as part of good governance.

We have a legal department at the Group level that ensures compliance in line with the company's business objectives. Following elements form a key part of our day to day working:

1. Customer focus

Understanding the needs of different business verticals and providing a solution alongside legal advice that is compliant. This involves continual interface with businesses on transactional basis and business issues.

2. Standardized procedures and templates

We have standardized procedures and templates that assist business teams in areas such as mergers & acquisitions, due diligence, operations, leases, confidentiality and financing matters.

3. Compliance Audits

We conduct compliance audits from time to time for our businesses to identify gaps. Each audit is followed by an agreed action plan with targets and responsibility for issues of concern. For locations where we do not conduct compliance audits we have a mechanism to collect detailed information.

These audits also cover deviations against the code of conduct such as corruption, malpractices, discrimination etc. There were no reported cases of corruption in FY 11. There were no non-compliances with environmental laws, regulations and voluntary codes concerning health, safety, product & service information, labeling and use in the reporting period..

4. Training & Development

We share with and educate the business from time to time the regulatory changes in the sector or a particular geography.

Indirect Economic Impact

The direct economic impact created by the organization can be immediately assessed through financial statements and fund flows. However, the economic footprint of the organization expands significantly when accounting for the indirect economic impact of its activities.

Thus, in addition to the direct economic impact, the organization generates a significant indirect economic impact through its business activities which percolate beyond the immediate stakeholders such as the employees, clients and management and into the economy.

Our organization holds regular training and certification programs for its permanent as well as fixed term contract employees. Additionally, our floating staff requires mandatory certifications to be sail worthy. The organization sponsors these certifications as and when required which have validity even after the employee may have left the organization.

We also work closely with various governmental agencies and associations at the federal and state level on various issues. The information and technical knowhow that the company shares with these agencies and associations allows them to formulate policies and guidelines that are helpful for various stakeholders dependent on the coastal economy.

Disclosure on Management approach

Economic Indicators

Our vessels carry cargo to and from India, Australia, China, Brazil, West Africa and countries in the Arabian Gulf.

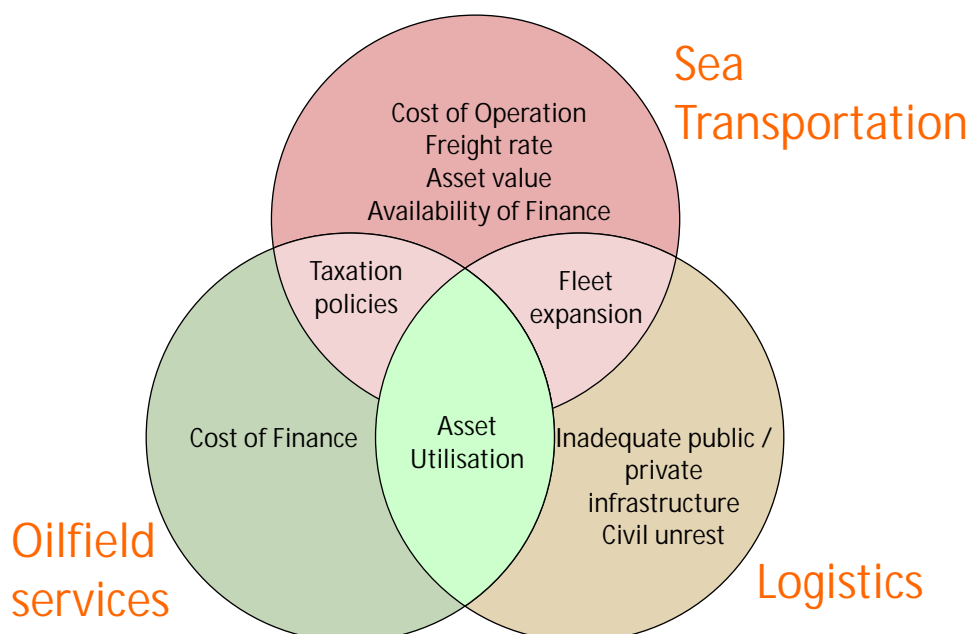
Essar Shipping Ltd achieved a total revenue of 13,359.70 Mn. INR in FY 11. These financials are for a period of 6 months post the demerger i.e. Oct'10. The previous year's figures have been regrouped accordingly. The Shipping Executive Committee exists under the Essar Group Management Committee. The members of the Shipping Executive Committee include the top management of the organization. The 8 member committee ensures compliance, evaluation and continuous improvement on economic aspects. Senior personnel from various functions are invited from time to time. Each function captures these details in their annual business plan which is monitored by the committee at regular intervals. The committee was constituted in March, 2011, post demerger.

We have a Group wide whistle blowing policy called Hotline that aims at encouraging and supporting Positive Action by clearly defining a framework for reporting of inappropriate conduct or behavior. The policy outlines the procedures for reporting, handling, investigating and deciding on the course of action to be taken in case inappropriate conduct is noticed or suspected. The policy not only covers all employees but also our business partners including contract workmen, third parties who not being in direct employment of the company are involved directly or indirectly in doing business with the company either as vendors or suppliers.

Our financials are consolidated as per I-GAAP. We plan to implement IFRS when the regulation comes into force. The following page gives our Economic Performance in FY 11.

For more information please access our Annual Report for the FY 11 available at www.essar.com

Material Issues



Economic Performance

These financials are for a period of 6 months post the demerger i.e. Oct'10.

| Particulars | 2010-11 | Remarks |
|---|-------------------|------------------------------|
| Revenues | MN. INR | |
| Net sales (Gross sales less returns, discounts and allowances) | 12,759.40 | As per Annual Report FY 2011 |
| Income from investments including cash received as interest, dividends, royalties and direct income generated from assets | 215.60 | As per Annual Report FY 2011 |
| Income from sale of assets (tangible & intangible assets) | 384.70 | As per Annual Report FY 2011 |
| Total direct economic value generated | 13,359.70 | |
| Operating costs | 9,194.10 | Annexure 1 |
| Employee wages & benefits - Offshore | 655.60 | As per Annual Report FY 2011 |
| Employee wages & benefits - Onshore | 274.20 | As per Annual Report FY 2011 |
| Payment to Govt (by country) | India 36.80 | Annexure 2 |
| | Others | |
| Payment to providers of capital | Interest 1,393.70 | As per Annual Report FY 2011 |
| | Dividend | As per Annual Report FY 2011 |
| Community Investments | 2.50 | |
| Others | | |
| Economic value retained | 1,802.80 | |
| Notes: | | |
| 1. As there was demerger of the business and ESL came into existence only in FY 2011, the previous year's figures are not reported | | |
| 2. Financials were presented in MUSD, considering ad-hoc average USD rate. As financials are in INR, EC1 is reported in INR Assistance received from the Government | | |
| Particulars | 2010-11 | |
| Other financial benefits received or receivable from government for any operation | | |
| o Export Benefits (SFIS)* | 21.73 | |
| o Scientific Research & Experimental benefits (SRED) | | |
| o Labour incentive programs** | 0 | |
| Total Financial assistance received from government | 21.73 | |
| 1. ESL gets duty exemption under SFIS scheme. ESL gets credit for the exports done from India. Credit is utilized against the import duty | | |
| Annexure 1 | | |
| Operating Cost | MINR | |
| Particulars | 2010-11 | |
| Cost of Sales | 9,399.4 | |
| Admin & selling | 658.7 | |
| Foreign Exchange Gain | 68.3 | |
| Less: Employees wages & benefits shown separately | 929.8 | |
| Less: Community Investments shown separately | 2.5 | |
| Operating Cost | 9,194.1 | |
| Annexure 2 | | |
| Payment to the Government | | |
| Particulars | MINR | |
| | 2010-11 | |
| ESL | 15.00 | |
| ELL | 20.61 | |
| Tax Adjustment for Previous Years | 1.19 | |
| TOTAL | 36.80 | |
| EOSL taxes paid before ESL came into existence. During FY 11 there were no taxes for EOSL | | |

Our People



Our 1HR Vision



Our 1HR Values



Labor Practices and Decent Work

Corporate Human Resources (CHR) has functional responsibility for HR issues at Essar. CHR provides direction in different aspects of HR and introduces innovative models and tools for continual improvement and enhancing value creation.

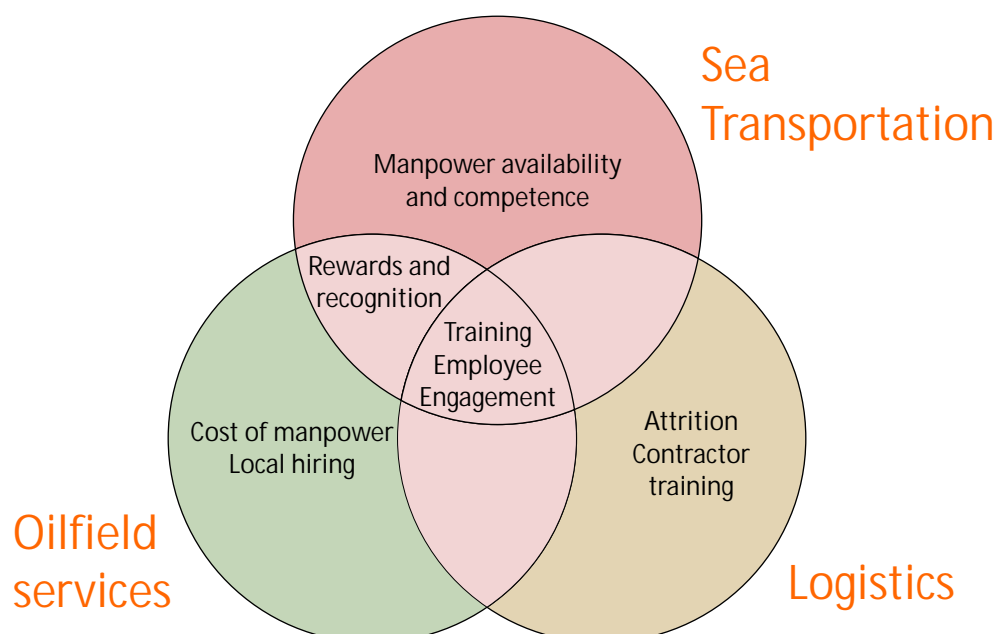
Our Group has policies with reference to labor aspects that highlight our commitment to be an employee friendly organization. The policies apply to the Essar Shipping - shore personnel. There are HR processes in place for recruitment and selection of personnel at all levels; policies in place for Induction, Performance management, Learning & Development, Retirals, Separation, Business practices and exit. Employees can provide recommendations to the organization through the business head – HR who reports to the Shipping Executive Committee on a periodic basis.

Group President, Human Resources who is also a member of the highest governing body (GMC) within the organization, has operational responsibility for labor aspects. He has a team of senior professionals with separate portfolios for Talent acquisition & management, Learning & Development and Employee Engagement. In the last couple of years, our focus has been on working and refining our people management processes and building our Talent Acquisition capability. As much as possible, we continue to hire personnel locally. We took a number of Training & Development initiatives to create a learning environment and interlinked people programmes through a common system to meet business requirements.

The policies applicable to floating staff are as per INSA - MUI agreement. We continue to face the challenge of attracting and retaining talent due to the nature of the sectors we operate in. Some of the key challenges we face are:

- Limited availability and rising demand for skilled and experienced personnel
- Geographical constraints and short tenures of employment
- Lack of industry specific policies and practices.

Material Issues :



The following gives a snapshot of our priorities and performance in FY11 and future targets.

| Priorities | Result achieved | Target |
|---|--|---|
| Employee engagement | Achieved an Engagement score of 54 in a third party survey carried out in FY09. In dip stick survey carried out in FY11 the engagement score rose to 61. The measurement of the engagement was derived from the following parameters: Recognition, Pay, Career Opportunities, Work Activities, Performance Management, Policies, Benefits, Work Life Balance, Training & Development, Resources, Physical Work Environment | Increase our employee engagement score to 70% by Introducing new engagement initiatives and strengthening the existing ones. Additionally, increase communication and involvement at all levels |
| Focus on identifying, nurturing and growing internal talent | 31 High Performance and High potential candidates in the senior and middle management cadre identified | Identification of key critical positions, identification of right successors, building the leadership pipeline through a range of developmental activities; enhanced focus on individual training needs in alignment with the business objectives |
| Training | 1.63 days per employee | Increase the number to 3.5 days per employee |

In addition to the above, the following priorities have been identified for FY12

| Priority | Key action | Key Target |
|--|--|---|
| Effective Management of People Performances through linkage with business results and motivation through rewards | Introduce e-compass for shore based employees and e-PMS for floating and drilling crew | Systematic cascading of the annual business plan to all employees in order to align employee's KRAs to the business objectives and make clear the performance expectations. Introduce innovative rewards & recognition schemes to enhance employee motivation - By March'12 |
| Internal Customer satisfaction survey | Carry out the employee survey twice a year to judge the organizational climate | Achieve a minimum score of 70% |
| | | |

Human Rights

Our organization respects the human rights of employees. We abide by the Human rights law applicable to the countries we operate in and also take care of these issues in our contract agreements.

We believe in non-discrimination, prohibition of child labor, prevention of forced and compulsory labor and indigenous rights. We are an equal opportunity employer and believe in equal remuneration for equal work. We have an open door policy that encourages all employees to discuss their problems with the management. Our "Open Door" policy guarantees that employee concerns are heard, considered and answered without fear of reprisal. There is a policy against sexual harassment that serves as a mechanism for prevention and redressal of sexual harassment at the workplace.

Our Sea Transportation business complies with the requirements of ILO which provides an international safety net for the protection of, and contribute to, decent work for sea farers. These shall be further enhanced with the introduction of Maritime Labor Convention. Our vessels call ports around the globe where ITF inspectors verify and ensure that human rights of the crew are adequately protected.

We are in the process of strengthening the employee and contractor training on human rights especially for logistics operations in significant locations. We are also revising internal audit system to include human rights indicators.

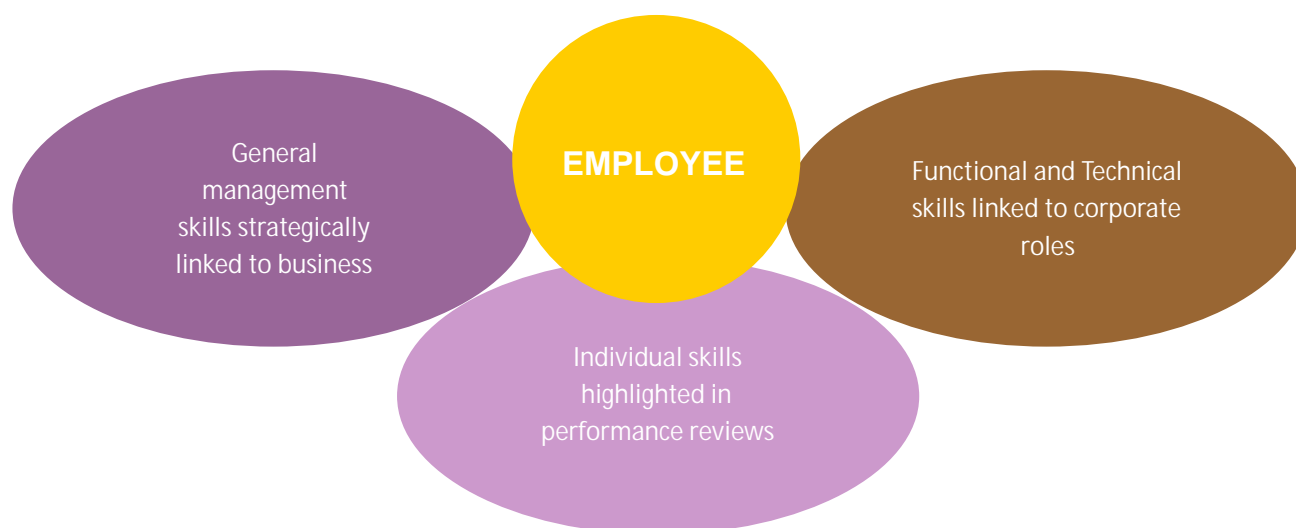
Building a Learning Organization

Our Learning Philosophy

As a successful group, Essar acknowledges the need to constantly adapt and respond to a changing environment to learn and grow. We value learning at all levels within the organization and truly believe that learning is a continuous process.

Learning@Essar does not merely equip individuals with the skills required in their present roles - we believe in investing for the future development of all our employees. To make this philosophy work, employees are expected to take ownership of their learning and development needs. The Business HR team and the Corporate HR team are committed to support employees in the pursuit of their development and partner with them in all their learning endeavors.

The Learning and Development Framework at Essar is a function of three skill sets that influence employees' personal and professional development.



To ensure an effective and efficient running of Learning initiatives at Essar and to institutionalize a consistent learning process across the Group we have clearly defined our standards of operation. These standards flow from our organizational learning philosophy and the learning objective of the Group.

Some of the learning initiatives include the following:

- Coaching and Mentoring
- Essar Academy
- Cadres Programmes
- Executive Development Review
- Employee Engagement
- Performance Management



For more information on our initiatives please visit our website www.essar.com



Talent Acquisition

We have so far filled in 22% of open vacancies through our Internal Recruitment model called *Next Moves* and 16% through external agencies. The remaining were carried forward to the next year. 8% of the total hires in the FY 11 were in the senior management cadre and all were hired locally.

All new hires are made to sign a confidentiality agreement and go through a comprehensive on-boarding training module. The module includes policies, guidelines and procedures of the organization concerning anti-corruption, human rights, intellectual property rights etc. These policies are also communicated to the employees on the intranet.

Ratings of all vessels are hired through external agencies. These agencies have Recruitment & Placement Service license issued by the DGS under Merchant Shipping Rules, 2005. Human rights issues are covered before the agency qualifies for an RPS license. In the FY 11 33% of the floating staff were hired through these agencies.

Employee Engagement

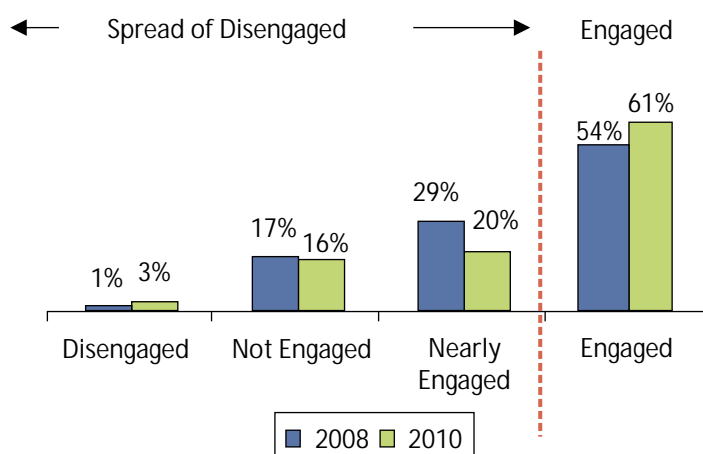
The Employee Engagement initiative at Essar details our efforts to enhance engagement using all six engagement drivers : 'Quality of Life', 'Work', 'Opportunities', 'Total Rewards', 'People' and 'Company Practices' to create a highly engaged workforce that is committed to the organization's journey of value creation. A Group-wide independent survey by Hewitt Associates was conducted in 2008 to study the prevailing levels of employee engagement and identify key focus areas for improvement. Subsequently, Essar partnered with Aon Hewitt in an initiative to gauge employee feedback in Nov, 2010 - Jan, 2011. The study was designed to capture employee opinions and reactions from a sample set of population; hence it was named a Dipstick Study.

In total 229 employees were invited to participate in the survey. Key objectives of the survey included:

- Assess employees' attitudes and beliefs about their work activities, opportunities, quality of work life, company procedures and policies, rewards, and people in the organization;
- Assess employee understanding and support of the business goals and strategies of Essar. And identify key drivers of employee engagement;
- Identify the extent to which employees are observing and managers are supporting the desired behaviours throughout the organization;
- Reinforce the idea of shared responsibility for improving business results; and
- Learn whether different groups of employees have different needs or issues.

The measurement of the engagement was derived from the following parameters: Recognition, Pay, Career Opportunities, Work Activities, Performance Management, Policies, Benefits, Work Life Balance, Training & Development, Resources , Physical Work Environment.

The following graph gives the distribution of engagement of shore based employees at ESL.



Performance Management

Our Performance management system is a comprehensive, continuous and ongoing process in line with our commitment to provide an environment that is encouraging and nurturing, and appreciative of talent and enterprise and one in which our employees can do great work, have fun and grow professionally and personally.

All full-time employees with more than 6 months of service period in the organization are eligible for annual performance and career development review. Our organization believes in equal pay for equal work. The ratio of basic salary men: women is 1:1. We abide by the local minimum wage statute . Annual performance linked bonus is based both on the performance of the company as well as the individual in the given financial year.

The PMS has been rechristened e-compass and is aimed at enabling employees to find their true north in their career development and align their performance with business priorities. The improved system allows for greater transparency in terms of visibility of goals and includes functionalities such as cascading and linking to ensure alignment with the goals.

Head - Fleet personnel is responsible for floating staff appraisal. Every officer serving onboard the ship is appraised when he signs off or every six months or when the Master / Chief Engineer signs off.

Executive Development Review (EDR)

As part of the on-going cycle of performance review and development a formal process of EDR is designed to plan for personal development, focusing on long term needs and to provide an organizational view of strengths and development needs for Succession and Development planning. The process includes a one-on-one meeting with supervisors wherein long term development plans and career aspiration in context of the Organization's capabilities are discussed. Subsequent to the Individual Development Discussion, every employee receives an Individual Learning Plan (ILP) customized to his/her learning needs in the Organization.

Employee Benefits

Like any other organization we endeavor to provide our employees the benefits as required by law and as part of our HR policies and processes. These benefits are applicable Group wide and are iterated in the following policies. Employees are made aware of these benefits at the time of joining and via company intranet.

Retirals policy

- Provident fund / Employees' pension scheme
- Superannuation scheme
- Gratuity

Group Personal Accident Insurance policy

Health Insurance policy

Domestic Transfer policy

Relocation Allowance

12 weeks of maternity leave is provided to the employees on full pay basis.

The benefits for ship based employees include provident fund, compensation and other benefits as per INSA - MUI agreement. Minimum notice period is as specified in the agreement.

Key Initiatives on Rewards & Recognition

With the intent to create a performance driven culture and appreciate the sustained performance of its Middle Management associates, the company introduced Short Term Incentive plan which will be payable after every 3 years of service for consistent performers.

Employee Stock Option Scheme has also been introduced for the Senior Management with an aim to create a stronger link between executive performance and reward and increasing the shareholder value by enabling participants to have greater involvement with, and share in, the future growth and profitability of the Company.

Employee CONNECT - Harmony

We connect with our employees to foster objective, participative, nurturing, winning and a rewarding work culture. We have taken the following Employee CONNECT initiatives to bring out the best in our employees:

Health & Wellness

Employee Assistance Program

Events & Celebrations

Essar CARES

For detailed information on our initiatives to create a work life balance please visit our website www.essar.com

Employee Assistance Program is a professional counselling service program designed to help each employee and the immediate family members to deal with the very challenges that life poses. Additionally, employees on all vessels have access to a 24x7 counseling helpline set up by Director General of Shipping to help them with any grievance they have onboard. This is as per The Maritime Labor Convention 2006, Regulation 5.1.5.

Measurements

| Total workforce by type of contract - FY11 | | | | |
|---|-----|------|------|-------|
| | ESL | ELL | EOSL | Total |
| Regular | 70 | 137 | 30 | 237 |
| Fixed term contract | 231 | 8 | 333 | 572 |
| Third party contract | 0 | 1463 | 0 | 1463 |
| Total | 301 | 1608 | 363 | 2272 |
| Percentage employees covered by collective bargaining agreements - 29% | | | | |
| Total workforce by type of contract - FY10 | | | | |
| | ESL | ELL | EOSL | Total |
| Regular | 74 | 124 | 28 | 226 |
| Fixed term | 161 | 7 | 242 | 410 |
| Third party contract | 0 | 1301 | 0 | 1301 |
| Total | 235 | 1432 | 270 | 1937 |
| Percentage of employees covered by collective bargaining agreements - 25% | | | | |

Fixed Term Contract Employees are directly hired through the company on a fixed term contract basis for a period ranging 1-3 years for certain/specific projects. The contract can be renewed further as per business needs upon mutual consent by both the parties. The contract can be terminated by both the parties with 1 month notice period from either side. Third party contract employees include contractors and sub - contractors hired for specific jobs at site such as Hazira.

Employee category by Gender - FY11

| Gender | Employee level | ESL | ELL | EOSL | Total |
|--------|----------------|-----|-----|------|-------|
| Male | Senior | 12 | 6 | 8 | 26 |
| | Middle | 36 | 35 | 7 | 78 |
| | Junior | 18 | 93 | 14 | 125 |
| Female | Senior | 0 | 0 | 0 | 0 |
| | Middle | 1 | 1 | 0 | 2 |
| | Junior | 3 | 2 | 1 | 6 |

Employee category by Gender - FY10

| Gender | Employee level | ESL | ELL | EOSL | Total |
|--------|----------------|-----|-----|------|-------|
| Male | Senior | 14 | 5 | 7 | 26 |
| | Middle | 34 | 29 | 11 | 74 |
| | Junior | 20 | 89 | 9 | 118 |
| Female | Senior | 0 | 0 | 0 | 0 |
| | Middle | 2 | 1 | 0 | 3 |
| | Junior | 4 | 0 | 1 | 5 |

Total number of employee hires by gender and age group - FY 11

| Gender | Age group | ESL | ELL | EOSL | Total |
|---------|-----------|-----|-----|------|-------|
| Male | | 12 | 18 | 9 | 39 |
| | <30 | 4 | 7 | 5 | 16 |
| | 30-50 | 7 | 6 | 3 | 16 |
| | >50 | 0 | 0 | 0 | 0 |
| Females | <30 | 1 | 3 | 1 | 5 |
| | 30-50 | 0 | 2 | 0 | 2 |
| | >50 | 0 | 0 | 0 | 0 |

Rate of Employee hire FY 11 - 16.46%

Total number of employee hires by gender and age group - FY 10

| Gender | Age group | ESL | ELL | EOSL | Total |
|---------|-----------|-----|-----|------|-------|
| Male | | 16 | 14 | 9 | 39 |
| | <30 | 5 | 5 | 4 | 14 |
| | 30-50 | 10 | 9 | 5 | 24 |
| | >50 | 0 | 0 | 0 | 0 |
| Females | <30 | 1 | 0 | 0 | 1 |
| | 30-50 | 0 | 0 | 0 | 0 |
| | >50 | 0 | 0 | 0 | 0 |

Rate of Employee hire FY 11 - 17.26%

| Total number of employee hires by employee level and gender - FY 11 | | | | | |
|---|----------------|-----|-----|------|-------|
| Gender | Employee level | ESL | ELL | EOSL | Total |
| Male | | 12 | 18 | 9 | 39 |
| | Senior | 0 | 3 | 3 | 6 |
| | Middle | 5 | 0 | 5 | 10 |
| | Junior | 6 | 13 | 0 | 19 |
| Female | Senior | 0 | 0 | 0 | 0 |
| | Middle | 0 | 0 | 0 | 0 |
| | Junior | 1 | 2 | 1 | 4 |
| Total number of employee hires by employee level and gender - FY 10 | | | | | |
| Gender | Employee level | ESL | ELL | EOSL | Total |
| Male | | 16 | 14 | 9 | 39 |
| | Senior | 0 | 0 | 2 | 2 |
| | Middle | 7 | 5 | 3 | 15 |
| | Junior | 8 | 9 | 4 | 21 |
| Female | Senior | 0 | 0 | 0 | 0 |
| | Middle | 0 | 0 | 0 | 0 |
| | Junior | 1 | 0 | 0 | 1 |
| Employee turnover - FY11 | | | | | |
| Gender | Age group | ESL | ELL | EOSL | Total |
| Male | | 7 | 12 | 6 | 25 |
| | <30 | 0 | 5 | 0 | 5 |
| | 30-50 | 7 | 7 | 2 | 16 |
| | >50 | 0 | 0 | 3 | 3 |
| Female | <30 | 0 | 0 | 1 | 1 |
| | 30-50 | 0 | 0 | 0 | 0 |
| | >50 | 0 | 0 | 0 | 0 |
| Rate of Employee turnover FY 11 - 10.55% | | | | | |
| Employee turnover - FY10 | | | | | |
| Gender | Age group | ESL | ELL | EOSL | Total |
| Male | | 10 | 6 | 1 | 17 |
| | <30 | 2 | 0 | 1 | 3 |
| | 30-50 | 6 | 5 | 0 | 11 |
| | >50 | 0 | 0 | 0 | 0 |
| Female | <30 | 1 | 0 | 0 | 1 |
| | 30-50 | 1 | 0 | 0 | 1 |
| | >50 | 0 | 1 | 0 | 1 |
| Rate of Employee turnover FY 10 - 7.52% | | | | | |

| Percentage retention after parental leave | | | | |
|---|----------|-----------|----------|---------|
| Gender | FY 11 | FY 10 | | |
| Male | NA | NA | | |
| Female | 100% | No case | | |
| Average hours of training per employee by employee category | | | | |
| Consolidated | Sr. Mgmt | Mid. Mgmt | Jr. Mgmt | Total |
| Total Training hours | 477 | 1077 | 1542 | 3096.00 |
| Total Employees | 26 | 80 | 131 | 237.00 |
| Average Hours | 18.35 | 13.46 | 11.77 | |
| Average Training Mandays Per Employee | 1.63 | | | |
| Average hours of training per employee by gender | | | | |
| Consolidated | Male | Female | | |
| Total Training hours | 3064 | 32 | | |
| Total Employees | 229 | 8 | | |
| Average Hours | 1.63 | 4 | | |
| Employees appraised during the reporting period - FY11 | | | | |
| | SL | ELL | EOSL | Total |
| Total Employees appraised | 69 | 136 | 29 | 234 |
| % appraised | 99 | 99 | 97 | 99 |
| Male | 65 | 133 | 28 | 226 |
| Female | 4 | 3 | 1 | 8 |
| Employees appraised during the reporting period - FY10 | | | | |
| | ESL | ELL | EOSL | Total |
| Total Employees appraised | 66 | 113 | 23 | 202 |
| % appraised | 89% | 91% | 82% | 89% |
| Male | 60 | 112 | 22 | 194 |
| Female | 6 | 1 | 1 | 8 |

Health & Safety



At Essar, Health & Safety continues to be one of our critical sustainability priorities and we are making continuous efforts to bring about an overall improvement in safety performance. We strive to have an injury free and healthy workplace and institutionalize a culture of safety in the organization.

Health & Safety is an integral part of the management of business and is given equal importance as profits, costs, production and quality. In complying with the statutory, industry and company's requirements, we ensure the health and safety of the people delivering or using our services.

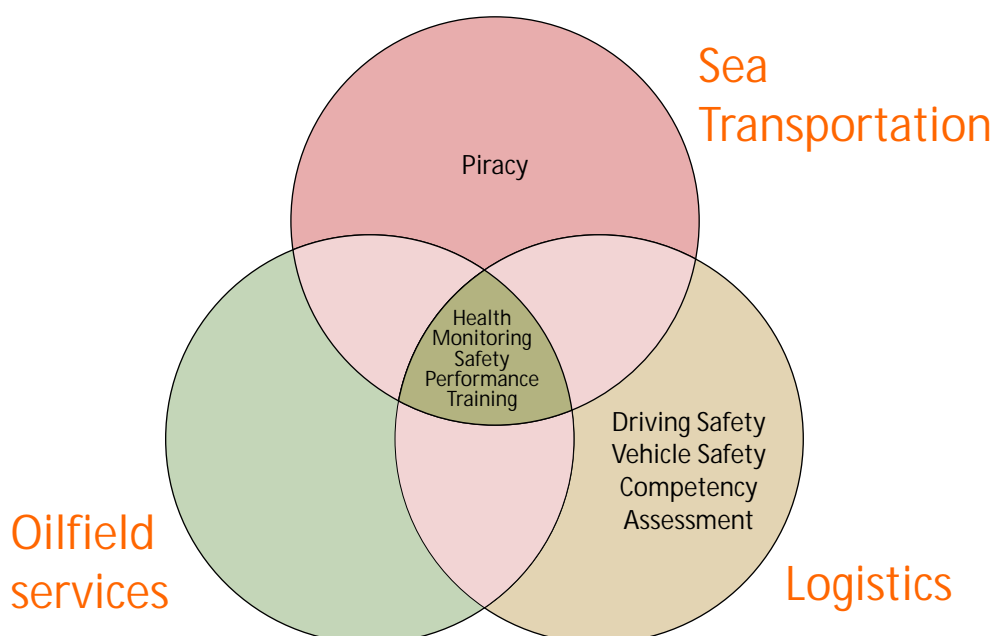
Commitment to Health & Safety is driven from the top at Essar and is demonstrated through the top management's involvement in reviewing Health & Safety performance and conformance to international standards in Health & Safety.

We have been participating in the IADC's Indian Statistics Program (ISP) for the last 3 years for the Essar Wildcat and also including our shipping sector statistics in the TMSA (Tanker Managers Self Assessment) for over 5 years.

We are fully geared to meet the challenges arising out of piracy. Our ships comply with Best Management Practice - 4 (commonly known as BMP-4). Our vessels which trade between Persian Gulf and West Coast India have CITADEL facilities, barbed wired, water spray arrangements and propeller arrestors as necessary. The passage of each vessel is fully discussed and then agreed upon.

These vessels are monitored on six hourly basis, during their transit to Persian Gulf and Indian coast. Armed Security guards may be provided in High Risk areas such as the Gulf of Aden and the vessels join UN protected convoys where available.

We have identified the following health & safety issues that are material to the organization.



Our specific priorities in the FY11 by business included the following:

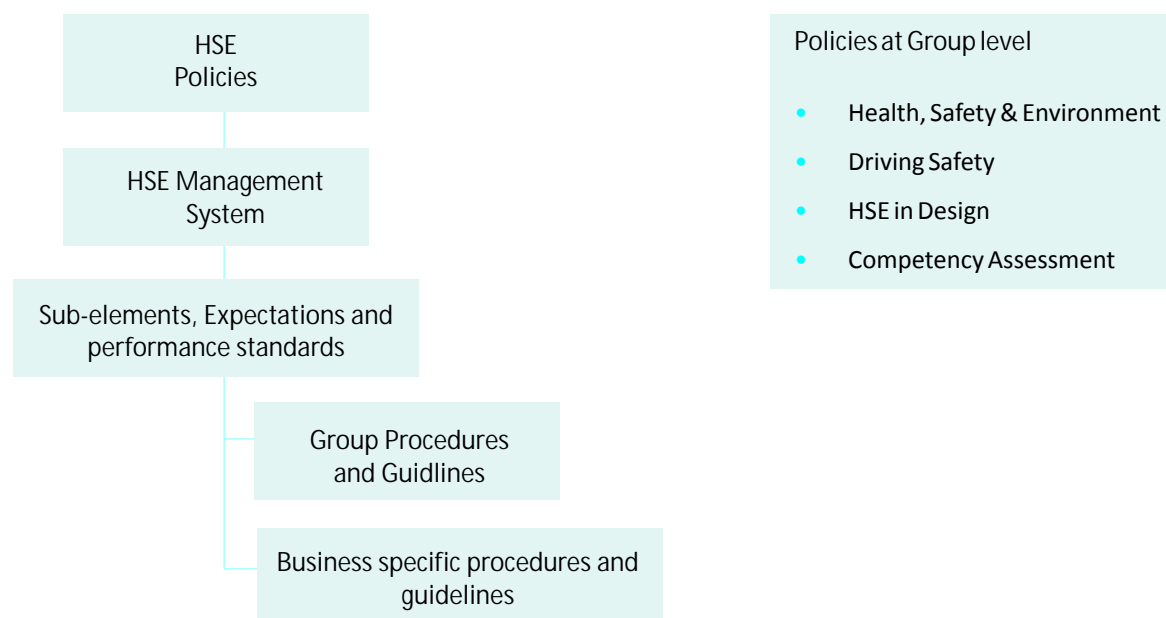
| Priorities | Business | Result achieved | Target FY12 |
|--|---|---|--|
| Improve Health & Safety in Operations with a focus on Competency Assessment | Logistics | 68% of contractor personnel involved in safety critical jobs were assessed | 80%. by March, 2012 |
| Contractor Safety Management: Compliance to Health & Safety conditions in contracts and actions for non compliance to requirements | Logistics | 98% compliance by the contractors | No change in last year's target of 95% |
| Improvement in safety culture | All businesses | To mark 2010 as the year of Safety in Essar introduced new initiatives and strengthened existing programs | Deploy safety marshals to monitor safe behavior |
| Rotation of employees in safety function | Logistics | 7 employees were rotated | Rotate 1% of the employees |
| Competence building through increase in number of HSE training manhours | | 409 employees and 3726 contractors trained | Increase by 50% over an estimated 2250 mandays |
| Compulsory online training & certification for all shore employees | Sea Transportation, Logistics and Oilfield services | 100% achieved during the first round | 100% for all new joiners |
| For Wildcat Certified and Uncertified training programs | | 105 persons did certified training programs, 467 persons attended various (180) uncertified training programs | 100% for all mandatory training requirements. A 10% increase in internal training on the rig |
| Reduction in LTIFR by business per 1000,000 man-hours worked | Sea Transportation, Logistics and Oilfield services | 0.46 | By 10% over last year's target i.e. 1.25 |
| Making specific safety training a pre-requisite for employees being considered for promotion to higher levels. | All Businesses Excluding floating staff | 100 %. All successful MDG candidates completed safety training requirements | 100% |
| Integrated Management System | ELL - Hazira | Certified for ISO:14001 & OHSAS - 18001 | |
| (IMS) Certification | | | IMS Certificate Maintenance |
| Training for drivers | | 23252 drivers trained | 12000 to be trained |
| Occupational Health Risk Control Programs | | 5 New Management Programs identified as part of IMS | Implement as per identification |
| Implementation of HSE procedures on new vessels | Sea Transportation | 2 vessels bought - HSE procedures implemented | 4 vessels projected |

In addition to the above mentioned targets we plan to design and implement Enterprise Business Solution for online monitoring of HSE aspects.

Safety Management

Structure

The management of health & safety is defined by the following structure within the organization.



HSE policies are implemented through HSE Management system consisting of eight elements. These eight elements have further sub-elements, expectations and performance standards. The procedures and guidelines at the Group level provide direction and guidance for effective implementation of HSE requirements across the Group. In addition, individual businesses / sites have HSE procedures and guidelines for local implementation of HSE requirements.

Health & Safety Committees



Total workforce representation on the safety committees on board our ships, at ELL and EOSL is 100%. Safety committee meetings by business are held periodically as per company procedures. The highest governing body within Essar, GMC, meets periodically and appraises the HSE performance of the business from time to time. Performance towards the Group HSE Annual plan is also discussed with the Group HSE at regular intervals.

ESL Business HSE Head is part of Shipping Executive Committee that meets monthly and the meeting is chaired by the Managing Director.

In addition to GMC and Shipping Executive committee, we have an HSE Executive Committee at the Group level being chaired by Director, Essar Group. Group Head, HSE along with business HSE heads are members of the committee. Women compose 7% of HSE Executive Committee. The committee meets on a monthly basis and reviews HSE performance and action plans.

All Shipping businesses have their Annual Business HSE plans and Shipping Business HSE Head reviews the progress on a monthly basis.

Leadership involvement

Year 2010 was declared as the year of Safety in Essar by our Chairman Mr. S N Ruia to reiterate that the safety of our employees and contractor personnel takes precedence over all other business considerations at Essar. ***"Safety for all, All the time"*** was chosen as the theme for the year.

It was emphasized that the leaders must lead by example and 'walk the talk'. They must 'Engage' with the people on safe practices and should have zero tolerance towards non-compliance with Safety standards.

Ever since, leadership involvement has been strengthened both at the Group as well as business level and the following initiatives have been taken a priori.

- Monthly Safety communiqué from senior leadership including business CEOs to promote safety on an ongoing basis
- Enhanced involvement in review of safety performance, Annual Business HSE Plan
- Increased Communication during business townhalls and Group summits

Safety Culture

Safety is largely about the company culture. It aims at institutionalizing an effective and efficient safety system for safety performance. The first and foremost priority is to protect the individual, and provide him/her a safe work environment. Essar's goal is to be among the leaders in Safety.

To improve safety culture across the organization, various initiatives have been taken up and existing programs strengthened. Salient among those are:

- Regular and wider communication on safety across the organisation.
- Observing safety week at various locations/ sites.
- Safety Road Shows at different locations.
- Strengthening line Management involvement through Safety Champion program: More than 10 champions were nominated across the shipping business to take the message of safety forward.
- Launching of Essar Safety Anthem in Hindi & English (audio / visual) and using it widely in various internal forums and meetings.
- Safety Signages and Posters campaign across all sites including offices and guest houses.
- Enhanced safety induction for new joiners, trainees, lateral hires and employees undergoing inter business transfers.
- Training programmes and campaigns on Driving Safety



- Revamping of HSE Intranet for increased communication and learning to all employees located across geographies.

Rewards and Recognition

As part of 2010 - Year of Safety at Essar the following Safety awards have been introduced to recognize local effort, achievement and to influence better performance in the future.

Safety Champion of the Quarter to recognize larger impact

This award aims at recognizing the impact the Safety Champion has been able to have on awareness levels and the adoption of safe behaviors.

Safety Best Practice Award (announced every quarter)

This award recognizes a Business Unit for best / innovative practice it has implemented towards improving workplace safety.

Essar Chairman's Safety Award

This is awarded to a Business Unit with the Best Safety Practices. This award was presented the first time on Essar Founders Day in Dec'10 to the Business Unit that ensured the best track record towards maintaining a safe workplace. Nominations were judged through a rigorous process of screening and panel interviews.

Essar Logistics Limited (Surface Logistics), Hazira achieved 2nd position for the Safest Construction/Services site.

Reporting

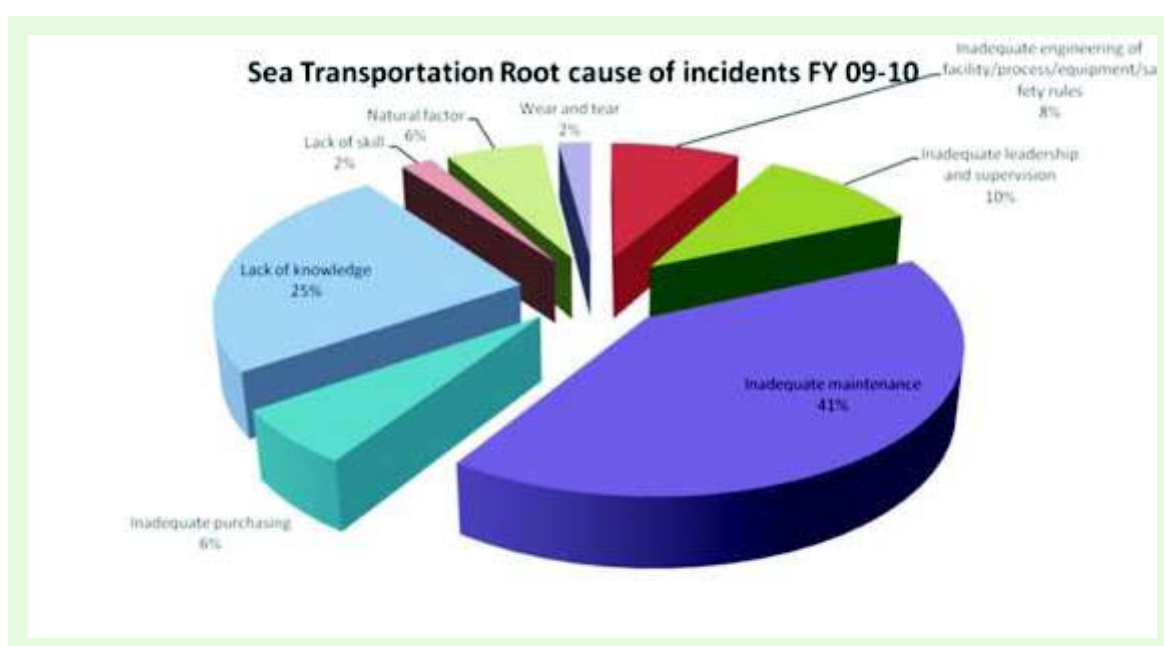
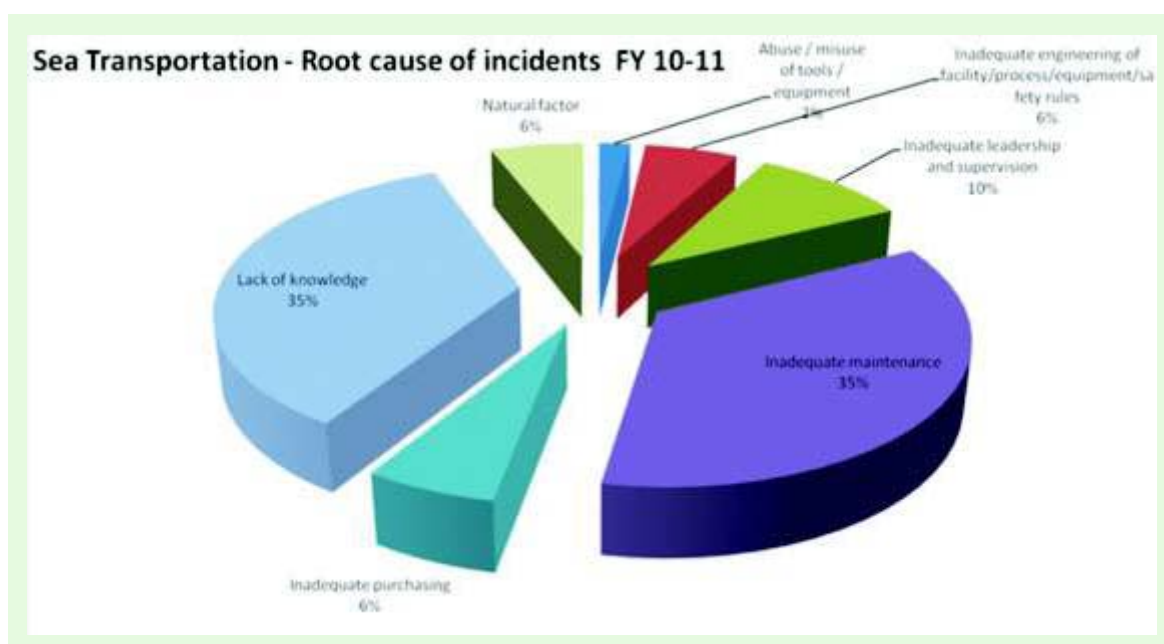
Health & Safety data is collated for all the ESL businesses operated by Essar.

Data is based on leading and lagging indicators and is reported on a monthly basis. These reports giving details of business H&S performance are circulated widely within the organization.

Additionally, information about incidents at sites is made available to all the employees on Intranet in form of safety alerts.

All incidents are investigated to identify the immediate, basic and root causes and the actual & potential consequences. The level and depth of investigation is commensurate with the severity or potential severity of the incident. Implementation of corrective actions arising out of such investigations is monitored both by the business as well as the Group HSE.

The following charts give a snapshot of Root cause analysis of incidents including FACs, MTCs, LTIs and Property damage incidents for Sea Transportation and Oilfield services business for FY 10 and FY 11.



Emergency Preparedness & Response

For Sea Transportation, all ships have bi-annual ship shore drills that include the entire Response teams from both in office and external parties that are involved in Emergencies.

We have Emergency Response Plans (ERP's) specific to the business / site. The efficacy of the response plans is checked through periodic mock drills that are conducted as per a site specific drill planner. Additionally, ERPs are audited by external agencies for completeness and continued applicability.

Skills Management

Training is one of the most important tools that not only help in preventing accidents and reducing cost but also institutionalizing a culture of safety within the organization.

In the FY11 the following initiatives were taken under different categories.

Going forward, we aim to continue our focus on training and provide innovative tools for learning and development.

Employee H&S Training:

The diverse nature of the business requires different types of training to be imparted. There are shore based employees that are covered by the Essar Corporate training program. Ship and Rig based employees require statutory training which is augmented by additional modules when they come ashore.

For shore based employees the following training was imparted:

Level 1: Online training,

Level 2: Classroom Training (Internal & External)

Level 3: Full time rotation in HSE department for a minimum period of 4 weeks

Level 1 Online training

Various training modules (Non-Technical, Technical Business Specific) were prepared appropriate to the user and employees were encouraged to go through these modules. Completion of basic H&S modules was made mandatory for all employees.

Level 2 Classroom Training

HSE training calendar prepared to organize about 110 classroom training sessions on over 30 general HSE topics to cover an estimated 4500 man days and it is currently going on as per schedule. These trainings shall be given adequate weightage during annual performance appraisal process of the individual to make it more effective.

Level 3 Rotational training

To provide more specific, in-depth on-the-job H&S training to line management, a special drive on rotational training was started across the group. Effort is being made to put at least 1 person from each department through this rotational training. Later, these personnel can become H&S representatives for their department to improve H&S standards on a continual basis.

Contractor Safety Training

Contractor safety management has always been a challenge for most companies owing to the nature of workforce i.e. changing and growing. Contract workmen are deployed in large numbers and to maintain the safety performance of the organization contractors' training plays a vital role. This is of particular relevance to our logistics business.

Competency Assessment (CA) for safety critical jobs was given considerable thrust during the year in order to ensure that safety critical jobs / activities are performed safely. CA was made mandatory for certain trades in all the businesses such as riggers, crane operators, welders, HVM operators, electricians etc. and currently the respective H&S department has developed a site specific model for ensuring that this objective is met. Going forward, we plan to strengthen the area by providing additional resources in terms of infrastructure and human resource.

Statistics on competency assessment and various training are as below for ELL which employs vast numbers of contract workers in skilled and semi skilled jobs. Persons employed on Rigs or ships are certified and have statutory refresher training as required by the flag of the vessel or by industry standards. ELL trains a large number of contracted drivers, helpers, riggers, slingers and other skilled/semi skilled workers in safety aspects of their jobs. A special training facility has been constructed to provide for this type of training on site. Audio safety messages are broadcast in public areas of the drivers' rest rooms.

Contractor safety management shall continue to be our focus in the coming year.

Occupational Health and Industrial Hygiene

ESL and EOSL have mandatory health checkups for all employees at a minimum of once a year to detect any occupational health issues. We also conduct seminars for floating personnel to create awareness on health issues at sea including preventive measures. These programs are conducted by qualified doctors specializing in the marine sector.

The rigs and ships have industrial hygiene aspects such as vibration, noise, etc. incorporated into the design of the ships which are built and maintained to Class requirements. ELL conducts routine ambient air quality measurements to record dust levels (main hazard). Improving the road conditions, spraying water and the use of mechanized pelicans has vastly improved air quality measurements.

Transportation Safety

Our Driving Safety policy, introduced in 2007, aims at safe driving, education and training of drivers and periodic monitoring of driving safety performance.

In FY11 besides conducting defensive driving programs for our personnel in offices; several initiatives were taken by businesses at different locations to promote safe driving. The types of defensive driving safety programs at sites included modules on plant safety, highway safety, fuel conservation and safe driving for intercarting trailer and tipper operators.

Measurements

Certification to OHSAS 18001:2007

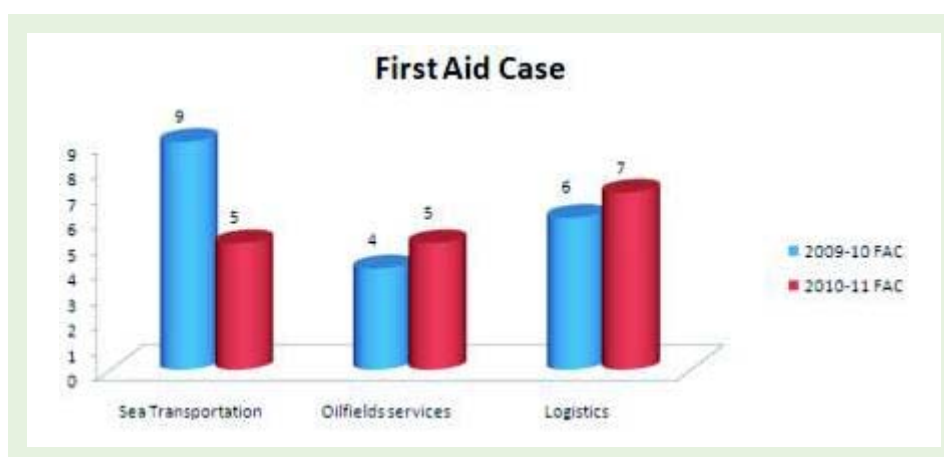
Sea Transportation business and Logistics – Hazira are certified to OHSAS 18001:2007. Oilfield Services business has a comprehensive rig operating management system which will be revised to include the requirements of OHSAS 18001:2007.

Safety Performance

The business sets a LTIFR target for the coming year and the safety performance against target is reviewed periodically. The following gives a comparison of our safety performance in FY10 and FY11.

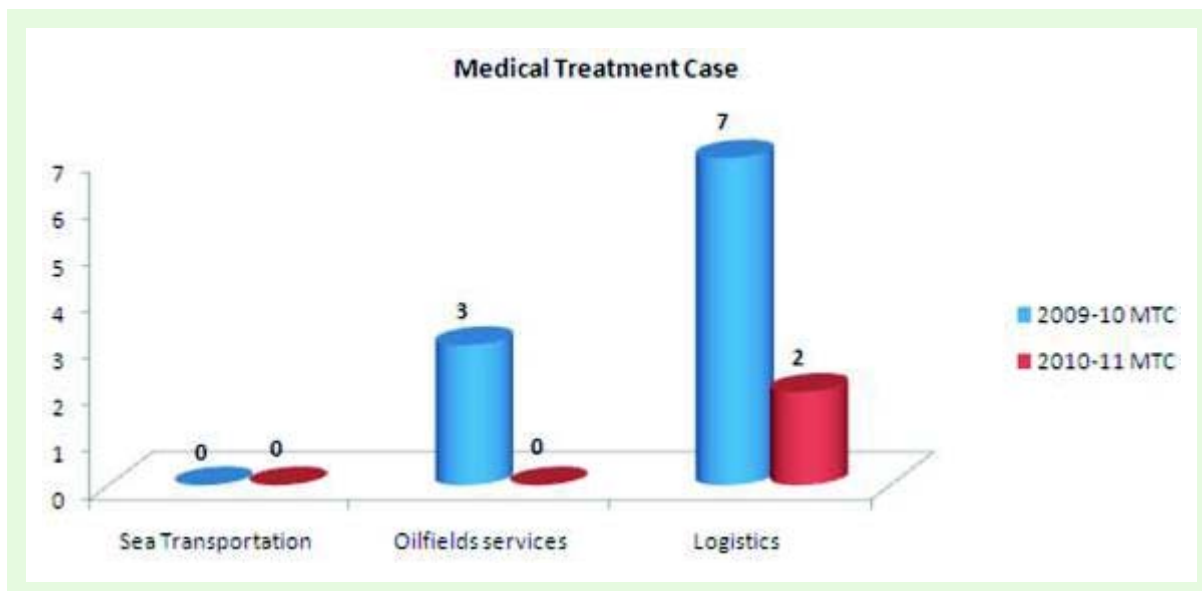
First Aid Case

Work related injury that requires on time treatment and subsequent observation, e.g. minor scratches, burns, cuts, which do not ordinarily require medical care. The first aid may not be administered by a physician or registered professional.



Medical Treatment Case

Work related injury or illness requiring more than first aid treatment by a physician, dentist, surgeon or registered medical personnel, e.g. nurse or paramedic under the standing orders of physician or under the specific order of a physician.

**Near Miss / Hazardous Occurrence**

Situation which could have led to an accident or a pollution incident.

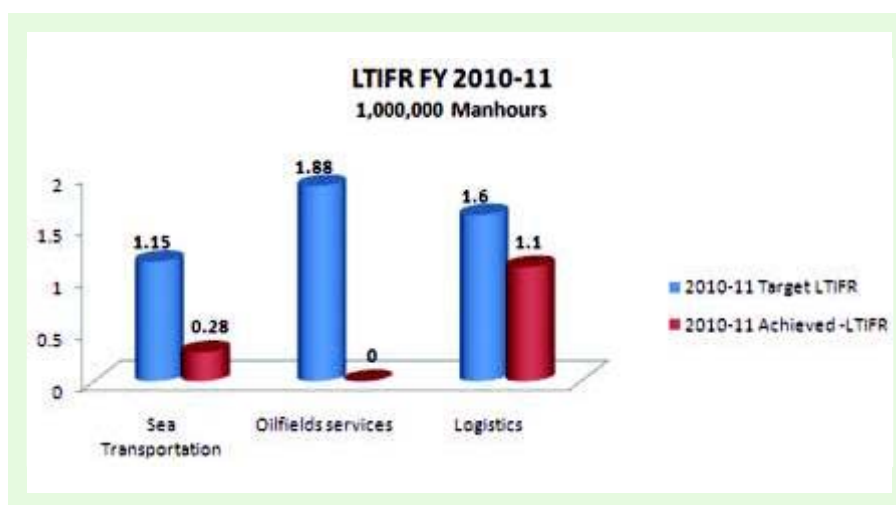
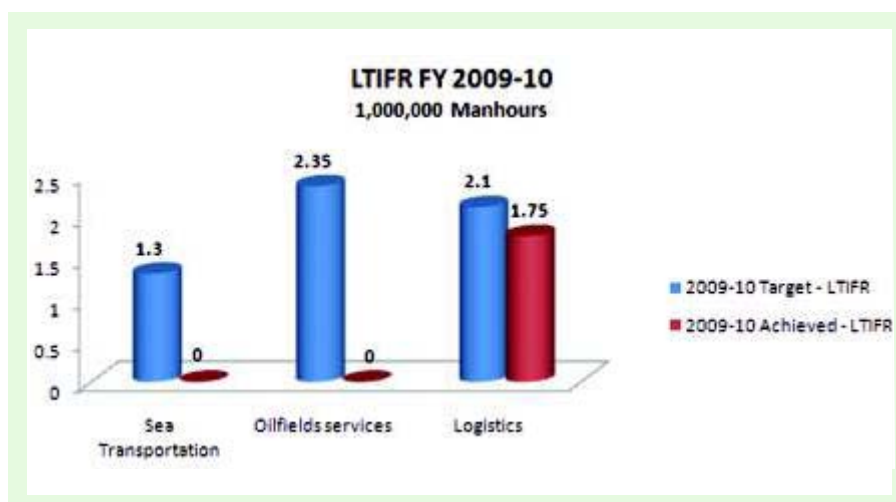


Detentions: On 21/11/2010 MV Govind Prasad was detained by Flag State inspector (Indian Govt) due to detainable deficiencies being present on board. The deficiencies were rectified to the satisfaction of the authority on 24/11/2010 and the vessel sailed.

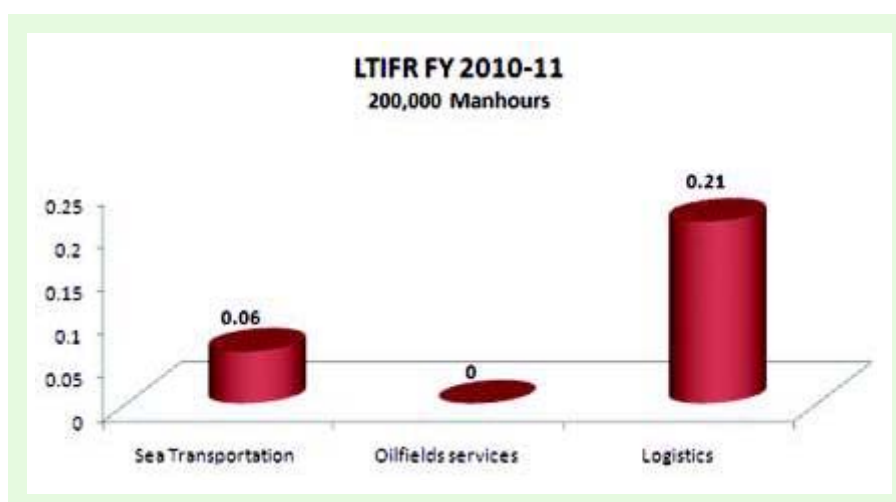
Lost Time Injury

Injury which results in an individual being unable to carry out any of his/her duties or to return to work on a scheduled workshift on the day following the injury unless caused by delays in getting medical treatment ashore. An absence from work for a period for 24 hours or more is considered a Lost Time Injury.

LTIFR per 1000,000 manhours worked



LTIFR per 200,000 manhours worked



Environment



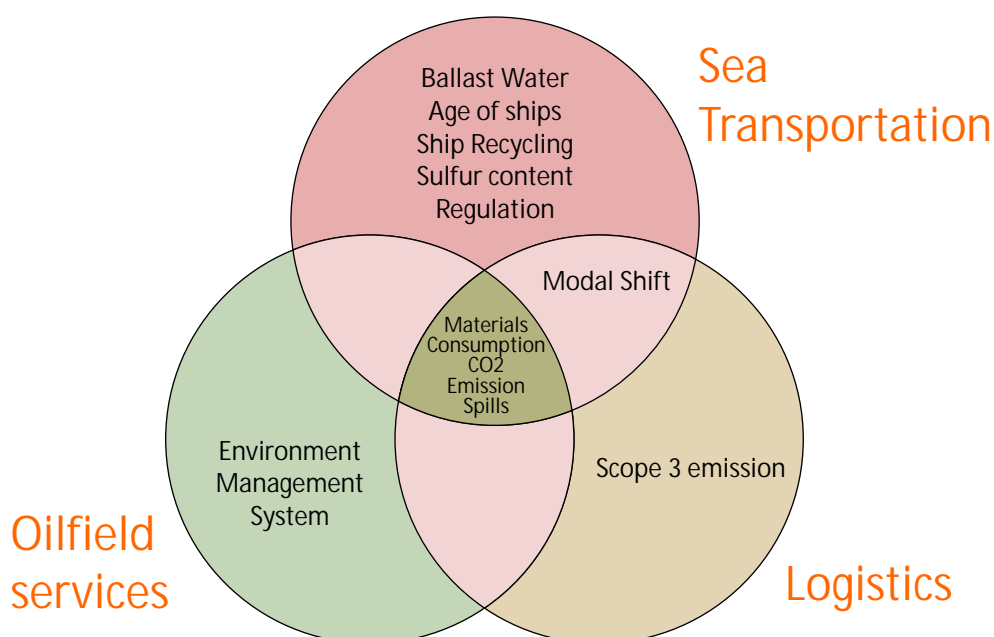
As an organization we are conscious of the fact that industry can play a great role in reducing the overall environmental impact of its activities. We are committed to continual environmental improvement and during the last year we have taken several initiatives at both corporate and business level to demonstrate our commitment to being an environmentally conscious organization.

The environmental performance of all businesses is discussed monthly at the HSE Executive Committee. Besides our legal and operational compliance, last year we initiated the process of monitoring our carbon emissions as per IMO GHG Guidelines. We also explored opportunities to improve energy efficiency onboard our ships.

Due to the nature of our business (transportation and drilling), we consider fuel and lubricants as materials necessary to deliver our services. Water is not considered material as most of it is generated on board the vessels or on the rig thereby minimising the water withdrawn. Packaging is also not material to our business as we transport goods packaged by the manufacturer.

During the year we continued our focus on getting one of our businesses (ELL) certified to ISO 14001 and raising awareness about environmental issues through online and class room training. Going forward, the following are our priorities in the FY12. We will ensure that each of the vehicles we own or hire has a PVC certificate ensuring emissions are within permissible limits.

- Ensure compliance to legal and other requirements
- Minimize pollution and continually improve performance to reduce our environmental foot print
- Optimise resource consumption by planning and carrying out operations using proven resource conservation methods
- Identification of opportunities such as clean technologies, energy efficiency, water efficiency etc. with an approach that enables long term sustainability
- Increasing awareness of global as well as business specific environmental issues



The following gives a snapshot of our priorities in FY11, performance and future targets.

| Business | Aspect | Performance | Target |
|-------------------|---|---|--|
| All Businesses | Calculation and Monitoring of carbon footprint using GHG protocol | Emissions for sea transportation, ELL surface and EOSL (Wildcat)calculated using standard protocols | Strengthen carbon management program and explore opportunities for carbon emission reduction in the mid-term |
| All businesses | Green Purchasing | Standardization of purchasing process including clauses such as green packaging in the agreement with the suppliers | -- |
| Oilfield services | Environment Management System | Process initiated | To be in place by Mar'12 |
| Logistics | Stacking dunnage material substitution | Change over from wood to reinforced resin | - |

Our Environment Management System adequately covers matters relating to the impact on the environment due to our operations. Our environmental controls to minimize pollution and adherence to MARPOL (in case of Sea Transportation business) are verified during inspections by Oil majors, Port state control and Classification societies.

Climate Change

As a Group we realize that our response to climate change is going to be a deciding factor in our business performance. We view climate change as an opportunity that will strengthen the organization and position us for future growth and success.

The emerging climate change regulations can affect the competitiveness of industrial sectors impacting profit potential and trade flows. Therefore it is imperative to have a structured approach to carbon management to manage the impact of climate regulations on our organization's growth and profitability.

The key drivers to our climate change strategy shall include regulation, stakeholder expectations and cost reduction.

Our current and future focus includes the following:

1. Estimating GHG emissions of our businesses and gap analysis in alignment with sectoral benchmarks and best practices
2. Preparation of business wise and time bound carbon management action plan to reduce CO2 emissions.
3. Sensitizing employees on the effects of Global Warming

Our carbon management strategy for the shipping business is driven by the following:

- Adoption of energy efficient technology (upgradation of equipment and processes, waste heat recovery)
- Implementation of various energy efficient processes during operation
- Monitoring and measurement of energy and conducting energy efficiency evaluation

The Sea Transportation business has representation on several committees of INSA, DGS and classification societies that discuss both the current as well as the emerging regulations and policies. Climate change is a significant issue for the sector and we provide technical opinions and feasibility of implementation of the emerging policies and regulations by participating regularly in such meetings.

Greenhouse gas emissions have been a matter of global concern and IMO has been developing guidelines for vessels to monitor emissions as well as develop plans to monitor and manage emissions so that measurable reductions can be achieved. Our future goal is to achieve efficiency in the amount of GHG emissions per tonne of cargo carried. We have already conducted such a study ahead of time to analyze our GHG emissions.

Similar studies are being done to reduce emissions in ELL. Efficiency monitoring was done for Sea Transportation using emission per tonne of cargo carried.

Energy

Ship Energy Efficient Management Plan (SEEMP): In line with current guidelines that have been established by IMO, each of our vessels will have a vessel specific Energy Efficiency Management Plan. This plan will cover fuel consumption for propulsion, electricity generation and consumption and cargo operations. We plan to capture and monitor the data on a monthly basis so as to take appropriate corrective measures on a timely basis. Onboard performance monitoring systems will give a holistic approach to ship operations with the aim of reducing fuel consumption and emissions while achieving optimum vessel performance (Ref IMO- MEPC.1/683). We have already completed energy efficiency evaluation on our ships and are now in the process of implementing fuel efficiency measures. These include trim, speed reduction and weather routing. These fuel efficiency measures will not only reduce our energy consumption but also benefit our customers through lower fuel cost, where applicable. The outcome of these initiatives will be published in our next report.

Water

Sea Transportation and Oilfield services mostly use water that is generated on board. The water is withdrawn from deep oceans and is used for operational and other purposes. Logistics only uses water for spraying in the marshalling yard to control dust emissions. No water sources were significantly affected due to withdrawal during the reporting period.

Ballast water

Ballast water is essential for ships stability and when picked up in one location and discharged in another without controls, the transported marine organisms can threaten the eco balance and lead to the spread of unwanted species. Our vessels have ballast water management plans and logs to record the ballast operations and should there be a risk of transporting marine organisms, the vessels perform mid-ocean ballast water exchange. The IMO is in the process of passing regulations to strengthen the measures required to be taken by vessels to mitigate the risk and we will comply with these measures as when they come into force.

Air

Currently we are monitoring our emissions as per the IMO Guidelines. As some of our ships were built prior to the introduction of Annex VI, MARPOL, they do not have advanced systems for air pollution control. Our new ships will have state-of-the-art air pollution control equipment.

Hazardous waste

Some of the vessels are fitted with an incinerator that can incinerate sludge and waste oil generated. Vessels that do not have an operational incinerator land the sludge to authorized collection agencies to be handed over to Shore reception facilities. The drilling rig also lands all Sludge/Waste oil for disposal to approved shore reception facilities.

Disposal of plastics at sea is prohibited. All waste is segregated and plastics are landed to authorized collection agencies. Sea Transportation landed 153 cartridges and treated 52.32 m³ of garbage.

Logistics hands over all used oil from vehicular activity to Essar Steel Secondary sales that then dispose it to authorized treatment and disposal parties. Logistics also hands over batteries and ink cartridges to the supplier under a buyback policy.

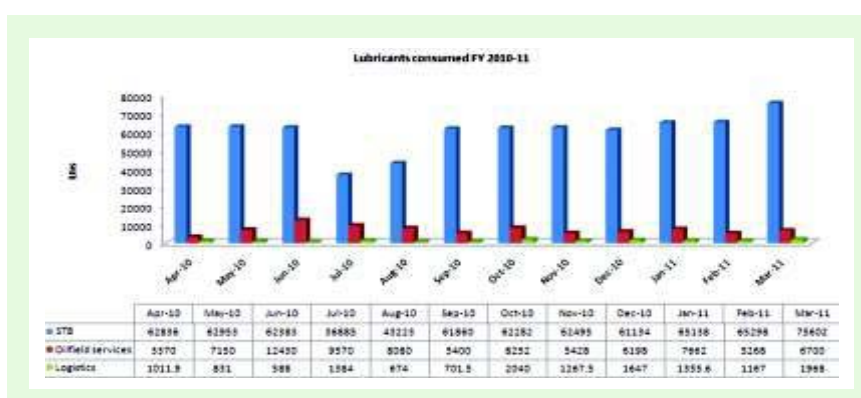
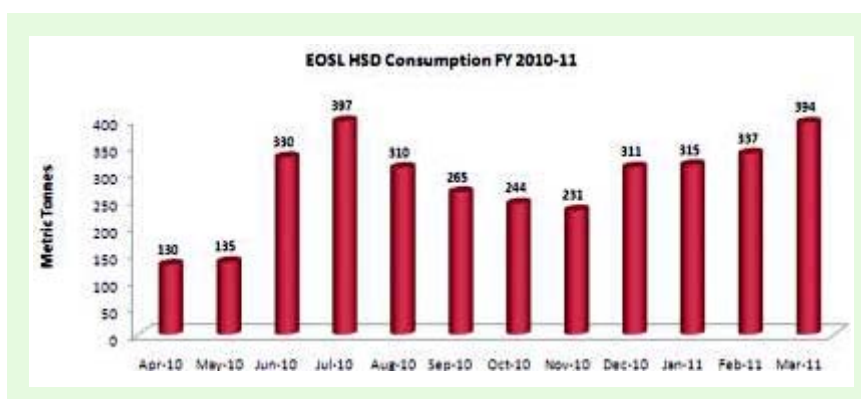
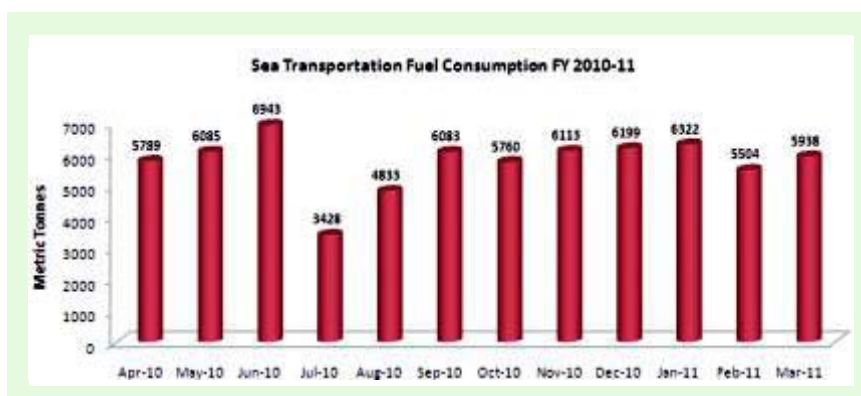
Biodiversity

Our Logistics operation site does not fall under the area of high biodiversity. However it does fall under protected areas. No IUCN Red list species exist in surrounding area of our operations.

Any spill (chemical / oil) over 100 litres is considered as significant as per our company procedures. There was only one significant oil spill during the reporting period. On April 12, 2011, during discharging operation at Gopalpur anchor, a self propelled barge made contact with MV Malavika in way of FO tank 4S. The contact caused 8 MT of HFO (Heavy fuel oil) to spill into the sea. Temporary repairs were carried out up to satisfaction of Class to make one voyage where the permanent repairs were carried out at next port. The area is environmentally sensitive being the nesting ground for Olive Ridley turtles. On 4th May, 2010 Olive Ridley turtles commenced hatching and no ill effects of the spill were reported.

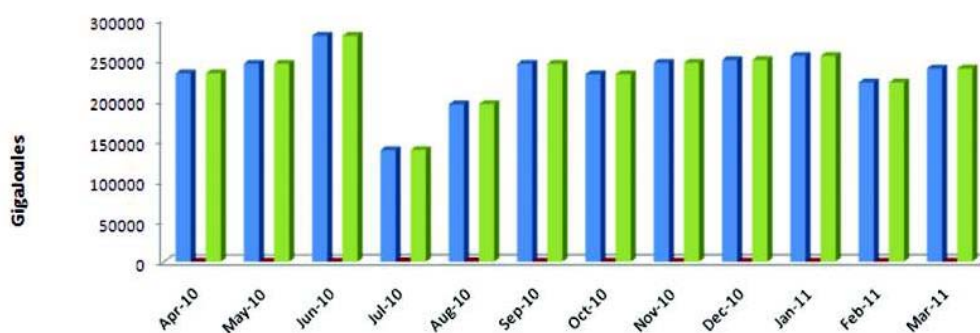
Measurements`

Materials



Besides fuel and lubricants, ELL also used 128.1 MT of Wood for dunnage and 925 tyres for the vehicles

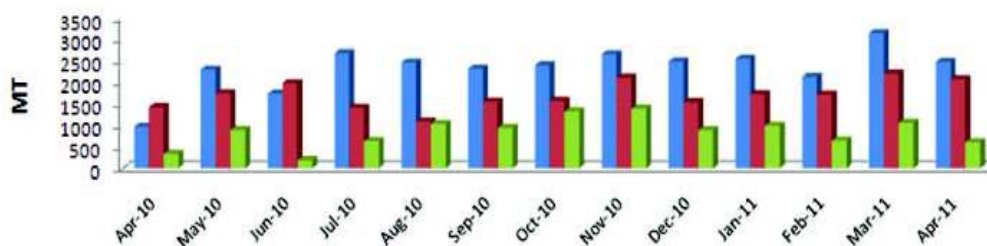
Sea Transportation Energy Consumption FY 2010-11



| | Apr-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 | Feb-11 | Mar-11 |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Direct Energy GJ | 232656 | 244565 | 279040 | 137756 | 194244 | 244469 | 231511 | 245671 | 249149 | 254094 | 221203 | 238640 |
| Indirect Energy consumption GJ | 0 | 0 | 0 | 257 | 504 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Energy Consumed GJ | 232656 | 244565 | 279040 | 138013 | 194748 | 244469 | 231511 | 245671 | 249149 | 254094 | 221203 | 238640 |

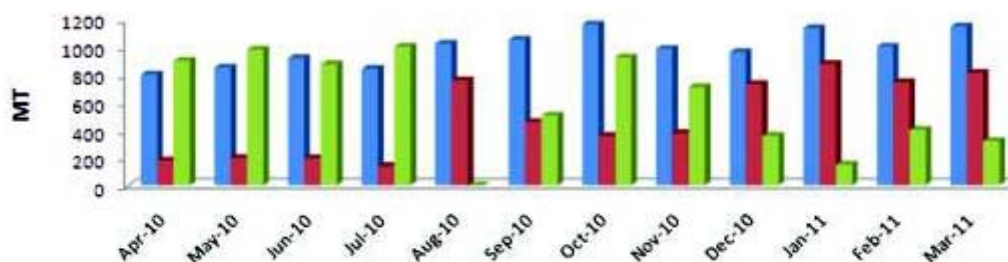
*Indirect energy consumption in July - Aug are due to dry docking operations

Sea Transportation Fresh Water Data FY 2010-11



| | Apr-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 | Feb-11 | Mar-11 | Apr-11 |
|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Consumed | 963 | 2289 | 1727 | 2665 | 2451 | 2308 | 2387 | 2642 | 2472 | 2536 | 2119 | 3130 | 2464 |
| Generated | 1417 | 1740 | 1973 | 1407 | 1088 | 1545 | 1565 | 2103 | 1534 | 1717 | 1714 | 2194 | 2067 |
| Received | 340 | 891 | 190 | 636 | 1032 | 937 | 1323 | 1384 | 884 | 988 | 643 | 1061 | 610 |

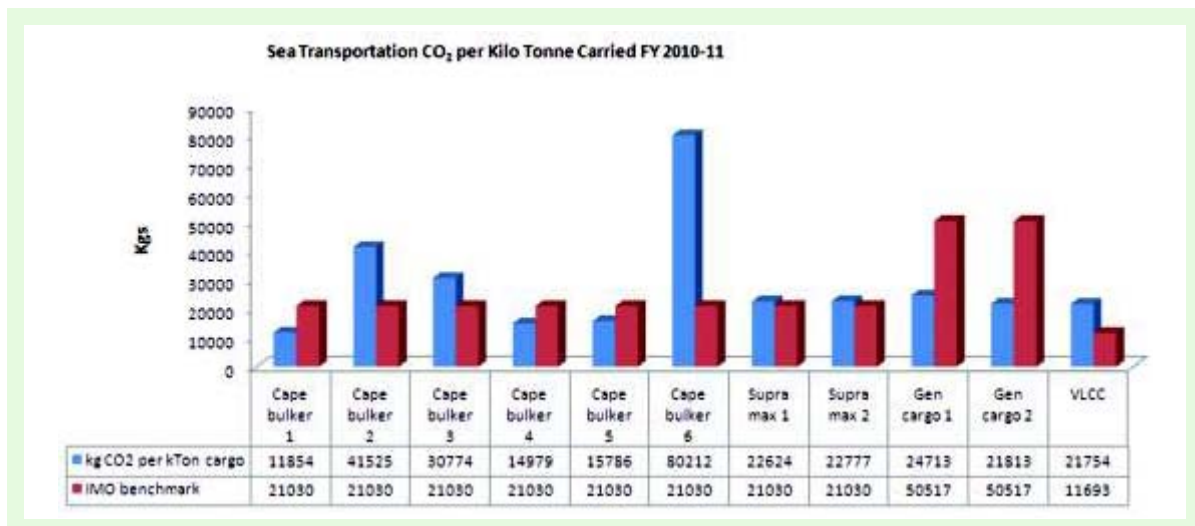
EOSL Fresh Water Data FY 2010-11



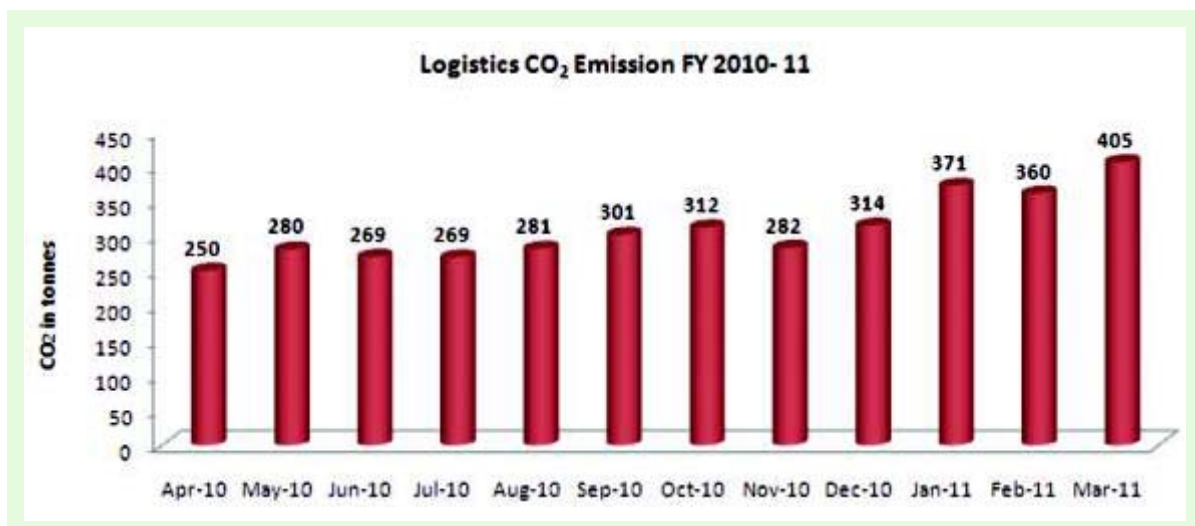
| | Apr-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 | Feb-11 | Mar-11 |
|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Consumed | 800 | 850 | 919 | 841 | 1024 | 1053 | 1162 | 987 | 962 | 1134 | 1003 | 1147 |
| Generated | 180 | 197 | 196 | 138 | 758 | 459 | 357 | 376 | 731 | 878 | 745 | 813 |
| Received | 900 | 980 | 875 | 1001 | 0 | 505 | 924 | 710 | 357 | 150 | 400 | 320 |



*Indirect GHG emissions in July - Aug are due to dry docking operations

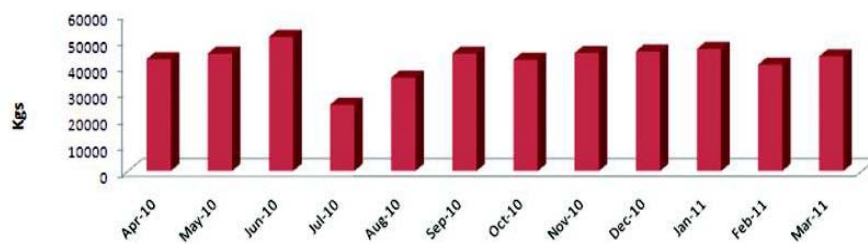


*Benchmark is as per IMO GHG study



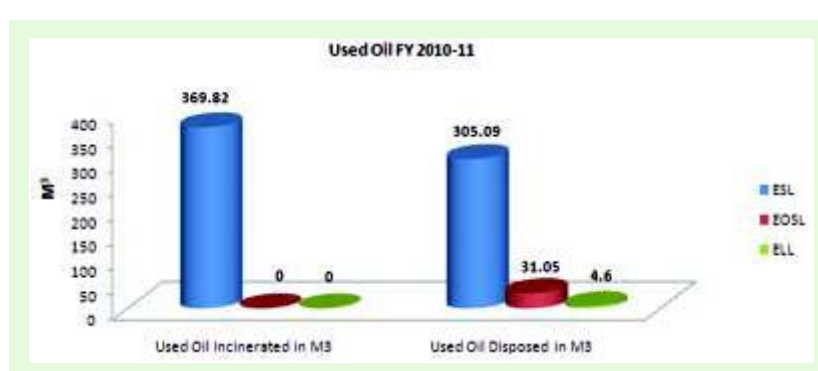
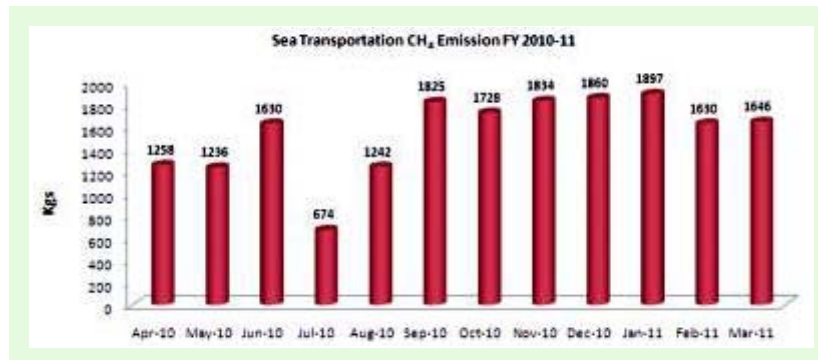
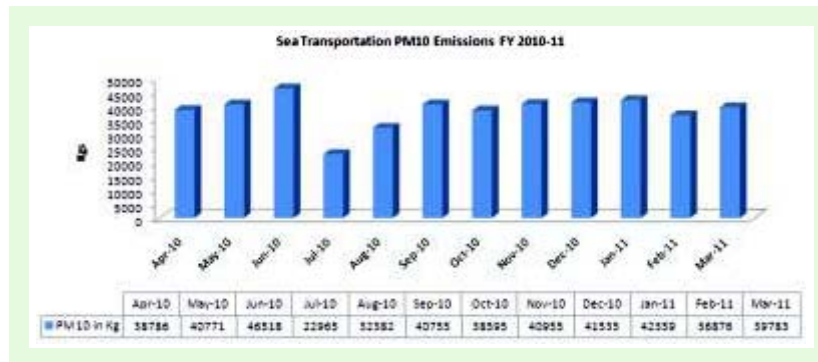
Sea Transportation SO_x Emission FY 2010-11Sea Transportation NO_x Emission FY - 11

Sea Transportation CO Emissions FY 2010-11



| | Apr-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 | Feb-11 | Mar-11 |
|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| CO in Kg | 42838 | 45031 | 51378 | 25364 | 35765 | 45013 | 42627 | 45234 | 45875 | 46785 | 40729 | 43940 |

Sea Transportation N₂O Emissions FY 2010-11



Product Responsibility



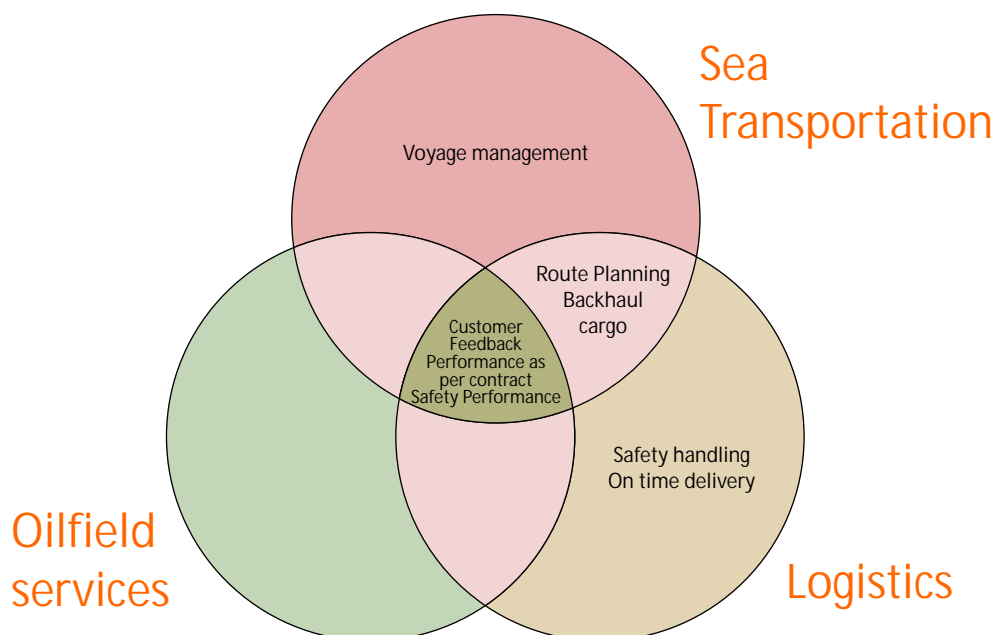
It is our constant endeavour to provide a holistic solution to all the logistics needs of our customers. Operational excellence, on-time delivery and delivering consistent value are some of our key customer focus areas. We are improving our planning and logistics strategy to meet customer demands. One of the key steps that we have taken in this regard is providing customised ERP solutions to cater to specific customer requirements. This includes information visibility and interpretation through use of dashboards that facilitate slice and dice. In the last 2 years our IT approach has changed from being reactive to being proactive. We are now moving towards a predictive approach. Our IT backbone consists of SAP applications for governance functions such as Finance and Accounts, Fund Management, Materials Management etc. The customised ERP solution caters to the core operating needs of businesses. Solutions have already been deployed in areas such as crew management, voyage management, in-chartering management, critical certificates, activity tracking and incident monitoring. The framework and baseline are ready to take on new challenges and we are trying to align ourselves with international benchmarks to be on a par with the best. In the next year some of the solutions shall include vessel profitability, oilfield operations, consumption monitoring and crew payroll.

Our company has a robust mechanism for selecting suppliers and contractors. They are evaluated on the basis of competence to meet the technical requirements for the service or the material, adherence to certified quality assurance system, service capability and past performance amongst other criteria.

We have a Global Sourcing Division at the Group level that ensures the following:

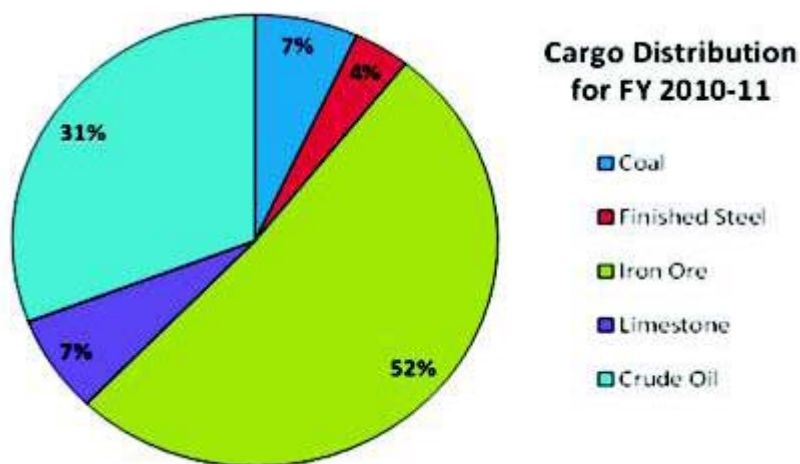
- Long- term partnership with key Suppliers /Contractors
- Wide vendor base through comprehensive vendor research
- Value generation through consolidated spend by availing benefits of economies of scale through wider supplier base
- Direct and measurable reduction in sourcing cost through induction of spend data analysis & life cycle costing concepts
- Usage of new generation IT tools like Project management and planning, Budget cost control, SAP, Tendering & E-bidding
- Unification of vendors and item catalog across the group.

Our suppliers are mainly traders or OEMs. Suppliers from the country where equipment was originally purchased are preferred as far as possible.



Our vessels carry cargo to and from India, Australia, China, Brazil, West Africa and countries in the Arabian Gulf.

Sea Transportation served Steel, Oil & Gas and Power sectors in the reporting period



Logistics served Steel, Oil & Gas and Engineering Procurement & Construction sectors in the reporting period

Logistics - Customers Served in FY 11



Customers served by mode of transport



| | OEM | Service Center | Retail Outlet | NCO & Arising | Group Comp |
|------|--------|----------------|---------------|---------------|------------|
| Road | 94.52% | 33.58% | 65.41% | 98.81% | 55.37% |
| Rail | 2.64% | 13.63% | 12.20% | 1.09% | 6.45% |
| Sea | 2.84% | 52.80% | 22.39% | 0.10% | 38.17% |

Delivering consistent value

Providing quality services to our customers is part of our mission statement. The customer's requirements are documented in the contracts and charter parties. All terms, conditions and exceptions are stated in the contract. We encourage our customers to evaluate our performance and provide feedback for improvement. Sea Transportation and Logistics business have a formal customer feedback mechanism. Oilfield services is in the process of implementing a formal procedure for appraisal by the customer. The process will begin by Oct 2011 and will involve monthly and quarterly reviews on aspects including safety, equipment, people, region etc. Presently, feedback is taken during interaction with the customers from time to time. This enables us to deliver consistent value to our customers.

Customer speak

Essar Shipping provided high quality, safe and efficient service which helped us reduce the landed cost of Crude. Downtime of MT Smiti was minimal and she was on a par with the best in the industry.

H.S. Dutta; DGM (Shipping)
Indian Oil Corporation Limited
Refineries Division; Shipping Department

Sea Transportation had entered into a 2 year contract with Indian Oil Corporation Limited in May, 2009 for transportation of crude oil from various destinations to the Indian coast. Essar's Very Large Crude Carrier (VLCC) tanker MT SMITI of 281,400 dwt was deployed on this contract.

As part of the cash intensive energy exploration industry, any delay in operations can increase our costs by millions of dollars. Therefore, in any drilling contractor, we seek not just cost effectiveness and technical suitability but also the professionalism to deliver on commitments promptly.

During the period of our association with Essar Oilfield Services, we at Vietsovpetro have been impressed by their professionalism and the consistently high quality of the service provided by them. The drilling crew identified with our goals and worked closely with us to achieve them. Their team follows the highest standards of safety in the industry and are proactive in addressing any HSE issues that might crop up during operations. Their flexibility and promptness in responding to our varying needs have made them a benchmark among drilling contractors.

In short, working with them has been a great experience and I wouldn't hesitate to recommend their services to anyone.

Tran Van Hoi
Deputy General Director
Vietsovpetro

During our long standing relationship, Essar has expected and Jotun has delivered a wide variety of coatings that meet the challenges of today and the near future such as environment-friendly high quality, quick response and on time delivery.

Anthony Wong, Managing Director
Jotun India Pvt Ltd

Community



Essar Group has a long tradition of undertaking and focusing its Corporate Social Responsibility initiatives on developmental needs and aspirations of neighborhood communities near its business and manufacturing locations. At Essar, we believe in inclusive development and active participation of all the stakeholders in a positive and meaningful manner.

All CSR related activities and developmental projects of the Essar Group now fall under the ambit of Essar Foundation (EF) which was launched earlier this year. This was a step towards consolidating and reorganising CSR efforts at the Group level.

The main aim of the Foundation is to make a meaningful contribution towards the upward socio-economic movement of our neighboring communities and society at large. Our focus areas and the schemes under which each project is implemented are as follows:

1. Education
2. Health
3. Entrepreneurship
4. Infrastructure
5. Women Empowerment
6. Child Welfare
7. Environment
8. Community Care

The Essar Foundation undertakes these social activities through a highly motivated team of professionals at the central level and dedicated CSR teams at plant level. We encourage the participation of employees and the local community to ensure the success of these initiatives.

ESSAR FOUNDATION

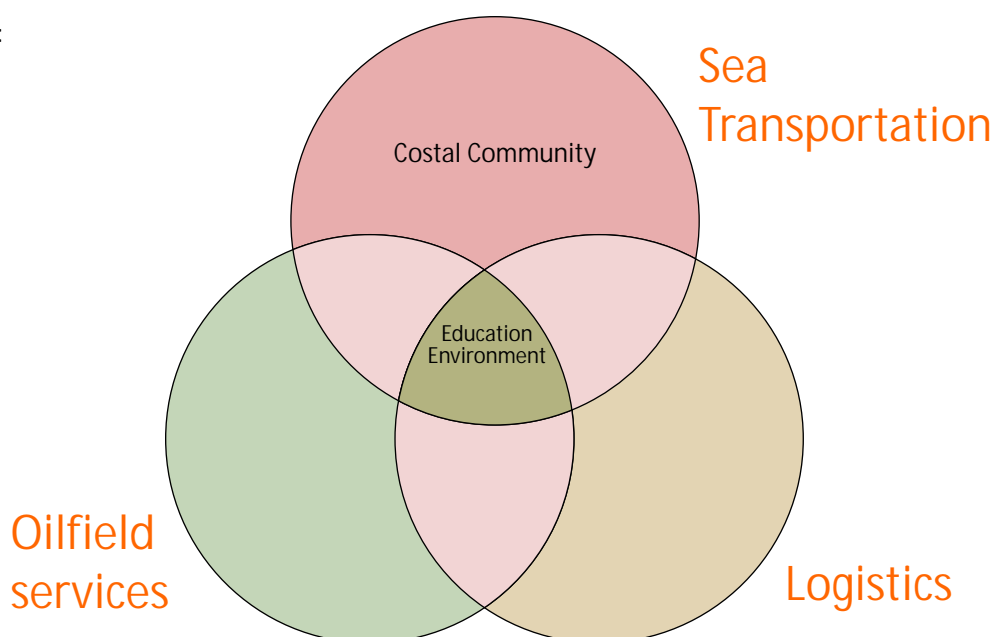
VISION

To become a catalyst of positive change in the society

MISSION

To improve quality of social and economic life of our neighborhood communities and make positive contribution to the life of all those who are directly or indirectly impacted by our business, products and services.

Material Issues :



Since Sea transportation and oilfield services are operating on the high seas, these is no or low interaction with any community. Logistics business is covered under a service level agreement with Essar Steel and has no direct interaction with the community around our operations. All the impact assessments are conducted by Essar Steel. The only community in direct contact with the Logistics business is of the trackers.

The following details some of the initiatives taken by ESL in the last 2 years:

After the 26/11 attacks on Mumbai in 2008, it is widely accepted that one of the factors that could have prevented the attacks was greater alertness by coastal fishermen. Thereafter, the Indian Coast Guard decided to interact directly with the thousands of fishermen who live in communities along the coast to make them aware of threats and how important it was to report anomalies.

In the larger interest of security of the country, the Indian Coast Guard initiated a motorcycle rally to sensitize the coastal communities on the need to be vigilant. Essar Shipping sponsored the rally and has been doing so since its inception. The aim is to have coastal communities augment the surveillance capabilities of the State Security agencies. The results have been very encouraging with the coast guard that unauthorized or unidentified craft reports have been going up.

An extensive 9-day rally was planned, where a Coast Guard team went along the Maharashtra coast on motorcycles, from village to village, to create awareness, besides doing GPS mapping of the area. Essar Shipping sponsored all the logistics of this rally; the motorcycles were provided by Hero Honda.



Search & Rescue Awards

Every year since 2005, Essar Shipping has been recognising the brave men and women in uniform, who perform the task of Search-and-Rescue along the Indian coast. This year the award went to ICGS (Indian Coast Guard Ship) Savitribai Phule, which rescued the crew of fishing boat, Bhadrakali, with seven fishermen on board, 80 nautical miles west of Malpe, Karnataka. The rescue was conducted in very severe weather. Capt. Sharma presented the Commanding officer of the Coast Guard ship with the "Essar Search and Rescue Trophy".

The seas off our shores are dotted with fishermen. When survey vessel, Logos Searcher, with 32 crew onboard, capsized in the Arabian Sea, 21 nautical miles SE of Jafarabad, due to uncontrolled listing whilst conducting drilling operations, the crew of fishing vessel FV Akbari, displayed great alertness, commitment and skill in rescuing the 25 survivors. They also recovered one dead body. Capt. Anoop Sharma, CEO- Sea Transportation business presented the crew of the fishing boat, a cash award and citation for their act of valour. Essar Shipping instituted this award 2 years ago.

International Coastal Clean up

As part of its corporate social responsibility initiatives, Essar in association with the Indian Coast Guard observes International Coastal Cleanup (ICC) Day in Mumbai. This annual programme involves volunteers cleaning up the two main beaches in the city namely, Girgaum Chowpatty and Juhu. Essarites and their family members are urged to take time off to participate in this initiative at the beach closest to their residences.

We sincerely believe that Corporates can greatly help the Indian Coast Guard in achieving some of its goals in the maritime activities and generating awareness among the fishermen folk, as part of their Corporate Social Responsibility. We appreciate and acknowledge the support extended by Essar Shipping to the Coast Guard towards Search & Rescue (SAR) initiatives and protection of the Marine Environment.

*Dy. Inspector General
Bhisham Sharma, TM
Commander Coast Guard Dist. HQ No. 2*

Infrastructure

In order to reduce the interaction between public vehicles and vehicles engaged in operations, thereby reducing the risk of accidents, we have constructed a 8 kms bypass road around the neighboring community in Hazira. Comprehensive Road Traffic Safety measures such as speed breakers, convex mirrors, street lighting, street markings have been installed. Entry/Exit of heavy vehicles is suspended during peak hours of public traffic. In the future Traffic Marshals will be deployed to maintain traffic discipline.

Way forward

It is our goal that most of our employees touch the lives of the underprivileged. We also endeavor to undertake CSR initiatives that are in line with our Group's CSR goals and include beneficiaries from different strata of society.

Following activities have been planned in Mumbai, Hazira and other locations for Shipping, Logistics and Oilfield Services teams of Essar Shipping Limited:

Education

- Mentoring Program: Volunteers to mentor an adolescent child through The Akanksha Foundation program based out of Mumbai.
- For Truckers based out of Hazira:
 - o HIV Prevention
 - o Distribution of medicines
 - o Stress Management
 - o Medical check- ups
 - o No Liquor Campaign

Health

- Blood Donation Drive: Employees to volunteer and donate blood in collaboration with blood banks / hospitals.
- Recreation Facilities for Hazira based Truckers
- Adopt a grandparent (Pamper donation drive): Visit senior citizens home - and spend time once a fortnight reading or doing their miscellaneous chores like writing a letter or simply listening to them. Also have a Pamper donation drive.

Infrastructure

Drivers are one of the most important functionaries in the Logistics business and ensuring their well being when on our premises is high on our agenda. To facilitate this, a fully equipped Truck Parking Plaza is being set up in Hazira. This Plaza will include roads, lanes, separate parking for empty & loaded trailers, rest room facilities, washrooms, bathing facility, canteens, a clinic and a training-cum-proficiency centre. These facilities will enhance the morale of our trucking community who serve as our Brand Ambassadors when delivering our products to our Customers around the country.

Child Welfare

- Handful Of Rice: Donation for identified children's shelter.
- Toy collection drive: Donation for identified children's shelter.
- Children's Day Special:
 - Volunteers to spend time with the child adopted and Secret Santa and Mentorship program for regular teaching of skills to children.
 - Volunteers to adopt a child and teach them a skill over a period of one month.

Environment

- Beach cleanup: Clean-up of Juhu and Chowpatty beaches along with 4000 children for environmental awareness program.
- Earth Hour: Various initiatives planned for the hour.

Community Care

- Ek Jodi Kapda: Warm clothes donation for the children of the partnering NGO.
- Recycling of old reading Books: Setting up of libraries in schools and homes and volunteering of time to read to the children.

Memberships

| Institution | Scope | Link |
|---|--|--|
| INSA | INSA represents the shipping companies in India. The association's main objective is to promote overall development of the industry and increase the profitability of its member companies | www.insa.org.in |
| IADC | IADC represents the worldwide oil and gas drilling industry. Founded in 1940, IADC's mission is to improve industry health, safety and environmental practices; advance drilling and completion technology; and champion responsible standards, practices, legislation and regulations that provide for safe, efficient and environmentally sound drilling operations worldwide. | www.iadc.org |
| CII | CII is a non-government, not-for-profit, industry led and industry managed organization, playing a proactive role in India's development process. Founded over 115 years ago, it is India's premier business association, with a direct membership of over 8,100 organizations from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 90,000 companies from around 400 national and regional sectoral associations. | www.cii.in |
| National Safety Council - Maharashtra Chapter | The National Safety Council Maharashtra Chapter is an autonomous body and has its own constitution with the main objective of devising and propagating effective methods of safety, protection and health amongst industrial workers and public at large. | www.nsc-mc.org |

Participation in Forums or National Committees

The Government invites participation from the industry from time to time in formulating policy, plans and procedures. This is normally done through a request to the Indian National Shipowners association (INSA). Besides, the Classification societies and Industry associations have country committees to address several sectoral issues and we are actively participating in such committees. The senior management too represents on the Boards of a few associations and councils where the following are normally on the agenda:

- Future rules and regulations for marine and offshore industry
- Proposed Amendments to existing rules and regulations for marine and offshore industry
- Evaluation and impact of new regulations imposed on industry and Interpretation of requirements by IACS society members for ease of understanding and implementation
- Role of classification societies and their products to assist Industry
- Presentation and discussion on various issues such as Marine Incidents and investigations , Latest technology and innovations , Safety and environment issues , Human resources , Surveys and inspections including FSI/PSC and other critical issues concerning shipping and offshore Industry
- Presentation and discussion on various existing and innovative designs of ships and equipments

The following gives Essar Shipping's presence in such fora.

| Industry Presence | Position | Purpose/Role | Represented by |
|---|--------------------|---|-------------------|
| BOARD OF INSA | Director | Dealing in matters related to policy initiatives for the industry as a whole, besides taking up issues that impact the company which could have a bearing across member companies | Managing Director |
| BOARD OF BIMCO | Alternate Director | Representing the country in the forum of international maritime fraternity, discussions on matters that impact shipping globally, contributing towards policy decisions and to issues that impact various functions of shipping | Managing Director |
| Board of Steamship Mutual Underwriting Assn.(SMUA) (P&I Club) | Alternate Director | Contributing towards policies on risk management for members, providing appropriate support to member companies, evaluating activities of the insurance manager etc. | Managing Director |
| CII NATIONAL COUNCIL FOR TRANSPORTATION | Member | To identify and postulate policy framework that will enable progress of the industry | Managing Director |
| WORKING GROUP FOR SHIPPING, 12th FIVE YEAR PLAN, PLANNING COMMISSION OF INDIA | Member | To identify specific medium term plans, targets and resource needs. To assist Govt in formulating such policies and providing necessary inputs | Managing Director |
| | | | |

| Industry Presence | Position | Purpose/Role | Represented by |
|--|----------|---|-----------------------------------|
| INSA TECH COMMITTEE | Member | Future rules and regulations for marine and offshore industry. Proposed Amendments to existing rules and regulations for marine and offshore industry. Evaluation and impact of new regulations imposed on industry and Interpretation of requirements by IACS society members for ease of understanding and implementation | Chief Technical Officer, Head S&P |
| TECHNICAL COMMITTEE OF IRS | Member | To identify key concern areas for shipowners and operators and the role of Class in assisting in same. To build stronger relationship between the Class societies and the Essar Group | Head - S&P |
| TECHNICAL COMMITTEE OF ABS | Member | Future rules and regulations for marine and offshore industry. Proposed Amendments to existing rules and regulations for marine and offshore industry. Evaluation and impact of new regulations imposed on industry and Interpretation of requirements by IACS society members for ease of understanding and implementation | Head - S&P |
| INDIAN COMMITTEE OF NKK | Member | To identify key concern areas for shipowners and operators and the role of Class in assisting in same. To build stronger relationship between the Class societies and the Essar Group | Managing Director |
| INDIA NATIONAL COMMITTEE OF ABS | Member | | Managing Director |
| DGS/INSA IMO SUBCOMMITTEE ON DESIGN OF EQUIPMENT | Member | | Chief Technical Officer |
| SOUTH ASIAN COMMITTEE OF DNV | Member | | Managing Director |
| SOUTH EAST ASIAN TECH COMMITTEE FOR LRS | Member | | Chief Technical Officer |
| TECHNICAL COMMITTEE BV (INDIA) | Member | | Chief Technical Officer, Head S&P |
| RINA TECH COMMITTEE | Member | | Chief Technical Officer |
| INSA GHG COMMITTEE | Member | To formulate guidelines for the Indian shipping industry on Green House gas regulations and means of reporting and reducing the same. To give DG Shipping the perspective of the Industry | Chief Technical Officer |

| Industry Presence | Position | Purpose/Role | Represented by |
|--|----------------------|--|-------------------------------------|
| SOUTH ASIAN COMMITTEE OF BUREAU VERITAS | Member | To participate in the deliberations of the Committee, assessing the performance of the Class Society, its India activities, sharing thoughts on matters related to regulations and environmental issues. To understand progress/plans in related technical matters | Managing Director |
| SOUTH EAST ASIAN ADVISORY COMMITTEE OF LRS | Member | to meeting forthcoming rules and regulations. To identify key concern areas for shipowners and operators and the role of Class in assisting in same. To build stronger relationship between the Class societies and the Essar Group | Managing Director |
| STCW COMMITTEE OF DGS | Member | To participate in deliberations on the Governments response to STCW amendments and implementation | Head - Sales & Purchase |
| DGS COMMITTEE FOR NOSDCP | Working Group Member | To participate in the development of the National Oil spill Disaster Contingency plan | Head - Health, Safety & Environment |

Alignment with National Guidelines

Our alignment with the National Voluntary Guidelines (NVG) of Social, Environmental and Economic Responsibilities of Business by Ministry of Corporate Affairs, Government of India.

| | Cross Reference / Direct answer | Explanation, if any |
|---|---------------------------------|---------------------|
| Name of the business | Front Cover | |
| Nature of ownership | 27 | |
| Details of the people in top management | www.essar.com | |
| Location of its operations - national and international | 5-7 | |
| Products and services offered | 5-6 | |
| Markets served | 33, 69 | |
| A - 1 | | |
| Economic and Financial data | | |
| Sales | 34 | |
| Net Profit | Rs. 33.30 crore | |
| Tax Paid | 34 | |
| Total assets | Rs. 10,253.02 Crore | |
| Market capitalisation (for listed companies) | Rs. 599.77 Crore | |
| Number of employees | 44 - 45 | |
| A - 2 | | |
| Management's commitment statement to the ESG Guidelines | 2, 11 | |
| Priorities in terms of Principle and Core Elements | 19-25 | |
| Reporting Period / Cycle | 11 | |
| Whether the report is based on this framework or any other framework | 11 | |
| Any significant risk that the business would like its stakeholders to know | 31 | |
| Any goals and targets that were set by the top management for improving their performance during the reporting period | 19-25 | |

| | Cross Reference / Direct answer | Explanation, if any |
|---|------------------------------------|---|
| Part B | | |
| Principle 1 - Ethics, Transparency and Accountability | | |
| Business to conduct and govern with ethics, transparency and accountability | | |
| Governance structure of the business, including committees under the Board responsible for organizational oversight. In case no committee is constituted, then the details of the individual responsible for the oversight. | 27-29 | |
| Mandate and composition (including number of independent members and / or non- executive members) of such committee with the number of oversight review meetings held. | 27-29 | For meeting details please visit www.essar.com |
| State whether the person/committee head responsible for oversight review is independent from the executive authority or not. If yes, how. | 28 | |
| Mechanisms for shareholders and employees to provide recommendations or direction to the Board / Chief Executive. | 29, 38 | |
| Processes in place for the Board / Chief executive to ensure conflicts of interest are avoided | 28 | |
| Internally developed statement on ethics, Codes of conduct and details of the process followed to ensure that the same are followed | 28-29 | For provisions of the code of conduct please visit www.essar.com |
| Frequency with which the Board / Chief executive assess BR performance | 28-29, 51-52 | |
| Principle 2 - Products Lifecycle Sustainability | | |
| Business should provide goods and services that are safe and contribute to sustainability throughout their life cycle | | |
| Statement on the use of recyclable raw materials | NA | Non Manufacturing Business |
| Statement on the use of energy - efficient technologies, designs and manufacturing / service-delivery processes | 62 | |
| Statement on copyrights issues in case of the products that involve use of traditional knowledge and geographical indicators | NA | |
| Statement on use of sustainable practices used in the value chain | 69, 71 | |
| Principle 3 - Employees'well-being | | |
| Businesses should promote the wellbeing of all employees | | |
| Total number of employees with percentage of employees that are engaged through contractors | 44 | |
| Statement on non-discriminatory employment policy of the business entity | 40 | |

| | Cross Reference / Direct answer | Explanation, if any |
|---|---|--|
| Percentage of employees who are women | 45 | |
| Number of persons with disabilities hired | Nil | |
| Amount of the least monthly wage paid to any skill or unskilled employee | As per the statute | |
| Number of training and skill upgradation programmes organised during the reporting period for skilled and unskilled employees. | 47 | |
| Number of incidents of delay in payment of wages during the reporting period. | Nil | |
| Number of grievances submitted by employees | None received in writing though even verbal complaints were resolved to the employees' satisfaction | |
| Principle 4 - Stakeholder Engagement | | |
| Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised | | |
| Statement on the process of identification of stakeholders and engaging with them | 13-15 | |
| Statement on significant issues on which formal dialogue has been undertaken with any of the stakeholder groups. | 15 | |
| Principle 5 - Human Rights | | |
| Businesses should respect and promote human rights | | |
| Statement on the policy of the business entity on observance of human rights in their operation. | 40 | |
| Statement on complaints on human rights violations during the reporting period. | None received in the reporting period | |
| Principle 6 - Environment | | |
| Business should respect, protect, and make efforts to restore the environment | | |
| Percentage of materials used that are recycled input materials | NA | We do not use any recycled materials as input materials |
| Total energy consumed by the business entity for its operations | 64 | |
| Statement on use of energy saving processes and total energy saved due to use of such processes | 62 | |
| Use of renewable energy as percentage of total energy consumption | None | |
| Total water consumed and the percentage of water that is recycled and reused. | 64 | None recycled as water is generated onboard ships and rigs |
| Statement on quantum of emissions of greenhouse gases and efforts made to reduce the same. | 65 | We are in the process of implementing measures to reduce GHG emissions and will share the outcome in our next report |

| | Cross Reference / Direct answer | Explanation, if any |
|--|--|---------------------|
| Statement on discharge of water and effluents indicating the treatment done before discharge and the destination of disposal. | 62 | |
| Details of efforts made for reconstruction of biodiversity. | NA due to nature of business for shipping and oilfields. Logistics Operation does not fall under area of high biodiversity | |
| Principle 7 - Policy Advocacy | | |
| Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner | | |
| Statements on significant policy advocacy efforts undertaken with details of the platforms used. | 77-80 | |
| Principle 8 - Inclusive Growth | | |
| Businesses should support inclusive growth and equitable development | | |
| Details of community investment and development work undertaken indicating the financial resources deployed and the impact of this work with a longer term perspective | 34, 74-75 | |
| Details of innovative practices, products and services that particularly enhance access and allocation of resources to the poor and the marginalised groups of the society. | 74-75 | |
| Principle 9 - Customer Value | | |
| Businesses should engage with and provide value to their customers and consumers in a responsible manner | | |
| Statement on whether the labelling of their products has adequate information regarding product - related customer health and safety, method of use and disposal, product and process standards observed | NA | |
| Details of the customer complaints on safety, labelling and safe disposal of the products received during the reporting period. | NA | |
| Part C | | |
| C-1 | | |
| Brief report on any material / significant negative consequences of the operations of the business entity. | 62 | |
| C-2 | | |
| Brief goals and targets in the area of social, environmental and economic responsibilities that the business entity has set for itself for the next reporting period. | 19-25 | |

Acronyms

| | | | |
|-------|---|--------|---|
| BIMCO | The Baltic and International Maritime Council | IMEI | Institute of Marine Engineers India |
| BV | Bureau Veritas | IMO | International Maritime Organization |
| CII | Confederation of Indian Industry | INSA | Indian National Shipowners Association |
| CO2 | Carbon di Oxide | ISM | International Safety Management |
| CSR | Corporate Social Responsibility | ISO | International Organization for Standardization |
| DGS | Directorate General of Shipping | ISPS | The International Ship and Port Facility Security |
| DNV | Det Norske Veritas | LRS | Lloyd's Register Group |
| DSV | Diving Support Vessel | LTIFR | Lost Time Injury Frequency Rate |
| DWT | Dead Weight Tonnage | MMD | Mercantile Marine Department |
| EBS | Enterprise Business System | Mn | Million |
| EF | Essar Foundation | MTC | Medical Treatment Case |
| ELL | Essar Logistics Ltd | MUI | The Maritime Union of India |
| ERP | Enterprise Resource Planning | MV | Motor Vessel |
| EOSL | Essar Oilfield Services Ltd | NOSDCP | National Oil Spill Disaster Contingency Plan |
| ESL | Essar Shipping Ltd | NOx | Nitrous Oxide |
| ESPLL | Essar Shipping Ports and Logistics Ltd | NSC | National Safety Council |
| FAC | First Aid Case | ODS | Ozone Depleting Substance |
| FY | Fiscal Year | OEM | Original Equipment Manufacturer |
| GHG | Greenhouse Gas | OHSAS | Occupational Health & Safety Assessment Series |
| HFO | Heavy Fuel Oil | PMS | Performance Management System |
| HSD | High Speed Diesel | RM | Risk Management |
| HSE | Health, Safety & Environment | SOx | Sulphur Oxide |
| IADC | International Association of Drilling Contractors | STCW | Standards of Training, Certification and Watchkeeping |
| ICC | International Coastal Cleanup | VLCC | Very Large Crude Carrier |
| ICG | Indian Coast Guard | | |

GRI G3.1 Content Index

| STANDARD DISCLOSURES PART I: Profile Disclosures | | | | | | |
|--|--|----------|---|-------------------------------------|------------------------|-------------|
| 1. Strategy and Analysis | | | | | | |
| Profile Disclosure | Description | Reported | Cross-reference/ Direct answer not reported | If applicable, indicate the part | Reason for omission | Explanation |
| 1.1 | Statement from the most senior decision-maker of the organization. | Fully | 2-3 | | | |
| 1.2 | Description of key impacts, risks, and opportunities. | Fully | 2-3, 30-32 | | | |
| 2. Organizational Profile | | | | | | |
| 2.1 | Name of the organization. | Fully | Front Cover | | | |
| 2.2 | Primary brands, products, and/or services. | Fully | 5-6 | | | |
| 2.3 | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures. | Fully | 5-6 | | | |
| 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 issues covered in the report. | Fully | 5-6 | | | |
| 2.6 | Nature of ownership and legal form. | Fully | 27 | | | |
| 2.7 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries). | Fully | 33, 69-70 | | | |
| 2.8 | Scale of the reporting organization. | Fully | 33, 44 | | | |
| 2.9 | Significant changes during the reporting period regarding size, structure, or ownership. | Fully | 9 | | | |
| 2.10 | Awards received in the reporting period. | Fully | 9 | | | |
| 3. Report Parameters | | | | | | |
| 3.1 | Reporting period (e.g., fiscal/calendar year) for information provided. | Fully | 11 | | | |
| 3.2 | Date of most recent previous report (if any). | Fully | Not applicable as this is the first report | | | |
| 3.3 | Reporting cycle (annual, biennial, etc.) | Fully | 11 | | | |
| 3.4 | Contact point for questions regarding the report or its contents. | Fully | 11 | | | |
| 3.5 | Process for defining report content. | Fully | 11 | | | |
| 3.6 | Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance. | Fully | 11 | | | |
| 3.7 | State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope). | Fully | 11 | | | |

| STANDARD DISCLOSURES PART I: Profile Disclosures | | | | | | |
|--|---|----------|---|-------------------------------------|------------------------|-------------|
| 3. Report Parameters | | | | | | |
| Profile Disclosure | Description | Reported | Cross-reference/ Direct answer not reported | If applicable, indicate the part | Reason for omission | Explanation |
| 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 | | | |
| 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 diverge from, the GRI Indicator Protocols. | Fully | IMO guidelines issued from time to time, SOLAS, MARPOL, ISO 9001; ISO 14001, OHSAS 18001, ISM, GHG Protocol, ISP, I - GAAP, other relevant industry standards | | | |
| 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 | Not applicable as this is the first report | | | |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report. | Fully | Not applicable as this is the first report | | | |
| 3.12 | Table identifying the location of the Standard Disclosures in the report. Fully GRI Index | Fully | GRI G3.1 Content Index | | | |
| 3.13 | Policy and current practice with regard to seeking external assurance for the report. | Fully | 11 | | | |
| 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 | 27-29 | | | |
| 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer. | Fully | 28 | | | |
| 4.3 | For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members. | Fully | 28 | | | |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. | Fully | 29, 38 | | | |

| STANDARD DISCLOSURES PART I: Profile Disclosures | | | | | | |
|--|--|----------|---|-------------------------------------|------------------------|-------------|
| 4. Governance, Commitments, and Engagement | | | | | | |
| Profile Disclosure | Description | Reported | Cross-reference/ Direct answer not reported | If applicable, indicate the part | Reason for omission | Explanation |
| 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 | 43 | | | |
| 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided. | Fully | 28 | | | |
| 4.7 | Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity. | Fully | 28 | | | |
| 4.8 | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. | Fully | 4,12,36-37,51,73 | | | |
| 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 | 28-31, 32, 51-52 | | | |
| 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance. | Fully | Currently there are no processes for highest governance body's evaluation. However this will be considered in the mid-term and we will report by 2014 | | | |
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization. | Fully | 30-32 | | | |
| 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses. | Fully | 77 | | | |

| | STANDARD DISCLOSURES PART I: Profile Disclosures | | | | | | |
|---|--|----------|---|--|------------------------|-------------|-------------------------|
| 4. Governance, Commitments, and Engagement | | | | | | | |
| Profile Disclosure | Description | Reported | Cross-reference/ Direct answer not reported | If applicable, indicate the part | Reason for omission | Explanation | |
| 4.13 | Memberships in associations (such as industry associations) and/or 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. | Fully | 77-80 | | | | |
| 4.14 | List of stakeholder groups engaged by the organization. | Fully | 14 | | | | |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage. | Fully | 13 | | | | |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. | Fully | 15 | | | | |
| 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 | 15 | | | | |
| STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs) | | | | | | | |
| G3 DMA | Description | Reported | Cross-reference/ Direct answer | If applicable, indicate the part not reported Not available | Reason for omission | Explanation | to be reported in |
| | | | | | | | |
| DMA EC | Disclosure on Management Approach EC | | | | | | |
| Aspects | Economic performance | Fully | 33 | | | | |
| | Market presence | Fully | 33, 69 | | | | |
| | Indirect economic impacts | Fully | 32 | | | | |
| DMA EN | Disclosure on Management Approach EN | | | | | | |
| Aspects | Materials | Fully | 60 | | | | |
| | Energy | Fully | 60 | | | | |
| | Water | Fully | 60 | | | | |
| | Biodiversity | Fully | 60 | | | | |
| | Emissions, effluents and waste | | 60 | | | | |
| | Products and services | Fully | 60 | | | | |
| | Compliance | Fully | 60 | | | | |
| | Transport | Fully | 60 | | | | |
| | Overall | Fully | 60 | | | | |
| DMA LA | Disclosure on Management Approach LA | | | | | | |
| Aspects | Employment Fully | | 38 | | | | |
| | Labor/management relations | Fully | 38 | | | | |
| | Occupational health and safety | Fully | 49 | | | | |
| | Training and education | Fully | 40-41 | | | | |
| | Diversity and equal opportunity | Fully | 40 | | | | |
| | Equal remuneration for women and men | Fully | 43 | | | | |

| STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs) | | | | | | | |
|---|---|-----------|---|--|------------------------|--|-------------------------|
| G3 DMA | Description | Reported | Cross-reference/ Direct answer | If applicable, indicate the part not reported Not available | Reason for omission | Explanation | to be reported in |
| DMA HR | Disclosure on Management Approach HR | | | | | | |
| Aspects | Investment and procurement practices | Fully | 40 | | | | |
| | Non-discrimination | Fully | 40 | | | | |
| | Freedom of association and collective bargaining | Fully | 40 | | | | |
| | Child labour | Fully | 40 | | | | |
| | Prevention of forced and compulsory labor | Fully | 40 | | | | |
| | Security practices | Fully | 42 | | | | |
| | Indigenous rights | Fully | 40 | | | | |
| | Assessment | Fully | 40 | | | | |
| | Remediation | Fully | 44 | | | | |
| DMA SO | Disclosure on Management Approach SO | | | | | | |
| Aspects | Local communities | Fully | 73 | | | | |
| | Corruption | Fully | 32 | | | | |
| | Public policy | Fully | 78 | | | | |
| | Anti-competitive behavior | Fully | 28 | | | | |
| | Compliance | Fully | 32 | | | | |
| DMA PR | Disclosure on Management Approach PR | | | | | | |
| Aspects | Customer health and safety | Fully | 49 | | | | |
| | Product and service labelling | Fully | 69 | | | | |
| | Marketing communications | Fully | We retain well established advertising firms who follow country codes as applicable | | | | |
| | Customer privacy | Fully | 71 | | | | |
| | Compliance | Fully | 71 | | | | |
| STANDARD DISCLOSURES PART III: Performance Indicators | | | | | | | |
| Economic | | | | | | | |
| Performance Indicator | | | | | | | |
| Economic performance | | | | | | | |
| 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 | 34 | | | | |
| EC2 | Financial implications and other risks and opportunities for the organization's activities due to climate change. | Partially | 2-3, 61 | Financial implications | Not available | We have not conducted any study so far to quantify the financial implications due to climate change. | 2014 |
| EC3 | Coverage of the organization's defined benefit plan obligations. | Fully | 43 | | | | |
| EC4 | Significant financial assistance received from government. | Fully | 34 | | | | |

| STANDARD DISCLOSURES PART III: Performance Indicators | | | | | | | |
|---|--|-----------|---|--|------------------------|--|-------------------------|
| | Description | Reported | Cross-reference/ Direct answer | If applicable, indicate the part not reported Not available | Reason for omission | Explanation | to be reported in |
| Market presence | | | | | | | |
| EC5 | Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation. | Fully | 43 | | | | |
| EC6 | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. | Partially | 69 | Proportion of spending on locally based suppliers | Not available | Currently it is not part of our data collection system | 2013 |
| EC7 | Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation. | Fully | 42 | | | | |
| Indirect economic impacts | | | | | | | |
| EC8 | Development and impact of infrastructure investments and services provided primarily for investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. | Fully | 74-75 | | | | |
| EC9 | Understanding and describing significant indirect economic impacts, including the extent of impacts | Fully | 32 | | | | |
| Environmental | | | | | | | |
| Performance Indicator | | | | | | | |
| Materials | | | | | | | |
| EN1 | Materials used by weight or volume. | Partially | 63 | Materials besides fuel, lubricants, wood , tyres | Not available | Currently it is not part of our data collection system | 2013 |
| EN2 | Percentage of materials used that are recycled input materials. | | We do not use any materials that are recycled input materials. The main materials used are fuel and lubricants as we are a service industry and not a manufacturing industry. | | | | |
| Energy | | | | | | | |
| EN3 | Direct energy consumption by primary energy source. | Fully | 64 | | | | |
| EN4 | Indirect energy consumption by primary source. | Partially | 64 | Not reported for logistics | Not available | Currently it is not part of our data collection system | 2014 |

| | STANDARD DISCLOSURES PART III: Performance Indicators | | | | | | |
|--------------------------------|---|--------------|--------------------------------------|--|------------------------|--|-------------------------|
| Performance Indicator | Description | Reported | Cross-reference/ Direct answer | If applicable, indicate the part not reported Not available | Reason for omission | Explanation | to be reported in |
| EN5 | Energy saved due to conservation and efficiency improvements. | Not Reported | | | Not available | We are in the process of implementing energy efficiency measures and will share the outcome in our next report | 2013 |
| EN6 | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. | Partially | 62 | Quantitative | Not available | We are in the process of implementing energy efficiency measures and will share the outcome in our next report | 2013 |
| EN7 | Initiatives to reduce indirect energy consumption and reductions achieved. | Not Reported | | | Not available | Currently it is not part of our data collection system | 2014 |
| EN8 | Total water withdrawal by source. | Fully | 64 | | | | |
| EN9 | Water sources significantly affected by withdrawal of water. | Fully | 62 | | | | |
| EN10 | Percentage and total volume of water recycled and reused. | Not Reported | -- | | Not available | Currently it is not part of our data collection system | 2014 |
| Biodiversity | | | | | | | |
| 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 | 62 | | | | |
| 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 | 62 | | | | |
| EN13 | Habitats protected or restored. | Not Reported | Not applicable. PI refer to pg 62 | | | | |
| EN14 | Strategies, current actions, and future plans for managing impacts on biodiversity. | | | | | | |
| EN15 | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. | | | | | | |
| Emissions, effluents and waste | | | | | | | |
| EN16 | Total direct and indirect greenhouse gas emissions by weight. | Partially | 64 | Gas oil emissions | Not available | Currently it is not part of our data collection system | 2014 |

| STANDARD DISCLOSURES PART III: Performance Indicators | | | | | | | |
|---|---|--------------|--|--|------------------------|---|-------------------------|
| Performance Indicator | Description | Reported | Cross-reference/ Direct answer | If applicable, indicate the part not reported Not available | Reason for omission | Explanation | to be reported in |
| EN17 | Other relevant indirect greenhouse gas emissions by weight. | Not Reported | - | | Not available | Currently it is not part of our data collection system. Additionally, this year the focus was to calculate emissions due to owned assets. | 2014 |
| EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved. | Partially | 61-62 | Quantitative | Not available | We are in the process of implementing measures to reduce GHG emissions and will share the outcome in our next report. | 2014 |
| EN19 | Emissions of ozone-depleting substances by weight. | Not Reported | -- | | Not available | Currently there is no system to consolidate all ODS data from all three businesses. | 2013 |
| EN20 | NOx, SOx, and other significant air emissions by type and weight. | Partially | 66-67 | Gas oil emissions | Not available | Currently it is not part of our data collection system. | 2013 |
| EN21 | Total water discharge by quality and destination. | Partially | 67 | Not reporting for oilfield services | Not available | Currently it is not part of our data collection system. | 2014 |
| EN22 | Total weight of waste by type and disposal method. | Partially | 62, 67 | Non-hazardous waste | Not available | Currently it is not part of our data collection system. | |
| EN23 | Total number and volume of significant spills. | Fully | 62 | | | | |
| 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 Reported | Not applicable due to the nature of Business | | | | |
| EN25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. | Not Reported | Not applicable due to the nature of Business | | | | |

| STANDARD DISCLOSURES PART III: Performance Indicators | | | | | | | |
|---|---|--------------|---|--|------------------------|--|-------------------------|
| Performance Indicator | Description | Reported | Cross-reference/ Direct answer | If applicable, indicate the part not reported Not available | Reason for omission | Explanation | to be reported in |
| 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 Reported | Not applicable | | | | |
| EN25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. | Not Reported | Not applicable due to the nature of Business | | | | |
| Products and services | | | | | | | |
| EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. | Partially | 61-62 | Noise, waste, effluent | Not available | Currently it is not part of our data collection system | 2014 |
| EN27 | Percentage of products sold and their packaging materials that are reclaimed by category. | Fully | We do not have any products that are packages as we are a service industry. | | | | |
| Compliance | | | | | | | |
| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations. | Fully | None. There were no non-compliances in the reporting period. | | | | |
| Transport | | | | | | | |
| EN29 | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce. | Partially | 65 | Scope 3 | Not available | Currently it is not part of our data collection system | 2014 |
| Overall | | | | | | | |
| EN30 | Total environmental protection expenditures and investments by type. | Not Reported | -- | | Not available | Currently it is not part of our data collection system | 2014 |
| Employment | | | | | | | |
| LA1 | Total workforce by employment type, employment contract, and region, broken down by gender. | Fully | 44-45 | | | | |
| LA2 | Total number and rate of new employee hires and employee turnover by age group, gender, and region. | Fully | 45-46 | | | | |
| LA3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. | Fully | 43 | | | | |
| LA15 | Return to work and retention rates after parental leave, by gender. | Fully | 47 | | | | |
| | | | | | | | |

| Social: Labor Practices and Decent Work | | | | | | | |
|---|---|-----------|--|--|------------------------|--|-------------------------|
| Performance Indicator | Description | Reported | Cross-reference/ Direct answer | If applicable, indicate the part not reported Not available | Reason for omission | Explanation | to be reported in |
| Labor/management relations | | | | | | | |
| LA4 | Percentage of employees covered by collective bargaining agreements. | Fully | 44 | | | | |
| LA5 | Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements. | Fully | Minimum notice period is either as per management of change procedure which is part of the company management system or as specified in the bargaining agreement applicable to floating staff. | | | | |
| Occupation, health and safety | | | | | | | |
| 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 | 52 | | | | |
| LA7 | Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region and by gender. | Partially | 56-58 | Lost days, ODR Absentee rate | Not available, | Currently it is not part of our data collection system | 2014 |
| LA8 | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. | Fully | 44, 56 | | | | |
| LA9 | Health and safety topics covered in formal agreements with trade unions. | Fully | As per Merchant Shipping Act | | | | |
| Training and education | | | | | | | |
| LA10 | Average hours of training per year per employee by gender, and by employee category. | Partially | 47 | Training conducted on ships and the rig. | Not available | Currently it is not part of our data collection system | 2014 |
| LA11 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. | Fully | 40-41 | | | | |
| LA12 | Percentage of employees receiving regular performance and career development reviews, by gender. | Fully | 47 | | | | |
| Diversity and equal opportunity | | | | | | | |
| LA13 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity. | Fully | 28, 44-45, 52 | | | | |

| Social: Labor Practices and Decent Work | | | | | | | |
|--|--|-----------|---|---|---------------------|---|-------------------|
| Performance Indicator | Description | Reported | Cross-reference/ Direct answer | If applicable, indicate the part not reported Not available | Reason for omission | Explanation | to be reported in |
| Equal remuneration for women and men | | | | | | | |
| LA14 | Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation. | Fully | 43 | | | | |
| Social: Human Rights | | | | | | | |
| Investment and procurement practices | | | | | | | |
| HR1 | Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening. | Partially | 40 | Human rights screening for Oilfields and Logistics business | Not available | No mechanism at the moment besides inclusion in the | 2013 |
| HR2 | Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken. | Partially | 40 | Number of contracts declined | Not available | Pre contract assessment numbers are not part of our data collection system. | 2013 |
| 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. | Partially | 42 | Number of hours spent on human rights training during the induction training. | Not available | Not part of our data collection system. | 2013 |
| Non-discrimination | | | | | | | |
| HR4 | Total number of incidents of discrimination and corrective actions taken. | Fully | No case in the reporting period | | | | |
| Freedom of association and collective bargaining | | | | | | | |
| HR5 | Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights. | Fully | The governing law adequately addresses the human rights requirements for operations and suppliers identified as exposed to human rights violation. However, we are revising our internal audit system to include human rights indicators. | | | | |

| Social: Labor Practices and Decent Work | | | | | | | |
|---|---|----------|---|--|------------------------|-------------|-------------------------|
| Performance Indicator | Description | Reported | Cross-reference/ Direct answer | If applicable, indicate the part not reported Not available | Reason for omission | Explanation | to be reported in |
| Child labor | | | | | | | |
| HR6 | | Fully | The governing law adequately addresses the human rights requirements for operations and suppliers identified as exposed to human rights violation. However, we are revising our internal audit system to include human rights indicators. | | | | |
| Forced and compulsory labor | | | | | | | |
| HR7 | Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor. | Fully | The governing law adequately addresses the human rights requirements for operations and suppliers identified as exposed to human rights violation. However, we are revising our internal audit system to include human rights indicators | | | | |
| Security practices | | | | | | | |
| HR8 | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations. | Fully | All security personnel hired directly by the company are trained in different aspects of human rights | | | | |
| Indigenous rights | | | | | | | |
| HR9 | Total number of incidents of violations involving rights of indigenous people and actions taken. | Fully | No case in the reporting period | | | | |
| Assessment | | | | | | | |
| HR10 | Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments. | Fully | 40 | | | | |

| Social: Labor Practices and Decent Work | | | | | | | |
|---|--|-----------|---|--|---------------------|------------------|-------------------|
| Performance Indicator | Description | Reported | Cross-reference/ Direct answer | If applicable, indicate the part not reported Not available | Reason for omission | Explanation | to be reported in |
| Remediation | | | | | | | |
| HR11 | Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms. | Fully | None received in writing though even verbal complaints were resolved to the employees' satisfaction | | | | |
| Social: Society | | | | | | | |
| Local communities | | | | | | | |
| SO1 | Percentage of operations with implemented local community engagement, impact assessments, and development programs. | Partially | 74-75 | Results of impact assessments | Not applicable | Refer to page 87 | |
| SO9 | Operations with significant potential or actual negative impacts on local communities. | Fully | 75 | | | | |
| SO10 | Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities. | Fully | 75 | | | | |
| Corruption | | | | | | | |
| SO2 | Percentage and total number of business units analyzed for risks related to corruption. | Fully | 100% business units are analysed for such risks. | | | | |
| SO3 | Percentage of employees trained in organization's anti-corruption policies and procedures. | Fully | 42 | | | | |
| SO4 | Actions taken in response to incidents of corruption. | Fully | 32 | | | | |
| Public policy | | | | | | | |
| SO5 | Public policy positions and participation in public policy development and lobbying. | Fully | 78-80 | | | | |
| SO6 | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. | Fully | No contributions were made in the reporting period. | | | | |
| Anti-competitive behavior | | | | | | | |
| SO7 | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes. | Fully | No case in the reporting period | | | | |
| SO8 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations | Fully | No case in the reporting period | | | | |

| Social: Labor Practices and Decent Work | | | | | | | |
|---|--|----------|---|--|------------------------|-------------|-------------------------|
| performance Indicator | Description | Reported | Cross-reference/ Direct answer | If applicable, indicate the part not reported Not available | Reason for omission | Explanation | to be reported in |
| Social: Product Responsibility | | | | | | | |
| Customer health and safety | | | | | | | |
| 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 | 49 | | | | |
| 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 | 32 | | | | |
| Product and service labelling | | | | | | | |
| PR3 | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. | Fully | 71 | | | | |
| PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes. | Fully | 32 | | | | |
| PR5 | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. | Fully | 71 | | | | |
| Marketing communications | | | | | | | |
| PR6 | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. | Fully | We retain well established advertising firms who follow country codes as applicable | | | | |
| 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. | Fully | 32 | | | | |
| Customer privacy | | | | | | | |
| PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. | Fully | There were no complaints in the reporting period | | | | |
| PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. | Fully | No case in the reporting period | | | | |



Independent Assurance Statement

Introduction

Det Norske Veritas AS ('DNV') has been commissioned by the management of Essar Shipping Limited ('ESL' or 'the Company') to carry out an assurance engagement on the Essar Shipping Limited Sustainability Report 2010-11 ('the Report') in its printed format, against the Global Reporting Initiative 2011, Sustainability Reporting Guidelines Version 3.1 (GRI G3.1) and AccountAbility's AA1000 Assurance Standard 2008 (AA1000AS 2008).

The intended users of this assurance statement are the readers of Essar Shipping Limited Sustainability Report 2010-11.

The management of the Company is responsible for all information provided in the Report as well as the processes for collecting, analyzing and reporting the information. DNV's responsibility regarding this verification is to the Company only and in accordance with the agreed scope of work. This assurance engagement is based on the assumption that the data and information provided to us is complete and true.

Scope of Assurance

The scope of work agreed upon with the Company includes the following aspects:

- verification of content of Company's Sustainability Report 2010-11 (i.e. reporting of economic, environmental, and social performance) for the reported period between 1st April 2010 to 31st March 2011;
- review of the policies, initiatives, practices and performance described in the Report as well as references made in the Report to the Annual Report of the company for the year 2010-11;
- evaluation of the AccountAbility principles and specified performance information, described below, for a Type 2, moderate level of assurance, in accordance with the requirements of AA1000AS (2008):
 - o information relating to ESL's issues, responses, performance data, case studies and underlying systems for the management of such information and data;
 - o information relating to ESL's materiality assessment and stakeholder engagement processes;
- confirm the Application Level, as declared by the Company;

The reporting boundary is as set out in the Report and during the assurance process we did not come across limitations to the scope of the assurance engagement. The economic data and information were acquired from the Company's certified Annual Report 2010-11. The verification was conducted during November and December 2011 for the sustainability performance covered in the ESL Sustainability Report 2010-11.

Verification Methodology

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

- Company's approach to stakeholder engagement and its materiality determination process;
- adherence to the principles of *Inclusivity*, *Materiality* and *Responsiveness* as set out in the AA1000AS (2008); the *reliability* of the specified sustainability *performance* information, as required for a Type 2, moderate level assurance engagement as per AA1000(2008),
- adherence to the additional principles of *Completeness* and *Neutrality* as set out in DNV's Protocol, and the principles and requirements of the GRI G3.1 for an application level A+.

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

- challenged the sustainability related statements and claims made in the Report and assessed the robustness of the data management system, information flow and controls;
- examined and reviewed documents, data and other information made available by the Company;



- visited corporate office at Mumbai and two sites viz. Hazira site for ESL's logistics operations and VLCC - MT Smiti at Vadinar, Gujarat to conduct on-site verification;
- conducted interviews with top/senior management and key representatives and managers in various functions at corporate office and two sites visited by DNV;
- performed sample-based reviews of the mechanisms for implementing the Company's sustainability related policies, as described in the Report;
- performed sample-based checks of the processes for generating, gathering and managing the quantitative data and qualitative information included in the Report;

Opportunities for Improvement

The following is an excerpt from the observations and opportunities for improvement reported to the management of Company and are considered for drawing our conclusion on the Report; however they are generally consistent with the management objectives. The company may:

- conduct an issue based formal multi stakeholder engagement process, which will further help in developing a long term sustainable business strategies; also bring out explicitly the outcome of stakeholder engagement in the subsequent Reports;
- continuously monitor and evaluate the material issues including human rights and site compliances as a result of changes in internal and external environments, to enable develop appropriate sustainability strategies and revise the medium and long term targets accordingly;
- develop a data management protocol to ensure consistent and replicable reporting of sustainability performance; ☐ implement a systematic data verification mechanism to cover all performance indicators across the three business verticals and their operational sites, which will further assist in further improving the quality of quantitative and qualitative data for future reporting.
- fully address the key material performance indicators that are partially reported, in the subsequent reports,.

Conclusions

In DNV's opinion, the Report provides a fair representation of the Company's sustainability-related strategies, management system and performance and we confirm that the Report generally meets the requirements for GRI application level A+, in that the core indicators are reported either fully or partially or their omission is explained, with due regard to materiality principle.

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

Inclusivity: The Company has developed a stakeholder engagement process and formally and informally engaged with select stakeholders through the channels listed in the Report.

In our view, the level at which the Report adheres to this principle is '**Good**'.

Materiality: The Company has fairly attempted to bring out the issues of significance to its three business verticals in this report; further expanding the materiality determination process will help the Company to identify risks and opportunities based on sectors specific material issues.

In our view, the level at which the Report adheres to this principle is '**Acceptable**'.

Responsiveness: We consider that the Company's response to key stakeholder concerns, through its strategies, policies and management systems, is fairly reflected in the Report within the defined Scope and boundary. However the responsiveness to stakeholders could be further enhanced through fully reporting on all partially reported material issues.

In our view, the level at which the Report adheres to this principle is '**Acceptable**'.

Reliability: The majority of data and information verified at corporate office and site were found to be accurate. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and the errors have been corrected;



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

Additional Parameters as per DNV's Protocol

Completeness: Certain GRI G3.1 core indicators have been responded to partially. The rationale for this and the exclusion of core indicators which are not applicable has been explained in the Report. Company acknowledges the need for continuous improvement and is committed to improving the reporting scope and boundary.

In our view, the level at which the Report adheres to this principle is **'Acceptable'**.

Neutrality: The Company has reported its sustainability performance and related issues in a suitable manner and overall the Report is fairly transparent in discussing the challenges faced;

In our view, the level at which the Report adheres to this principle is **'Good'**.

DNV's Competence and Independence

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

Nandkumar Vadakepatth
Lead Verifier
Head-Sustainability & Business Excellence Services(South)
Det Norske Veritas AS, India

Federica Pagnuzzato
Reviewer
Det Norske Veritas AS, Italy

Bangalore, India, 23 January 2012



AA1000

Licensed Assurance Provider
000-10

GRI Application Level

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

*Sector supplement in final version

GRI Application Level Check Statement




Statement GRI Application Level Check

GRI hereby states that **Essar Shipping Ltd** has presented its report "Sustainability - Our Propelling Force" (2011) 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 G3.1 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 G3.1 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, 7 February 2012


Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because Essar Shipping 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 30 January 2012. GRI explicitly excludes the statement being applied to any later changes to such material.



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