

Our guiding light, a leading beacon







Sustainability Report

April 2012 - March 2013

Essar Shipping Limited



GRI Application Levels

Report Application Level		C	C+	B	B+	A	A+ 
Standard Disclosures	Profile Disclosures 	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
	Disclosures on Management Approach 	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	Performance Indicators & Sector Supplement Performance Indicators 	Report fully on a minimum of any 10 Performance Indicators, including at least one from each of: social, economic, and environment.**		Report fully on a minimum of any 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.***		Respond on each core 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

** Performance Indicators may be selected from any finalized Sector Supplement, but 7 of the 10 must be from the original GRI Guidelines

*** Performance Indicators may be selected from any finalized Sector Supplement, but 14 of the 20 must be from the original GRI Guidelines

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MESSAGE FROM THE MANAGING DIRECTOR

I am pleased to introduce the third Sustainability Report for Essar Shipping Limited. It has been our privilege to set the benchmark for the Indian Shipping industry and this fact has not gone unnoticed by our peers, the authorities and our stakeholders. It is also a matter of pride for us that we have led this initiative prior to IMO declaring Sustainability as a focus area for the world maritime industry. I am convinced that Essar Shipping Ltd. has matured as an organization through a process of transparency in Governance, Performance and Targets. In keeping with the times in the area of Sustainability, this report is our disclosure of Essar Shipping sustainability performance. This report is prepared based on GRI G3.1 guidelines.

The world economic scenario has depressed the Shipping sector for a prolonged period that has been unprecedented in recent times. The outlook for the Shipping sector has been depressed due to oversupply of ships and falling demand. Scrapping of older tonnage has been slower than expected whilst funding for new tonnage has been challenging to access. Essar Shipping has managed to ride out the turbulence through its short, mid and long term strategy of ensuring revenue through a judicious mix of long term and short term contracts for its assets. Our long term partnerships with market players and vendors have assisted us in trying circumstances. Due to the constraints we did have some challenges in servicing some of our statutory obligations, we never lost focus on our founding principles of Quality, Health, Safety and Environment performance.

Several initiatives were taken both in the operational and commercial aspects to increase efficiency and bring down operational and financial costs, whilst ensuring that quality and safety are not compromised.

Oilfield services continued to perform well through its long term drilling contract with Conoco Phillips whilst some of the land rigs and mobile rigs also commenced operations. Our Semi-submersible rig Wildcat was recognized by Conoco Phillips for outstanding safety performance

The Logistics business worked in tandem with Sea Transportation to incorporate modal shift as a business case to improve its GHG performance and make a significant contribution towards our approach to Climate change. This innovative approach also got recognition from various agencies.

Overall the company performance in HSE improved and though there was marginal increase in ELL's Lost time injury frequency Oilfield services maintained its unblemished record with another LTI free year and several of the rigs including the Semi- submersible 'Wildcat' had more than 2 LTI free years. Sea Transportation also had a 78% improvement in performance over the previous year. However in an unfortunate incident a young officer lost his life due to suicide on board one of our vessels.

The energy efficiency measures that were put in place over the past 1 year through the Ships Energy Efficiency

Management Plan (SEEMP) have shown results and the Specific GHG emissions for the Sea transportation business reduced by 31.3% over the previous year. Besides having a positive effect on the environment, this improved the efficiency in the carriage of cargo which is the primary objective of the business.

We have vastly increased our community interaction this year with greater participation from the employees. We expanded our coverage of community initiatives to cover not just the community connected to the areas connected to the maritime sector but to the needy within the city. This year we did not limit participation to the office staff but advised the ships of our initiatives. The ships staff provided an overwhelming response to our first initiative and contributions were spread over a greater number of beneficiaries, notably underprivileged or handicapped children. This was in

addition to our assistance to the Indian Coast Guard to make our coastline safer and cleaner.

Going forward, Sustainability is going to be at the forefront of the maritime agenda worldwide and I am pleased that Essar Shipping Ltd has embraced the principles through all levels of operations and activities, making our sustainability performance outlook very promising.



A.R. Ramakrishnan

Mumbai, 12th March 2014

ABOUT THE REPORT

This is our third sustainability report adhering to the following frameworks:

1. GRI G3.1 Guidelines
2. Accountability as per AA1000APS – 2008. These principles are Inclusivity, Materiality and Responsiveness
3. GRI Logistics and Transportation Sector Supplement Pilot Version 1.0 May 2006 (Including indicators LT1-5, 11, 13, 16)
4. National Voluntary Guidelines on Social, Environmental and Economic performance

This report includes data highlighting our performance in the reporting period i.e. April 1, 2012 to March 31, 2013.

This report includes information on our three principle businesses namely Sea Transportation, Logistics and Oilfield Services. The assets owned by the company and that are directly under its operational and management control are included in the report boundary.

The compiled data includes information from 15 vessels that are part of Sea Transportation business, the largest site of Logistics business i.e Hazira and semi-submersible rig Wildcat, and the land rigs which became operational during the reporting period and are part of Oilfield services business.

The report excludes information on:

- 6 Mini Bulk Carriers and 4 tugs as most of them are classed under Inland Vessels and the operations were not significant in the reporting period.

- 8 number of land rigs as these were not in operation and were under refurbishment
- 1 of our owned ships as it is outsourced for technical management.
- Logistics locations with less than 20 employees/contract workmen.
- Joint ventures, subsidiaries, leased facilities, outsourced operations and other entities as these do not significantly affect comparability from period to period and/or between organizations.

There have been no significant changes from previous reporting periods in the scope, boundary or measurements applied in this report.

Data Measurement techniques and basis of calculations:

IMO guidelines issued from time to time, SOLAS, MARPOL, GHG Protocol, SEEMP and ISPS, I - GAAP, NVG-SEE and other relevant industry standards. The management system standards used are ISO 9001, ISO 14001, OHSAS 18001, ISM code and ISO 14064. There has been no substantial divergence from application.

Table of standard disclosure (GRI content index) is included in this report.

HOW WE APPROACHED THE REPORTING PRINCIPLES

Materiality and Sustainability context

Whilst there has not been much change in the material issues but this year we decided to report on the same issues which continued to be of high material importance to the sector, the company and its key stakeholders. These issues have been reported in the respective sections of the report. We have not considered issues relating to Logistics business since the company became part of Essar Steel in April, 2013. The review of material was done with the senior leadership during the reporting year.

The material issues by business were identified and reported in our first sustainability report. Since there has been no significant change in the business, therefore, this report addresses the progress made against each material issue identified and the way forward. For the progress made against each identified issue please refer to the respective sections in this report.

Stakeholder Inclusiveness

Reference the stakeholder influence dependency matrix mentioned in pages 14 and 15 of the first sustainability

report, we have highlighted in this report the specific engagement initiatives taken during the reporting period for key stakeholder groups.

As the Stakeholder concerns may undergo changes, based on the strategies and actions initiated by the organization, it is worthwhile to capture this information to evaluate the effectiveness of organization present strategies and management approach and if required initiate changes to remain SUSTAINABLE in the short, medium and long term. It will be reported in next report.

Completeness

The information in this report covers 71.2% of the business by number of employees. The report addresses 53 Core Indicators of which 42 have been fully reported and 11 partially reported. The report also addresses 21 Additional indicators. A reasonable explanation has been provided against all those indicators that have either been not reported or partially reported.

APPLICATION OF THE REPORTING PRINCIPLES FOR DEFINING QUALITY

The following gives an explanation about application of the GRI Reporting Principles for Defining quality

Balance

The report includes both favorable and unfavorable results in economic, social and environmental aspects.

Comparability

Wherever possible, three year data has been included for the purpose of comparability to enable our stakeholders to analyze performance over time.

Accuracy

Since this report is an update on our second report, qualitative information excludes policy statements and briefings about the internal processes in place. These were part of our first report which may be accessed at www.essar.com. Qualitative information in this report

includes case studies and new initiatives taken during the reporting period. Wherever applicable, quantitative data is included to substantiate the information. Standard data measurement techniques are used for data collection, collation and analysis. References to standard protocols are included in the relevant sections. Appropriate mention has been made where the data has been estimated.

Timeliness

Our first report was released in February, 2012 and second in Feb 2013. Our target was to release the third report within 9-10 months of the completion of the fiscal year. Going forward, we will continue to publish the report within 6 months of completion of the fiscal year. However we were unable to publish the report within 10 months of completion of the fiscal year due to delay in data collection from various entities, subsequent verification and logistic issues.

Clarity

We have taken an effort to present the information in a way that is understandable and usable by our stakeholders. Graphs and charts have been used as appropriate. Cross references to the Annual Report and links to our website have been provided to assist the stakeholders to obtain further detailed information, if desired.

Reliability

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. As per our policy, we engaged DNV

Business Assurance India Pvt. Ltd to provide independent assurance on our third report as per the requirements of VeriSustain (DNV's sustainability assurance standard).

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:

Mr. Ranjit Singh

Email : Ranjit.Singh@essar.com or

eslqns@essar.com



SUSTAINABILITY DISCLOSURE

During the year FY 13 several key nodal agencies for the shipping sector have been urging the shipping community to undertake Sustainability Reporting as crucial to a sustainable future. ESL commenced this journey in FY 11. The shipping sector has been facing severe challenges that are captured in

- INSA bulletin 066 dated 15/01/2013 – Sustainability to top shipping agenda – IMO plans industry wide consultation as ICS calls for pragmatism
- INSA bulletin 225 dated 15/02/2013 – Trade makes shipping critical to sustainable future
- INSA bulletin 159 dated 30/01/2013 – Shipping urged to improve sustainability reporting. PwC survey finds shipping lagging behind other industries in reporting sustainability performance.

Description of key impacts risk and opportunities:

Although the company has identified contribution by type of risk in pages 30, 31 of sustainability report FY 2011 and described the role of highest governance body in risk management in this report. These have been further reviewed and following additional key impact risks have been identified as below:

1. Fuel efficiency of aging ships and rising cost of fuel.
2. Attrition of qualified personnel.
3. Regulatory compliance and climate change.
4. Excessive tonnage availability in market and Economic slowdown.
5. Political unrest and Piracy threats

Impact of key risks on sustainability:

Rising cost, deteriorating quality and restricted availability of future compliant fuels of low sulfur is one of major risk which may affect our profitability and tradability to large extent if necessary steps towards improving energy efficiency and compliance are not taken in near future. As fuel constitutes major portion of expenses, its impacts on our profitability and tradability are being assessed and easy to implement measures such as slow steaming etc. are being put in place.

Regulations towards environmental emission (CO₂, NO_x, SO_x, PM) and ballast water treatment are under discussion at IMO forums. Special emission areas have been declared. The investments towards compliance to future requirements are being looked into for future reporting.

Excessive supply of tonnage in market due to low cost of tonnage is leading to lesser demand in market as cargo movement has not grown in proportion to tonnage.

Piracy threats is another high risk to our economic and social sustainability as we take additional safety and security measures together with adoption of longer and safer routes to prevent Piracy attacks.

Induction and Retention of quality personnel both on board ships and in office is a major challenge. It directly impacts on quality of our operation and profitability.

THE YEAR AT A GLANCE

Mar 2013	Logistics bags CII SHE Excellence Award
Feb 2013	Shipping second sustainability report also achieves application level A plus
Feb 2013	Land Rig MR 2 completed 1 year without LTI
Jan 2013	Oilfields Services' land rig spuds first well in Rajahmundry project
Dec 2012	Essar Wildcat achieves 4 years with Zero LTI
Dec 2012	Oilfield Services' land rig MR 1 achieves 2 years without Lost Time Incident
Nov 2012	Bulk Operator Award 2012 – Sea trade awards - Dubai
Nov 2012	MV Ashok and MV Kishore awarded Green Passport from ABS
Nov 2012	ESL takes delivery of MV Ashok and MV Kishore
Oct 2012	Shipping Line of the Year - Coastal Shipping – Gujarat Star Awards
Jun 2012	FE EVI Green Business Leadership – Recognition for Promoting Sustainability and Combating Climate Change
June 2012	ESL takes delivery of MV Shravan
May 2012	Oilfields Services' land rig MR 3 achieves 365 days with Zero LTI

ABOUT THE COMPANY

Essar Shipping Limited is an integrated logistics solution provider with investments in logistics services, sea transportation together with oilfield drilling services covering offshore industry.

Our logistics business provides end-to-end logistics services – from ships to ports, lighterage services to plants, intra-plant logistics and dispatching finished products to the final customer. We own transshipment assets to provide lighterage support services, and onshore and offshore logistics services. We also manage a fleet of trucks for the inland transportation of steel and petroleum products.

The sea transportation business has a diversified fleet of 25 vessels including VLCCs, mini-bulk carriers, bulk carriers (Cape-size, Mini cape size and Supramax) and tugs to provide shipment of bulk, liquid and finished goods cargo transportation services. We have more than 220 ship years serving leading Indian and global oil majors and commodity traders and a combined tonnage of over 1.4 million. We currently have an order book of 4 new building supramax vessels.

Essar Shipping also provides contract drilling and related services to oil and gas companies worldwide, operating both offshore and onshore in diverse countries. We own a fleet of 13 rigs, which includes one semisubmersible rig and 12 onshore rigs.

Our integrated business model provides opportunities to cater to the complete supply chain management services to clients in oil and gas, steel, and power generation industries, and focuses on the intrinsic and captive demand for transportation services, logistics and cargo handling infrastructure. With interests in crude and dry bulk carriers, port-to-plant logistics and oilfield services, the company continues to provide end-to-end logistics solutions to its customers in a very cost-effective manner.

Our contracted revenue is based on long-term contracts with domestic and international clients, catered by a diversified mix of assets. The company follows the conservative policy of entering into long-term contracts with reputed global oil and industrial majors, thereby

ensuring assured cash flows and long-term profitability, as well as hedging against spot market volatility. Most of our vessels have committed cargo contracts.

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

Awards and recognition during the reporting period

CII SHE (Safety, Health & Environment) Excellence Award 2013

Essar Logistics (ELL) Hazira won the SHE (Safety, Health & Environment) Excellence Award 2013, Runners up-2, in the Service Industry (Large) category, at the CII (Confederation of Indian Industry) SHE Conclave 2013 held at Pune on March 26. Organized by the CII WR (Western Region) center, the theme of the conclave was, 'A Mission towards Zero Accident. ELL's record of improvement in safety indices despite the multifold increase in cargo handled over the years, sharp reduction in incidents and demonstrated commitment of safety team and line management in bringing visible improvement on site, was appreciated

Seatrade Middle East & Indian Subcontinent Awards

Essar Shipping (ESL) was awarded 'Bulk Operator of the Year' at the annual Seatrade Middle East & Indian Subcontinent Awards, part of Dubai Maritime Week. The awards were judged by a 12-member panel of international judges, led by Koji Sekimizu, Secretary General, International Maritime Organisation (IMO).

"The companies that were both shortlisted for the awards and those that were winners have shown exemplary levels of achievement, in areas such as technical and operational innovation, commitment to safety and quality, social and environmental responsibility, business acumen and development of human resources. Sea Trade salutes them all." - Chris Hayman, Chairman of SeaTrade, the award organisers.

FE-EVI Green Business Survey 2011-12

Essar Shipping received special recognition for their unique initiatives for promoting sustainability, combating climate change and promoting disclosure of non-financial performance.

The awards were declared based on the FE-EVI Green Business Survey 2011-12. The survey targeted 580 firms in India shortlisted on the basis of their annual turnover. A total of 73 companies, including Essar Steel and Essar Shipping, across 20 sectors participated in the survey and reported on key sustainability metrics such as GHG emissions, energy use, water and waste management. In addition, the survey also mapped the efforts and policies that companies are putting in place towards sustainable practices and mitigating environmental risks.

External charters or principles:

The company subscribes to external bodies/organizations such as INSA (Indian National Ship-owners Association), IADC (International Association of Drilling Contractors), CII (Confederation of Indian Industry), NSC (National Safety Council), IMO International Maritime Organisation), ILO(International Labour Organisation), OCIMF(Oil Companies International Maritime Forum), to name a few. These bodies provide latest industry information which contribute to Economic, Environmental and Social developments.



**Clock wise : A. R. Ramakrishnan,
MD, ESL, Capt. Anoop Sharma,
CEO Sea Transportation,
Ankur Gupta, CEO,
Oilfield Services, Rahul
Himatsingka, CEO,
Logistics Services**

PROGRESS MADE

Aspect	Our approach	What we will do	Status as on March 31, 2012	Status as on March 31, 2013
		Short-term (1-2 years)		
Cost of operation	Continuously monitor our costs and seek opportunities to reduce the same without compromising safety or quality.	Aim to reduce cost by 3% after allowing for inflation	Total Operating Cost per day of vessels during FY 2012 vs FY 2011 has shown a minor increase of 3% mainly due to inflation in prices of Lubes, spares, materials etc. However, if we consider a standard inflation of 8%; then we can see that the Total Operating Cost per day of vessels during FY 2012 has decreased by 5%.	Reduced by 8%
Freight rates	Ensure that undue risks in the market are 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.	Ensure steady revenue through judicious mix of long term and spot fixtures 60:40	On track. Present mix about 60:40	On track. Present mix about 60:40
Asset value	Ensure that proper maintenance and repairs keep asset value high	Strengthen preventive maintenance through Planned Maintenance Systems	On track. PMS checked on monthly basis	On track. PMS checked on monthly basis
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	Continue lobbying for sector friendly policies	Talks in progress through INSA	Talks in progress through INSA
Fleet Expansion	Expand the fleet to meet the tonnage requirements of our group companies and third party contracts	Take delivery of 6 mini-capes, 4 Supramax and 2 jack-up rigs. Acquire other tonnage should business opportunities arise	4 mini-capes joined the fleet. 2 mini-capes to join by Oct12. Indian built ships delivery delayed to the following year	2 mini-capes joined the fleet. Take delivery of 2 mini-capes in FY2014

Aspect	Our approach	What we will do	Status as on March 31, 2012	Status as on March 31, 2013
		Short-term (1-2 years)		
Availability & Cost of Finance	Firm contracts to be used to secure finance.	Continue to maintain 70:30 Debt: Equity ratio.	On track	On track
Modal shift	Move greater volumes of cargo by sea that were handled by trucks on the road	Increase modal shift by 5%	Increase in modal shift by 4.47%	Reduced by 10% due to increase in rail freights which diverted rail cargo to trucks.
CO ₂ emissions	Reduce our carbon footprint by deploying carbon emission reduction measures.	Monitor emissions and introduce initiatives such as such as voyage management, weather routing, trim, speed reduction for STB, enhancing vehicle maintenance for logistics, EOSL – renewal of motors to energy efficient type	SEEMP implemented. Fuel reduction measures identified and implemented. Motors on wildcat renewed	SEEMP implemented and monitored
Ballast water management	Comply with existing Ballast water requirements		All vessels compliant	All vessels compliant
Fuel Sulfur content	Comply with existing Sulfur requirements around the globe	Efficient monitoring of purchase of fuel to comply with lower limits	All vessels compliant. Low sulfur fuel being purchased with an average sulphur content of 2.7%	All vessels compliant. Low sulfur fuel being purchased with an average sulphur content of 2.7%
Age of Ships / Rigs / Trucks	Invest in younger ships, rigs and trucks which will be more efficient and environmentally friendly	Take delivery of all assets ordered. Phase out of older assets	Average age of shipping fleet reduced to 11 yrs. Scrapping of 2 older vessels. Average age of tipper/trailer under 3 years	Average age of shipping fleet reduced to 10.6 yrs. Scrapped 2 older vessels.
Regulation	Prepare for emerging regulations and comply with current regulations in all areas of operations.	Implement emerging regulations ahead of time, as far as possible.	On track. Ship Energy Efficiency Management Plan	Complied with. All vessels issued with International Energy Efficiency Certificate
Spills and Detentions	Strive to achieve zero spills and nil detentions.	Continue further training and management.	2 detentions. Zero spills.	One detention. Zero spills.
Certification to ISO 14001:2008	Follow a proactive approach to adopt new mandatory and voluntary requirements	Maintain certification of STB and ELL - Hazira. Revise Rig Operating Management System to include the requirements of ISO 14001:2008	Fleet training officer trains floating staff regularly. Masters also advised to impart training. Work in progress to include the requirements of ISO 14001:2008 in the rig operating management system.	Fleet training officer trains floating staff regularly. Masters also advised to impart training. The requirements of ISO 14001:2008 included in the rig operating management system.

Aspect	Our approach	What we will do	Status as on March 31, 2012	Status as on March 31, 2013
		Short-term (1 -2 years)		
Material consumption	Optimise consumption of materials for minimum environmental impact, reduced emissions and waste generation.	Monitor consumption of materials including those that not part of data collection system in the reporting period.	Being monitored.	Being monitored.
Waste management	Reduce waste generation	Implementation of data capturing, analysis and reduction	Data captured and analyzed.	Data captured and analyzed.
Employee engagement	Create a highly engaged workforce that is committed to organization's journey of value creation	Achieve 70% score	Employee engagement survey by third-party planned in February, 2013	Pending.
Employee training	Invest in the future development of the employees whilst equipping them with the skills required in their present roles.	3.5 days of training per employee	2.64 days of training per employee achieved.	Completed
Reward and recognition	Create a performance driven culture and reward sustained performance of the employees.	Re-launch the recognition scheme – ESL Star in conjunction with the new performance management system e-Compass. Introduce innovative schemes to increase employee motivation.	Pending	To be Implemented by April 2014
Cost of manpower	Optimization of manpower relative to asset size through process automation and newer technologies.	Reduce the cost by 5% accounting for inflation	Substantial savings through local hiring	On Track
Contractor training	Given the nature of the business, competent and well-trained workforce will ensure safe & efficient operation.	2 training days per contractor	Hired dedicated trainer and adequate training conducted for floating and fixed term contract employees. Training details in the Health & Safety section	On Track
	Ensure that contractors deployed are suitably trained.	Provide additional infrastructure and resources for contractor training at logistics locations		

Aspect	Our approach	What we will do	Status as on March 31, 2012	Status as on March 31, 2013
		Short-term (1-2 years)		
Manpower availability and competence	Recruit, train and retain a pool of competent manpower	Strengthen the recruitment process. Increase competence through identified training programs and retain the talent pool through engagement programs	Increased Engagement level to arrest attrition. Also developed a mechanism to check competency GAP through e-compass Performance Appraisal system	On Track. E-compass appraisal being carried out bi-annually
Attrition	Prevent attrition through various strategies in order to retain our talent pipeline and enable succession planning.	Maintain the rate of attrition below the industry average.	Overall employee turnover reduced by 21% (from 10.55 to 9.26%)	On Track
Rest hours	Monitoring of rest hours through proper planning and co-ordination to avoid any violation against the norms	Strengthen attendance monitoring at logistics locations.	Implemented swipe system at all locations in ELL. Rest hours record maintained and violations addressed	On Track
Compensation	Fitment of right compensation in comparison with the industry, region and minimum wages criteria	Keep abreast of market trends in compensation to ensure our employees are adequately compensated	Participated in Mafoi Salary . We have been placed an average pay master as per industry.	
Welfare	To maintain a healthy work environment with engagement activity through employee connect initiatives	Have frequent employee connect programs so that employee satisfaction is maintained at a high level	Celebrations, offsite get together and knowledge sharing frequency increased.	
Amenities	Provide amenities for the workforce at our sites that make the atmosphere conducive to a healthy work environment	Ensure that all locations have suitable facilities	Work in progress	Regular checks on water/air quality and sanitation facilities carried out
Overtime	Strive towards optimum utilization of available human resources.	Introduce tracking mechanism to restrict and reduce overtime.	Tracking mechanism introduced. Rules followed as per the statute	On Track
Grievance Redressal	In order to have better engagement at all level , grievance redressal plays crucial role towards engagement	Reduction in 5% of the number of complaints received and redressed in the same category.	Employees encouraged to report all grievances to respective HR. Sites (ELL and vessels) have access to Hotline numbers	Grievance redressal mechanism in place

Aspect	Our approach	What we will do	Status as on March 31, 2012	Status as on March 31, 2013
		Short-term (1-2 years)		

Health and Safety

Piracy	Ensure safety of ships and crews from the menace of piracy	Training to crews on piracy. Install citadels and procure proven anti-piracy equipment	Citadels installed. Armed guards placed on board where required	No action
Employee training	Improve safety culture through 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 Seminar, Safety magazines and fleet training officer deployed to enhance safety awareness both at sea and ashore	Safety Seminar, Safety magazines and fleet training officer deployed to enhance safety awareness both at sea and ashore
Safety performance	Reduction in LTIFR by 10% over previous years target	A further reduction of 10% each year	10% achieved	78% reduction over last year's performance.
Certification to OHSAS 18001:2007	Companies to incorporate OHSAS 18001:2007 in their Management systems and attain certification	Continual improvement. EOSL to review EROMS and incorporate OHSAS elements in the Safety Management System	Work in progress. To be completed by Sep 2013.	OHSAS elements in the Safety Management System incorporated
Health Monitoring	Periodic health monitoring and workplace health and wellness programs to achieve our goal of a healthy workplace.	Continue health checkup and monitoring of industrial hygiene aspects.	Mandatory health checkups for all employees. Awareness programmes conducted for floating personnel and contract workmen.	Mandatory health checkups for all employees. Awareness programmes conducted for floating personnel

Product Responsibility

Procurement cost of goods & services	To procure goods and services and the most competitive price without compromise on safety and quality	Upgrade IT based systems to create database for vendor selection and rejection	Incorporated	IT based systems for vendor selection and rejection
Quality of services received	To ensure that all services are as per specifications	Capture quality of services remarks against vendors in the database	Feedback received and quality assured prior payment	Feedback received and quality assured prior payment
Voyage management	Reduce fuel consumption and emissions through voyage management	Use other means such as Just in time arrival and slow steaming where applicable to reduce fuel and emissions	Incorporated via SEEMP	Incorporated via SEEMP and being monitored

Aspect	Our approach	What we will do	Status as on March 31, 2012	Status as on March 31, 2013
		Short-term (1-2 years)		
Vessel Performance	Avoid performance claims from charterers	Develop IT systems to accurately analyze performance against contracted targets	IT systems in place	IT systems in place
Route planning	To use optimal routes to save fuel and time		SPOS in use for route planning	SPOS in use for route planning
Backhaul cargo	Actively pursue backhaul cargo to increase carbon efficiency	Actively pursue backhaul cargo to increase carbon efficiency	Active chartering in place to source backhaul cargo	Active chartering in place to source backhaul cargo
Safe handling and on-time delivery	To ensure that cargo claims are minimized		In place	In place
Customer feedback	Encourage customer feedback as a tool to improve the quality of service	Develop IT system to track feedback and implementation	Feedback forms in place. IT system yet to be developed	IT system not yet developed. Expected to be complete by April 2014.

Community Engagement

Education	Identify and support educational programs to benefit stakeholders in and around our work locations	Organize health awareness campaigns at site. Initiate mentoring program for adolescents in partnership with an NGO.	Health camps conducted at Hazira and doctor on site available for HIV awareness and testing.	Awareness lecture carried out during safety seminar and included in MLC 2006 requirements
Environment	Minimize the environmental impact	Continue to support International Coastal Clean Up. Organize environmental awareness campaigns for maximum employee participation	Supported International Coastal cleanup.	Supported International Coastal cleanup.
Coastal Community	Identify and support worthy causes that benefit the marine and coastal communities	Continue to support worthy causes. Increase employee participation through awareness.	Coast guard and fishing community supported via recognition awards	Coast guard and fishing community supported via recognition awards

Stakeholder engagement: As mentioned in page 13, 14 and 15 of first sustainability report.

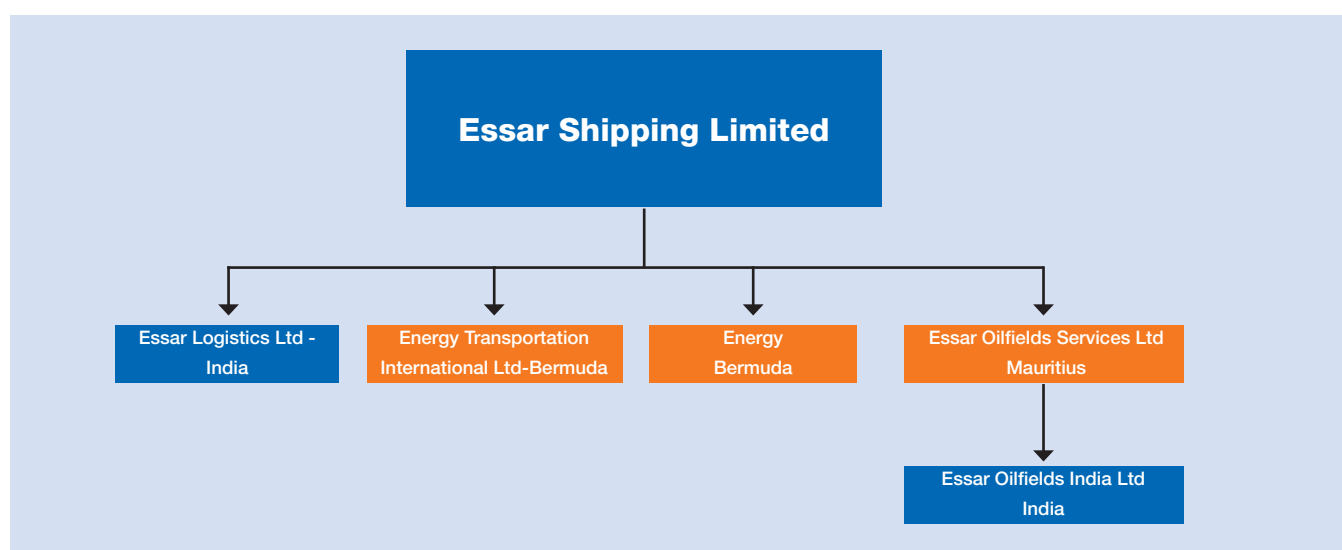
Vendor concerns on delayed payments are reviewed and resolved.

Shareholder's/Investor's grievances are handled by grievance and shareholder's transfer committee.

CORPORATE GOVERNANCE

Essar shipping Limited is listed at Bombay stock exchange (BSE) and National stock Exchange (NSE) of India and is committed to maintain highest standard of corporate governance as required under listing agreement with stock exchange.

Sustainability has been adopted as an agenda by the Board of Essar Shipping Limited. Whilst the Board will provide the oversight and guidance on sustainability issues, the ownership of sustainability performance lies with the respective business CEOs who are also part of the Board. The structure of the Company as at March 31, 2013 is as below.



1. The governance structure and composition

The Governance and Compliance is a Board room Agenda since inception. The Board's philosophy on corporate governance stresses the importance of transparency, accountability, Compliance and Risk management, community development and protection of interest of stakeholders.

The Board has optimum combination of Independent and Executive Directors. The composition of the Board as of date is given below. The Company has designated Chairman of the Board. Each Director declares his interest in accordance with the provisions of the Companies Act to ensure conflicts of interest are avoided at all times.

6 out of 8 Directors are above the age of 50 and 2 Directors are in the age group of 30 to 50. There are no women Director on the Board.

Mr. N Srinivasan	Non-executive Independent Director
Mr. Michale Pinto	Non-executive Independent Director
Mr. N. C. Singhal	Non-executive Independent Director
Capt. B S Kumar	Non-executive Independent Director
Mr. P K Srivastava	Non- executive Director and Chairman
Mr. A R Ramakrishnan	Managing Director
Capt Anoop Kumar Sharma	Whole Time Director & CEO
Mr Ankur Gupta	Non-executive Directors

There have been no significant changes from previous reporting periods regarding size, structure or ownership.

Statistics of the Composition of the Board:

- 50% of Board members are Independent as defined under Listing agreement
- 75% of Board members are Non-executive Members.

The Board has constituted following committees to ensure Governance, Risk and Compliance management at the various functions of the Company.

- Audit Committee
- Compensation Committee
- Corporate Social Responsibility Committee
- Investors Grievance Committee

Audit Committee

The Board has constituted qualified and independent Audit committee in compliance with the provisions of Clause 49 of the Listing Agreement entered into with the Stock Exchanges read with respective provisions under Companies Act, 2013.

The Audit Committee comprises of independent Directors namely Mr. Michael Pinto (Chairman), Mr. N Srinivasan and Capt B S Kumar. All the members of the Committee are financially literate and have relevant experience in financial management and / or Audit.

Meetings are conducted on quarterly basis to review and recommend to the Board, quarterly, half yearly and annual financial results of the company. The Managing Director, Chief Executive Officer, Chief Financial Officer, Internal Auditor and Statutory Auditors attend each such meeting. The Company Secretary is the Secretary to the Committee.

The Audit Committee is mandated to perform the functions specified under Companies Act and listing Agreement. The Audit Committee periodically interacts with Auditors to review internal control system, scope of audit including observations of the auditors and review the quarterly, half-yearly and annual financial statements before submission to the Board. The Committee has authority and powers to investigate into any matters as referred to it by the Board and any other matters as may be required to review under provisions of the Companies Act, 2013 and relevant provisions under listing agreement and for this purpose, has full access to the information contained in the records of the company. The recommendation of the Audit committee on any matter relating to the financial management including audit report is binding on the Board. If the Board does not accept the recommendation of the Audit Committee, it shall record the reasons therefor and communicate such reasons to the shareholders.

The Chairman of the Audit Committee attended the 3rd Annual General Meeting of the Company held on September 25, 2013 at registered office at Jamnagar in compliance with the provisions of the Companies Act and listing agreement.

2. The role of the highest governance body in setting the organisation's purpose, values and strategy.

The Board regularly evaluates Board structure and ensures compliance of Corporate Governance guidelines as stipulated by Securities & Exchange Board of India (SEBI) through the Clause 49 of the Listing agreement entered with BSE Limited and the National Stock Exchange of India Limited. All the members are selected on the basis of skills, experience, expertise, foresight, managerial qualities and time availability. Board of Directors of the Company ensures that there should be regular interaction with Management and the awareness of Governance, Risk and Compliance. Apart from quarterly Board meetings, review meetings were held in between quarterly statutory meetings to review operations of the Company and to have close interaction with Management.

Shareholders can provide recommendations to the Board during the Annual General Meeting or can write to the Company. For details on the role and charter of all the committees of the Board, please refer to the Annual Report FY2013 page 15-19.

3. The competencies and performance evaluation of the highest governance body

There is no formal policy on performance evaluation of the Board of Directors of the Company Refer Annual Report 2013. The company would be developing processes for evaluating performance of highest governing body with respect of economic, environmental and social performance in near future. It will be reported accordingly in future.

4. The role of the highest governance body in risk management

The Company has a Risk Management Policy that outlines the framework and procedures to assess and mitigate the impact of risk, and to update the Board and the senior management on a periodical basis on the risk assessed, actions taken for mitigation and efficacy of mitigation measures. With efficient Risk Management Framework, your Company has been able to manage;

- a) Economic Risk by entering into long term contracts with reputed global players in each of its divisions thereby ensuring long term profitability of the Company and assured cash flows;
- b) Interest Rate Risk by undertaking suitable hedging strategies to overcome any adverse interest rate risk. It has formulated internal target rates at which any open interest rate risk can be hedged;
- c) Control over the operational matrix of various vessels to reduce cost and reduce downtime of vessels;
- d) Control over various OPEX cost of the organisation.

The Company has well-established framework of internal controls in operations, including suitable monitoring procedures. In addition to the external audit, the financial and operating controls of the Company at various locations are reviewed by Internal Auditors, who report their observations to the Audit Committee of the Board.

5. The role of the highest governance body in sustainability reporting

The Board has constituted Corporate Social Responsibility committee who monitors periodically the activities undertaken by the Company towards, CSR and sustainability Reporting.

The company had released its first Sustainability Report titled "Sustainability-Our propelling Force". It became the first Indian Shipping Company and among few in the international maritime sector to report as per the GRI Generation 3 guidelines.

Further the Company has released its 2nd sustainability report titled "Measurable, Manageable, and Sustainable on February 8, 2013. The report captures the Environment, Social and Governance performance of the Essar Shipping and its Indian subsidiary companies.

6. The role of the highest governance body in evaluating economic, environmental, and social performance.

As mentioned above.

7. Remuneration and incentives

No remuneration or incentives are paid to the Independent Directors of the Company other than sitting fees for attending meeting of the Company.

The remuneration and incentives paid to the executive Directors of the Company for the year ended March 31, 2013 are Rs.4.06 crore. Apart from the remuneration, Executive Directors are entitled for Stock Options as per "Essar Shipping Employees Stock Option Scheme-2011".

ECONOMIC PERFORMANCE

The financial and economic performance of the company are published and made available to stake holders regularly on quarterly as well as annual basis. The same information is disseminated to the stock exchanges where the shares of the company are listed i.e. NSE and BSE.

Overall, our economic performance has been better during this reporting period as compared to the past year. Our Total Income for the period rose by 15.5% over last year, helped by a strong performance by the oilfield services business. Our economic value retention jumped by almost 14 % over FY 12 (from 3997 MINR to 4551 MINR). No vessel was sold during this year.

Below given information is also available in Annual report FY 2013 which accessible on the website www.essar.com/investors/shipping.

Particulars		2011-12 (MINR)	2012-13 (MINR)	Remarks
Revenues				
Net sales (Gross sales less returns, discounts and allowances)		28015.8	32091.9	As per Annual Report FY 2013
Income from investments including cash received as interest, dividends, royalties and direct income generated from assets		482.7	888.9	As per Annual Report FY 2013
Income from sale of assets (tangible & intangible assets)		46.6	00.0	As per Annual Report FY 2013
Total direct economic value generated		28545.1	32980.1	
Operating costs		19121.2	22102.0	Annexure 1
Employee wages & benefits - Offshore		1472.5	1801.1	As per Annual Report FY 2013
Employee wages & benefits - Onshore		426.4	427.1	As per Annual Report FY 2013
Payment to Govt. (by country)	India	233	440.3	Annexure 2
Payment to providers of capital	Interest	3294.3	3657.2	As per Annual Report FY 2013
Community Investments		1.315	1.530	
Economic value retained		3997.7	4551.0	

*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	2011-12	2012-13
Cost of Sales	20072.5	19152.9
Admin & selling	961.49	697.60
Foreign Exchange Gain	-15.2	-21.8
Less: Employees wages & benefits shown separately	1898.9	2228.2
Less: Community Investments shown separately	1.315	1.530
Operating Cost	19121.2	22102.0

Annexure 2

Payment to Government	MINR	
Particulars	2011-12	2012-13
ESL	16.5	32.0
Logistics	-2.1	76.10
Oilfield Services	168.22	332.21
Tax Adjustment for Previous Years	50.4	-
TOTAL	233.02	440.3

Total Assets and Market capitalization	INR in Crore (cr)	
	2011-12	2012-13
TOTAL ASSETS	Total Non-current Assets: 10,009.09 cr. Fixed Assets Net Block: 4,434.17 cr. Capital work in progress: 593.53 cr. Goodwill : 3,658.41 cr. Current Assets: 2009.75 cr.	Total Non-current assets: 11384.71 cr. Fixed Assets Net Block: 4403.55 cr. Capital work in progress: 1736.28 cr. Goodwill: 4976.28 cr. Current Assets: 2039.38 cr.
Market Capitalisation (for listed companies)	Company was listed on 15/10/2012. Market Cap on BSE at close of day was Rs. 556.17 Crore (closing price : 27.10 per share on 31 st March 2012)	Market Cap on BSE at close of day was Rs. 335.05 Crore (closing price : 17.30 per share on 31 st March 2013)

- Changes in the share capital structure and other capital formation, maintenance and alteration operations
 - No additional shares of Essar Shipping Limited have been issued during the year.
- List of entities included in the consolidated financial statement
 - List of subsidiaries are:-
 - Essar Logistics Limited, India
 - Essar Oilfields Services Limited, Mauritius
 - Essar Oilfield Services India Limited, India
 - Energy Transportation International Limited, Bermuda
 - Energy II Limited, Bermuda
 - List of entities not included in the consolidated financial statement
 - None. All the subsidiaries have been consolidated. Disclosure on Management approach

Disclosure on Management approach

Economic performance

Essar Shipping Ltd achieved total revenue of 32980 MINR in FY 13 as compare to 28545 MINR of 2012.

More information is available on pages 7, 24-27, 50-53 of annual report 2012-2013 which is accessible on the website www.essar.com/investors/shipping.

Market Presence and Market Served:

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

The type of cargoes handled in the year have been Bentonite, Coal, Finished Steel, Iron Ore, Lime Stone in General Cargo and Bulk carriers, whereas crude oil in tankers. There has been no significant change in percentage of market served as reported in page 49-51 of sustainability report 12.

Essar Wild Cat of Oil field services continued to work for Conoco Philips, Indonesia.

Indirect Economic Impacts

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 annual safety seminars, 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.

LABOUR AND HUMAN RIGHTS

Essar as an organization respects the human rights of its employees and we comply with the labor laws that are in force for the regions we operate in. The recent application of MLC (Maritime Labour Convention) has been implemented on our vessels ahead of time and all of our ships are MLC compliant. Non-discrimination, prohibition of child labor, prevention of forced and compulsory labor, indigenous rights, living and working conditions, training, compensation and prevention of sexual harassment at the work place are addressed in the convention and enforced on board. Additionally, an internal complaints committee has been set up at the Corporate to address the requirements of Sexual Harassment Act which was passed by the Upper House of the Indian Parliament in February, 2013.

There has been no incident of discrimination reported in the company and hence no actions required to be taken.

No Human right grievances received in writing though even verbal complaints were resolved to the employees' satisfaction.

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. All critical vendors including manning agencies are vetted by company Quality, Health and Safety Management System to ensure compliance with requirements. Manning Agencies are going to be vetted for MLC compliance where human right screening is covered. We are in process of collecting data for suppliers and contractors who have undergone human right screening.

All senior and top management are of local origin and no expatriates are engaged. There is no discrimination in remuneration on gender basis and equal opportunities are provided to all.

Essar Shipping does not engage in or support discrimination in hiring, remuneration, access to training, promotion, termination, or retirement based on race, national or social origin, caste, birth, religion, gender, or any other condition that could give rise to discrimination. No discrimination case was reported.

Essar shipping does not engage in or support the use of child labour, forced and compulsory labour. No such case was reported.

The company does not engage in or support any activity or contractor where right to exercise freedom of association and collective bargaining may be at significant risk or violated. No such case was reported.

All security personnel (100%) hired directly by the company are trained in different aspects of human rights.

ITF (International Transport Workers Federation) inspections, Port state control inspections and our own internal audits routinely monitor the working conditions on board and ensure that the work place conforms to internationally accepted standards.

All crew are trained on their rights under the MLC and are aware if any violations or shortfalls exist so that corrective action can be taken immediately.

All employees are appraised for performance and the performance linked bonus is based both on the performance of the company as well as the individual in the given financial year. The training needs identified of the employees are periodically identified and our extensive online training programs (Success Factors) are available for continuous upgrading of competency skills as well as other soft skills as required.

The benefits provided to full-time employees are as per statute and include provident fund, pension scheme and superannuation and gratuity benefits. A family health insurance policy is also provided to employees. A part of these benefits may be extended to temporary or part time employees basis recommendations from line managers.

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. These initiative are in force and successful.

Company has in place skill soft portal which is 24x7 system and is on-line. It has host of behavioural, functional and skill management certified programmes which support employees' continued employability and assist them in managing career.

Employee CONNECT – Harmony

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

- Health and Wellness
- Employee Assistance Programme
- Events and celebrations
- Essar Cares

Health Awareness:

Company organizes in-house seminars where health experts make employees aware of good health, wellness and prevention of serious diseases. HR department regularly flashes clippings and bulletins to make employees aware of good health & implications of serious diseases. All employees are subjected to annual medical check-ups along with their spouses where medical experts give their opinions and report. All floating staff takes mandatory medical check-up and fitness test.

Gymnasium is provided for work-out.

Return to work after parental leave (Maternity Leave) is 12 weeks. There were no cases of employees for parental leave in financial year 2013 reported and hence retention is 100%. This information is available under HR policies of company posted on website.

Minimum Notice Period : 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.

Corruption:

The company has an anti-corruption policy and seeks full integrity of employees. This policy is available under HR policy and posted on site. Employees are briefed during induction for anti-corruption and be a whistle blower. All the employees (100%) are trained and aware of anti-corruption policies and procedures. HR department and departmental heads regularly brief employees. This is also implemented on board. Close interaction between employees at all levels, personnel on board ships and suppliers help in implementing anti-corruption policy and establishing integrity. Despite having numerous interactions with various suppliers, ship-staff and employees, no case of corruption came to light.

Employee's benefit plan :

OFFSHORE STAFF	In Cr FY 13	In Cr FY12
Salaries, wages and bonus	163.42	127.77
Contribution to staff provident and other funds (refer note 32)	2.46	1.73
Staff welfare	14.23	10.77
OFFICE STAFF		
Salaries, wages and bonus	35.33	42.64
Contribution to staff provident and other funds (refer note 32)	2.65	2.67
Staff welfare	4.26	4.24
Employee stock option scheme (refer note 4 and 34)	0.47	0.07
Total	222.82	189.89



Please find Essar Shipping's performance against the targets set in FY 2011 and progress reported in FY 12 in the following pages:

Aspect	Our approach	What we did in FY 11	What we will do		Target FY 14
			Short-term (1-2 years)	Performance in FY 13	
LABOR PRACTICES, DECENT WORK and HUMAN RIGHTS					
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	No survey undertaken.	Plan to conduct in March 2014 along with the group.
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	Achieved training man-days of 3 man-days. 2014 Achieve training man-days of 3.5	
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 E-Compass. Introduce innovative schemes to increase employee motivation.	Formulated Policies working on implementation	
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	Local Hiring done and substantial cost saved on salary. 2014 target. Will continue to drive this initiative to save cost at 5%.	
Contractor training	Given the nature of the business, competent and well-trained workforce will ensure safe & efficient operation. Ensure that contractors deployed are suitably trained.	Periodic training and communication. Hired a training officer for ship's crew. 3726 contractors trained	2 training days per contractor Provide additional infrastructure and resources for contractor training at logistics locations	Hired dedicated trainer and adequate training conducted for floating and fixed term contract employees. ELL contract employees training data already been shared with the auditors.	

Aspect	Our approach	What we did in FY 11	What we will do		
			Short-term (1-2 years)	Performance in FY 13	Target FY 14
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	Increased Engagement level to arrest attrition. Also have developed a mechanism to check competency GAP through e-compass Performance Appraisal system this year .	To drive effective and robust talent review program in order to retain and develop Key Critical Positions
Attrition	Prevent attrition through various strategies in order to retain our talent pipeline and enable succession planning. Restrict below 10%	Initiated Stay Interview, Job rotation and Job enrichment programs.	Maintain the rate of attrition below the industry average.	Overall employee turnover reduced by 21% (from 10.55 to 7.53%)	
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.	Implemented swipe system at all locations in ELL	To maintain and implement as per the industry norms.
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	Participated in Mafoi Salary Survey. We have been placed as average pay master as per industry.	To participate in at least 1 salary survey in a year.
Welfare	To maintain a healthy work environment with engagement activity through employee connect initiatives	EAP program – Counseling; Canteen / Rest room / Transport facility	Have frequent employee connect programs so that employee satisfaction is maintained at a high level	No Change	To maintain the same standard.

Aspect	Our approach	What we did in FY 11	What we will do		
			Short-term (1 -2 years)	Performance in FY 13	Target FY 14
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	Provided	To maintain the same standard.
Overtime	Strive towards optimum utilization of available human resources.	Dedicated resource allocation to handle contract management + C2 Software to track the OT hrs	Introduce tracking mechanism to restrict and reduce overtime.	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	Reduction in 5%	Done	
Talent Review	Competency Card Framework: To Maintain Individual competency Cards for each Position defining the competencies and proficiency level required for each role. Career Ladder: To define the growth and Movement of the incumbents with required Training.	Completed the exercise for all the employees in ESL Completed the exercise for all the employees in ESL	Further Fine tune it and upload the same in E-compass Portal, to ease the Next move (Internal hiring process) Further Fine tune it and upload the same in E-compass Portal, to ease the Next move (Internal hiring process) Reinforces the link between behavior and performance which can help to build a performance culture	Done	To Start the Reward and Recognition Process

HEALTH & SAFETY

Health and Safety has been at the very top of the list of priorities at Essar and our proactive approach has borne results in improved Health and Safety performance over the years. We have developed in-house software to capture, analyze and promulgate safety reports, near miss incidents and learning points which has resulted in a marked increase in reports of even minor nature. We were the first Shipping company in India to achieve ISO 9001:2008, 14001:2004 and OHSAS 18001:2007 certification and the measures taken in compliance to these standards has improved the Health and Safety standards on board.

All critical and hazardous operations are carried out onboard using risk assessment techniques and effective control measures are put in place. Safe working practices, Tool box talk, Permit to work, MSDS data sheets, Shipper's declaration, IMSBC code and all other relevant industry guidelines are used to assess impacts of products and services.

No case of non-compliance with regulations concerning health and regulations has been reported.

Piracy on board ships has become a major threat to vessels trading in the Arabian sea and our vessels are fully geared to meet the threat taking into account the Best management practices currently in force, which include barbed wire

fencing, Citadels, use of convoys and Armed guards during each transit through a High risk area.

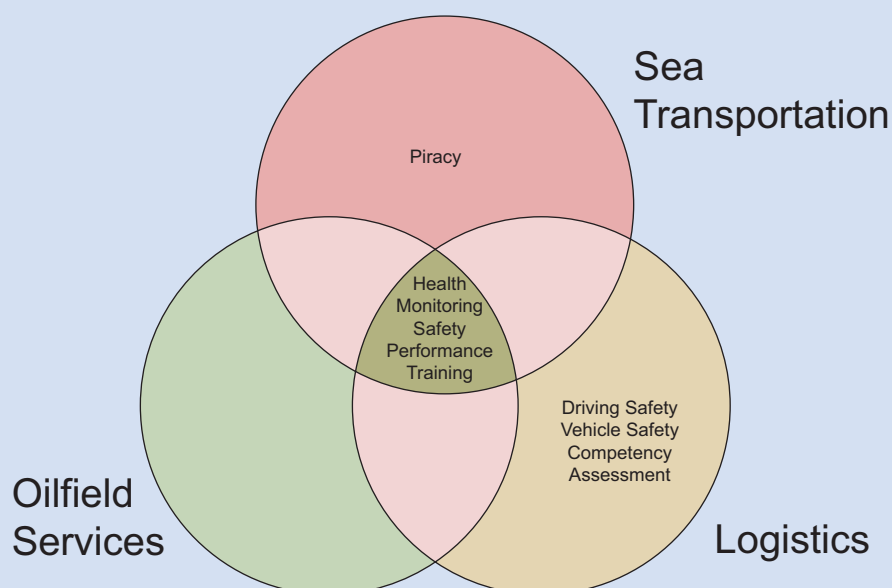
The Oil rigs have had an LTI free year and the Safety initiatives taken have been appreciated by the chartering company ConocoPhillips.

Essar Logistics too had improved performance and their efforts and initiatives were showcased and appreciated by CIL.

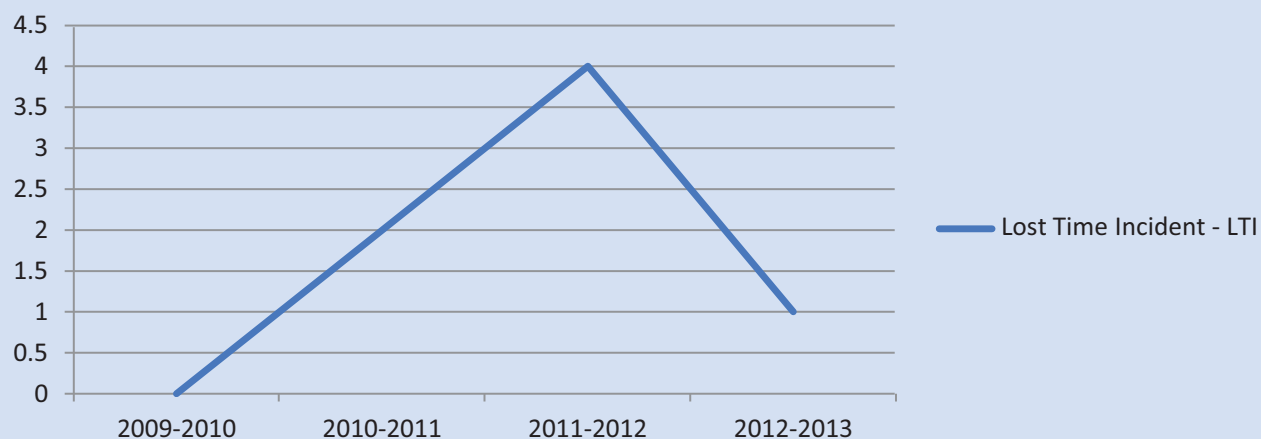
Total workforce representation on the safety committees on board the ships is 100%. Safety committee meetings for Oilfield services and logistics business are held periodically as per safety management programs. Apart from monthly safety committee meetings on board the ships and regular drills between office and ships/rigs, Annual safety seminars with floating staff and senior management of company are held where experts from industries in field of safety, quality and environment do knowledge sharing. Health experts are also invited to improve awareness on healthy living. On board training and discussions are also held when office superintendents visit vessels.

Details on requirements and explanation of Health and Safety topics are covered under Merchant Shipping Act and MLC-2006.

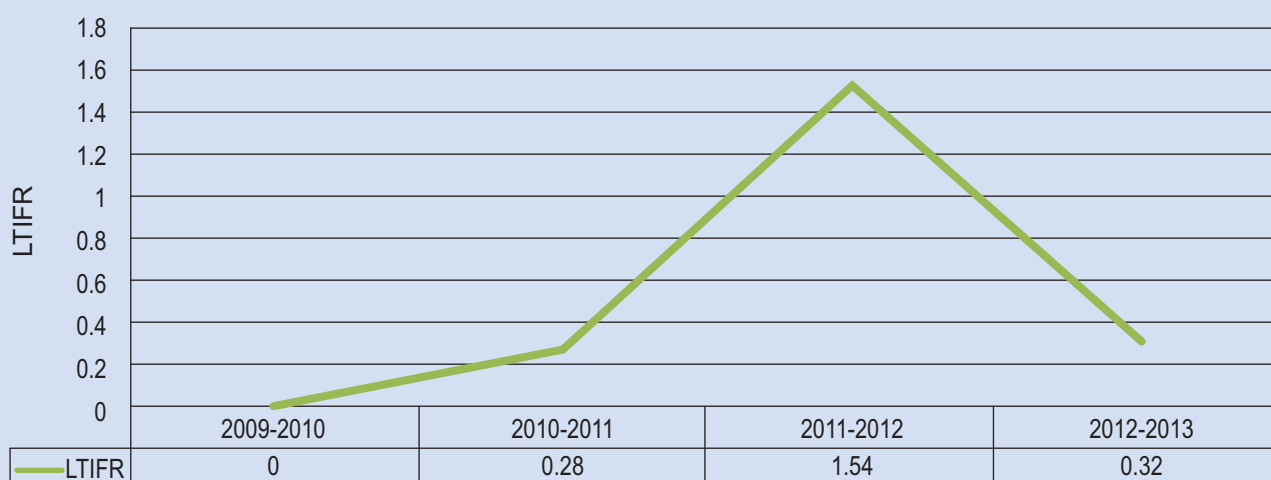
We have identified the following health & safety issues that are material to the organization.



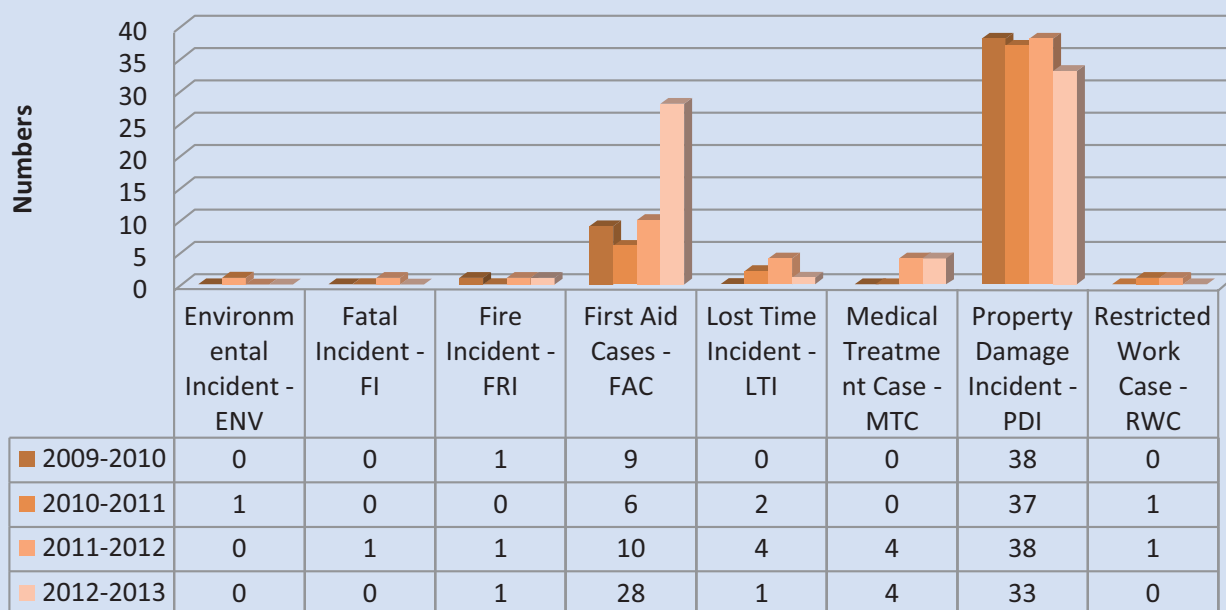
Lost Time Incident - LTI



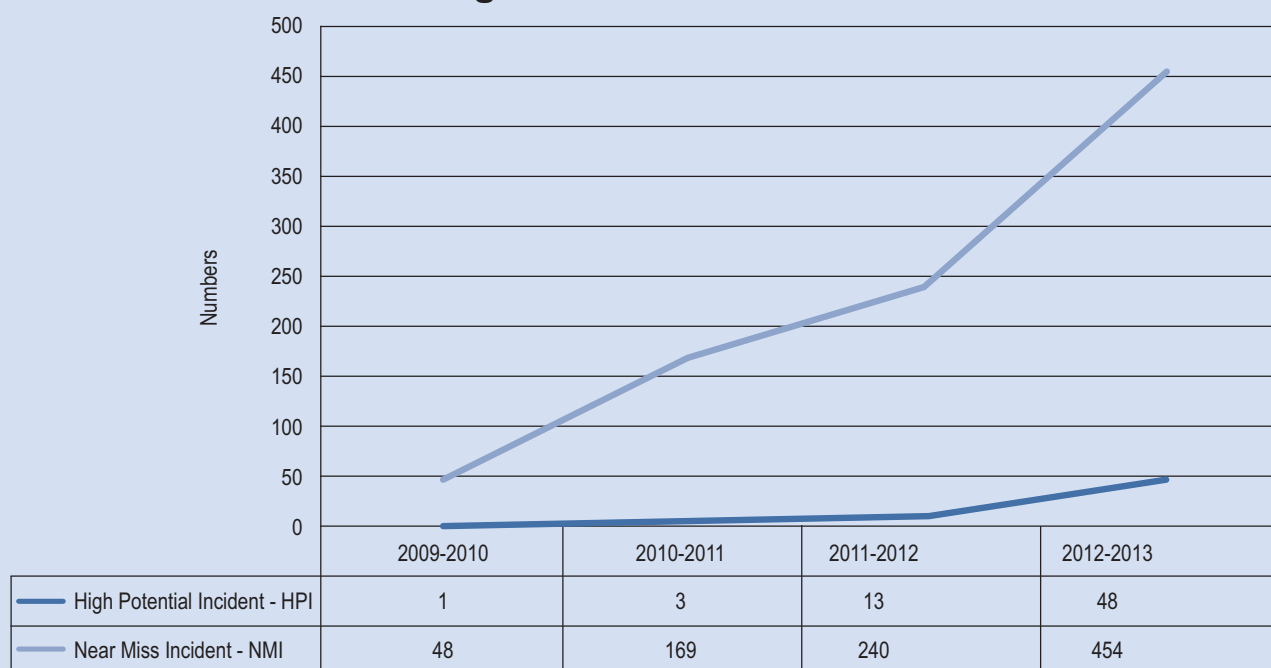
Sea Transportation - Lost Time Incident Frequency rate per million manhours



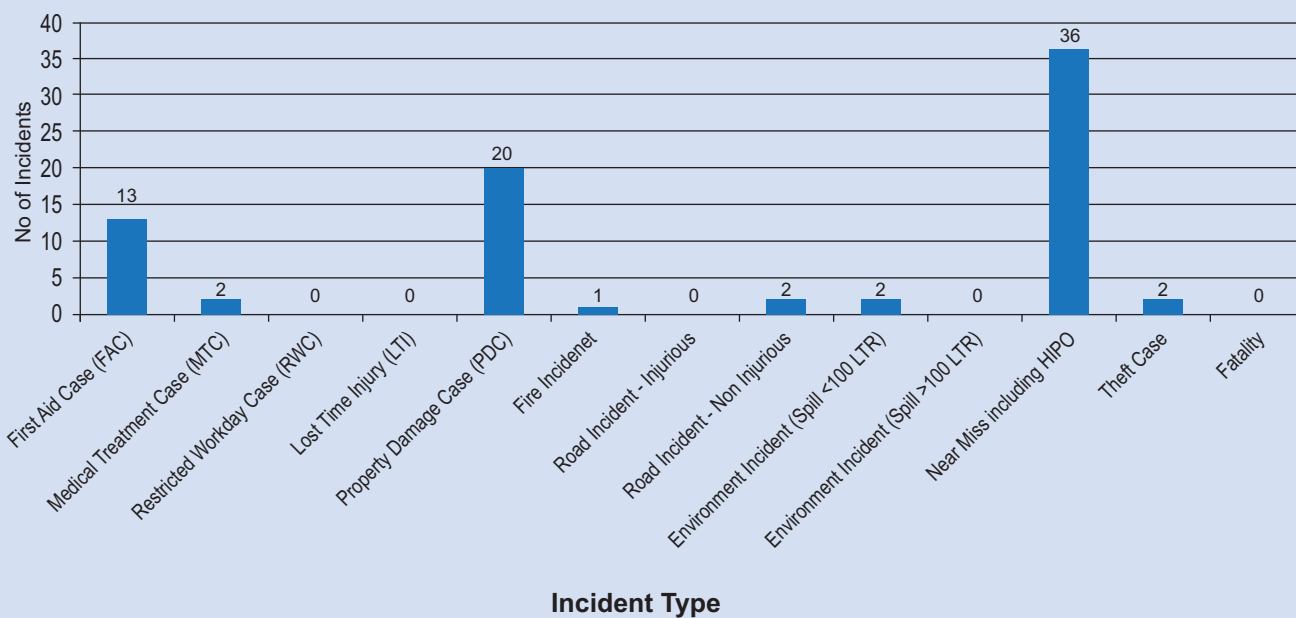
Sea Transportation - Incidents



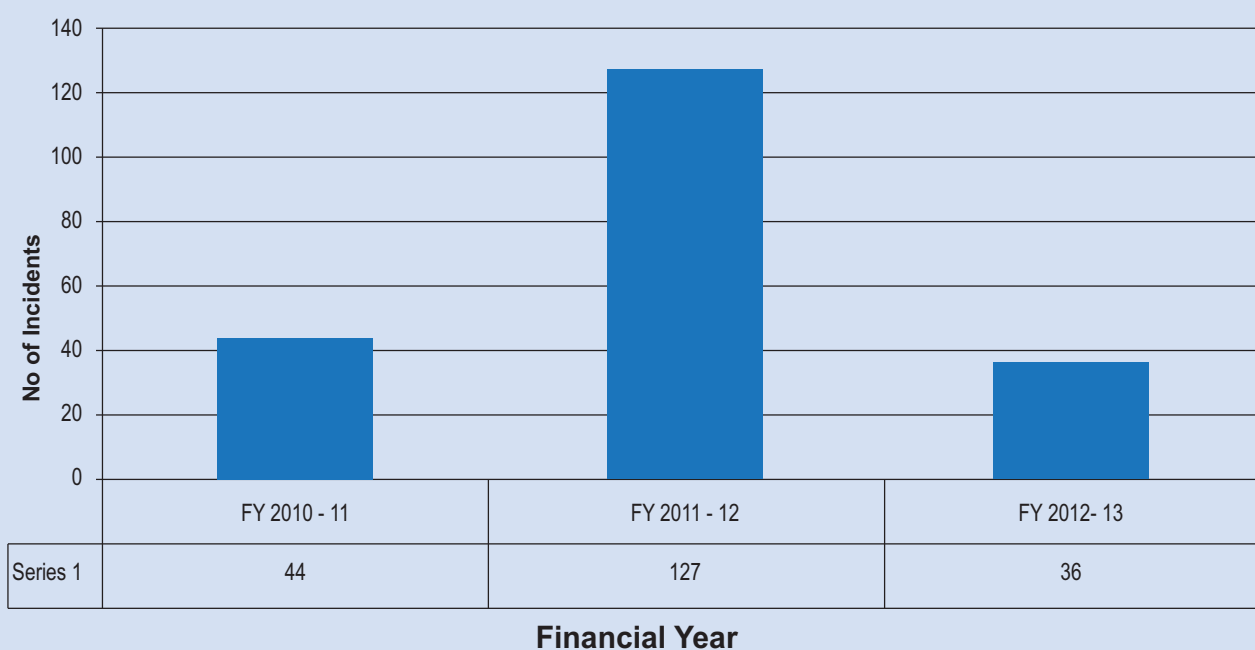
Sea Transportation - Near miss and High Potential incidents



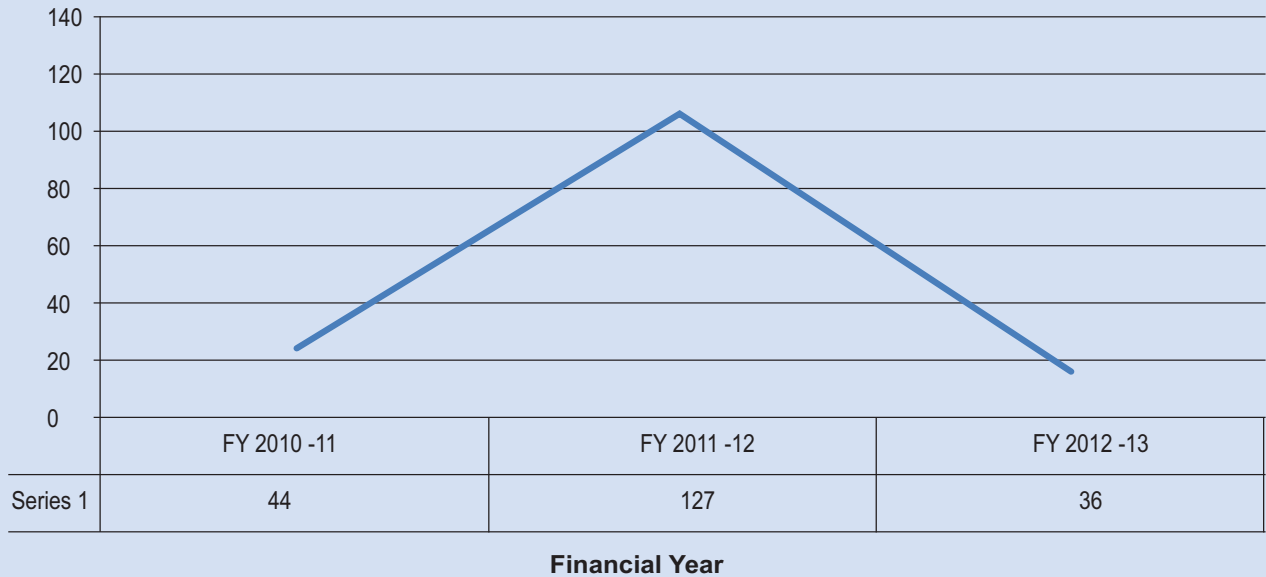
Essar Oilfield Services - Incidents Details - 2012 - 13



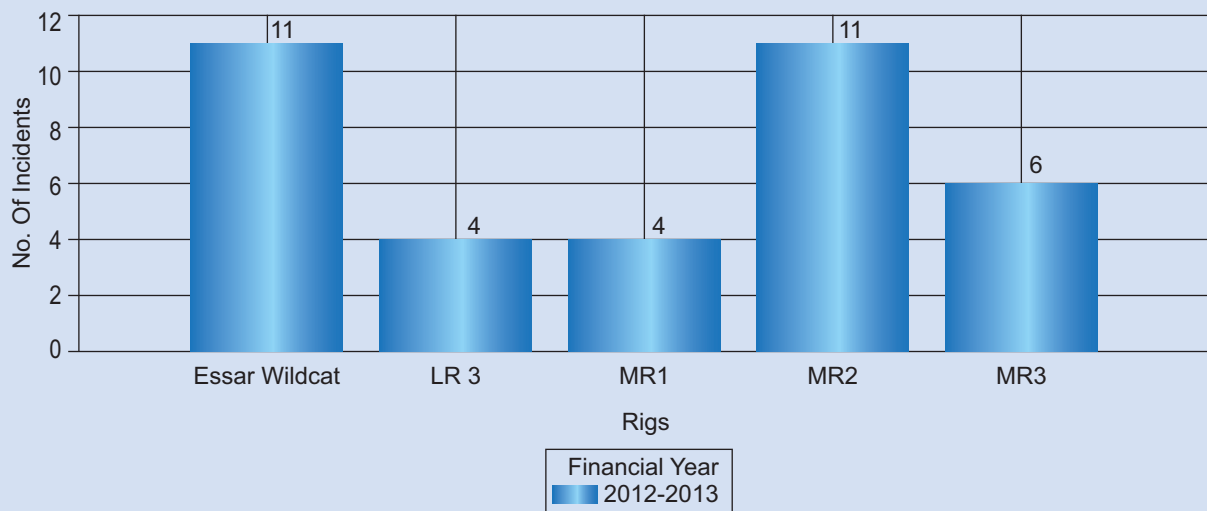
Essar Oilfield Services - Near Miss including HIPO Incidents 2012 - 13



Essar Oilfield Services - Near Miss Including HIPO Incidents 2012-13



Near Miss Reporting by Rigs



ENVIRONMENT

The Shipping sector has seen a marked increase in the focus on environmental issues namely emissions from ships and waste management. As an organization the company has monitored its environmental performance for several years and our focus on emission reduction has seen positive results. We have implemented SEEMP (ships energy efficiency management plan) on all our vessels well ahead of time and our fleet renewal plan has resulted in a marked improvement in the efficiency of transportation between our primary destinations, East coast India to Hazira. The carbon efficiency (grams of Carbon per tonne-Mile) for this sector improved by over 30% (see case study)

Fuel and Lubricants are the most material items due to the nature of our business and no effort was spared to improve efficiency in these in all three businesses.

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, we are monitoring our carbon emissions as per IMO GHG Guidelines. We have also explored opportunities to improve energy efficiency onboard our ships.

We continued our focus on raising awareness about environmental issues through online and class room training. Going forward, the following are our priorities in the FY13.

- 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

Disclosure on Management Approach

• Materials

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.

Materials mainly transported are finished goods and bulk cargoes (dry and liquid) onboard ships including fuel oil and lubricants for internal use. All these materials are carried following guidelines issued under MSDS (Material Safety Data Sheets) and following loading/stability guidelines together with best industry practices and safety management guidelines.

• Energy

Bunker fuel and lubricating fuel are the main source of energy onboard and their quality and consumptions are being monitored very closely in order to have competitive advantage in market together with compliance with regulations. All necessary precautions and procedures are being followed as per industry guidelines to prevent any pollution and environmental damage as per MARPOL.

Ship Energy Efficient Management Plan (SEEMP): In line with current guidelines that have been established by IMO, each of our vessels has a vessel specific Energy Efficiency Management Plan. This plan covers fuel consumption for propulsion, electricity generation and consumption and cargo operations. We are capturing and monitoring 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. This sea water is also used onboard for generating fresh water onboard. 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.

- **Biodiversity**

The sea transportation and oil field services mainly operate at sea and hence have no impact on biodiversity. There has been no incident of any spill during the year.

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.

Since there is no discharge of untreated and polluting water, our organization does not significantly affect Biodiversity value of water bodies and related habitats.

- **Emissions, Effluents and Waste**

Emissions from ships and rigs are mainly SOX, NOX, PM are regulated as per MARPOL requirements. SEEMP is in place to minimize emissions.

Effluents: Main effluents are bilge and sewage water. Bilge water onboard the ships are discharged through bilge water separators after bringing down the oil content below permissible values as per MARPOL. Dirty bilge water is retained onboard in tanks and discharged ashore.

Sewage/ Sewage water onboard is treated onboard in a treatment plant prior discharge as required by MARPOL.

Waste management is carried out onboard as per garbage management plan. Incinerator to burn waste and sludge generated are provided onboard as required by MAPOL. Records are maintained onboard. No hazardous waste is transported, imported, exported by our company.

- **Product and services:**

All the cargoes carried onboard ships are transported safely in an environmentally friendly manner as per IMSBC code (International Maritime Solid Bulk Code).

- **Compliance:**

All local and international regulations are being followed to prevent any damage to environment and natural re-sources. There have been no significant fines of monetary value. The total number non-monetary sanctions for non-compliance with environmental laws and regulations have been insignificant.

- **Transport:**

Transportation of goods is carried out in accordance with Local, National and International requirements.

- **Overall:**

The management approach is to comply with all mandatory National and International rules and regulations and applicable industry standards, guidelines or codes to ensure minimum impact on environment and natural resources and also take adequate precautions and measures to prevent any damage. Company also analyses environmental impact of its operations in order to minimize impact on climate change. Company complies with ISO 14001: 2004 standards of EMS. Go green has been the motto for the year.

Climate Change

Various deliberations by IPCC and IMO have yet to deliver concrete guidelines on benchmarks and measures for the shipping sector but these will be implemented in the near future. As a company we realize that Climate change will affect trade patterns, and therein the shipping sector and therefore it is prudent to have a structured approach to carbon management and to manage the impact of climate change regulations on our organizations growth and profitability.

In this regard we have implemented GHG reduction measures on all our ships which capture and analyze performance for each and every voyage. Technology solutions when proven and available will be incorporated to make our assets as eco-friendly as possible. Shipboard energy efficiency management plan (SEEMP) has been put in use on board all vessels.

Our strategy to reduce GHG emissions was identified during the last year. Modal shift offered an excellent opportunity to make large reductions. Ships emit about 8-10 times less carbon per tonne-mile than trucks and given the large volumes of cargo to be moved around the country*, a conscious decision has been taken to move increasing volumes by sea where possible. Dedicated vessels have been deployed for carrying finished goods from the Hazira plant to ports around the country where cargo was delivered to serve the inland destinations by minimizing road transportation.

Despite having achieved a modal shift of 4.47% from road to sea in last year, we are still continuing with this shift thereby having a significant downward impact on our GHG emissions. This initiative also reduced the pressure on the country's infrastructure.

Going forward we intend to increase modal shift year on year from trucks to sea and rail further contributing to GHG reductions.

IMO has been in the process of formulating various Climate Change initiatives for the Maritime Sector and it has been our focus to incorporate all the emerging regulations in our approach. However as a group we have concentrated our focus on the following

- GHG emissions in alignment with the industry
- Education of the employees on the impact of Climate change and the benefits of reduction in GHG emissions

- Benchmarking our emissions with the presently available targets keeping our unique operational requirements in mind.

- Using automation to track and monitor emissions

Last year GHG emissions were calculated using IMO GHG study. However, this year IPCC guidelines for National Greenhouse inventories were used to compute our GHG Emissions as well as EMEP/EEA inventory Guidebook 2009, updated 2011 for other emissions in order to map our GHG emissions for the business as a whole. Tier 1 method was adopted. Our GHG report also conforms to the requirements of ISO 14064.

The exercise was undertaken as IPCC methodology offers a more comprehensive and uniform approach that is followed by most of the sectors and going forward it will help us disclose our carbon performance at various national and international platforms. Our vessels will conform to the guidelines when finalized by IMO.

*Reference IMO GHG study 2009

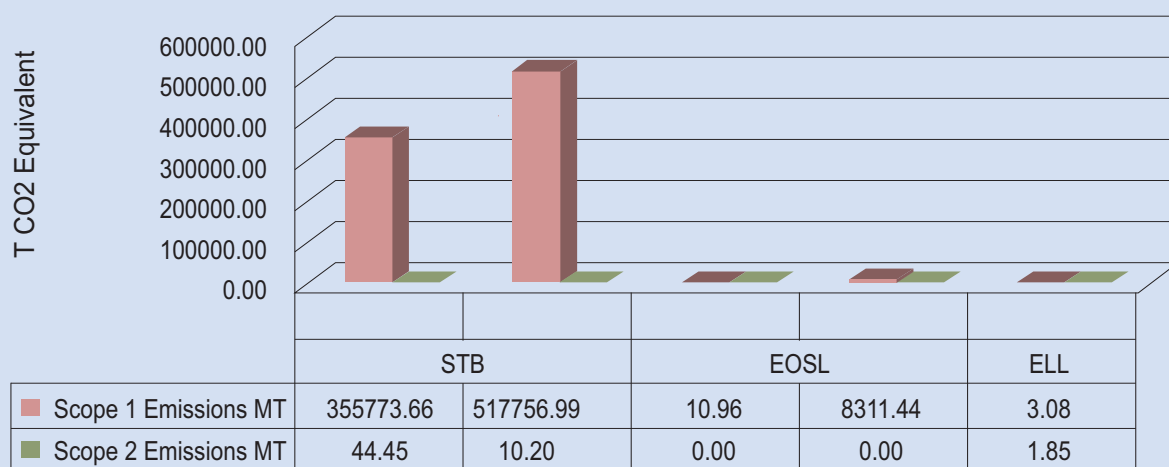
Impact of climate change on financial health and other activities of organization:

Our company is committed to reduce GHG emission and other pollutant emissions to save our climate as desired by global bodies such as UNFCCC and IMO together with national environmental agencies. Global climate change has severe impact on our business.

Reduction of fuel consumption in order to reduce emissions gives our company an edge over others in reducing operating cost and thereby increasing our profits. This is in addition to advantages which company receives in term of reduced port fees, acceptance to operate worldwide without any restriction due to statutory emission compliance and hence increasing its commercial horizon. In case of non-compliance which may lead to climate change, our business will be heavily impacted due restriction in calling ports and thereby movement of cargo and finally our revenues.

Regular monitoring of energy consumption, weather, voyage planning and up-gradation of our fleet for being more energy efficient are major steps being taken towards reducing emissions in compliance with SEEMP on board and in turn ensuring minimal impact on climate and hence on our business.

GHG Emissions FY 12 and Fy 13



Scope 1

Emissions from Vessels owned, bareboat chartered or commercially operated (with interests in the ownership) regardless of flag. It includes emissions when owned vessels are chartered out to third parties where STB gets income. Emission from diesel burnt during drydock to supply electricity via hired generators on owned or bareboat chartered vessels. The above emissions are regardless of the supplier of fuel to the ship. Vehicles owned, operated or leased and operated by Logistics regardless of fuel supplier. Rigs owned and operated by Oilfield Services regardless of fuel supplier.

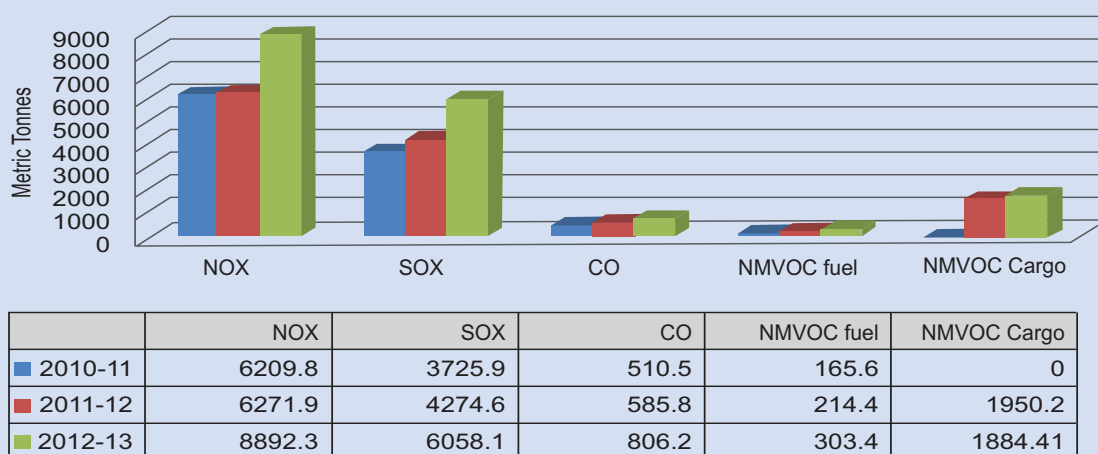
Scope 2

Emissions due to vessel purchasing electricity from the grid (in drydock or at berth) from owned or controlled sources. Emissions due to purchased electricity for operations such as Marshaling yards, offices etc.

Scope 3

Emissions due to transporting cargo on ships neither owned or bareboat chartered to ESL.

Sea Transportation - Other Emissions



Sea Transportation

Ozone depleting substances consumed	1200	Kgs
Waste Oil Landed	821.94	M3
Waste Oil Incinerated	642.3	M3
Plastics landed	144.98	M3

PRODUCT RESPONSIBILITY

Essar Shipping Ltd has been providing quality transportation solutions and oilfield solution to its customers through its wide variety of assets. Small to large parcels of cargo comprising of bulk, break-bulk and liquid cargo have been delivered with a high degree of safety and timeliness. Our offshore and onshore drilling rigs have been appreciated by the company's they have serviced for low down time and high safety performance.

It is our constant endeavor to provide a holistic solution to all the logistics including offshore and onshore drilling 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 / EIS 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 through our EIS 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. Some of the solutions 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.

Areas of supplies and percentage of expenses

Since our vessels and drilling operations are worldwide, most of spending on supplies are done in locations of manufacture of equipment or trade houses which deliver original and quality equipment while keeping in mind cost / availability/quality including environmental friendliness. Supplies are mostly done in ports or areas of operations of vessels and drilling rigs. All supplies are arranged by headquarters.

Delivering consistent value, product and service quality

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. Feedback is also taken during interaction with the customers from time to time. This enables us to

deliver consistent value to our customers. We have received excellent feedback from our customers.

We are committed to protection of Customer's data and privacy.

There has been no case reported on non-compliance to regulations and voluntary codes concerning product and service quality.

Reach to Market and Customer :

There is a system of approaching key partners in market through networking and industry get-togethers, exhibition and forums. Our marketing communications, including advertising, promotion, and sponsorship are done adhering to laws, standards, and voluntary codes. There is a corporate communication team which has a presence at strategic locations and it deals with all external communications ensuring adherence to laws and codes.

There has been no case reported for non-compliance with regulatory and voluntary codes concerning marketing communication including advertising and promotions.

Customer privacy is ensured as it is part of our policy. There has been no complaints regarding breaching of customer privacy and losses of customer data. There is a strict IT policy in place.

Essar shipping Limited complies with laws and regulations concerning the provision and use of products and services. No non-compliance case with significant monetary value (no pollution or damage) has been reported during year.

As part of the fleet expansion plan 6 new Haziramax bulk carriers (mini capsize) were built at STX shipyard in Dalian, China and during the reporting period the last two vessels were inducted whilst 4 were inducted during the previous financial year. These vessels were purpose built to serve our Steel and Power plants raw material requirements and are of optimal size to enter our deep water port at Hazira.

There has been no significant change in the trading areas, sectors served and customers as compared to the year 2011-2012

The efficiencies are apparent in the emission data for vessels loading to Hazira maximum draft

The older cape vessels that were scrapped	5.2 g/tonne-mile best performance
Newer Haziramax vessels	3.5 g/tonne-mile best performance
Efficiency improvement	32.6%

In house IT systems have been developed to capture and analyze various indicators to optimize performance. SAP applications form the backbone for various governance functions such as Finance and accounts, Fund management, Materials management and vendor management.

Budget control and cost control are managed through a mix of SAP and EIS (Enterprise Information System)

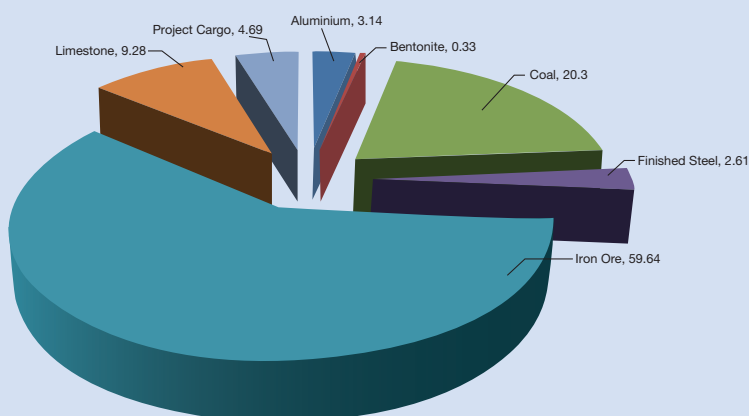
Countries of operations and distribution of product segments :

Our company is located in India with operational activities around the world. Our vessels carry cargo worldwide while our drilling activities are mainly in India, Vietnam and Indonesia. Surface transportation is within India.

Location of Company and countries of operations		
Company		
Registered office	Jamnagar , Gujarat	India
Head Office	Mumbai	India
Areas of Operations		
INDIA	BRAZIL	UAE
CHINA	SOUTH AFRICA	QATAR
INDONESIA	ANGOLA	OMAN
SRILANKA	NIGERIA	SAUDI ARABIA
AUSTRALIA	MEXICO	RUSSIA
TAIWAN	ARGENTINA	IRAQ
SINGAPORE	CHILE	UKRAINE
THAILAND	VIETNAM	PHILLIPINE

CARGO QUANTITY CARRIED IN MT (BULKERS / GEN CARGO)

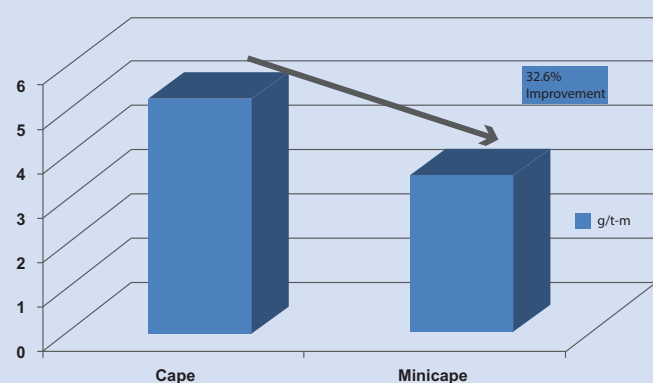
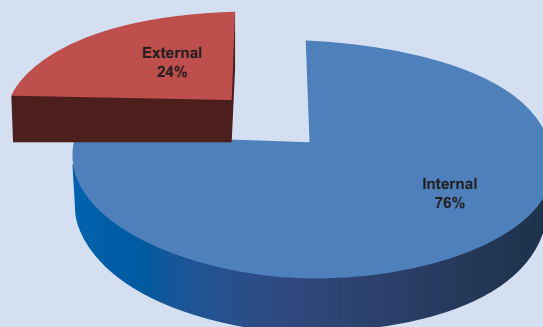
Cargo/FY (Qty in MT)	2012-2013		2011-2012	
Cargo Type	Cargo Qty.	%	Cargo Qty.	%
Aluminium	423,897	3.14		
Bentonite	45,000	0.33		
Coal	2,738,599	20.3	1,618,961	13.43
Finished Steel	352,377	2.61	591,075	4.9
Gypsum				
Iron Ore	8,045,943	59.64	8,547,891	70.91
Limestone	1,251,240	9.28	1,297,039	10.76
Project Cargo	632,788	4.69		
Total Cargo (MT)	13,489,844		12,054,966	



Sea Transportation - Cargo - Cargo carried FY 12-13

CARGO QUANTITY CARRIED IN MT (TANKER)

Cargo/FY (Qty in MT)	2012-2013		2011-2012	
Cargo Type	Cargo Qty.	%	Cargo Qty.	%
Crude	8,662,865	100	7,857,495	100
Total Cargo (MT) :	8,662,865		7,857,495	

Carbon efficiency g/t-m for Hazira full load

Sea Transportation Customers FY 12-13


COMMUNITY ENGAGEMENT

As a service industry Essar Shipping Ltd has diverse surrounding communities such as coastal communities, fishermen, drivers and helpers in the logistics business and the community surrounding our shore based locations

Our focus areas for Community engagement were Education, Health, Entrepreneurship, Infrastructure, Women empowerment, Child welfare, Environment and Community care. These are undertaken under the ambit of Essar Foundation but also included healthy contributions from the employees in terms of donations and participation.

None of our business operations except for logistics have any significant potential or actual negative impact on local communities. Minor or insignificant impact by our logistics business is compensated adequately by giving employment to local community through our group steel business.

Essar shipping Limited does not make any significant financial or in-kind contribution to political parties, politicians and related institutions. However we engage ourselves in discussions with regulatory authorities in development of shipping and oil field services.

The following were some of the activities undertaken

1st and 2nd March 2013

WORKSHOP ON AUTISM

Essar Shipping in collaboration with Vatsalya Trust organized a workshop cum demonstration on "Therapeutics for children with Autism on 1st & 2nd March 2013 at Vatsalya Trust, Kanjurmarg. This workshop mainly aimed at teaching remedial Strategies and techniques to the Parents as well as the Practitioners while dealing with the children suffering with Autism.

Six employees from Essar Shipping and foundation attended the workshop.

Unique Diwali Celebrations by Essar Shipping

20th Feb 2013

Handful of Grain campaign

Essarites of Essar Shipping (ESL) and Essar Ports (EPL) gave wings to the Foundation's employee volunteering programme, by collecting contributions for a 'Handful of Grain' campaign for the benefit of underprivileged members of the

community. As soon as the appeal went out contributions poured in from the employees both at the office and sites. This year the appeal also went out to the crew of our ships. Originally, intended for a single organization, the Children's Aid Society (CAS), the response was so overwhelming, we were able to expand the list of organizations that we intend to support so that we can impact many more lives.

Essarites from ESL and EPL, based in Kurla, visited the Children's Observation Home, Umerkhadi, in central Mumbai, which is run by CAS. The Home supports destitute, delinquent and victimized children who have been abandoned, or rescued from streets. In all there were around 280 boys and girls below the age of 18 years. CAS also takes care of the basic education, and funds vocational courses by the children, so that they can earn their livelihood in future.

The group not only carried with them food grains worth Rs.45, 000/- which they had collected but also spent time with the children. The theme of the day was, 'Edutainment with paper', and the team brought in a well-known Origami (Japanese paper folding) expert.

Oilfields Services rig teams bring light to school in Durgapur

As part of its ongoing programme to contribute to growth of the communities it works amidst, Oilfield Services (EOSIL) reached out to help bring electricity to the Bhurkunda N.C. Institution in Bargarh Village, in Durgapur, West Bengal. The 50-year old school, which caters to over 600 students from the surrounding villages, has been operating sans electricity since its inception.

EOSIL has 3 rigs operating in the Durgapur Area, and no sooner was the need identified, than Essarites responded with alacrity. Over a period of three months, the Essar rig crew worked in teams to equip the two-storied building and 15 classrooms, with wiring, fittings, appliances, and the crucial 'last mile' connectivity to the electric supply system.

Ankur Gupta, CEO-EOSIL, says "Congratulations to all for getting this noble project done. Special thanks go out to the members of our rig crew who have taken personal time out of their grueling daily schedule to help out with this project.

The cause was one which is close to all our hearts and we hope to do many more projects like this in the future."

AR Ramakrishnan, MD–Essar Shipping, says "This is a very good initiative by EOSIL. I am sure that this service done for the school and for the children will make a marked difference to all of them."

On August 22, 2012, the project was handed over to the school at a small ceremony attended by Shaleen Sharma, VP – Operations (EOSIL) and members of the rig crew. The Principal of the institution expressed appreciation of the job quality and the timely manner of completion and thanked all involved in the project. The Essar team went a step further, and interacted with the students and motivated them to pursue their studies with enthusiasm. With promises of further aid and support to the Bhurkunda N.C. Institution, EOSIL looks forward to many more such projects near our areas of operation in the future.

11th Dec 2012

Motorcycle rally for Coastal Security

9th November 2012



Diwali at Balikashram



This Diwali when the entire country had been gearing up for a gala festival time, with Rangolis, sweets and fire crackers,

Essar Shipping celebrated Diwali in a very special and meaningful way.

Essar Shipping organized an employee volunteering event at Vatsalya Trust Balikashram at Sanpada, Navi Mumbai on 9th November, 2012.

The Balikashram houses around 60 girls who stay and study under the aegis of Vatsalya Trust. The idea of Essar Shipping was to create a cherishable Diwali for these young girls. The theme of the day was decided to be "fun with papers" and they brought a well-known origami resource person.

The event saw the participation of about 60 children and 10 Essarites, who attended as volunteers.

15th September 2012

International Coastal Cleanup

This is an annual International event that Essar Shipping has been supporting for several years. This year too ESL



partnered with Essar Ports and the Indian Coast Guard to help clean the beaches of Mumbai. Over 4000 children and NGO's participated with over 30 employees also present.

24th July 2012

Search and Rescue Awards

Acts of bravery often go unnoticed and most often these are at extreme risk to the heroes performing them. Saving lives at sea is in line with the highest traditions of seafaring and with limited resources it takes courage, determination and selflessness.

Every year Essar Shipping recognizes acts of bravery both in the Indian Coast Guard (ICG), who are the primary Search and Rescue (SAR) organization, and also those from the fishing community who have assisted another in distress. The Essar SAR Award is given in honour of young men and women in uniform who help rescue people in danger at sea.

PERFORMANCE INDICATORS

SAFETY	ESL ^a				STB				EOSL ^b				ELL ^c			
	FY 10	FY11	FY12	FY13	FY10	FY11	FY12	FY13	FY10	FY11	FY12	FY13	FY10	FY11	FY12	FY13
Near Misses ^d	168	307	436	509	47	168	253	457	6	44	127	33	115	95	56	22
Hours worked - Employees	2679008	7912256	3375904	1304938	1772836	7071690	2593416	338882	430972	434358	454472	701720	475200	406208	328016	264336
Hours worked - Contractors	2685756	4540068	6463164	7559175	0	0	0	0	298236	274532	223896	653092	2387520	4265536	6239268	6906083
First Aid Cases	19	17	22	41	9	5	10	29	4	5	3	12	6	7	9	1
Medical Treatment Cases	10	2	8	6	0	0	4	4	3	0	0	0	7	2	4	2
Lost Time Injuries - Employees	5	7	5	1	0	2	4	1	0	0	0	0	5	5	1	0
Lost Time Injuries - Contractors	0	0	0	2	0	0	0	0	0	0	0	0				2
LTIFR per 200,000 hours worked - Employees	0.37	0.18	0.3	0.15	0	0.06	0.39	0.59	0	0	0	0	2.1	2.46	0.61	0
LTIFR per 200,000 hours worked - Contractors	0	0	0	0.05	0	0	0	0	0	0	0	0	0	0	0	0.06
Overall LTIFR per 200,000 hours worked	0.19	0.11	0.1	0.07	0	0.06	0.39	0.59	0	0	0	0	0.21	0.21	0.03	0.06
Fatalities - Employees	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0
Fatalities - Contractors	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fatality rate per million hours worked	0	0	0.1	0	0	0	0.39	0	0	0	0	0	0	0	0	0
Occupational Disease Rate	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

a - consolidated data for all the sites operational during the year

b - EOSL data includes only semi-submersible rig for FY10, FY11 and FY12. Includes data for semi-submersible rig wildcat and MRP1, 2 and 3.

c - ELL became part of our sister company Essar Steel in April, 2013. Since ELL was a part of ESL during the reporting period hence FY13 data includes data for ELL.

d - near misses also include high potential incidents. Please see glossary for definitions.

e - combined for employees and contractors

n/c - not calculated

	ESL				STB				EOSL				ELL			
LABOR	FY 10	FY11	FY12	FY13	FY10	FY11	FY12	FY13	FY10	FY11	FY12	FY13	FY10	FY11	FY12	FY13
EMPLOYMENT																
Total workforce by type																
Permanent employees	226	237	216	214	74	70	72	68	28	30	32	59	124	137	112	87
Fixed term contracte	410	572	646	744	161	231	325	326	242	333	313	411	7	8	8	7
Third party contractf	1301	1463	1761	0	0	0	0	0	0	0	0	0	1301	1463	1761	0
Fixed term contract by gender																
Male	0	0	0	417	0	0	0	0	0	0	0	410	0	0	0	7
Female	0	0	0	1	0	0	0	0	0	0	0	1	0	0	0	0
Third party contractf by gender																
Male	0	0	1731	0	0	0	0	0	0	0	0	0	0	0	1731	0
Female	0	0	30	0	0	0	0	0	0	0	0	0	0	0	30	0
% employees covered by collective bargaining	0	0	0	82.74	0	0	0	82.74	0	0	0	0	0	0	0	0
% women employees	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Number of fixed term contract employees by age group																
less than 30	0	0	0	271	0	0	0	76	0	0	0	193	0	0	0	2
30-50	0	0	0	388	0	0	0	197	0	0	0	191	0	0	0	0
>50	0	0	0	79	0	0	0	53	0	0	0	26	0	0	0	0
Number of third party contract employees by age group																
less than 30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30-50	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
>50	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Number of employees by category																
Senior	14	0	0	27	14	0	0	16	0	0	0	7	0	0	0	4
Middle	36	0	0	65	36	0	0	31	0	0	0	8	0	0	0	26
Junior	24	0	0	122	24	0	0	21	0	0	0	44	0	0	0	57
Number of employees by gender and category																
Male – Senior	26	26	26	27	14	12	13	16	7	8	8	7	5	6	5	4
Male – Middle	75	78	69	63	34	36	35	29	11	7	7	8	30	35	27	26
Male – Junior	119	125	112	115	20	18	19	16	10	14	16	43	89	93	77	56

LABOR	ESL			STB			EOSL			ELL		
	FY 10	FY11	FY12	FY13	FY10	FY11	FY12	FY13	FY10	FY11	FY12	FY13
Female - Senior	0	0	0	0	0	0	0	0	0	0	0	0
Female - Middle	3	2	2	2	2	1	1	2	0	0	1	0
Female - Junior	5	6	7	7	4	3	4	5	1	0	2	1
Number of employees by age group												
less than 30	0	0	47	56	0	0	10	8	0	0	12	35
30-50	0	0	140	129	0	0	45	43	0	0	16	19
>50	0	0	24	29	0	0	12	17	0	0	4	5
% employees returning to work after parental leave	0	0	0	0	0	0	0	0	0	0	0	0
Employee turnover by category												
Senior	0	0	0	3	0	0	0	1	0	0	0	1
Middle	0	0	0	7	0	0	0	5	0	0	0	1
Junior	0	0	0	12	0	0	0	5	0	0	0	2
Employee turnover by gender												
Male	14	24	20	20	8	7	4	11	1	5	7	6
Female	3	1	0	2	2	0	0	0	0	1	0	1
Employee turnover by age group												
Below 30	4	6	8	7	3	0	2	2	1	1	3	4
30-50	12	16	9	11	7	7	1	7	0	2	3	3
More than 50	1	3	3	4	0	0	1	2	0	3	1	0
Total hires	0	0	0	0	0	0	0	0	0	0	0	0
Hires by category												
Senior – Male	0	6	1	2	0	0	0	2	0	3	1	0
Middle – Male	0	10	3	4	0	5	2	3	0	0	1	0
Junior – Male	0	19	15	35	0	6	3	3	0	0	7	32
Senior - Female	0	0	0	0	0	0	0	0	0	0	0	0
Middle - Female	0	0	0	0	0	0	0	0	0	0	0	0
Junior - Female	0	4	1	2	0	1	1	1	0	1	0	2
Hires by gender												
Male	15	32	0	41	15	11	0	8	0	8	0	33

LABOR	ESL			STB			EOSL			ELL		
	FY 10	FY11	FY12	FY13	FY10	FY11	FY12	FY13	FY10	FY11	FY12	FY13
Female	1	7	0	2	1	1	0	1	0	1	0	0
Hires by age group												
less than 30	15	21	13	30	6	5	3	3	4	6	27	5
30-50	24	18	6	10	10	7	3	3	5	3	2	7
More than 50	0	0	1	3	0	0	0	3	0	0	1	0
Learning and development												
Average hours of training per employee	0	0	0	46.138	0	0	0	31.12	0	0	8.949	0
Average hours of training by gender	0	0	0	0	0	0	0	0	0	0	0	0
Male	0	0	0	45.156	0	0	0	30.49	0	0	8.759	0
Female	0	0	0	76.57	0	0	0	36.57	0	0	20	0
Average hours of training by category												
Senior	0	0	0	53.18	0	0	0	10.75	0	0	15.43	0
Middle	0	0	0	53.995	0	0	0	39.61	0	0	11	0
Junior	0	0	0	47.47	0	0	0	34.1	0	0	7.545	0
Performance and career development review												
Number of employees appraised by gender	0	234	214	0	0	69	70	0	0	29	32	0
Male	194	226	205	205	60	65	65	61	112	28	31	58
Female	8	8	9	8	6	4	5	6	1	1	1	3
Number of employees appraised by category												
Senior	0	0	0	27	0	0	0	16	0	0	7	0
Middle	0	0	0	65	0	0	0	31	0	0	8	0
Junior	0	0	0	121	0	0	0	20	0	0	44	0

ENVIRONMENT	Unit	ESL			STB			EOSIL			ELL		
		FY2011	FY2012	FY2013	FY2011	FY2012	FY2013	FY2011	FY2012	FY2013	FY2011	FY2012	FY2013
Fuel Consumption	MT	83567	72814	116650	79159	68997	112187	3400	2658	2504	1008	1159	958
Lubricants consumed	Ltr	821549	1024481	1212477	722089	940092	11055498	85508	62912	81175	13952	21477	25904
Direct Energy Consumption	GJ	n/c	3338445	4795343	2772998	3181400	4605942	n/c	106825	147889	NA	50219	41512
Indirect Energy Consumption	GJ	n/c	n/c	8300	761	37	160	n/c	0	0	n/c	NA	8140
Water Consumption	MT	n/c	74624	199410	20153	43842	51412	11882	14722	42894	n/c	16060	105104
Water Generated	MT	27892	35294	39839	22064	27970	35397	5828	7314	4442	0	0	0
Water Received	MT	18041	38568	126326	10919	15800	15544	7122	7323	5678	0	15445	105104
Total Direct & Indirect Greenhouse Gas Emissions	tCO2e	n/c	529814	371706	218252	517767	355818	n/c	8311	10959	n/c	3736	4929
Scope 1 Emissions	tCO2e	n/c	529803	369808	218106	517757	355774	n/c	8311	10959	3694	3735	3075
Scope 2 Emissions	tCO2e	n/c	11	1898	146	10	44	n/c	0	0	n/c	1	1854
Ozone Depleting Substances	Kg	n/c	n/c	1591	n/c	1200	1211	n/c	240	369	n/c	n/c	n/c
NO x	MT	n/c	n/c	n/c	6210	6272	8892	n/c	n/c	275	n/c	n/c	n/c
SO x	MT	n/c	n/c	n/c	3726	4275	6068	n/c	n/c	35	n/c	n/c	n/c
PM10	Kg	n/c	n/c	n/c	n/c		723	n/c	n/c	n/c	n/c	n/c	n/c
CO	MT	n/c	n/c	n/c	511	586	830	n/c	n/c	26	n/c	n/c	n/c
VOC	MT	n/c	n/c	n/c	166	2165	2188	n/c	n/c	10	n/c	n/c	n/c
Bil ge Water Treated	M3	n/c	348	n/c	n/c	288	642	51	47	56	5	13	n/c
Hazardous Waste	MT	32	32	188			154	32	31	21	0	1	12
Non-Hazardous Waste	MT	71	69	413			309	71	69	78			26
Number of Significant Spills	No.	1	0	0	1	0	0	0	0	0	0	0	0
Volume of Significant Spills	MT	1	0	0	1	0	0	0	0	0	0	0	0

GLOSSARY

3PL	Third party logistics
DNV	DNV Business Assurance India Pvt Ltd
DSV	Diving Support Vehicle
DWT	Dead Weight
ELL	Essar Logistics Ltd.
EOSIL	Essar Oilfield Services India Ltd
EROMS	Essar Rig Operating Management System
ERP	Enterprise Resource Planning
ESL	Essar Shipping Ltd.
GHG	Greenhouse Gases
GRI	Global Reporting Initiative
HED	Heavy Equipment Division
HSE	Health, Safety & Environment
IADC	International Association of Drilling Contractors
IMO	International Maritime Organisation
INSA	Indian National Shipowner's Association
LR	Land Rig
MV	Motor Vessel
NVG	National Voluntary Guidelines
PMS	Planned Maintenance System
SEEMP	Ship Energy Efficiency Management Plan
STB	Sea Transportation Business
IUCN	International Union for Conservation of Nature

First Aid Case (FAC)

This is any one – time treatment & subsequent observation or minor injuries such as bruises, scratches, cuts, burns, splinters etc. The first aid may not be administered by a physician or registered professional.

Fixed term contract employees

Employees 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.

Medical Treatment case (MTC)

This is any work related loss of consciousness (unless due to ill health), 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, or under the specific order of a physician or if at sea with no physician onboard could be considered as being in the province of a physician.

Third party contract employees

Third party contract employees include contractors and sub – contractors hired for specific jobs at site such as Hazira.

Oil Spill

Discharges of oil in quantities that may be harmful to public health or the environment include those that:

- Violate applicable water quality standards;
- Cause a film or “sheen” upon, or discoloration of the surface of the water or adjoining shorelines; or
- Cause a sludge or emulsion to be deposited beneath the surface of the water or upon adjoining shorelines.

Significant spill is defined as quantity greater than 100 litres

Lost Time Injury

This is an injury which results in an individual being unable to carry out any of his duties or to return to work on a scheduled work shift on the day following the injury unless caused by delays in getting medical treatment ashore.

Lost time injury frequency (LTIF)

This is the no. of loss time injuries per unit exposure hours. The most common unit in respect of LTIF is one million man hours.

Near miss

Hazardous Occurrence means a situation which could have led to an accident or pollution incident, sometimes called a "near miss"

Restricted Work Case (RWC)

RWC is an injury which results in an individual being unable to perform all normally assigned work functions during a scheduled work shift or being assigned to another job on a temporary or permanent basis on the day following the injury.

Water consumed

Water consumed onboard for domestic use purpose by ship's personnel.

Water generated

Water Generated onboard using the ship's fresh water generator

Water received

Water received from external source for use of ship's personnel onboard.

GRI INDEX

G3.1 Content Index

	Application Level	A+			Assured by	DNV
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STANDARD DISCLOSURES PART I: Profile Disclosures

1. Strategy and Analysis

Profile Disclosure	Description	Reported	Cross-reference/ Direct answer	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
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	2,3,9				

2. Organizational Profile

Profile Disclosure	Description	Reported	Cross-reference/ Direct answer	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
2.1	Name of the organization.	Fully	Front cover				
2.2	Primary brands, products, and/or services.	Fully	9				
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	17, 21, AR FY 13 page 11.				
2.4	Location of organization's headquarters.	Fully	39 and 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	39				
2.6	Nature of ownership and legal form.	Fully	17				
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	39				
2.8	Scale of the reporting organization.	Fully	17-18				
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	17				
2.10	Awards received in the reporting period.	Fully	8-10				

3. Report Parameters

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Fully	4				
3.2	Date of most recent previous report (if any).	Fully	SR - FY 12 pg 3(2nd Jan 2013)				
3.3	Reporting cycle (annual, biennial, etc.)	Fully	Annual				
3.4	Contact point for questions regarding the report or its contents.	Fully	6				
3.5	Process for defining report content.	Fully	5-6				
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	5-6				
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Fully	5-6				
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	4, 20, AR 12 -13, Note 31 of Financial Statement				
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	4				

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
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	None				
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	4 and 7				
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	4,7, 22, 50-67 (GRI Content Index)				
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	6				

4. Governance, Commitments, and Engagement

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
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	17-19				
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	17-19				
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	17-19				
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	17-19				

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
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	17-19				
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	17-19				
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	17-19				
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	Sustainability report FY 11 Page 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	17-19, SR FY 12 Page 36.				
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	19				
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Fully	17-19, SR FY 11 Page 30-32				

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Fully	10, SR FY 11 Page 77-80				
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	SR FY 11 Page 77-80				
4.14	List of stakeholder groups engaged by the organization.	Fully	SR FY 11 Page 14				
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	SR FY 11 Page 13				
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	SR FY 11 Page 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	5, SR FY 11 Page 15				

G3 DMA	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
DMA EC	Disclosure on Management Approach EC						
Aspects	Economic performance	Fully	20-21				
	Market presence	Fully	20-21				
	Indirect economic impacts	Fully	20-21				
DMA EN	Disclosure on Management Approach EN						
Aspects	Materials	Fully	34-36				
	Energy	Fully	34-36				
	Water	Fully	34-36				
	Biodiversity	Fully	34-36				
	Emissions, effluents and waste	Fully	34-36				
	Products and services	Fully	34-36				
	Compliance	Fully	34-36				
	Transport	Fully	34-36				
	Overall	Fully	34-36				
DMA LA	Disclosure on Management Approach LA						
Aspects	Employment	Fully	23-24				
	Labor/management relations	Fully	23-24				
	Occupational health and safety	Fully	23-24				
	Training and education	Fully	23-24				
	Diversity and equal opportunity	Fully	23-24				
	Equal remuneration for women and men	Fully	23-24				
DMA HR	Disclosure on Management Approach HR						
Aspects	Investment and procurement practices	Fully	23-24				
	Non-discrimination	Fully	23-24				
	Freedom of association and collective bargaining	Fully	23-24				

G3 DMA	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
	Child labor	Fully	23-24				
	Prevention of forced and compulsory labor	Fully	23-24				
	Security practices	Fully	23-24				
	Indigenous rights	Fully	23-24				
	Assessment	Fully	23-24				
	Remediation	Fully	23-24				
DMA SO	Disclosure on Management Approach SO						
Aspects	Local communities	Fully	23-24				
	Corruption	Fully	23-24				
	Public policy	Fully	23-24				
	Anti-competitive behavior	Fully	23-24				
	Compliance	Fully	23-24				
DMA PR	Disclosure on Management Approach PR						
Aspects	Customer health and safety	Fully	29				
	Product and service labelling	Fully	38-39				
	Marketing communications	Fully	39				
	Customer privacy	Fully	39				
	Compliance	Fully	39				

Economic

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
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	20-21, AR 12-13 Pgs 7,24-27,50-53				
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Fully	36				2014

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
EC3	Coverage of the organization's defined benefit plan obligations.	Fully	24				
EC4	Significant financial assistance received from government.	Fully	20-21				

Market presence

EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Not				Additional Indicator, Not material	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Fully	38,39				2014
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Fully	23				

Indirect economic impacts

EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Fully	41-42				
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Fully	22				

Environmental**Materials**

EN1	Materials used by weight or volume.	Partially	47 (Materials reported are Fuel and Lubricants)	Material other than fuel and lubricants are immaterial.	Not material		
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Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
EN2	Percentage of materials used that are recycled input materials.	Fully	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.		Not applicable		
Energy							
EN3	Direct energy consumption by primary energy source.	Fully	47			Emissions is directly proportional to energy consumed	
EN4	Indirect energy consumption by primary source.	Fully	47				2014
EN5	Energy saved due to conservation and efficiency improvements.	Partially	36-39. SEEMP has been implemented and data collection is in progress.		Not available	Currently data collection is in progress.	2014
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	36-39. SEEMP has been implemented and data collection is in progress.		Not available	Currently data collection is in progress.	2014
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Not	--		Not available	Currently it is not part of our data collection system	2014

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
Water							
EN8	Total water withdrawal by source.	Fully	47				
EN9	Water sources significantly affected by withdrawal of water.	Fully	35 , No water sources were significantly affected.				
EN10	Percentage and total volume of water recycled and reused.	Fully	35, sea water is used for making fresh water.				
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	34-36, SR FY 11 Page 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	34-36, SR FY 11 Page 62				
EN13	Habitats protected or restored.	Fully	34-36, SR FY 11 Page 62		Not material		
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Fully	34-36				
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Fully	34-36				
Emissions, effluents and waste							
EN16	Total direct and indirect greenhouse gas emissions by weight.	Partially	37	Indirect emissions from Logistics business	Not available	Currently it is not part of our data collection system	2014

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
EN17	Other relevant indirect greenhouse gas emissions by weight.	Not	--		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	34-37	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.	Partially	37		Not available	Reported for significant business of sea transportation, Other under implementation	2014
EN20	NOx, SOx, and other significant air emissions by type and weight.	Partially	37		Not available	Reported for significant business of sea transportation, Other under implementation	2014
EN21	Total water discharge by quality and destination.	Partially	34-35 , 47	Not reporting for logistics	Not available	Currently it is not part of our data collection system	2014
EN22	Total weight of waste by type and disposal method.	Fully	47				
EN23	Total number and volume of significant spills.	Fully	47				

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	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.	Fully	Waste				
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.	Fully	35				
Products and services							
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Partially	34-37	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.	Not			Not applicable		
Compliance							
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	34-37				
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	29, 34-37				2014
Overall							
EN30	Total environmental protection expenditures and investments by type.	Not	--		Not available	Currently it is not part of our data collection system	2014

Social: Labor Practices and Decent Work

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
Employment							
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Fully	44-46				
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Fully	44-46				
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Fully	23-24				
LA15	Return to work and retention rates after parental leave, by gender.	Fully	23-24			No eligible case reported during financial year	
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	24				
Occupational 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.	Not			Not available	Data Collection in progress	2014
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	Partially	43	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	23-24				

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
LA9	Health and safety topics covered in formal agreements with trade unions.	Fully	23, 29				

Training and education

LA10	Average hours of training per year per employee by gender, and by employee category.	Partially	46	Training conducted on ships and the rig.	Not available	Data collection programme has now been put in place.	2014
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Fully	24				
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Fully	46				

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	17-18, 44-46, AR 12-13 Pgs 14-15				
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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	23-24				
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Social : Human Rights

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
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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	23		Not available	No mechanism at the moment besides inclusion in the contracts.	2014
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Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Partially	23		Not available	We are in the process of collecting this data	2014
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	23	Number of hours spent on human rights training during the induction training.	Not available	Not part of our data collection system	2014
Non-discrimination							
HR4	Total number of incidents of discrimination and corrective actions taken.	Fully	23				
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	23-24				
Child labor							
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Fully	23-24				
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	23-24				
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	23-24				

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
Indigenous rights							
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not	23-24		Not applicable		
Assessment							
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Fully	23-24				
Remediation							
HR11	"Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms."	Fully	23-24				

Social: Society

Local communities							
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Partially	41-42	Results of impact assessments	Not applicable		
SO9	Operations with significant potential or actual negative impacts on local communities.	Fully	41				
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Fully	41				
Corruption							
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Fully	24				
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Fully	24				
SO4	Actions taken in response to incidents of corruption.	Fully	24, no case reported				

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
Public policy							
SO5	Public policy positions and participation in public policy development and lobbying.	Fully	SR FY 11 Page 78-80				
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Fully	41				
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				
Compliance							
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	No case in the reporting period				

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	29				
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	29, No case in the reporting period				
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	29, 38-39				
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	39, No case in the reporting period				

Performance Indicator	Description	Reported	Cross-reference/Direct answer	If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Fully	39				
Marketing communications							
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Fully	39				
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	39				
Customer privacy							
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Fully	39				
Compliance							
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	39				

INDEPENDENT ASSURANCE STATEMENT

Introduction

DNV GL represented by DNV Business Assurance India Private Limited ('DNV GL') has been commissioned by the management of Essar Shipping Limited ('ESL' or 'the Company') to carry out an assurance engagement on Essar Shipping Limited's Sustainability Report 2012-13 ('the Report') in its printed format, against the Global Reporting Initiative 2011, Sustainability Reporting Guidelines Version 3.1 (GRI G3.1). The engagement was carried out against DNV GL Protocol for Verification of Sustainability Reporting (VeriSustain) including verification of application level and adherence to principles of GRI G3.1. The verification was conducted in October 2013 – June 2014, for the year of activities covered in the Report i.e. 1st April 2012 to 31st March 2013.

The intended users of this assurance statement are the management of the Company and readers of the Report. The management of ESL is responsible for all information provided in the Report as well as the processes for collecting, analysing and reporting the information. Our responsibility regarding this verification is to the Company only and in accordance with the agreed scope of work. The assurance engagement is based on the assumption that the data and information provided to us is complete and true. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or entity would make based on this Assurance Statement.

Scope, Boundary and Limitations of Assurance

The scope of our assurance engagement, as agreed upon with ESL, included the following:

- Verification of the application of report content principles set out in the GRI G3.1 and quality of information presented in the Report;
- Review of the Report against the requirements of VeriSustain with a moderate level of assurance;
- Review and assessment of the processes and tools for collecting, aggregating and reporting qualitative data inside the Report and verification of the reliability of performance indicators reported.

The reporting boundary is as set out in the Report and predominantly covers operations in India and no limitations on the scope of the assurance engagement were encountered during the verification process. Our engagement did not include assessment of the adequacy or effectiveness of ESL strategy or management of sustainability related issues. No external stakeholders were interviewed as part of this assurance engagement.

Verification Methodology

This assurance engagement was planned and carried out in accordance with VeriSustain. The Report has been evaluated against the principles of Materiality, Stakeholder Inclusiveness, Completeness, Responsiveness, Reliability and Neutrality. As part of verification we visited ESL head office at Mumbai and MV Kamlesh (Cyprus flag and a 106000 DWT Bulk carrier) at Vadinar, Gujarat to conduct on-site verification. During the assurance engagement, we have taken a risk-based approach, i.e. we concentrated our verification efforts on the issues of high material relevance to ESL's business and its key stakeholders.

As part of the engagement, we have 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:

- Reviewed the company's approach to stakeholder engagement and its materiality determination process;
- Verified the robustness of the data management system, information flow and controls;
- Conducted in-person and on-line interviews with top and senior management team of ESL and other representatives, including data owners and decision-makers from different functions and locations of the Company;
- 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 data management processes for completeness and reliability. This included the assessments of methods, practices, tools and competence used in collection, aggregation and reporting of data, as it is transferred and managed at different levels of the organisation.

Conclusions

In our opinion, based on the work carried out, the Report presents a generic representation of the Company's sustainability-related strategies, management systems and performance. The Report, along with the referenced information to the Annual Report, meets the general content and quality requirements of GRI G3.1. We have evaluated the Report's adherence to the following principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement':

Stakeholder Inclusiveness: We reviewed the existing stakeholder engagement process, its implementation across the sampled sites and confirm that the Company is committed to understanding stakeholder concerns as an on-going process. The process may be further strengthened to consolidate all stakeholder concerns and disclose the responses to key stakeholder concerns. In our view, the level at which the Report adheres to the principle is 'Acceptable'.

Materiality

The Company has fairly attempted to bring out the significant aspects in this report and its proposed actions in line with the risks and opportunities, based on specific material sectorial issues. In our view, the level at which the Report adheres to this principle is 'Acceptable'.

Completeness: The Report has attempted to report or reflect the sustainability strategy, management approach and sustainability performances against the GRI G3.1 disclosures and core indicators. 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. The 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 'Needs Improvement'.

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 aspects. In our view, the level at which the Report adheres to this principle is 'Needs Improvement'.

Reliability

The majority of data and information verified at head office and sites 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 a moderate level of assurance engagement, we conclude that the specified sustainability data and information presented in the Report are generally reliable. In our view, the level at which the Report adheres to the principle is 'Good'.

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'.

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's objectives. The company may:

- Improve its approach towards materiality assessment such that it may identify issues which go beyond the GRI indicators and benchmark performance metrics for material issues with sector peers;
- Fully address the partially reported core GRI performance indicators;
- Strengthen the existing data collection and aggregation system to capture the data at source for all entities covered in its reporting boundary, to further improve the sustainability performance monitoring and reporting;
- Implement systematic data verification mechanisms at regular intervals to improve the quality of qualitative data for future reporting;

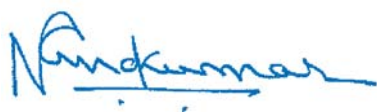
- Develop a management process to identify risks (if any) due to human rights issues especially in supply chain activities and outsourced processes, to stay in line with international best practices.

DNV GL's Competence and Independence

DNV GL is a global provider of sustainability services, with qualified environmental and social assurance specialists working in over 100 countries. DNV GL states its independence and impartiality with regard to this assurance

engagement. While we did conduct other third party assessment work with Essar Shipping Limited in 2012-13, in our judgement this does not compromise the independence or impartiality of our assurance engagement or associated findings, conclusions and recommendations. DNV GL was not involved in the preparation of any statements or data included in the Report, with the exception of this Assurance Statement. DNV GL maintains complete impartiality toward any people interviewed.

For DNV GL,



Vadakepatth Nandkumar

Project Manager,
Head - Sustainability & Climate Change Services,
DNV Business Assurance India Private Limited, India



Balasubromonium S

Assurance Reviewer,
DNV Business Assurance India Private Limited, India.

Bangalore, India, 12th June 2014



ESSAR SHIPPING LIMITED

CIN : L61200GJ2010PLC060285

Registered Office

Administrative Building
Essar Refinery Complex
Okha Highway (SH-25)
Taluka Khambalia
District Jamnagar
Gujarat – 361305

Corporate Office

Essar House
11 Keshavrao Khadye Marg
Mahalaxmi
Mumbai - 400034