

Essar Shipping Ltd.

Measurable, Manageable, Sustainable

# Sustainability Report

## April 2011- March 2012



# GRI Application Level

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

\*Sector supplement in final version

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## Message from the Managing Director



It gives me great pleasure to present the second sustainability report of Essar Shipping Ltd. Last year we became the first Indian company in the maritime sector to have published its sustainability report. Our effort in disclosing sustainability performance was appreciated by our stakeholders.

Last year has been a trying year for the Shipping sector worldwide with depressed freight rates and a surplus in tonnage. However ESL has been able to deliver quality service to its customers and this has been largely due to innovative approach and adaptability to the prevailing conditions. As part of our fleet expansion plan, we added five new vessels to the fleet and phased out 2 vessels bringing down the age of fleet to 11 years for better efficiency. A requirement for Minicape vessels was identified to match the capability of our port at Hazira and we created a new segment termed "Haziramax" that our 6 new STX vessels meet perfectly thereby maximizing their efficiency. The Supramax vessels under construction at ABG shipyard will also enhance our capability and flexibility to carry a wide range of cargoes. We also actively bid for external cargo movement projects for our logistics business. Going forward, while Essar Group related cargo movement

will continue to be our focus, extending logistics services to other clients shall be a growth area. We plan to build capabilities in executing turnkey assignments for project cargo movement, container and break bulk movement by railway rakes and invest in relevant stockyard and infrastructure.

I am very happy to share with you that Sustainability has been adopted as an agenda by the board of ESL. 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. We made a significant improvement in environmental performance initiatives and monitoring. Last year, we did a comprehensive GHG accounting for all the three businesses and also analysed the performance of Sea Transportation Business vis a vis IMO benchmarks. We are also on track as far as the Energy Efficiency Management Plan on board the vessels is concerned. The plan has already been implemented. Two of our newest vessels have been awarded a "Green Passport" by ABS after a comprehensive verification process. We will strive to achieve the same for more vessels in the fleet. In addition to our existing ISO 14001

certification, we shall also work towards attaining ISO 50001 certification for ESL and put in place management systems for Energy Management and Efficiency. This initiative should enhance our environmental as well as financial performance.

In our logistics business, there was an increase of 4.47% in moving greater volumes of cargo by sea that were once handled by trucks on the road. This is in line with our effort to continue to reduce our carbon footprint through modal shift in goods transport. This also reduced the load on our country's overburdened onshore infrastructure by a significant amount.

A number of employee engagement initiatives were introduced during the reporting period and as a result of these initiatives our overall employee turnover reduced by 21% with over 40 per cent reduction in Sea Transportation Business alone. During the reporting period, we engaged KPMG to help articulate our strategic plan and implement the Balanced Scorecard. It aims to align performance throughout the organization to help achieve its strategic goals.

ESL's overall lost time injury frequency rate increased by 11.11% over the last year's performance owing to an unfortunate incident onboard one of the vessels that led to a fatality.

However, there were significant achievements in safety in the logistics business where the Lost time injury frequency reduced drastically from 1.1 to 0.15 achieving a reduction of over 85%. Oilfield services maintained zero LTIFR for the second year.

We continued to partner the Indian Coast Guard in their efforts to make the Marine Environment cleaner and the coastal areas around India safer and more secure through sponsorship of some of their initiatives. We have also laid emphasis on other community initiatives that are in line with our Group priorities in CSR.

In the years to come Sustainability Performance is going to be a key focus area for ESL as we go from strength to strength by adding assets and widening our horizons. Material issues have become a focus area for measurement, whereby making them manageable. This prompted the title of this year's report – *Measurable, Manageable, Sustainable*. Sustainability has been included in the Key Performance Areas of all line managers and thereafter cascaded to all employees in the group. It is envisaged that in the very near future the entire spectrum of employees both onshore and offshore will be working in sync to give ESL a sustainable and bright future.

January 2, 2013



A. R. Ramakrishnan

## Sustainability Performance Highlights

### Governance

Sustainability adopted as a board room agenda. Whilst the Board provides direction and guidance, the ownership for the sustainability initiative and execution lies with the MD and the CEOs. Sustainability performance is evaluated on a quarterly basis by the Board.

### Environment

- Ship Energy Efficiency Management Plan (SEEMP) and Energy Efficiency Operational Index (EEOI) developed and implemented for the entire fleet by the Sea Transportation Business
- 4.47% increase in modal shift i.e. moving greater volumes of cargo by sea that were once handled by trucks on the road thereby greatly reducing the carbon emissions due to cargo transportation.

### Social

- Information consolidated for last three years for additional safety indicators including property damage incident, fire incidents, high potential incidents and restricted work cases. ERP solution for incident monitoring extended to cover these indicators.
- Zero LTIFR achieved by Oilfield Services for second year in a row
- 86.36% reduction in Lost Time Injury Frequency Rate by Logistics Business
- 42.86% increase in near miss reporting by Sea Transportation Business
- 188.64% increase in near miss reporting by Oilfield Services
- 21% reduction in overall employee turnover
- 44.4% reduction in employee turnover by Sea Transportation Business from
- 8.22% reduction in employee turnover by Logistics business
- 61.96% increase in employee training days

## About the report



This is our second sustainability report adhering to the following frameworks  
GRI G3.1 Guidelines

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

**This report is an update on our first report and mainly includes quantitative data highlighting our performance in the reporting period i.e. April 1, 2011 to March 31, 2012.**

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 report excludes information on:

- our landrigs because most of our landrigs were either mobilised in the later part of the reporting period or were under refurbishment
- 11 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.
- 1 of our owned ships as it is not directly under our management control
- logistics locations with less than 20 employees/contract workmen.

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 which is part of the Oilfield services business.

## How we approached the Reporting principles

### Materiality and Sustainability context

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 details on the material issues please refer to page 17-25 of the first sustainability report available at [www.essar.com](http://www.essar.com). For the progress made against each identified issue please refer to the Progress made section in this 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.

### Stakeholder Inclusiveness

Reference the stakeholder influence dependency matrix given on page 14-15 of the first sustainability report; we have highlighted in this report the specific engagement initiatives taken during the reporting period for key stakeholder groups.

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

### Balance

The report includes both favourable and unfavourable results in economic, social and environmental aspects.

### Accuracy

Since this report is an update on our first 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](http://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.

### Comparability

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

### Timeliness

Our first report was released in February, 2012. Our target was to release the second report within 9-10 months of the completion of the fiscal year. Going forward, we will continue to publish the report within that time frame.

### 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. We engaged Det Norske Veritas AS ( DNV ) to provide independent assurance on our second report as per the requirements of Verisustain (DNV's sustainability assurance protocol) and AA 1000AS Type 2 Moderate Assurance. The details of the scope and extent are described in the assurance statement provided by DNV.

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 the following:

Sonal Kohli, Lead - Sustainability at Essar House, 11, KK Marg, Mahalaxmi, Mumbai 400 034. Email: [sonal.kohli@essar.com](mailto:sonal.kohli@essar.com) or Capt. Jonathan Lobo, Head – HSE, Essar Shipping Ltd. Email: [jonathan.lobo@essar.com](mailto:jonathan.lobo@essar.com)

## The Year at a Glance

March 23, 2012	Essar Shipping wins a USD 121 million contract from ConocoPhillips to drill 11 offshore wells in Indonesia by its semisubmersible rig, Essar Wildcat
March 15, 2012	Essar Shipping Limited takes delivery of its third minicape vessel, MV Ishwari, at the STX Shipyard, Dalian, China
February 17, 2012	Essar berths India's first minicape vessel, MV Kamlesh, at Hazira.
February 1, 2012	Essar Shipping Limited takes delivery of its second minicape vessel, MV Arun, at the STX Shipyard, Dalian, China
January 19, 2012	Essar Shipping Limited is awarded the Bulk Operator of the Year at the Gateway Awards of Excellence: Ports and Shipping 2010-11 at New Delhi
January 17, 2012	Essar Shipping inducts its first minicape vessel, MV Kamlesh, into its operating fleet. Built at STX Shipyard, Dalian, China, the 105,000 DWT vessels are designed to operate in shallow drafts with higher cargo carrying capacity, creating a new segment of 105,000 DWT, or Haziramax
January 6, 2012	Essar Shipping sponsors a coastal security awareness motorcycle rally along the Maharashtra coast organized by the Indian Coast Guard, Capt. Anoop Sharma flagged off the rally in Mumbai
December 7, 2011	Essar Shipping wins the Shipping Line of the Year (Bulk category) at the Samundra Manthan Awards 2011 held during the International Maritime Offshore Logistics Conference (IMOL) in Mumbai.
November 25, 2011	Oilfield's semi-submersible rig, Essar Wildcat, achieves 3 years with zero lost time incident
October 20, 2011	Essar Shipping Limited receives SEBI approval for listing of shares on the national bourses
July 27, 2011	Essar Shipping takes delivery of MV Chandi Prasad, ex MV Agility, a 152,000 DWT capesize bulk carrier in Singapore.
July 26, 2011	Essar Shipping Limited presents the Annual Search and Rescue Awards to honour sailors from the Coast Guard and shipping communities who performed search and rescue operations along the Indian coast
June 18, 2011	Essar Shipping's MV Ram Prasad makes its maiden voyage under the Essar flag, carrying iron ore pellets from Vizag to Hazira port.
May 25, 2011	Essar Shipping signs a long term funding agreement with two Chinese banks to finance its 6 new building minicape vessels at STX Shipyard, Dalian
May 23, 2011	Essar Logistics ranked 4th fastest growing company in the Heavyweights category in the Business World Fastest Growing Companies list
May 19, 2011	Essar Shipping Ports and Logistics Limited announce May 19, 2011 as the Record Date of the completion of the demerger process
April 27, 2011	Essar Wildcat successfully qualifies the Administrative, Technical and HSE evaluation of ConocoPhillips Indonesia. Qualifying the stringent qualification process provides Oilfield Services an entry into the highest rung of the hydrocarbon business

## About the Company

Essar Shipping is an integrated logistics solution provider with investments in logistics services, sea transportation and oilfield drilling services.

Essar's 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 5,000 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, Supramaxes, tugs and cape-sizes to provide crude oil and product 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 12 new building 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 onesemisubmersiblerig 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 clientele, 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 well into the next decade.

For more information about the company please visit [www.essar.com](http://www.essar.com)



## Awards and recognition received during the reporting period

### Bulk Operator of the Year – Gateway Awards of Excellence 2010 – 2011

Essar Shipping Limited won the Bulk Operator of the Year at the Gateway Awards of Excellence: Ports and Shipping 2010-11 during the India Maritime Week celebrations in New Delhi in January 2012

The annual awards were instituted by the leading Indian magazine, Maritime Gateway in 2008 and felicitate the best players in the industry for their outstanding performance in various award categories.

Essar Shipping won the award for excellence in operations and in recognition of its proactive initiatives towards fleet initiatives.

### Shipping Line of the Year (Bulk) – SamudraManthan Awards 2011

Essar Shipping Limited won the Shipping Line of the Year (Bulk) at the Samudra Manthan Awards 2011 for excellence in performance and innovation in the maritime and logistics sector. ESL won the award during the International Maritime Offshore Logistics (IMOL) Conference in Mumbai in December 2011. The Awards have been constituted to recognize achievers on 14 different categories who are judged according to certain principles and industry standards.

The primary objectives of the Award are to raise awareness and safety standards of the Indian maritime industry and bring together representatives from all across the industry to engage in constructive debate and discussion on key issues affecting the offshore industry and between various elements in the supply chain.

### Essar Logistics ranked 4th in the Businessworld Heavyweights – India's fastest growing companies

Essar Shipping Limited's Logistics business earned the distinction of being ranked 4th in the Heavyweights category of India's Fastest Growing Companies by the Businessworld magazine in 2011.

The list of India's fastest growing companies by Businessworld has been divided into four categories based on their revenue in FY 2009-10. With a revenue of Rs. 1,286 crore in FY 2011, Essar Logistics fell in the Heavyweights category.

The business earned the distinction based on its future plans. The company has identified cargo movements for third party clients as a major growth area in the future. Essar Logistics has experience in handling the 3PL services for Essar Steel including multimodal dispatch of steel products from Essar Steel's Hazira plant, distribution management for its service centers and Hypermarts across India.

Essar Logistics also has considerable experience in handling heavy cargo originating from both international and domestic sources up to the production site. Going forward, Essar Logistics plans to build capabilities in executing turnkey assignments for project cargo movements, container and break bulk movement by railway rakes and investment in stockyard furniture.

## Progress made

During 2010-11, Essar Shipping had identified over 50 material issues covering Economic, Environmental and Social aspects. In the last report, we had provided our sustainability approach and short, mid and long term goals for each material issue identified. The following table outlines the progress we have made in achieving the short term goals. The mid and long term goals have remained unchanged and the progress against those will be provided in our next year's report.

For details on the material issues and related goals please refer to page 17-25 of the first sustainability report available at [http://www.essar.com/upload/pdf/EssarShipping\\_Sustainability\\_Report\\_2010-11.pdf](http://www.essar.com/upload/pdf/EssarShipping_Sustainability_Report_2010-11.pdf).



Aspect	Our approach	What we will do	Status as on March 31, 2012
		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, incorporating a standard inflation of 8% the Total Operating Cost per day of vessels during FY 2012 has decreased by 5%.
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 Semi-submersible rig Wildcat fixed with ConocoPhilips
Asset value	Ensure that proper maintenance and repairs keep asset value high	Strengthen preventive maintenance through Planned Maintenance Systems (PMS)	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
Fleet Expansion	Expand the fleet to meet the tonnage requirements of our group companies and third party contracts	Take delivery of 6 minicapes, 4 Supramax and 2 jackup rigs. Acquire other tonnage should business opportunities arise	4 minicapes joined the fleet. 2 minicapes to join by Oct12. Indian built ships delivery delayed to the following year
Availability & Cost of Finance	Firm contracts to be used to secure finance.	Continue to maintain 70:30 Debt:Equity ratio.	On track
Civil unrest	Avoid damage and delays to our cargo due to civil unrest	Locations and destinations in the logistics routes to be sensitized on civil unrest hazards and communication means to be strengthened	Communication channels with remote areas, intelligence gathering and dissemination strengthened

Aspect	Our approach	What we will do	Status as on March 31, 2012
		Short-term (1-2 years)	
Inadequate Public / Private Infrastructure	Development of port facilities, roads and rail for efficient movement of cargo	Concreting/Bitumen of entire marshalling yard area and associated facilities to be completed	Completed
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%
CO <sub>2</sub> 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, Oilfield Services – to renew motors to energy efficient type	SEEMP implemented. Fuel reduction measures identified and implemented. Motors on wildcat renewed
Ballast water management	Comply with existing Ballast water requirements	Comply as per requirement	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%
Age of Ships / Rigs / Trucks	Invest in younger ships, rigs and trucks which will be more efficient and environmentally friendly	Take delivery wof 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
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. SEEMP implemented
Spills and Detentions	Strive to achieve zero spills and nil detentions.	Continue further training and management.	2 detentions. Zero spills.
Certification to ISO 14001:2008	Follow a proactive approach to adopt new mandatory and voluntary requirements	Maintain certification of STB and Logistics - 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.

Aspect	Our approach	What we will do	Status as on March 31, 2012
		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.
Waste management	Reduce waste generation	Implementation of data capturing, analysis and reduction	Data captured and analysed.
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
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.
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 eCompass. Introduce innovative schemes to increase employee motivation.	Pending
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
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
	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
		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
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%)
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
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 Survey. 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
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
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 (Logistics and vessels) have access to Hotline numbers

Aspect	Our approach	What we will do	Status as on March 31, 2012
		Short-term (1-2 years)	
<b>Health and Safety</b>			
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
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 performance	Reduction in LTIFR by 10% over previous years target	A further reduction of 10% each year	10% achieved
Certification to OHSAS 18001:2007	Companies to incorporate OHSAS 18001:2007 in their Management systems and attain certification	Continual improvement. Oilfield Services to review EROMS and incorporate OHSAS elements in the Safety Management System	Work in progress. To be completed by Sep 2013.
Health Monitoring	Periodic health monitoring and workplace health and wellness programs to achieve our goal of a healthy workplace.	Continue health check up and monitoring of industrial hygiene aspects.	Mandatory health check ups for all employees. Awareness programmes conducted for floating personnel and contract workmen.
Driving Safety	Office and Transportation drivers to be trained in defensive driving	All new drivers to be trained and existing drivers to get refresher training.	Training establishment (Gurukul) imparts daily training to all new drivers and refresher training to existing drivers
Vehicle safety	All transportation vehicles to be fully fit for the task. Fitness certification for all intercarting vehicles	Incorporate IT based system to track safety checks and shortfalls	All market vehicles checked for fitness by Logistics. Owned heavy vehicles certified by HED. Heavy engineering division of Essar
Competency assessment	All skilled labour (riggers, slinger, welder, crane operator, intercarting drivers) to undergo competency assessment	Increase competency assessment to achieve greater than 80% assessment	41% assessed. For more details please refer to page 43.

Aspect	Our approach	What we will do	Status as on March 31, 2012
		Short-term (1-2 years)	
<b>Product Responsibility</b>			
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	Upgraded
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
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
Vessel Performance	Avoid performance claims from charterers	Develop IT systems to accurately analyze performance against contracted targets	IT systems in place
Route planning	To use optimal routes to save fuel and time	Weather routeing	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
Safe handling and on-time delivery	To ensure that cargo claims are minimized	Incorporate new systems	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

Aspect	Our approach	What we will do	Status as on March 31, 2012
		Short-term (1-2 years)	
<b>Community Engagement</b>			
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.
Environment	Minimize the environmental impact	Continue to support International Coastal Clean Up. Organize environmental awareness campaigns for maximum employee participation	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



## Corporate Governance

There has been no major change in the Governance Structure of the organization besides that HSE Executive committee was dissolved due to restructuring at the Group level. For an updated HSE Governance structure please refer to the Health & Safety section.

Sustainability has been adopted as an agenda by the board of ESL. 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.

### Economic Performance

Overall, our economic performance has been better during this reporting period as compared to the past year. Since the financials reported for FY 2010-11 pertained to the six month period post the demerger of ESPLL on effective date 1 October 2010, we have used our own annual estimates for FY 2010-11 to compare with our performance in this reporting period. Our Total Income for the period rose by 5.93% over last year, helped by a strong performance by the oilfield services business, which saw a growth of 17.28%. Overall, our bottomline saw a decline mainly due to an increase in depreciation costs.

Particulars		2010-11* (MINR)	2011-12 (MINR)	Remarks
<b>Revenues</b>				
Net sales (Gross sales less returns, discounts and allowances)		12,759.40	28015.8	As per Annual Report FY 2012
Income from investments including cash received as interest, dividends, royalties and direct income generated from assets		215.6	482.7	As per Annual Report FY 2012
Income from sale of assets (tangible & intangible assets)		384.7	46.6	As per Annual Report FY 2012
<b>Total direct economic value generated</b>		<b>13,359.70</b>	<b>28545.1</b>	
Operating costs		9,194.10	19121.2	Annexure 1
Employee wages & benefits - Offshore		655.6	1472.5	As per Annual Report FY 2012
Employee wages & benefits - Onshore		274.2	426.4	As per Annual Report FY 2012
Payment to Govt (by country)	India	36.8	233	Annexure 2
Payment to providers of capital	Interest	1,393.70	3294.3	As per Annual Report FY 2012
Community Investments		2.5	1,315	
<b>Economic value retained</b>		<b>1,802.80</b>	<b>3997.7</b>	

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

Notes:-

1. As there was demerger of the business and ESL came into existence only in FY 2011, the previous year's figures are not reported
2. Financials were presented in MUSD, considering ad-hoc average USD rate. As financials are in INR, EC1 is reported in INR

## Assistance received from the Government

Particulars	2010-11	2011-12
Other financial benefits received or receivable from government for any operation		
• Export Benefits (SFIS)*	21.73	25.58
Total Financial assistance received from government	21.73	25.58

\*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	
	2010-11	2011-12
Particulars		
Cost of Sales	9,399.4	20072.5
Admin & selling	658.7	961.49
Foreign Exchange Gain	68.3	-15.2
Less: Employees wages & benefits shown separately	929.8	1898.9
Less: Community Investments shown separately	2.5	1.315
Operating Cost	9,194.1	19121.2

## Annexure 2

### Payment to the Government

Particulars	MINR	
	2010-11	2011-12
ESL	15.00	16.5
Logistics	20.61	-2.1
Oilfield Services	0	168.22
Tax Adjustment for Previous Years	1.19	50.4
TOTAL	36.80	233.02

Oilfield Services taxes paid before ESL came into existence. During FY 11 there were no taxes for Oilfield Services

	2010-11	2011-12
Total assets (as at 31 March 2011)		
	Rs. 10,253.02 Crore Fixed Assets Net Block: 4,135.08 CWIP: 1,500.64 Goodwill: 3,658.41 Net Current Assets: 957.07 Misc. expenditure not written off: 1.82	Rs. 10,009.09 Crore Fixed Assets Net Block: 4,434.17 CWIP: 593.53 Goodwill: 3,658.41 Net Current Assets: 3713.4 Misc. expenditure not written off:
Market capitalisation (for listed companies)	Company was not Listed on 31 March 2011 Company was listed on 15/11/2011. Market Cap on the BSE at close of day was Rs. 599.77 Crore (Closing Price: 29.20 * 20.54 outstanding shares)	Company was listed on 15/10/2012. Market Cap on the BSE at close of day was Rs. 556.17 Crore (Closing Price: 27.10 * 20.52 outstanding shares)



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

## Labor and Human Rights

There has been no change in the management approach on labor and human rights since the last year. For details on our management approach please refer to Page 38 of our first sustainability report available at the link [http://www.essar.com/upload/pdf/EssarShipping\\_Sustainability\\_Report\\_2010-11.pdf](http://www.essar.com/upload/pdf/EssarShipping_Sustainability_Report_2010-11.pdf)

The following table highlights our performance against the short term goals identified for the FY 2011-12

Aspect	Short term goal (1-2 years)	Performance in 2011-12	Target 2012-13
Employee engagement	Increase our employee engagement score to 70% by introducing new engagement initiatives and strengthening the existing ones. Additionally, increase communication and involvement at all levels.	Several new employee initiatives were introduced during the reporting period. Third party employee engagement survey is scheduled in February 2013 and the results of the survey will be published in our third report	Third party employee engagement survey is scheduled in February 2013 and the results of the survey will be published in our third report
Focus on identifying, nurturing and growing internal talent	Identification of key critical positions, identification of right successors, building the leadership pipeline through a range of developmental activities; enhanced focus on individual training needs in alignment with the business objectives	Work in progress. Next Talent Review scheduled in FY 13	Next Talent Review scheduled in FY 13
Training	Increase the number to 3.5 days per employee	2.64 days per employee	3.5 days per employee
Effective Management of People Performances through linkage with business results and motivation through rewards	Systematic cascading of the annual business plan to all employees in order to align employee's KRAs to the business objectives and make clear the performance expectations. Introduce innovative rewards & recognition schemes to enhance employee motivation – By March'12	75% of the KPA's were aligned to the Annual Business Plan. ESOP's were provided to Senior Management Employees	Implementation
Internal Customer satisfaction survey	Achieve a minimum score of 70%	Scheduled in February 2013	Scheduled in February 2013

## Talent Acquisition and Management

### E-Compass

Our Performance Management System (PMS) is comprehensive and a continuous process in line with our commitment to providing a supportive and encouraging professional environment to all employees. Now renamed as E-Compass, the system allows greater transparency in the visibility of organizational goals and deeper alignment of individual performance with organizational priorities.

E-Compass presents a significant step forward in bringing transparency into our performance management systems. The system allows employees and management to share their goals and objectives with their peers and other employees above and below them in the organization structure. The openness of this process ensures better alignment of an employee's goals with that of their peers and their organization.

All full time employees who have been in service with the company for more than six months are eligible for an annual performance and career development review. We are an equal opportunity employer and believe in equal pay for equal work. We maintain the ratio of basic salary between our male and female employees at par with each other.

In addition to an annual review, Essar has introduced Quarterly Reviews across the organization with an aim to ensuring management and employees have more frequent performance and development related interactions with ample discussions,

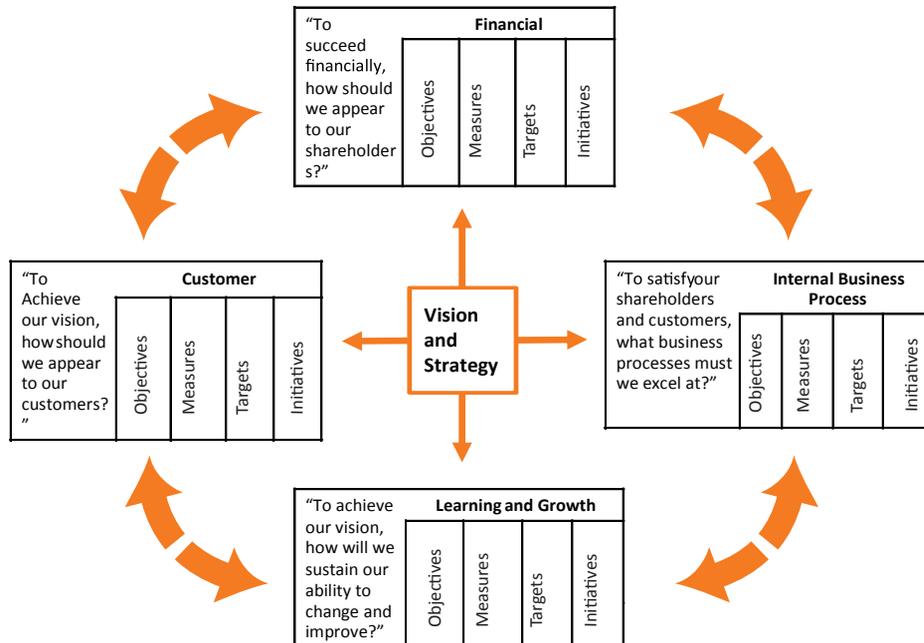
opportunities for feedback, and most importantly, to enable timely course corrections. An annual review often leads to recency effect, and achievements performed at the end of the period can cloud the achievements at the beginning.

Our Annual Performance Linked Incentive (APLI) is dependent on the performance of the employee as well as the performance of the organization.

### Balanced Scorecard

The Balanced Scorecard is a Group wide strategy deployment tool that enables a holistic view of performance through its concerted focus on multiple aspects of performance. It aims to align this performance throughout the organization to help achieve its strategic goals. During the reporting period, we engaged KPMG to help articulate our strategic plan and implement the Scorecard.

It is one of the most widely adapted performance management frameworks. At Essar, the Scorecard aims to be the prominent change management tool functioning across the Group. It works by targeting four organizational perspectives – Financial, Customer, Internal Processes, and Learning & Growth. There are direct relationships between each of these perspectives that the Scorecard aims to build and strengthen.



The Balanced Scorecard provides a framework to translate a strategy into operational terms

Source: Robert S. Kaplan and David P. Norton, "Using the Balanced Scorecard as a Strategic Management System," Harvard Business Review (Jan – Feb 1996): 76

### Success Factors - SaaS

Last year we introduced cloud based human capital data management system called SaaS (Software as a Service) to manage our performance management better. SaaS has been developed by Success Factors which provides this service to over 4,000 organizations worldwide across sectors

### Next Moves

Next Moves is an internal recruitment model that aims to provide opportunities for employees to explore new career opportunities across all the businesses of the Essar Group. The model has been developed to leverage human capital within the Group and meet the talent needs of businesses.

Out Of 32 Open vacancies in the year 2011-2012, 11 vacancies were filled through Next Moves.

### Talent Review Process

Our talent review and management system is aimed at attracting, developing and retaining the best talent in alignment with our key organizational goals and build a sustainable leadership pipeline vital for the success of the organization.

The talent review process at Essar has three broad parameters –

Talent segmentation using a 3x3 Performance-Potential mapping that segments talent into strategic clusters that are then offered specific interventions and support.

Key Critical Position Identification and a 4-level successor plan to identify key roles in the organization and create a succession plan to ensure continuity of these key roles and positions.

Career management through internal mobility and customized development programs to meet the individual career aspirations of employees.

## Human Rights

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

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

Our commitment to respect human rights is supported by our following corporate policies:

### 1. Group Sustainability Policy

Please refer to page 12 of the first sustainability report .

### 2. Group Health, Safety & Environment Policy

The policy outlines our commitment to achieve excellence in HSE by providing and maintaining safe and health working conditions and following operating practices that will protect the environment.

### 3. Policy against Sexual Harassment

The policy against sexual harassment serves as a mechanism for prevention and redressal of sexual harassment at the workplace.

### 4. Business Practice Policy

The policy lays down guidelines for all associates in Essar Group to bring about a uniform and disciplined approach in portraying ourselves as an organization.

### 5. Open Door Policy

Our "Open Door" policy encourages all employees to discuss their problems with the management. The policy guarantees that employee concerns are heard, considered and answered without fear of reprisal.

All the above policies are communicated to the employees at the time of joining the organisation. These policies are also available on Intranet.

The policies are reviewed periodically for their continued applicability to the business. The implementation of the policies at different levels of the organisation is evaluated during internal audits at regular intervals.

### Child Labour

Essar Shipping does not engage in or support the use of child labour.

### Forced and Compulsory Labour

Essar Shipping does not engage in or support the use of forced or compulsory labour.

### Discrimination

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.

### Disciplinary Practices

Essar Shipping treats all personnel with dignity and respect. The company does not engage in or tolerate the use of corporal punishment, mental or physical coercion, or verbal abuse of personnel. No harsh or inhumane treatment is allowed.

### Working Hours

Essar Shipping complies with applicable laws and industry standards on working hours and public holidays. The normal work week, not including overtime, is defined by law

### Equal Opportunity

Essar Shipping is an equal opportunity employer and believes in equal remuneration for equal work.

Against above during the reporting period we did not come across any deviation across our locations.

## Measurements



### Total workforce by type of contract – FY 2012

	STB	Logistics	Oilfield Services	Total
Regular	72	112	32	216
Fixed term contract	325	8	313	646
Third party contract	0	1761	0	1761
Total	397	1881	345	2623

323 out of 325 are floating staff

Employees covered by collective bargaining agreement - 37.47%

### Fixed term contract employees by gender FY 2012

Gender	STB	Logistics	Oilfield Services	Total
Male	325	8	312	641
Female	0	0	1	1
	325	8	313	646

### Third party contract employees by gender FY 2012

Gender	STB	Logistics	Oilfield Services	Total
Male	0	1731	0	1731
Female	0	30	0	30
Total	0	1761	0	1761

### Total workforce by type of contract – FY 2011

	STB	Logistics	Oilfield Services	Total
Regular	70	137	30	237
Fixed term contract	231	8	333	572
Third party contract	0	1463	0	1463
Total	301	1608	363	2272

Employees covered by collective bargaining agreement – 28.55%

### Employee category by Gender - FY 2012

Gender	Employee Level	STB	Logistics	Oilfield Services
Male	Senior	13	5	8
	Middle	35	27	7
	Junior	19	77	16
Female	Senior	0	0	0
	Middle	1	1	0
	Junior	4	2	1
Total		72	112	32

### Employee category by Gender - FY 2011

Gender	Employee Level	STB	Logistics	Oilfield Services
Male	Senior	12	6	8
	Middle	36	35	7
	Junior	18	93	14
Female	Senior	0	0	0
	Middle	1	1	0
	Junior	3	2	1
Total		70	137	30

### Employee category by Gender and Age Group – FY 2012

Gender	Age Group	STB	Logistics	Oilfield Services
Male	<30	7	24	11
	30-50	43	77	16
	>50	17	8	4
Female	<30	3	1	1
	30-50	2	2	0
	>50	0	0	0
Total		72	112	32

### Employee category by Gender and Age Group – FY 2011

Gender	Age Group	STB	Logistics	Oilfield Services
Male	<30	11	36	10
	30-50	40	88	16
	>50	15	10	3
Female	<30	2	1	1
	30-50	2	2	0
	>50	0	0	0
Total		70	137	30

### Employee Hires by Gender and age group - FY 2012

Gender	Age Group	STB	Logistics	Oilfield Services
Male	<30	2	4	6
	30-50	3	1	2
	>50	0	0	1
Female	<30	1	0	0
	30-50	0	0	0
	>50	0	0	0
Total		6	5	9

### Employee hires by Gender and age Group – FY 2011

Gender	Age Group	STB	Logistics	Oilfield Services
Male	<30	4	7	5
	30-50	7	6	3
	>50	0	0	0
Female	<30	1	3	1
	30-50	0	2	0
	>50	0	0	0
Total		12	18	9

### Employee hires by employee level and gender – FY 2012

Gender	Employee level	STB	Logistics	Oilfield Services
Male	Senior	0	0	1
	Middle	2	0	1
	Junior	3	5	7
Female	Senior	0	0	0
	Middle	0	0	0
	Junior	1	0	0
Total		6	5	9

### Employee hires by employee level and gender – FY 2011

Gender	Employee level	STB	Logistics	Oilfield Services
Male	Senior	0	0	3
	Middle	5	0	5
	Junior	6	13	0
Female	Senior	0	0	0
	Middle	0	0	0
	Junior	1	2	1

### Employee Turnover- FY 2012

Gender	Age Group	STB	Logistics	Oilfield Services
Male	<30	2	3	3
	30-50	1	5	3
	>50	1	1	1
Female	<30	0	0	0
	30-50	0	0	0
	>50	0	0	0
Total		4	9	7

Voluntary exit – 17, Dismissal – 1, Superannuation – 2

### Employee Turnover- FY 2011

Gender	Age Group	STB	Logistics	Oilfield Services
Male	<30	0	5	0
	30-50	7	7	2
	>50	0	0	3
Female	<30	0	0	1
	30-50	0	0	0
	>50	0	0	0
Total		7	12	6

Parental Leave FY 2012 – Nil

Parental Leave FY 2011 –

- Male - NA
- Female 100%

### Employees Appraised FY 2012

	STB	Logistics	Oilfield Services	TOTAL
Total Employees Appraised	70	112	32	214
% Appraised	97.22%	100%	100%	100%
Male	65	109	31	205
Female	5	3	1	9

Only regular employees are appraised. Two of the regular employees continued their service after Superannuation and continued to receive regular benefits, hence counted as regular employees

### Employees Appraised FY 2011

	ESL	ELL	EOSL
Total Employees Appraised	69	136	29
% Appraised	99	99	97
Male	65	133	28
Female	4	3	1

STB and Oilfield services also have a system to appraise fixed term contract employees

Average hours of training per year per employee by gender and by employee category.

Logistics	Sr. Mgmt	Mid. Mgmt	Jr. Mgmt	Total
Male (mandays)	7.5	64.8	171.5	243.8
Female (mandays)	0	1	2	3
Total Training hours	60	526.4	1388	1974.4
Total Employees	5	28	79	112
Average Hours	12.00	18.80	17.57	17.63
Average Mandays	1.50	2.35	2.20	2.02

Oilfield Services	Sr.Mgmt	Mid.Mgmt	Jr.Mgmt	Total
Male (mandays)	11	15	72	98
Female (mandays)	0	0	1.5	1.5
Total Training hours	88	120	588	796
Total Employees	8	7	17	32
Average Hours	11.00	17.14	34.59	24.88
Average Mandays	1.38	2.14	4.32	2.61

STB	Sr.Mgmt	Mid.Mgmt	Jr.Mgmt	Total
Male (mandays)	21	106.7	69	196.7
Female (mandays)	0	4.5	22	26.5
Total Training hours	168	889.6	728	1785.6
Total Employees	13	36	23	72
Average Hours	12.92	24.71	31.65	24.80
Average Mandays	1.62	3.09	3.96	2.89

ESL Consolidated	Sr.Mgmt	Mid.Mgmt	Jr.Mgmt	Total
Male (mandays)	39.5	186.5	312.5	538.5
Female (mandays)	0	5.5	25.5	31
Total Training hours	316	1536	2704	4556
Total Employees	26	71	119	216
Average Hours	12.15	21.63	22.72	21.09
Average Mandays	1.52	2.70	2.84	2.64

## Health & Safety

There has been no change in the management approach on health & safety since the last year. For details on our management approach please refer to Page 49 of our first sustainability report available at the link [http://www.essar.com/upload/pdf/EssarShipping\\_Sustainability\\_Report\\_2010-11.pdf](http://www.essar.com/upload/pdf/EssarShipping_Sustainability_Report_2010-11.pdf)

The following table highlights our performance against targets in the FY 2012



Business	Priorities	Target FY 2012	Result achieved in FY 2012	Deviation (%)	Target FY 2013	Reason for deviation
Logistics	Improve Health & Safety in Operations with a focus on Competency Assessment	80%. by March, 2012.	Competency Assessment for 41% of employees in critical trades is completed.	39	39%+ new joinees	Budgetary constraint. Attrition rate is high. Provide benefits to check attrition such as free medical checkups. Trained drivers to be awarded certificates after a year of service
Logistics	Contractor Safety Management: Compliance to Health & Safety conditions in contracts and actions for non compliance to requirements.	95%	Complied with	0	98%	NA
All businesses	Improvement in safety culture	Deploy safety marshals to monitor safe behaviour	Safety Marshals (02 per shift) were deployed in Logistics areas to monitor 'At Risk Behavior'. Observations were closed on daily basis.	0	Monthly safety campaigns started with different messages relevant to logistics. In STB and Oilfield Services feedback and Safety magazines have increased safety awareness to a great extent	NA
Logistics	Rotation of employees in safety function	Rotate 1% of the employees	Not achieved due to shortage of manpower.	100	Rotate 1% of the employees	Manpower shortage. 36 positions were to be filled through next move. 29 BPO's working as S/I's were imparted capacity building training.
Logistics	Competence building through increase in number of HSE training man hours	Increase by 50% over an estimated 2250 mandays.	755 mandays of training in Logistics	66	Make new training area fully operational and increase training by 20% over achieved	Lack of training infrastructure

Business	Priorities	Target FY 2012	Result achieved in FY 2012	Deviation (%)	Target FY 2013	Reason for deviation
All businesses	Compulsory online training & certification for all shore employees	100% for all new joiners	Complied with	0	A dedicated computer for Audiovisual and Computer based training is installed in the office for all new joiners and office staff to use. Videotel training programs are used	NA
Oilfield Services	Certified and other training programs for Wildcat	100% for all mandatory training requirements. A 10% increase in internal training on the rig	100% mandatory training achieved. Internal certified trained persons 184. Uncertified training – 532 persons covered	0	10% increase in internal training	NA
All businesses	Reduction in LTIFR by business per 1000,000 man-hours worked	By 10% over last year's target i.e. 1.25	Achieved Overall 0.63	0	Reduce by 10% over the last year's target i.e. 1.19	NA
All Businesses excluding floating staff	Making specific safety training a pre-requisite for employees being considered for promotion to higher levels.	100%	Training achieved for all promoted candidates was tracked by Corporate HSE and completed	0	Program to be revised	NA
Logistics	Integrated Management System (IMS) Certification		Recertification Audit for ISO 14001:2004 & OHSAS-18001:2007 completed in May'12	0	Recertification and reporting on sustainability indicators	NA
	Training for drivers	12000	3019 (includes Inter-carting Drivers)	75	6000	Lack of training infrastructure. Truck parking and safety office shifted to new truck parking area. Training started in March'12.

Business	Priorities	Target FY 2012	Result achieved in FY 2012	Deviation (%)	Target FY 2013	Reason for deviation
Logistics	Occupational Health Risk Control Programs	Implement as per identification	Five programs implemented out of which 3 have been completed and 2 are "Work in Progress"	40	Completion of programs	Lack of infrastructure
Sea Transportation	Implementation of HSE procedures on new vessels	4 vessels projected	HSE procedures implemented on all 5 vessels purchased during the reporting period	0	Monitoring of implementation	NA

#### Policies and Programmes regarding substance abuse

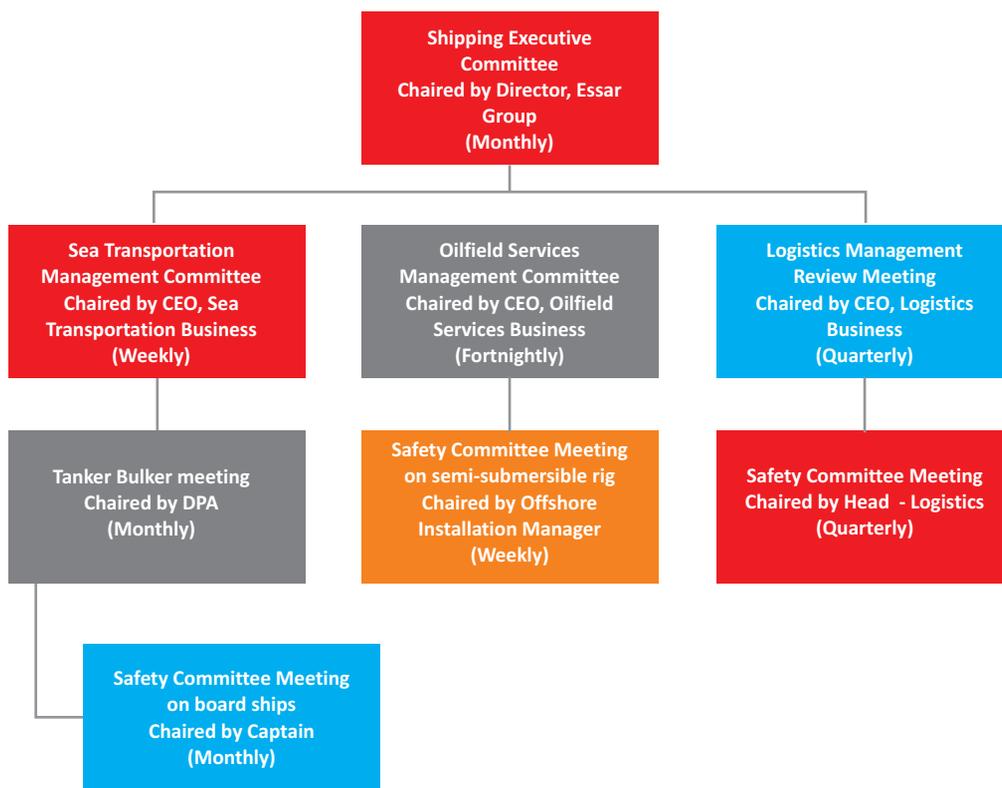
Sea Transportation and Oilfield services business recognise the fact that alcohol and drug misuse can make personnel unable to perform their duties and complete the tasks assigned to them. Both the businesses have adopted a policy that the possession, use and dealing with drugs and alcohol by shipboard personnel, is strictly prohibited. The businesses subscribe to all national and international legislation relating to drug and alcohol abuse and fully cooperate with law enforcement agencies in their activity against the use and carriage of illicit drugs and other narcotic substances. Any person employed by the Company who is found engaging in the use, carriage or smuggling of alcohol drugs or other narcotic substances shall be liable for instant dismissal. Newly hired personnel are made aware of the procedures. On board the vessels and the Rig, awareness training is carried out at safety briefings and audio visual training is provided from time to time. Logistics enforces its alcohol free operations through random alcohol testing via alcometers. Violators are blacklisted. Substance abuse awareness is carried out via campaigns

#### Communication Facilities for mobile workers

Shipboard crew communicate with their families via satellite chat cards. Rig crew communicate via free internet provided as well as satellite.

## HSE Governance

During the reporting period, HSE Executive committee was dissolved due to restructuring at the Group level. The following chart shows HSE management at business and site level.



During the reporting period, information was consolidated for last three years for additional safety indicators including property damage incident, fire incidents, high potential incidents and restricted work cases. ERP solution for incident monitoring was extended to cover these indicators. The largest site of logistics business (Hazira) implemented the system.

Sea Transportation business conducted a safety seminar for senior floating staff to make officers aware of the company's initiatives in HSE and new measures in the industry. This annual event serves as a tool to get feedback from the floating staff on effectiveness of the existing HSE Management system. About 25-30 officers attended the seminar during the reporting period.

This year a number of initiatives were introduced to improve Safety awareness. These were based on Root cause analysis of the years incidents and feedback from the ships officers. A dedicated training officer was inducted who travelled with the ship during sea voyages and conducted extensive training modules and drills to train and motivate the crews.

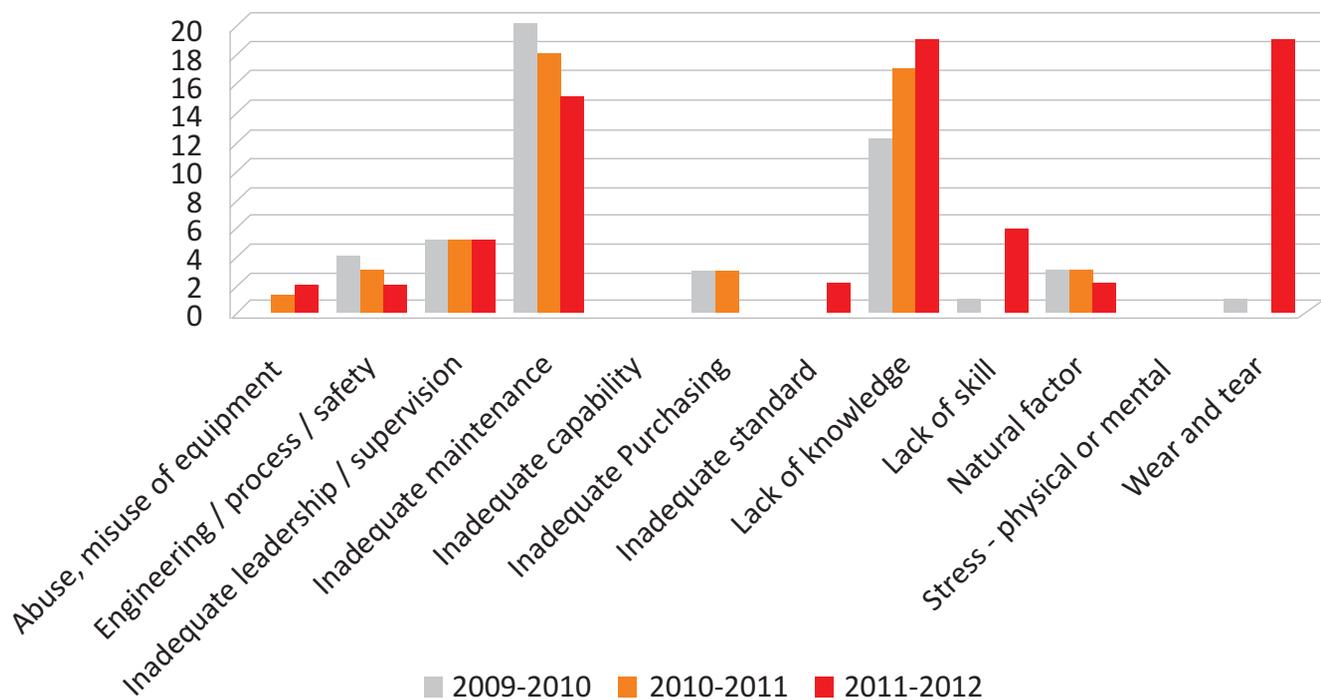
The Safety magazine 'Full Away' format was completely revamped to increase readability and participation by the ships staff and received wide appreciation from them

The handling of ships reports for incidents and near misses was automated ensuring quick response for corrective/preventive actions. This system also handles the response to ships safety committee meetings and has vastly improved tracking of recommendations.

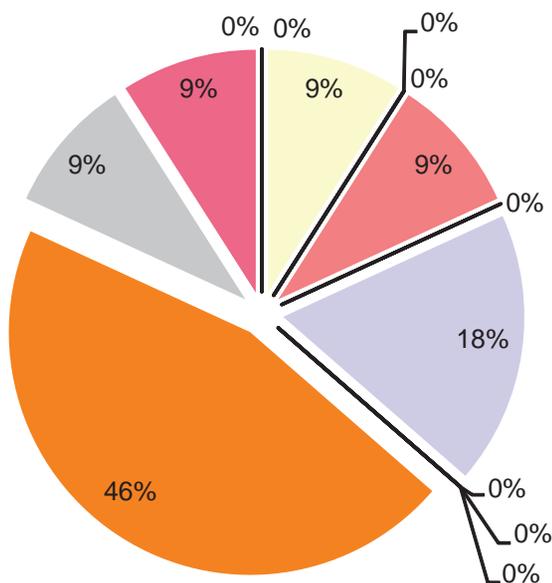
### Root cause analysis

The root cause analysis was done using our company procedure to identify the root causes of the incidents during the reporting period. These incidents included fatality, lost time injuries, medical treatment, property damage and fire. Lack of knowledge and wear and tear showed appreciable increases and corrective action was taken based on the statistics. A dedicated training officer was appointed to impart training whilst the vessel was sailing. The cause of the wear and tear is older tonnage which is being replaced by newer vessels

## Sea Transportation - Root Cause analysis



**Oilfield Services 2011-12  
Root Cause**



There was an unfortunate incident onboard one of our vessels that led to a fatality. On 13.04.11 two crew members were working on a Hydrophore tank manhole whilst the ship which was in the Drydock in China. As they slacked the nuts fastening the cover, residual pressure in the tank blew the manhole open and struck one of them causing head injuries. He was immediately rushed to hospital where he succumbed to his injuries. A thorough investigation was carried out into the root cause of the incident which turned out to be failure to follow company procedures. Corrective and preventive actions were taken including disseminating the findings to the entire fleet. The matter was also reported to the Flag State for promulgating to vessels under the flag

Two of our vessels were detained for operational deficiencies during the reporting period. MV Malavika was detained by PSC at Paradip, Orissa on September 22, 2011. MV Badri Prasad was detained by Flag State at Hazira, Gujarat on October 21, 2011. Both the vessels sailed within two days of detention post clearance from the national administrative body, Mercantile Marine Department.

Near miss campaigns were organised by Sea Transportation and Oilfield Services business to improve the safety performance. Essar Wildcat was awarded IADC Certificate for 3 years of LTI Free Operations. Several initiatives were taken on the rig to improve the safety culture.

- Re-emphasized on HAZ-ID observation & intervention program on Essar Wildcat. HAZ-ID program is an excellent tool which identifies unsafe act and unsafe conditions on the rig. This tool has contributed greatly towards sustaining a positive and no blame culture on the Essar Wildcat. Essar Wildcat receives on average one card per day per head.
- Distribution of awards on weekly basis to crew members who have submitted best haz-id cards or shows outstanding operational/safety performance/ best suggestion for improvement in any area/equipment etc.
- Internal training program on Essar Wildcat has helped rig crew members, especially junior crew members, to learn safe working practices, to know safety requirements to contributing in improving safety culture

- Introduction of some safety hardware improvements like KONG GLOVES (Full hand and finger protection), Hands free lifting techniques and finger saver tool on Essar Wildcat which has helped us to reduce hand and finger injuries. This has helped us to keep the crew motivated.

retaining a challenge and various measures have been taken to retain trained contractors.

Improvement in amenities and provision of free medical help have been some of these measures.

Several changes to ELL during the reporting period affected the company's performance against target. Location of office and training sites was shifted to a new location in the Truck Parking area and once infrastructure was in place training for drivers and helpers commenced.

Manpower shortage impacted ELL ability to rotate the target employees into Safety positions 36 positions were to be filled through next move. 29 BPO's working as S/I's were imparted Capacity Building Training.

The Road transport sector has a very high attrition rate of contracted drivers and helpers. This makes training and

Monthly safety campaigns on various themes relevant to the Industry have commenced with road shows and high focus on specific areas that were known to cause accidents or injuries.

## Measurements

### Sea Transportation Business

Indicator	2009-2010	2010-2011	2011-2012
Lost Time Incident - LTI	0	2	5**
Medical Treatment Case - MTC	0	0	4
First Aid Cases - FAC	9	5	10
Near Miss Incident - NMI	47	168	240
High Potential Incident - HPI	1	3	13
Fire Incident - FRI	1	0	1
Property Damage Incident - PDI	38	38	38
Restricted Work Case - RWC	0	1	1

\*\* includes 1 fatality

### Oilfield Services

Indicator	2009-2010	2010-2011	2011-2012
Lost Time Incident - LTI	0	0	0
Medical Treatment Case - MTC	3	0	0
First Aid Cases - FAC	4	5	3
Near Miss Incident - NMI	6	44	127
High Potential Incident - HPI	0	0	0
Fire Incident - FRI	0	0	0
Property Damage Incident - PDI	3	7	5
Restricted Work Case - RWC	0	0	0

## Logistics

Indicator	2009-10	2010-11	2011-12
Lost Time Incident - LTI	5	5	1
Medical Treatment Case – MTC	7	2	4
First Aid Cases - FAC	6	7	9
Near Miss Incident – NMI	115	95	56
High Potential Incident – HPI			
Fire Incident - FRI	0	1	0
Property Damage Incident – PDI	16	16	15
Restricted Work Case – RWC			

## Near Miss

Business	2010-11	2011-12
STB	168	240
Oilfield services	44	127
Logistics	95	56

## First Aid Case

Business	2010-11	2011-12
STB	5	10
Oilfield services	5	3
Logistics	7	9

## Medical Treatment Case

Business	2010-11	2011-12
STB	0	4
Oilfield services	0	0
Logistics	2	4

### LTIFR per 1000, 000 manhours worked

	Target	Achieved
Business	2011-12	2011-12
STB	1.035	1.93
Oilfield services	1.692	0
Logistics	1.44	0.15

### LTIFR per 1000, 000 manhours worked

	Target	Achieved
Business	2010-11	2010-11
STB	1.15	0.28
Oilfield services	1.88	0
Logistics	1.6	1.1

### LTIFR per 200000 manhours

	2010-11	2011-12
Business	2010-11	2011-12
STB	0.06	0.39
Oilfield services	0	0
Logistics	0.21	0.03



## Environment

During the year great emphasis was put on capturing, monitoring and thereby reducing our environmental impact in all areas such as GHG, effluent and materials. In Sea Transportation Business new regulations were to come into force by 2013 for which all vessels prepared vessel specific SEEMP (Ships Energy Efficiency Management Plan). Automated systems were developed to capture and record fuel consumptions at various stages of the voyage and graphically monitor the carbon efficiency of the voyage.

Additional materials were added to the list of materials to be monitored such as ODS (Ozone Depleting substances) Though water is not material to the Sea Transportation and Oilfields business since most of the water is generated on board, measures were in place to monitor and reduce water consumption.

Business	Aspect	Target FY 12	Performance	Target FY 13
All Businesses	Calculation and Monitoring of carbon footprint using GHG protocol	Strengthen carbon management program and explore opportunities for carbon emission reduction in the mid-term	Increase in modal shift by 4.47%. Comprehensive GHG accounting done and baseline year changed from FY11 to FY12	A further shift of 5% from road to sea
All businesses	Green Purchasing	--	--	--
Oilfield services	Certification to IMS	To be certified by Mar'12	Due to operational reorganization certification postponed to 2013	Certification to IMS

## Climate Change

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 was taken to move increasing volumes by sea where possible. Dedicated vessels were procured for carrying finished goods from the Hazira plant to ports around the country where cargo was delivered to the inland destinations.

We achieved a modal shift of 4.47% from road to sea 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.

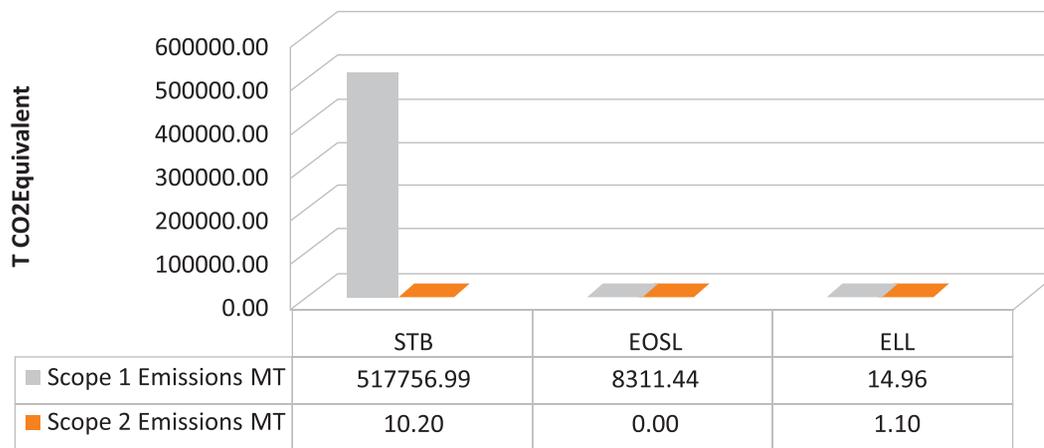
IMO has been in the process of formulating various Climate Change initiatives for the Maritime Sector and it has been our focus to incorporate all the emerging regulations in our approach. However as a group we have concentrated our focus on the following

- 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. Our base year has changed from 2010-11 to 2011-12. 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

## GHG Emissions 2011-12



### 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.

### Modal Shift

The logistics business undertakes the job of intercarting the raw material and finish goods. This is done mostly by trucks, dumpers, trailers etc. A complete carbon mapping was done for all the significant assets which we owned and measures taken for reduction in emissions.

Transportation of finished goods to the several Service centers around the country was done primarily by trucks and trailers. Modal shift from truck to rail and sea was actively pursued in conjunction with shipping to reduce the emissions of transport as Sea transportation is several times more carbon efficient than road transport. Mapping of contracted vehicles has been done this year to ascertain reductions in tonne-mile carbon emissions.

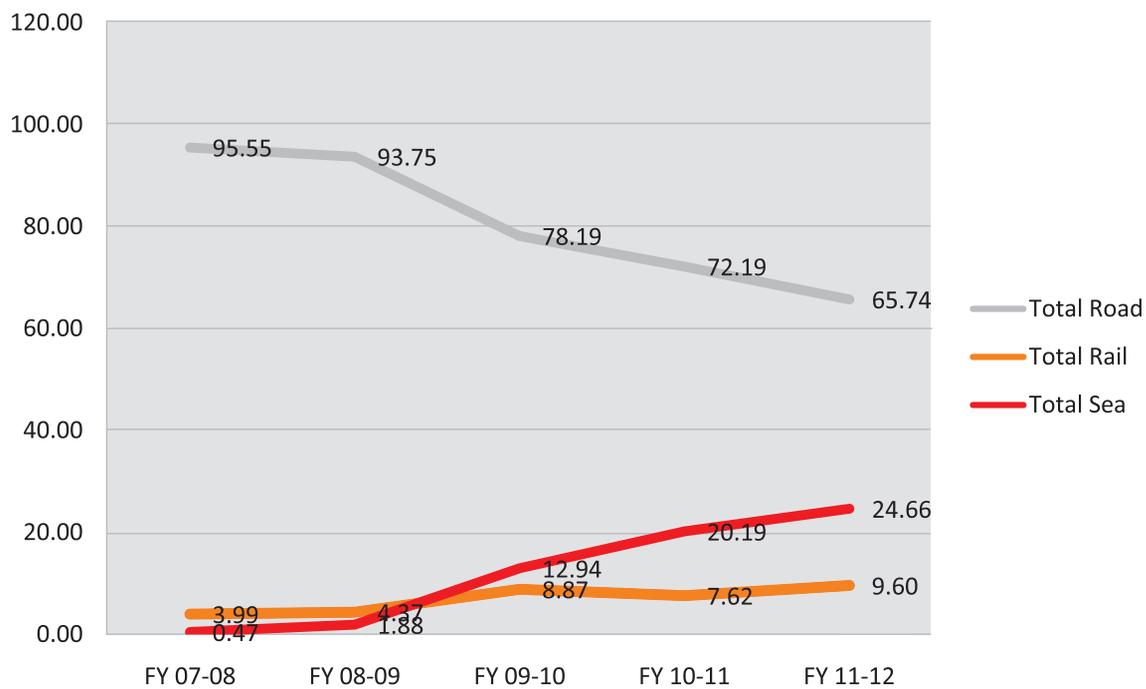
Figures in MT

FY	Total Road	Total Rail	Total Sea	Domestic Total
Total : FY 07-08	2474330	103223	12134	2589687
Total : FY 08-09	2351552	109497	47206	2508255
Total : FY 09-10	2536402.091	287750.87	419923.705	3244076.666
G Total FY 10-11	2273665.225	239994.203	635928.121	3149587.549
G Total FY 11-12	2072648.059	302752.725	777398.29	3152799.074

Modewise %

	Total Road	Total Rail	Total Sea	Domestic Total
FY 07-08	95.55	3.99	0.47	100.00
FY 08-09	93.75	4.37	1.88	100.00
FY 09-10	78.19	8.87	12.94	100.00
FY 10-11	72.19	7.62	20.19	100.00
FY 11-12	65.74	9.60	24.66	100.00

### Modal Shift of Transport - ELL



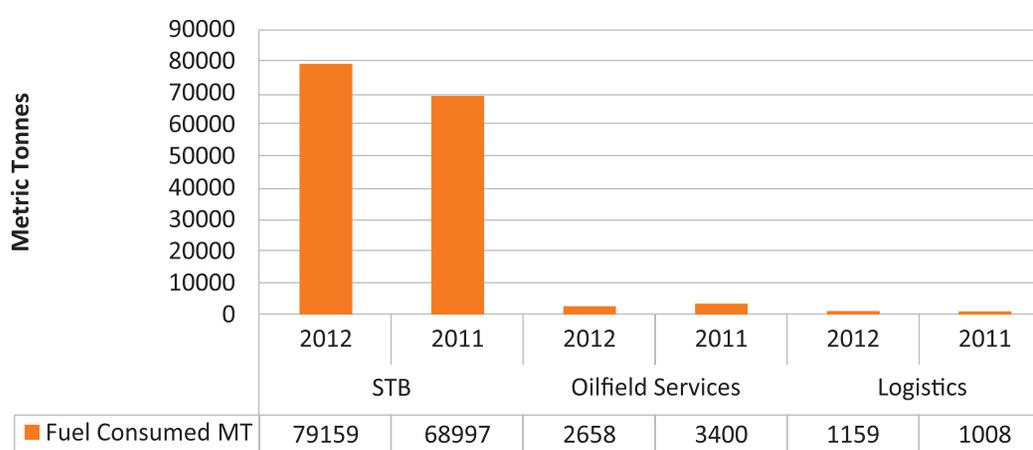
## SEEMP and EEOI

New requirements to come into force next year include existing vessels to have a Ships Energy Efficiency Management Plan (SEEMP). This plan will identify and document energy efficiency measures taken by vessels. Data collection and target setting are part of the plan. Essar Shipping vessels have been issued with a SEEMP. Data for the year FY 11-12 was captured via an automated system and is available online for each voyage and

for a year on year basis. Efficiency measures have been taken and the results of these are in the process of analysis. These include trim optimization, speed optimization, weather routing and energy consumption reduction measures. Target setting of carbon efficiency for each type of vessel will be in line with IMO guidelines which are yet to be published.

## Measurements

### Fuel Consumed



Total energy consumed in 2011-12 (in GJ)

Sea Transportation business		Oilfield Services		Logistics business	
Direct	Indirect	Direct	Indirect	Direct	Indirect
3181400.21	36.72	106825.02	0	50219.47	Not measured

Average fuel consumption per type of vessel

Vessel type	Fuel consumed in grams per tonne-mile	Joules per tonne-mile
Capes	2.66	1.08866E-07
Minicapex	1.48	6.07714E-08
Supramax	4.01	1.64357E-07
Handysize	8.34	3.42061E-07
VLCC	2.48	1.01552E-07

The increase in fuel consumed by Sea Transportation business is due to the increase in the fleet. Several measures have been taken to improve the fuel efficiency of the vessels as outlined in

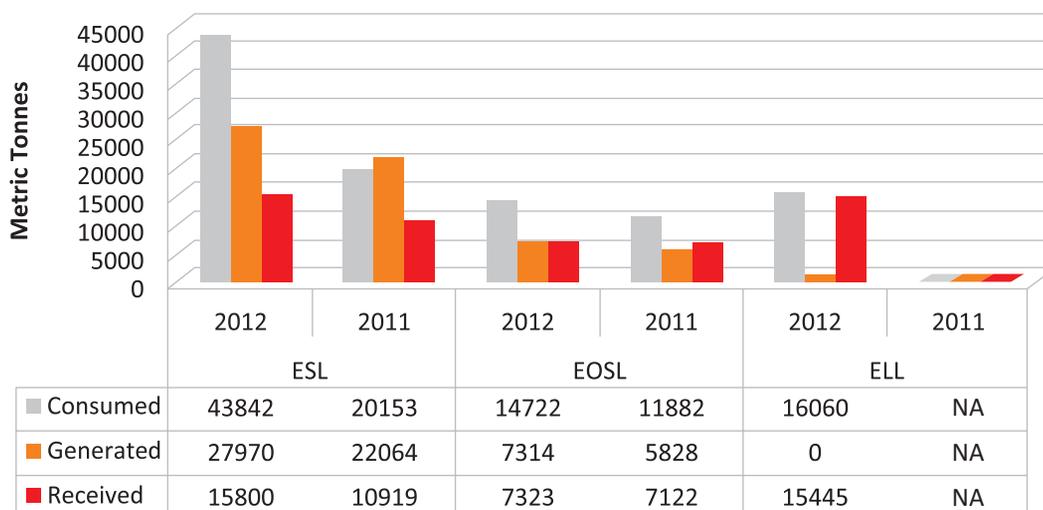
the SEEMP (Ships Energy Efficiency management plan) which is implemented on all vessels in the fleet.

## Biodiversity

Because of the nature of the business i.e mobile transportation, biodiversity is not applicable to Sea Transportation business and Semi-submersible rig Wildcat. Our Logistics site at Hazira does not fall under the area of high biodiversity. However the site does fall under a protected area but no IUCN red list species exist in the surrounding area of our operations. There were no significant spills recorded in the reporting period

## Measurements

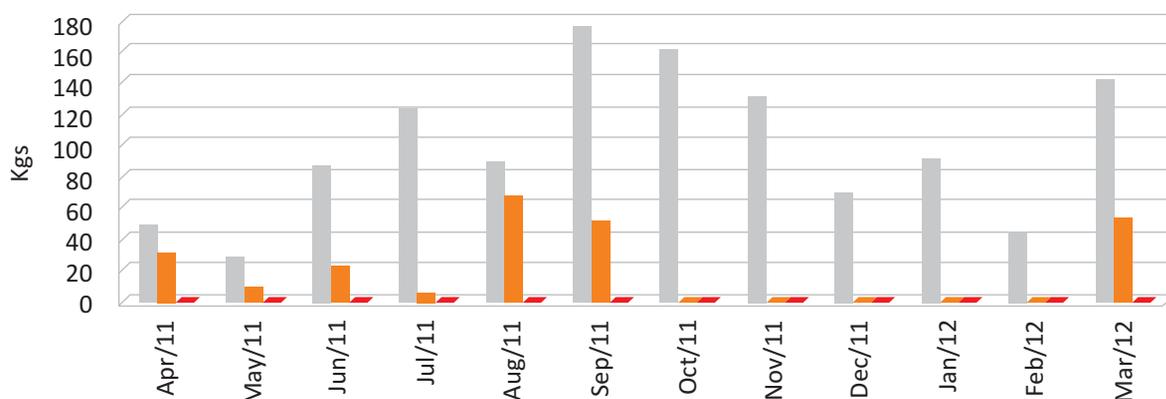
### Fresh Water



\* ELL water consumption for 2011 not measured

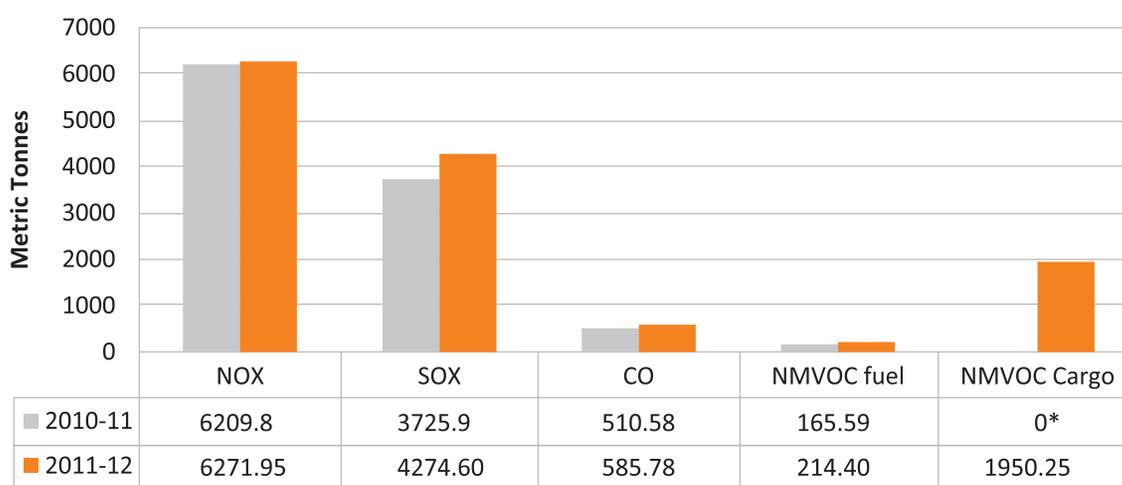
The increase in water consumption, generation and receipts of shore water in Sea Transportation is due to the increase in the fleet. Oilfield Services (Wildcat) increases are due to the larger number of operating days of the rig.

### ODS FY 2011-12



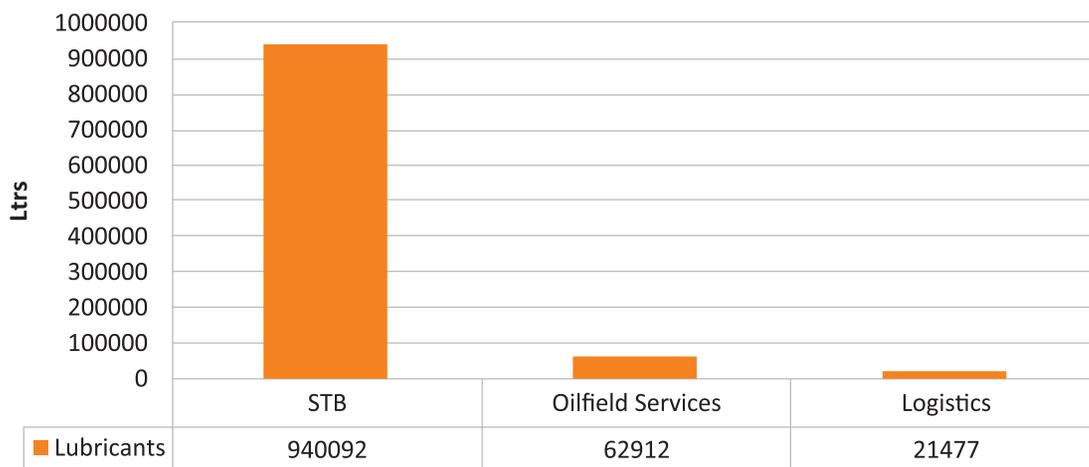
	Apr/11	May/11	Jun/11	Jul/11	Aug/11	Sep/11	Oct/11	Nov/11	Dec/11	Jan/12	Feb/12	Mar/12
■ STB	50	29.5	87.5	124	89	176	162	132	70	92	45	143
■ EOSL	32	7	22.5	3.5	68	52	0	0	0.5	0	0	54
■ ELL	0	0	0	0	0	0	0	0	0	0	0	0

### Sea Transportation - Other Emissions



\*NMVOC (Cargo) was not measured for 2010-11  
 Average sulphur contents of fuel used per vessel – 2.7%

## Lubricants Consumed FY 2011-12



### Hazardous Waste

	STB	Oilfield Services	Logistics
Plastic Waste Treated in MT	2	79	1
Batteries in nos.	0	41	46
Waste Oil disposed in M <sup>3</sup>	1423	47	13
Waste Oil Incinerated in M <sup>3</sup>	288	0	0

### Other materials consumed

	STB	Oilfield Services	Logistics
Wood in kgs	Not used	Not used	2067.7
Tyres	Not used	Not used	1026

### Effluent

Sea Transportation Business - 2387.84 M<sup>3</sup> of Bilge water treated  
 EOSL - 14746 M<sup>3</sup> of effluent (sewage, laundry, grey water generated)

## Product Responsibility

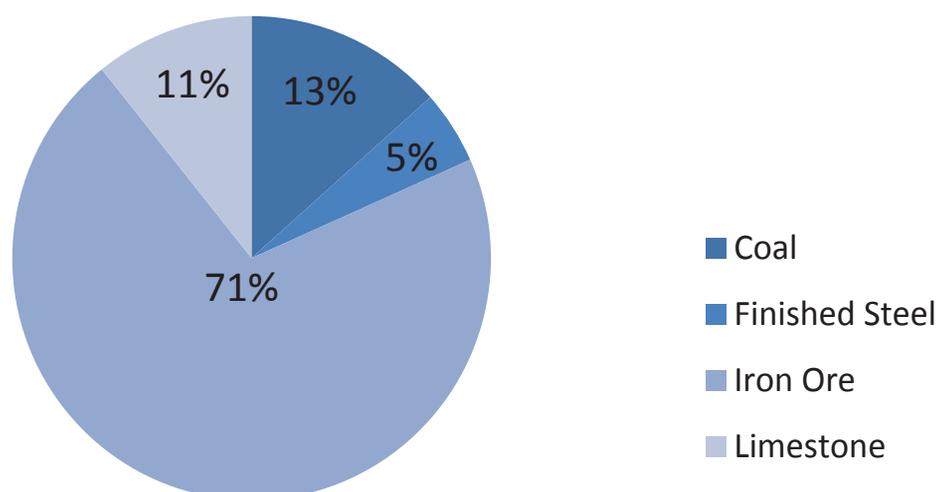
Markets served during the reporting period

### Bulkers

Cargo/FY (Qty in MT)	2011-2012		2010-2011	
	Cargo Qty	%	Cargo Qty	%
Bentonite			61,500	1%
Coal	16,18,961	13.43	6,63,520	5%
Finished Steel	5,91,075	4.90	4,76,253	4%
Iron Ore	85,47,891	70.91	1,01,87,627	83%
Limestone	12,97,039	10.76	8,91,321	7%
<b>Total Cargo (MT) :</b>	<b>1,20,54,966</b>		<b>1,22,80,221</b>	

Cargo/FY (Qty in MT)	2011-2012	
	Cargo Qty	%
Bentonite		
Coal	16,18,961	13.43
Finished Steel	5,91,075	4.90
Iron Ore	85,47,891	70.91
Limestone	12,97,039	10.76
<b>Total Cargo (MT) :</b>	<b>1,20,54,966</b>	

## Sea Transportation Cargo Distribution FY 2012



	2011-2012		2010-2011	
Charterer Type/FY (% of Cargo Handled)	Cargo Qty	%	Cargo Qty	%
Internal	1,03,51,801	85.87	1,04,67,222	62%
External	17,03,165	14.13	63,54,972	38%
Total Cargo (MT) :	1,20,54,966		1,68,22,194	

	2011-2012	2010-2011		
Vessel Type/FY (% of Cargo Handled)	Cargo Qty	%	Cargo Qty	%
Owned	1,02,14,170	84.73	1,04,67,222	62%
Inchartered	18,40,796	15.27	63,54,972	38%
Total Cargo (MT) :	1,20,54,966		1,68,22,194	

	2011-2012	2010-2011
Trade Type/FY (% of Cargo Handled for completed voyages)	Cargo Qty	%
Overseas	41,31,980	34.64
Coastal	77,95,743	65.36
Total Cargo (MT) :	1,19,27,723	

## Tankers

	2011-2012		2010-2011	
Cargo/FY (Qty in MT)	Cargo Qty	%	Cargo Qty	%
Crude	78,57,495	100	45,41,972	100
Total Cargo (MT) :	78,57,495		45,41,972	

	2011-2012		2010-2011	
Charterer Type/FY (% of Cargo Handled)	Cargo Qty	%	Cargo Qty	%
Internal	31,11,585	39.6	-	-
External	47,45,911	60.4	45,41,972	100
Total Cargo (MT) :	78,57,496		45,41,972	

	2011-2012	
Cargo/FY (Qty in MT)	Cargo Qty	%
Crude	78,57,495	100
Total Cargo (MT) :	78,57,495	

	2011-2012	
Charterer Type/FY (% of Cargo Handled)	Cargo Qty	%
Internal	31,11,585	39.6
External	47,45,911	60.4
Total Cargo (MT) :	78,57,496	

## Logistics

Customers served by ELL		
Group Company	91778	3.0%
ESPF	192512	6.2%
NCO	140445	4.5%
OEM	1224199	39.5%
Retail Outlet	851886	27.5%
Secondary	70268	2.3%
Service Center	525972	17.0%

### Oilfield Services

Essar Wildcat worked for Vietsovpetro in Vietnam till August 2011 and for ConocoPhillips Indonesia since October 2011 to March 31, 2012.

## Customer Testimonials

During the year FY 2012 Essar Shipping vessels have carried large volumes of cargo for Essar Steel. These included raw material and finished goods. The service provided by Essar Shipping was of high quality and in a safe & efficient manner which is crucial to the Steel business.

The management and crew of Essar vessels are highly trained and motivated to meet the demands of EssarSteel and they are our preferred Shipping company based on these competencies.

Bhargav J Dev  
Head – Services  
Essar Steel India Ltd.

Shell has been a leader and innovator for new products in marine lubricants. Shell manufactures a wide range of lubricants for diverse machinery that meets the demands of the leading companies with regards to environmentally friendly and ethically manufactured products.

Essar Shipping Ltd, being a demanding customer for high quality and high performance lubricants for their fleet, has been a good customer for Shell. Their requirement for quality and prompt delivery has always been met by Shell. Shell values the long and satisfying relationship with Essar Shipping Ltd.

Gagandeep Chawla,  
Senior Sales Manager  
Middle East & South Asia  
Shell Marine Products

## Community Engagement



### Essar Shipping sponsors coastal security awareness rally

The threat related to terrorism coming from the seas has heightened the importance of coastal security along India's coasts. The Government of India, the armed forces and the paramilitary, India's private maritime sector, including Essar Shipping Limited, and the coastal fishing communities work together towards this aim.

In January 2012, Essar Shipping and ONGC sponsored and helped organize a motorcycle rally to create awareness about security and vigilance among the fishing communities along the north Maharashtra coast. The rally was organized by the Indian Coast Guard in close co-ordination with the Indian Navy, Marine Police, Department of Fisheries and the local police.

The rally, flagged off in Mumbai by the Commander, Coast Guard Region (West) and Capt. Anoop Sharma, would travel for 5 days along the North Maharashtra coast and interact with the local fishing communities and develop them as the 'eyes and ears' of the coastal security forces. The team members also distributed publicity material on coastal security and survival techniques at sea.

The 30 member team of motor cyclists who participated in the rally covered a distance of 550 km and reached out to over 1,600 fisher folk in about a dozen fishing villages and towns

## Essar Shipping Presents the Annual Search and Rescue Awards 2011

The sea is an often hostile and dangerous environment for those who depend on it for their livelihood. Accidents at sea have a high risk of loss of life as assistance is not easily available and communication can be difficult, or in many cases, practically impossible.

The Indian Coast Guard assists those in need of help at sea at all times, but covering the entire coast of India all the time is not possible and during such situations the basic traditions of sea faring come to the fore – that of rendering assistance to lives at risk at sea, even if it means putting the rescuers' own lives and assets at risk.

Essar Shipping has been honouring the officers of the Indian Coast Guard and members of the local fishing communities who go beyond their normal duty to protect life at sea with the Annual Search and Rescue Awards.

This year, the Search and Rescue Awards, held in August 2011, recognized the vessel ICGS SavitribaiPhule, an Extra Fast Patrol Vessel of the Indian Coast Guard. The vessel and its crew were recognized for the rescue of the crew of the fishing boat, Bhadrakali, and its crew of seven fishermen, 80 miles west off the coast of Malpe, Maharashtra in very severe weather.

This trophy has been presented by Essar since 2005.

The survey vessel, Logos Searcher, capsized in the Arabian Sea, 21 nautical miles south-east off Jafarabad, Gujarat, with 32 crew members onboard, due to uncontrolled listing while conducting drilling operations. The crew of the fishing vessel FV Akbari, displayed great alertness, commitment and skill in rescuing 25 survivors and recovered one dead body.

Essar Shipping Limited honoured the crew of the fishing vessel by presenting them a cash award and a citation for their act of valour.

## Coastal Clean up

Essar Shipping participated in the Coastal Cleanup drive organised by the Indian Coast Guard in association with Essar Ports on the occasion of International Coastal Cleanup day.

Students of various colleges, schools and NGOs also joined hands to clear the debris at one of the city's largest beachfronts in Juhu and Girgaum Chowpatty in Mumbai.

## Handful of rice campaign

Essar Shipping joined hands with Aegis Ltd, the BPO Enterprise of Essar Group to conduct the Handful of Rice campaign. Employees were encouraged to donate just one handful of rice to help save children from hunger. Through this initiative, Essar Shipping managed to collect 1200 kilos of rice during the week long campaign conducted in Sep 2011. The rice was donated to Sneha Sadan, an orphanage in Mumbai. The amount of rice

collected was enough to provide 300 children with meals for nearly a month. There was over 95% percent participation in contribution from the shore employees of the company.

The company also saw participation in the blood donation and medical donation drive organised by Aegis during the reporting period.

## ANNEXURE - 1

Number of ships controlled by Sea Transportation Business as on March 31, 2012

Vessel	Type	Flag state	Number	Pollution prevention measures	Whether included in reporting boundary
Kiran	Cape	India	Call:AVGU / O.No.3729 / IR No.29745 / BV No. 38M789 / IMO 9000649 / MMSI 419000154 Built: 1994 / Yard: Gdynia Shipyard, Poland / Hull No.: B-562	Ballast Management Plan, SEEMP	Yes
Govind Prasad	Cape	India	Call:AUSD / O.No. 3366 / IRS No.28416 / IMO 7926112 / MMSI 419678000 Built: 1981 / Yard: Mitsui Engineering & Shipbuilding, Japan / Hull No.: 1227	Ballast Management Plan, SEEMP	Yes
Mahavir Prasad	Cape	India	Call:VWZU / O.No. 2887 / IRS No.19465 / IMO 8023993 / MMSI 419451000 Built: 1983 / Yard: Odense Staalskibsvaerft, Denmark / Hull No.: L94, 96	Ballast Management Plan, SEEMP	Yes
Ram Prasad	Cape	India	Call:AUXS / O.No. 3511 / IRS No.31413 / RINA NO.87437 / IMO 8023981 / MMSI 419747000 Built: 1982 / Yard: Odense Staalskibsvaerft, Denmark / Hull No.:	Ballast Management Plan, SEEMP	Yes
Chandi Prasad	Cape	India	Call: AVMC /O.No. 3853 / IRS No. 42242 / LRS No. 8804098 / IMO 8804098 / MMSI 419000316 Built: 1988 / Yard: Mitsubishi Shipbuilding, Japan / Hull No.: 11879	Ballast Management Plan, SEEMP	Yes
Badri Prasad	Cape	India	Call:AVKM / O.No. 3812 / IRS No.38605 / NKK NO.900708 / IMO 8903284 / MMSI 419000272 Built: 1990 / Yard: NKK Corporation, TSU Works, Japan / Hull No.: 118	Ballast Management Plan, SEEMP	Yes
Kamlesh	Minicape	Cyprus	Call: 5BKZ3 /O.No. IMO 9481219 / ABS No. 11206950 / IMO 9481219 / MMSI 209999000 Built: 2011 / Yard: STX (DALIAN) SHIPBUILDING COMPANY, CHINA / Hull No.: D-2038 KEEL LAID: 04 JAN 2011, LAUNCHED: 27 JUNE 2011, DELIVERED: 29 SEPT 2011	Ballast Management Plan, SEEMP	Yes

Vessel	Type	Flag state	Number	Pollution prevention measures	Whether included in reporting boundary
Arun	Minicape	Cyprus	Call: 5BMR3 / O.No. IMO 9481659 / ABS No. 11206951 / IMO 9481659 / MMSI 209431000 Built: 2011 / Yard: STX (DALIAN) SHIPBUILDING COMPANY, CHINA / Hull No.: D-2040 KEEL LAID: 21 APRIL 2011, LAUNCHED: 12 SEPT 2011, DELIVERED: 20 DEC 2011	Ballast Management Plan, SEEMP	Yes
Ishwari	Minicape	Cyprus	Call: 5BMY3 / O.No. IMO 9481661 / ABS No. 11206952 / IMO 9481661 / MMSI 209693000 Built: 2012 / Yard: STX (DALIAN) SHIPBUILDING COMPANY, CHINA / Hull No.: D-2042 KEEL LAID: 17 MAY 2011, LAUNCHED: 10 OCT 2011, DELIVERED: 03 FEB 2012	Ballast Management Plan, SEEMP	Yes
Malathi	Supramax	Cyprus	Call: 5BKC2 / O.No. IMO 9291377 / NKK No.051234 / IMO 9291377 / MMSI 212410000 Built: 2005 / Yard: Oshima Shipbuilding Co Ltd, Japan / Hull No.: 1039	Ballast Management Plan, SEEMP	Yes
Malavika	Supramax	Cyprus	Call: 5BKD2 / O.No. IMO 9310666 / NKK No.043068 / IMO 9310666 / MMSI 212408000 Built: 2004 / Yard: Imabari Shipbuilding, Japan / Hull No.: S-Z225	Ballast Management Plan, SEEMP	Yes
Ashna	VLCC			Ballast Management Plan, SEEMP	Yes
Smiti	VLCC	India	Call: AUMN / O.No.3222 / IR No.25634 / ABS No. 05131508 / IMO 9281683 / MMSI 419592000 Built: 2005 / Yard: IHI Marine Inc, Japan / Hull No.: 3178	Ballast Management Plan, SEEMP	Yes
Tvisha	Handysize	India	Call: AVGX / O.No. 3732 / IRS No.36671 / GL NO.142018 / IMO 9177791 / MMSI 419000157 Built: 1999 / Yard: Honda Shipbuilding Co. Ltd., Japan / Hull No.: 1017	Ballast Management Plan, SEEMP	Yes
Tuhina	Handysize	India	Call: AVGW / O.No. 3731 / IRS No.36700 / GL NO.101728 / IMO 9177765 / MMSI 419000156 Built: 1999 / Yard: Honda Shipbuilding Co. Ltd., Japan / Hull No.: 1014	Ballast Management Plan, SEEMP	Yes

Number of vehicles controlled by Logistics Business at Hazira as on March 31, 2012

Vehicle Type	Total number	Age of fleet	Whether included in the reporting boundary
Tipper	30	3.5 Years	Yes
Trailer	119	3 Years	Yes
Tractor	6	2.5 Years	Yes
Mobile equipment	26	2.5 Years	Yes
Loco &Trac mobile	3	3.5 Years	Yes
EOT Gantry crane	12	2.5 Years	Yes
Passenger vehicles (Four wheelers & bikes)	44	2.5 Years	Yes



## Glossary

3PL	Third party logistics
DNV	Det Norske Veritas
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

### 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 number 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.

## GRI 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
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, Pg 30-32 of First Sustainability Report			

#### 2. Organizational Profile

2.1	Name of the organization.	Fully	Front cover			
2.2	Primary brands, products, and/or services.	Fully	Sustainability report FY 11 Page 5-6			
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	Sustainability report FY 11 Page 5-6			
2.4	Location of organization's headquarters.	Fully	Back cover			
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	9			
2.6	Nature of ownership and legal form.	Fully	Sustainability report FY 11 Page 27			
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	49-51			
2.8	Scale of the reporting organization.	Fully	19, 26			
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	8			
2.10	Awards received in the reporting period.	Fully	10			

#### 3. Report Parameters

3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Fully	5			
3.2	Date of most recent previous report (if any).	Fully	Sustainability- Our Propelling Force published in February, 2012			
3.3	Reporting cycle (annual, biennial, etc.)	Fully	Annual			
3.4	Contact point for questions regarding the report or its contents.	Fully	7			

Profile Disclosure	Description	Reported	Cross-reference/ Direct answer	If applicable, indicate the part not reported	Reason for omission	Explanation
3.5	Process for defining report content.	Fully	5			
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			
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	5			
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Fully	IMO guidelines issued from time to time, SOLAS, MARPOL, ISO 9001; ISO 14001, OHSAS 18001, ISM, GHG Protocol, ISP, I - GAAP, NVG-SEE, ISO 14064 & other relevant industry standards			
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Fully	54			
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	8, 42			
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	GRI Content Index			
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	7			

#### 4. Governance, Commitments, and Engagement

4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Fully	Sustainability report FY 11 Page 27-29			
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	Sustainability report FY 11 Page 28			

Profile Disclosure	Description	Reported	Cross-reference/ Direct answer	If applicable, indicate the part not reported	Reason for omission	Explanation
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	Sustainability report FY 11 Page 28			
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	Sustainability report FY 11 Page 29, 38			
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	Sustainability report FY 11 Page 43			
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	Sustainability report FY 11 Page 28			
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Fully	Sustainability report FY 11 Page 28			
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Fully	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	36 Sustainability report FY 11 Page 28-31, 51-52			
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	Currently there are no processes for highest governance body's evaluation. However this will be considered in the mid-term and we will report by 2014.			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Fully	Sustainability report FY 11 Page 30-32			

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

## STANDARD DISCLOSURES PART II

D3 DMA	Description	Reported		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	19-21				
	Market presence	Fully	49-51				
	Indirect economic impacts	Fully	Sustainability report FY 11 Page 32				
DMA EN	Disclosure on Management Approach EN						
Aspects	Materials	Fully	Sustainability report FY 11 Page 60				
	Energy	Fully	Sustainability report FY 11 Page 60				
	Water	Fully	Sustainability report FY 11 Page 60				
	Biodiversity	Fully	Sustainability report FY 11 Page 60				
	Emissions, effluents and waste	Fully	Sustainability report FY 11 Page 60				
	Products and services	Fully	Sustainability report FY 11 Page 60				
	Compliance	Fully	Sustainability report FY 11 Page 60				
	Transport	Fully	Sustainability report FY 11 Page 60				
	Overall	Fully	Sustainability report FY 11 Page 60				
DMA LA	Disclosure on Management Approach LA						
Aspects	Employment	Fully	Sustainability report FY 11 Page 15				
	Labor/management relations	Fully	Sustainability report FY 11 Page 15				
	Occupational health and safety	Fully	Sustainability report FY 11 Page 15				
	Training and education	Fully	Sustainability report FY 11 Page 15				

D3 DMA	Description	Reported		If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
	Diversity and equal opportunity	Fully	Sustainability report FY 11 Page 15				
	Equal remuneration for women and men	Fully	Sustainability report FY 11 Page 15				
DMA HR	Disclosure on Management Approach HR						
Aspects	Investment and procurement practices	Fully	Sustainability report FY 11 Page 15				
	Non-discrimination	Fully	Sustainability report FY 11 Page 15				
	Freedom of association and collective bargaining	Fully	Sustainability report FY 11 Page 15				
	Child labor	Fully	Sustainability report FY 11 Page 15				
	Prevention of forced and compulsory labor	Fully	Sustainability report FY 11 Page 15				
	Security practices	Fully	Sustainability report FY 11 Page 15				
	Indigenous rights	Fully	Sustainability report FY 11 Page 15				
	Assessment	Fully	Sustainability report FY 11 Page 15				
	Remediation	Fully	Sustainability report FY 11 Page 15				
DMA SO	Disclosure on Management Approach SO						
Aspects	Local communities	Fully	Sustainability report FY 11 Page 15				
	Corruption	Fully	Sustainability report FY 11 Page 15				
	Public policy	Fully	Sustainability report FY 11 Page 15				
	Anti-competitive behavior	Fully	Sustainability report FY 11 Page 15				
	Compliance	Fully	Sustainability report FY 11 Page 15				

D3 DMA	Description	Reported		If applicable, indicate the part not reported	Reason for omission	Explanation	To be reported in
DMA PR	Disclosure on Management Approach PR						
Aspects	Customer health and safety	Fully	Sustainability report FY 11 Page 49				
	Product and service labelling	Fully	Sustainability report FY 11 Page 69				
	Marketing communications	Fully	"We retain well established advertising firms who follow country codes as applicable"				
	Customer privacy	Fully	Sustainability report FY 11 Page 71				
	Compliance	Fully	Sustainability report FY 11 Page 71				

## ECONOMIC

Performance Indicator	Description	Reported		If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
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### 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	19-21				
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Partially	43-45. Sustainability report FY 11 Page 2-3	Financial implications	Not available	We have not conducted any study so far to quantify the financial implications due to climate change.	2014
EC3	Coverage of the organization's defined benefit plan obligations.	Fully	Sustainability report FY 11 Page 43				
EC4	Significant financial assistance received from government.	Fully	20				

### Market presence

EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Fully	Sustainability report FY 11 Page 43				
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Partially	Sustainability report FY 11 Page 69	Proportion of spending on locally based suppliers	Not available	Currently it is not part of our data collection system	2014
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Fully	Sustainability report FY 11 Page 42				

Performance Indicator	Description	Reported		If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
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### 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	28, 53-54				
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Fully	Sustainability report FY 11 Page 32				

## ENVIRONMENTAL

### Materials

EN1	Materials used by weight or volume.	Partially	45, 48	Materials besides fuel, lubricants, wood, tyres	Not available	Currently it is not part of our data collection system	2014
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.				

### Energy

EN3	Direct energy consumption by primary energy source.	Fully	45				
EN4	Indirect energy consumption by primary source.	Partially	45	Not reported for logistics.	Not available	Currently it is not part of our data collection system	2014
EN5	Energy saved due to conservation and efficiency improvements.	Fully	43-45				
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Fully	43-45				

Performance Indicator	Description	Reported		If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Not	--		Not available	Currently it is not part of our data collection system	2014

#### Water

EN8	Total water withdrawal by source.	Fully	46				
EN9	Water sources significantly affected by withdrawal of water.	Fully	No water sources affected by withdrawal				
EN10	Percentage and total volume of water recycled and reused.	Not	Water is not material		Not available	Currently it is not part of our data collection system	2014

#### Biodiversity

EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Fully	Sustainability report 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	Sustainability report FY 11 Page 62				
EN13	Habitats protected or restored.	Not	Sustainability report FY 11 Page 62				
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.		Sustainability report FY 11 Page 62				
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.		Sustainability report FY 11 Page 62				

#### Emissions, effluents and waste

EN16	Total direct and indirect greenhouse gas emissions by weight.	Partially	43	Indirect emissions from Logistics business	Not available	Currently it is not part of our data collection system	2014
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Performance Indicator	Description	Reported		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	43-45	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.	Fully	47				
EN20	NOx, SOx, and other significant air emissions by type and weight.	Fully	47				
EN21	Total water discharge by quality and destination.	Partially	48	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.	Partially	48				
EN23	Total number and volume of significant spills.	Fully	13, 46				
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not	Not applicable				
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not	Not applicable due to the nature of business.				

Performance Indicator	Description	Reported		If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
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#### Products and services

EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Partially	43-44	Noise, waste, effluent	Not available	Currently it is not part of our data collection system	2014
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Fully	We do not have any products that are packages as we are a service industry.				

#### Compliance

EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	None. There were no non-compliances in the reporting period.				
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#### 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	43, 47	Scope 3	Not available	Currently it is not part of our data collection system	2014
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#### Overall

EN30	Total environmental protection expenditures and investments by type.	Not	--		Not available	Currently it is not part of our data collection system	2014
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## SOCIAL: LABOR PRACTICES AND DECENT WORK

Performance Indicator	Description	Reported		If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
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### Employment

LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Fully	26-28				
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Fully	28-30				
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Fully	Sustainability report FY 11 Page 43				
LA15	Return to work and retention rates after parental leave, by gender.	Fully	30				

### Labor/management relations

LA4	Percentage of employees covered by collective bargaining agreements.	Fully	26				
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Fully	Minimum notice period is either as per management of change procedure which is part of the company management system or as specified in the bargaining agreement applicable to floating staff.				

### 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.	Fully	Sustainability report FY 11 Page 52				
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	Partially	39-41	Lost days, ODR, Absentee rate	Not available	Currently it is not part of our data collection system	2014

Performance Indicator	Description	Reported		If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	Sustainability report FY 11 Page 44				
LA9	Health and safety topics covered in formal agreements with trade unions.	Fully	As per Merchant Shipping Act				

### Training and education

LA10	Average hours of training per year per employee by gender, and by employee category.	Partially	31	Training conducted on ships and the rig.	Not available	Currently it is not part of our data collection system	2014
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Fully	Sustainability report FY 11 Page 40-41				
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Fully	30				

### 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	26-27, 36 Sustainability report FY 11 Page 28, 52				
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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	Sustainability report FY 11 Page 43				
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Performance Indicator	Description	Reported		If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
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## SOCIAL: HUMAN RIGHTS

### Investment and procurement practices

HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Partially	Sustainability report FY 11 Page 40	Human rights screening for Oilfields and Logistics business	Not available	No mechanism at the moment besides inclusion in the contracts.	2014
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Partially	Sustainability report FY 11 Page 40	Number of contracts declined	Not available	Pre contract assessment numbers are not part of our data collection system.	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	Sustainability report FY 11 Page 42	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	No case in the reporting period				
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### Freedom of association and collective bargaining

HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Fully	The governing law adequately addresses the human rights requirements for operations and suppliers identified as exposed to human rights violation. However, we are revising our internal audit system to include human rights indicators.				
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Performance Indicator	Description	Reported		If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
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#### 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	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.				
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#### Forced and compulsory labor

HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Fully	The governing law adequately addresses the human rights requirements for operations and suppliers identified as exposed to human rights violation. However, we are revising our internal audit system to include human rights indicators.				
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#### Security practices

HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Fully	All security personnel hired directly by the company are trained in different aspects of human rights.				
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#### Indigenous rights

HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Fully	No case in the reporting period				
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Performance Indicator	Description	Reported		If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
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#### Assessment

HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Fully	Sustainability report FY 11 Page 40				
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#### Remediation

HR11	"Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms."	Fully	None received in writing though even verbal complaints were resolved to the employees' satisfaction				
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### SOCIAL: SOCIETY

#### Local communities

SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Partially	53-54. Sustainability report FY 11 Page 74-75, 87	Results of impact assessments	Not applicable	Refer to page 87 of the Sustainability report FY11	
SO9	Operations with significant potential or actual negative impacts on local communities.	Fully	Sustainability report FY 11 Page 75				
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Fully	Sustainability report FY 11 Page 75				

#### Corruption

SO2	Percentage and total number of business units analyzed for risks related to corruption.	Fully	100% business units are analysed for such risks.				
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Fully	Sustainability report FY 11 Page 42				
SO4	Actions taken in response to incidents of corruption.	Fully	No case in the reporting period				

Performance Indicator	Description	Reported		If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
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#### Public policy

SO5	Public policy positions and participation in public policy development and lobbying.	Fully	Sustainability report FY 11 Page 78-80				
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Fully	No contributions were made in the reporting period.				

#### Anti-competitive behavior

SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Fully	No case in the reporting period				
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#### 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				
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### 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	Sustainability report FY 11 Page 49				
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Fully	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	Sustainability report FY 11 Page 71				
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Performance Indicator	Description	Reported		If applicable, indicate the part not reported	Reason for Omission	Explanation	To be reported in
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	No case in the reporting period				
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Fully					

### Marketing communications

PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Fully	"We retain well established advertising firms who follow country codes as applicable"				
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Fully	No case in the reporting period				

### Customer privacy

PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Fully	There were no complaints in the reporting period				
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### Compliance

PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	No case in the reporting period				
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## GRI Logistics & Transportation Sector Supplement Index

(Only the following indicators have been reported)

Performance Indicator	Description	Page reference
LT1	Number of ships controlled by the reporting organisation broken down by the flag state	55-57
LT2	Breakdown of fleet composition	55-57
LT3	Description of policies and programmes on the management of environmental impacts, including: <ol style="list-style-type: none"> <li>1. Initiatives on sustainable transportation (e.g.hybrid vehicles)</li> <li>2. Modal shift</li> <li>3. Route planning</li> </ol>	42-45
LT4	Description of initiatives to use renewable energy sources and to increase energy efficiency	45
LT9	Description of policies and programmes to determine working hours and rest hours, and leave for those driving and operating fleets	25
LT10	Describe approaches to provision of facilities to enable mobile workers to maintain personal communication while working	35
LT11	Description of policies and programmes regarding substance abuse	35
LT13	List the incidents when ships have been detained by port inspectors, including vessel details, port of detention, reason for detention and duration of detention	38

## Green House Gas Inventory Verification

The verification of Green House Gas Inventory ('the GHG Inventory') i.e. Scope 1 and Scope 2 emissions data as defined under WBCSD's and WRI's GHG protocol and IPCC 2006 for National Greenhouse gas inventories, covering the period 1st April 2011 to 31st March 2012 was carried out as part of the verification and assurance of Sustainability Report 2011-12 of Essar Shipping Limited (ESL) which comprises of Shipping, Oilfield Services and Logistics business.

For details related to scope of work, verification methodology, independence and other relevant conclusions and opportunities for improvement, please refer to the assurance statement in the ESL's Sustainability Report 2011-12. The sustainability

report assurance engagement has been conducted against the Global Reporting Initiative 2011 Sustainability Reporting Guidelines Version 3.1 (GRI G3.1) and AccountAbility's AA1000 Assurance Standard 2008 (AA1000AS (2008)) i.e. type 2, moderate level of assurance. We also used the DNV Protocol "VeriSustain" for Verification of Sustainability Report.

On the basis of our GHG verification methodology and scope of work agreed upon, nothing has come to our attention that would cause us not to believe that the GHG assertion as below is not materially correct and is not a fair representation of the GHG data. For the list of assets included in GHG accounting please refer to Annexure 1 of the Sustainability Report 2011-2012.

Scope	Source	Sea transportation business	Essar Oil field services	Essar logistics limited	GHG Emission (Tons of CO2 eq.)
Scope 1	Process emissions and other Direct emissions	517756.99	8311.44	14.96	526083.39
Scope 2	Purchased Electricity	10.20	0.0	1.10	11.30

For Det Norske Veritas AS

Signed:



Nandkumar Vadakepatth  
Lead Verifier  
National Head, Sustainability and Business Excellence  
Det Norske Veritas AS, India

Bangalore, India.  
14th January 2013

## Independent Assurance Statement

### Introduction

Det Norske Veritas AS ('DNV') has been commissioned by the management of Essar Shipping Limited ('ESL' or 'the Company') to carry out an assurance engagement on the Essar Shipping Limited Sustainability Report 2011-12 ('the Report') in its printed format, against the Global Reporting Initiative 2011, Sustainability Reporting Guidelines Version 3.1 (GRI G3.1) and AccountAbility's AA1000 Assurance Standard 2008 (AA1000AS 2008). This report is an update of previous sustainability report of ESL i.e. 2010-11.

The intended users of this assurance statement are the readers of Essar Shipping Limited Sustainability Report 2011-12. The management of the Company is responsible for all information provided in the Report as well as the processes for collecting, analyzing and reporting the information. DNV's responsibility regarding this verification is to the Company only and in accordance with the agreed scope of work. This assurance engagement is based on the assumption that the data and information provided to us is complete and true.

### Scope of Assurance

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

- verification of contents of Company's Sustainability Report 2011-12( i.e. reporting of economic, environmental, and social performance) for the reported period between 1st April 2011 to 31st March 2012;
- review of the policies, initiatives, practices and performance described in the Report as well as references made in the Report to the Annual Report of the company for the year 2011-12;
- evaluation of the AccountAbility principles and specified performance information, described below, for a Type 2, moderate level of assurance, in accordance with the requirements of AA1000AS (2008):
  1. information relating to ESL's issues, responses, performance data, case studies and underlying systems for the management of such information and data;
  2. information relating to ESL's materiality assessment and stakeholder engagement processes;
- confirm the Application Level, as declared by the Company;

The verification was conducted during October 2012 to

January 2013 for the sustainability performance covered in the ESL Sustainability Report 2011-12. The reporting boundary is as set out in the Report and during the assurance process we did not come across, limitations to the scope of the assurance engagement. The economic data and information were acquired from the Company's certified Annual Report 2011-12.

### Verification Methodology

This assurance engagement was planned and carried out in accordance with the AA1000AS (2008) and the DNV Protocol for Verification of Sustainability Reporting which is available on request at the DNV website . The Report has been evaluated against the following criteria:

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

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

- challenged the sustainability related statements and claims made in the Report and assessed the robustness of the data management system, information flow and controls;
- examined and reviewed documents, data and other information made available by the Company;
- visited corporate office at Mumbai and two sites viz. Hazira site for ESL's logistics operations and Supramax Malavika at Hazira, Gujarat to conduct on-site verification;
- conducted interviews with top/senior management and key representatives and managers in various functions at corporate office and two sites visited by DNV;
- performed sample-based reviews of the mechanisms for implementing the Company's sustainability related policies, as described in the Report;
- performed sample-based checks of the processes for generating, gathering and managing the quantitative data and qualitative information included in the Report;

<sup>1</sup>[www.dnv.com/services/cr](http://www.dnv.com/services/cr)

## Opportunities for Improvement

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

- fully address the core indicators like EN 17 that are not reported and also fully report the partially reported performance indicators like EN 16, in the subsequent reports as per the commitment made in the Report;
- develop a suitable data collection and aggregation system to capture data at source to ensure consistent and replicable reporting of sustainability performance and implement a systematic data verification mechanisms 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 practice;

## Conclusions

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

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

**Inclusivity:** The Company has engaged with the key stakeholders during the reporting period based on the process developed for stakeholder engagement process to understand the challenges and opportunities for its sustainable performance. In our view, the level at which the Report adheres to this principle is 'Good'.

**Materiality:** The Company has fairly attempted to bring out the significant aspects in this report and its proposed actions in line with the risks and opportunity based on specific material issues. The Company has reported its materiality determination process at the corporate level to bring out issues of significance, of which the majority are addressed in the Report; however

expanding the materiality determination exercise to include all material indicators considering the peer reports, will further improve the sustainability management and reporting. In our view, the level at which the Report adheres to this principle is 'Acceptable'.

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

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

**Reliability:** The majority of data and information verified at corporate office and site were found to be accurate. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and the errors have been corrected, hence in accordance with the AA1000AS (2008) requirements for a Type 2, moderate level assurance engagement, we conclude that the specified sustainability data and information presented in the Report is generally reliable and acceptable.

## Additional Parameters as per DNV's Protocol

**Completeness:** Certain GRI G3.1 core indicators have been responded to partially. The rationale for this and the exclusion of core indicators which are not applicable has been explained in the Report. Company acknowledges the need for continuous improvement and is committed to improving the reporting scope and boundary. In our view, the level at which the Report adheres to this principle is 'Acceptable'.

**Neutrality:** The Company has reported its sustainability performance and related issues in a suitable manner and overall the Report is fairly transparent in discussing the challenges faced. In our view, the level at which the Report adheres to this principle is 'Good'.

## Specific evaluation of the information on sustainability performances

We consider the methodology and process for gathering information developed by the company for its sustainability performance reporting is appropriate and the qualitative and quantitative data included in the Report, was found to be identifiable and traceable; the personnel responsible was

able to demonstrate the origin and interpretation of the data reliably. We also assessed the reported progress against the company's commitments as disclosed in its previous Report and observed that the Report presents a faithful description of the sustainability activities and the goals achieved.

### DNV's Competence and Independence

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

other third party assessment work with Essar Shipping Limited in 2011-12, in our judgement this does not compromise the independence or impartiality of our assurance engagement or associated findings, conclusions and recommendations. DNV was not involved in the preparation of any statements or data included in the Report, with the exception of this Assurance Statement. DNV maintains complete impartiality toward any people interviewed. DNV expressly disclaims any liability or co-responsibility for any decision a person or entity would make based on this Assurance Statement.

For Det Norske Veritas AS,

A handwritten signature in blue ink, reading "Naandkumar".

Vadakepathth Naandkumar  
Project Manager  
National Head-Sustainability & Business Excellence Services  
Det Norske Veritas AS, India

A handwritten signature in blue ink, reading "Federica Pagnuzzato".

Pagnuzzato Federica  
Assurance Reviewer  
Det Norske Veritas AS, Italy.

Bangalore, India, 19th January 2013.



**AA1000**  
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