



SUSTAINABILITY REPORT

2015 - 2017

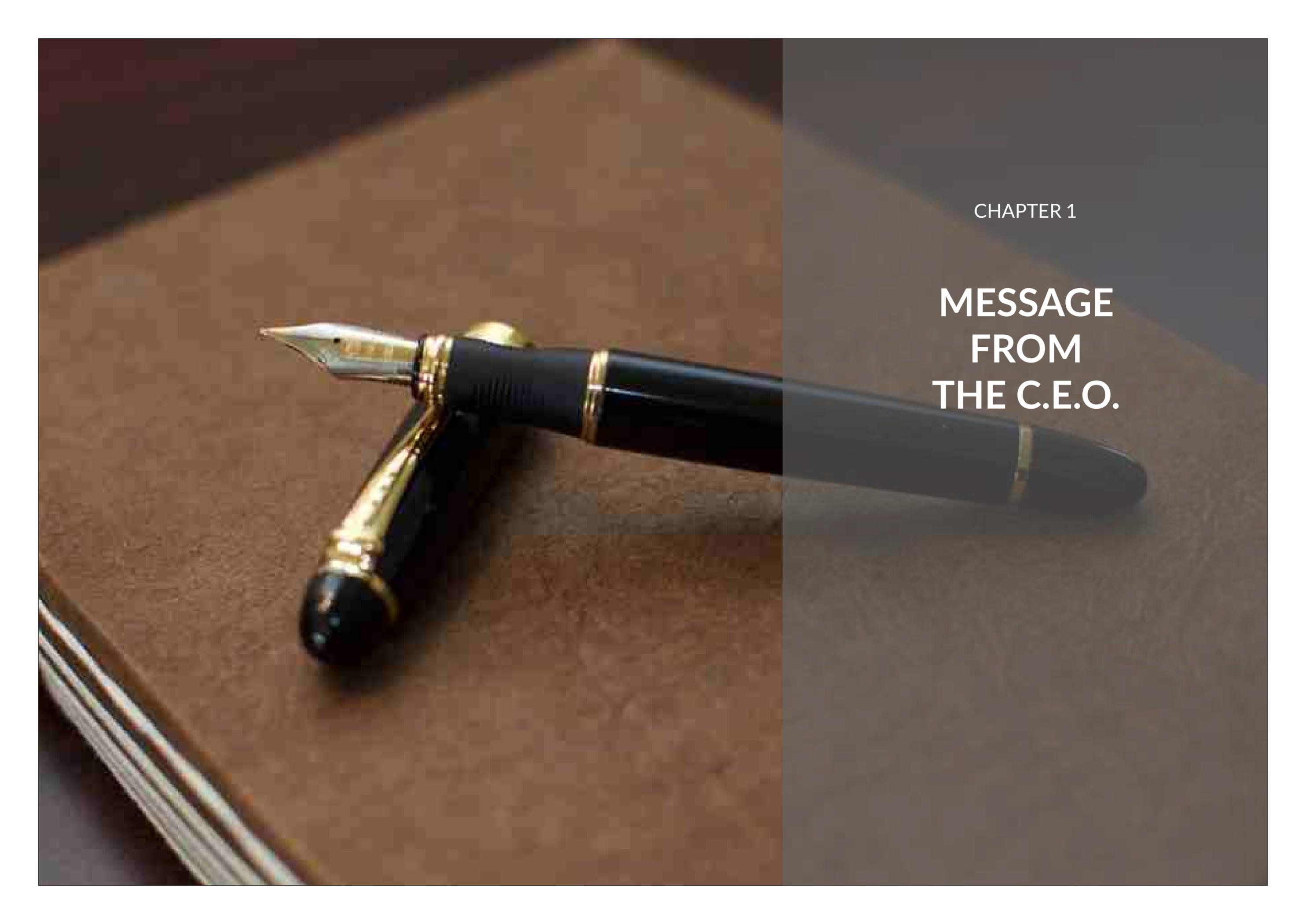
ESSAR SHIPPING LTD.

SUSTAINABLE SHIPPING A WAY FORWARD



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A close-up photograph of a fountain pen with a black barrel and gold accents, lying on a brown leather book cover. The pen is positioned diagonally across the frame. The background is a dark, semi-transparent overlay.

CHAPTER 1

**MESSAGE
FROM
THE C.E.O.**

MESSAGE FROM THE CEO



1.1 I am pleased to present to you ESL sixth sustainability report covering FY 2015-16 & 16-17, We are committed to sustainable development of our business not only from an economic point but also equally from social and environmental perspective.

We at Essar Shipping Limited believe that to create a successful & long term business a strong focus on the sustainability is vital, with a particular emphasis on the communities in which we operate.

We also believes that acting ethically and responsibly is the key to long term value for all our stakeholders, we are committed to minimizing pollution, reducing our environmental footprint and optimizing resource consumption by planning and carrying out operational activities through environmentally responsible, internationally approved practices.

In 2016 most shipping segments except for tankers suffered historic low levels of freight and weak earnings. The world shipping fleet grew by 3.5% in 2016. This was lowest growth rate since 2003, yet still higher than the 2.8% growth in demand leading to a continued situation of global overcapacity. Pressure on ship owners is expected to continue, until greater balance is achieved between demand and supply followed by improved freight market condition.

Global growth rate remained lackluster in 2015 & 16 and economic activity is projected

to pick up in 2017. India's GDP is projected to grow at 6-7 % until 2020. This is expected to result in volume growth for Indian Shipping Industry. As a key player in the Shipping sector with global footprint ESL is all set to leverage this opportunity. With emphasis on improved tonnage and higher operational efficiency we are geared to increase our cargo through put to 18 MT by the end of FY 17-18 and further 30 MT by 2020.

ESL is exploring the option of buying second hand Panamax, MR Tanker and Handymaxes in the near future, in view of the low asset cost and growth opportunities on the Indian coast.

The company's 13 vessel fleet grew its capacity utilization to 94 percent from 80 percent in the previous fiscal year. Future IMO regulations on the implementation of Ballast water management convention and fuel sulphur cap from 2020 are among major challenges for the shipping industry, adding to the cost burden for owners moving ahead.

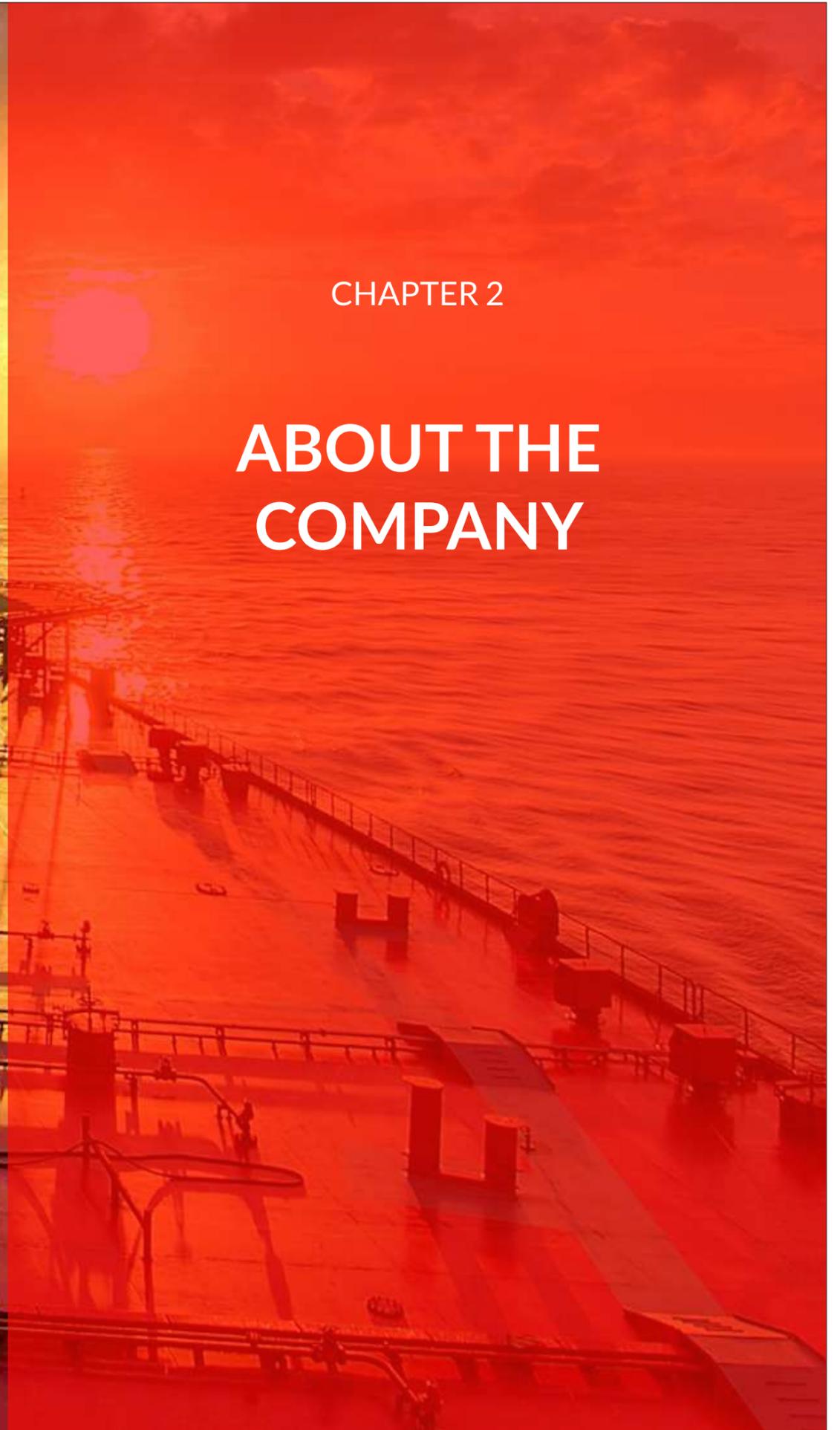
At ESL our core focus is on ensuring that our vessels are employed all the times. Apart for high capacity utilization, higher revenue streams are also a focus area. ESL is also focusing on replacement of older tonnage with younger ones in addition to foray more in to liquid segments, along with new business opportunity of third party cargo.

Mr. Ranjit Singh
(Executive Director and CEO)
Mumbai.
1st May 2018



CHAPTER 2

ABOUT THE COMPANY



ABOUT THE COMPANY

2.1 The Company is an integrated logistics services provider engaged into the businesses of sea transportation, logistics services and oilfields services. The Company currently operates a diversified fleet of Very Large Crude Oil Carrier and bulk carriers including Capsize, mini-Capes, Supramaxes and Handysize bulk carriers. The Company in the ordinary course of its business provides sea transportation, logistics services and oilfields services to Essar Steel India Limited (ESIL) and Arkay Logistics Limited (ALL). They are companies engaged into manufacturing and Logistics activities and require services of the Company for transportation of raw materials and finished goods. The fleet of the Company includes vessels owned by the Company as well as those taken on finance or operating lease. The Company is required to give/take vessels on hire to/from Essar Shipping (Cyprus) Limited (ESCL) for its business purposes.

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

The sea transportation business has a diversified fleet of 13 vessels including VLCCs, bulk carriers (Cape-size, Mini cape

size and Supramax) and tugs to provide shipment of bulk, liquid and finished goods cargo transportation services. We have more than 278 ship years, serving leading Indian and global oil majors and commodity traders and a combined tonnage of over 1.8 million. We currently have an order book of 4 new building supramax vessels.

Essar Shipping also provides contract drilling and related services to oil and gas companies worldwide, operating both offshore and onshore in diverse countries.

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

Our contracted revenue is based on long-term contracts with domestic and international clients, catered by a diversified mix of assets. The company follows the conservative policy of entering into long-term contracts with reputed global oil and industrial majors, thereby ensuring assured cash flows and long-term profitability, as well as hedging against spot market volatility. Most of our vessels have committed cargo contracts.

2.1.1 ESL had 49 permanent employees and 577 off-shore (fixed contract) employees and five employees on third party contract as on March 31, 2017.

As per the performance evaluation policy of the Company, remuneration payable by the Company (including variable pay) is linked to individual performance as well as performance of the Company.

The performance of the Company is measured in terms of Revenue, EBITDA, PAT, Cash Accrual, Cost Control, Revenue Sustainability, Safety, IT enablement, External Stakeholder Management, Risk Mitigation, Talent Management, CSR Initiatives, Industry Forums, and Adherence to regulatory requirements and Employee engagement. The increase in remuneration of employees is in line with the performance of the Company and industry standards.

The Market Capitalization of the Company as on March 31, 2017 was 579.53 crore as compared to 518.48 crore as on March 31, 2016. The market price of the equity shares of the Company as on March 31, 2017 (closing) was Rs. 28.00 per share on Bombay Stock Exchange and was Rs. 28.00 per share on National Stock Exchange.

Mr. Ranjit Singh, appointed as Executive Director and CEO with effect from September 22, 2016 in the place of Captain Anoop Kumar Sharma who ceased to act as Managing Director w.e.f. September 09, 2016.

Company Registered office shifted from Administrative Building, Essar Refinery Complex, Okha Highway (SH-25), Taluka Khambhalia, District Jamnagar, Gujarat - 361305 to EBTSL PREMISES, er-2 Building(Admin Building), Salaya, 44KM, P.O.Box No 7, Taluka Khambhalia, Devbhumi Dwaraka District, Jamnagar, Gujarat - 361305 with effect from 14th February 2017.

2.2 Location of the organization's headquarters is at Essar House, 11, K.K.Marg, Mahalaxmi, Mumbai 400034. Maharashtra, India.

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

2.3 Countries of operations and distribution of product segments

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

Further organization's geographical definition of 'local' means, operations within India.

While considering 'significant locations of operation', ESL means that the percentage of cargo in such locations is more than 20% of the total cargo handled in that particular FY.

location of company and countries of operations		
COMPANY		
registered office	Jamnagar, Gujarat	India
head office	Mumbai	India
AREAS OF OPERATIONS		
INDIA	BRAZIL	UAE
CHINA	SOUTH AFRICA	QATAR
INDONESIA	ANGOLA	OMAN
SRILANKA	NIGERIA	SAUDI ARABIA
AUSTRALIA	MEXICO	RUSSIA
TAIWAN	ARGENTINA	IRAQ
SINGAPORE	CHILE	UKRAINE
THAILAND	VIETNAM	PHILLIPINE

2.4 Essar Shipping Limited is a public limited company listed under BSE Limited and NSE of India Limited.

ESL has its registered office at
EBTSL Premises, ER-2 Building (admin building)
Salaya, 44 KM, P.O.Box No. 7,
Taluka Khambhalia,
Devbhumi Dwarka District,
Jamnagar, Gujarat - 361305

2.5 External charters or principles:

The company subscribes to external bodies/organizations such as INSA (Indian National Ship-owners Association), IADC (International Association of Drilling Contractors), CII (Confederation of Indian

Industry), NSC (National Safety Council), IMO (International Maritime Organisation), ILO (International Labour Organisation), OCIMF (Oil Companies International Maritime Forum), BIMCO, P&I club, FICCI, to name a few. These bodies provide latest industry information which contribute to Economic, Environmental and Social developments.

ELS further subscribes and endorses to SEEMP, SOLAS, ISPS, ISM, MARPOL, EEOI, Green Passport, MLC, Ind-AS.

2.6 Participation in Forums or National Committees

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

- Future rules and regulations for marine and offshore industry
- Proposed Amendments to existing rules and regulations for marine and offshore industry

- Evaluation and impact of new regulations imposed on industry and Interpretation of requirements by IACS society members for ease of understanding and implementation
- Role of classification societies and their products to assist Industry
- Presentation and discussion on various issues such as Marine Incidents and

- investigations , Latest technology and innovations , Safety and environment issues , Human resources , Surveys and inspections including FSI/PSC and other critical issues concerning shipping and offshore Industry
- Presentation and discussion on various existing and innovative designs of ships and equipment.



Membership

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

Details of Participation in Forums or National Committees

Industry Presence	Position	Purpose/Role	Represented by
BOARD OF INSA	Director	Dealing in matters related to policy initiatives for the Industry as a whole, besides taking up issues that impact the company which would have a bearing across member companies	Executive Director and Chief Executive Officer
INSA TECH COMMITTEE	Member	Future rules and regulations for marine and offshore industry. Proposed Amendments to existing rules and regulations for marine and offshore industry Evaluation and impact of new regulations imposed on Industry and Interpretation of requirements of IACs society members for ease of understanding and implementation	Head S&P Head - Tech
TECHNICAL COMMITTEE OF ABS	Member	Future rules and regulations for marine and offshore industry. Proposed Amendments to existing rules and regulations for marine and offshore industry Evaluation and impact of new regulations imposed on Industry and Interpretation of requirements of IACs society members for ease of understanding and implementation	Head - Tech
INDIAN COMMITTEE OF NKK	Member	To identify key concern areas for ship-owners and operators and the role of Class in assisting same. To build stronger relationship between the Class societies and the Essar Group.	Head - Tech

Industry Presence	Position	Purpose/Role	Represented by
INDIA NATIONAL COMMITTEE OF ABS	Member	To participate in the deliberations of the Committee, assessing the performance of the Class Society, its India activities, sharing thoughts on matters related to regulations and environmental issues. To understand progress/plans in related technical matters.	Executive Director and Chief Executive Officer
TECHNICAL COMMITTEE BV (INDIA)	Member	To participate in the deliberations of the Committee, assessing the performance of the Class Society, its India activities, sharing thoughts on matters related to regulations and environmental issues. To understand progress/plans in related technical matters.	Executive Director and Chief Executive Officer
RINA TECH COMMITTEE	Member	To participate in the deliberations of the Committee, assessing the performance of the Class Society, its India activities, sharing thoughts on matters related to regulations and environmental issues. To understand progress/plans in related technical matters.	Executive Director and Chief Executive Officer
SOUTH EAST ASIAN ADVISORY COMMITTEE OF LRS	Member	To meeting forthcoming rules and regulations. To identify key concern areas for ship-owners and operators and the role of Class in assisting same. To build stronger relationship between the Class societies and the Essar Group.	Executive Director and Chief Executive Officer
DGS COMMITTEE FOR NOSDCP	Working Group Member	To participate in the development of the National Oil spill Disaster Contingency Plan	Head - Health Safety & Environment





CHAPTER 3

ABOUT THE REPORT

ABOUT THE REPORT

3.1 This is our sixth sustainability report adhering to the following frameworks:

- Global Reporting Initiatives' (GRI's) Sustainability Reporting Guidelines Version 4, and its in accordance - 'Core' reporting option.
- Accountability as per AA1000APS - 2008. These principles are Inclusivity, Materiality and Responsiveness.

3.2 This report brings out the economic, Environment and Social performance of the Company through the GRI G4 guideline. Compare to the earlier framework of GRI G3.1, G4 additionally brings out internal and external impacts of material aspects. Future reporting will be meeting the GRI standards.

This report for the year 2015-16 and 2016-17 are an update on the fifth report and includes data highlighting our performance in the reporting period i.e. April 1, 2015 to March 31, 2017.

3.3 Hence, qualitative information excludes policy statements and briefings about the internal processes in place. These were part of our first report which may be accessed at www.essar.com. Qualitative information in this report will include 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.

This report includes information on our principle business namely Sea Transportation. The assets owned by the Sea Transportation and that are directly under its operational and management control are included in the report boundary. We have discontinued reporting information on our other principle business, namely Logistics and Oil Field Services due to scaled - down operations.

There is no restatements of information provided in the previous reports.

3.4 The compiled data includes information from 13 Vessels that are part of Sea Transportation business.

The report excludes information on:

- Wild cat and Land rigs owned and operated by EOSL/EOSIL as they were under major repairs for the most of the reported period.
- Arkay Logistics Limited (formerly known as Essar Logistics Limited). Arkay Logistics Limited became an Associate from the earlier Subsidiary w.e.f 11 March 2017.
- One of our owned ships as it is outsourced for technical management.

- Joint ventures, subsidiaries, leased facilities, outsourced operations and other entities as these do not significantly affect comparability from period to period and/or between organizations as majority of these assets belonging to these companies were under refurbishment during the report period or classed under Inland Vessels and the operations were not significant in the reporting period.

3.5 There have been no significant changes from previous reporting periods in

- organization's size, structure, ownership, or its supply chain
- the share capital structure and other capital formation, maintenance, and alteration operations
- the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination

However, data for Fuel/ Lubricating oil/ Fresh water, published in our previous year, included that for the ship which was outsourced for technical management. Hence corresponding data for environment performance may not be comparable with data for reporting year 2015-16, 2016-17.

Changes in the share capital structure and other capital formation, maintenance and alteration operations:

- In March 2016, Paid up Share Capital of the Company was changed to Rs. 206.98 crores from Rs. 205.00 crores. This happened because of the issue of shares to Employees Stock Option Scheme Trust under ESOP provisions.

3.6 Data Measurement techniques and basis of calculations:

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

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

3.7 How we Approached The Reporting Principles

Materiality and Sustainability context

Whilst there has not been much change in the material issues this year, however, we reviewed our material aspects to reconfirm they are still significant material aspect and decided to report on the same aspect/issues which continued to be of high material importance to the sector, the company and its key stakeholders. These aspects have been reported in the respective sections of the report. The review

of material was done with the senior leadership during the reporting year.

Stakeholder Inclusiveness

The stakeholder identification and engagement is an ongoing process and during the reporting year, there were no significant changes in the stakeholder groups with whom we interacted to identify the stakeholder concerns. The stakeholder details are detailed in our first sustainability report (refer influence dependency matrix mentioned in pages 14 and 15 of the first sustainability report.)

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

As the Stakeholder concerns may undergo changes, based on the strategies and actions initiated by the organization, it is worthwhile to capture this information to evaluate the effectiveness of organization present strategies and management approach and if required initiate changes to remain SUSTAINABLE in the short, medium and long term. We shall continue to report key stakeholder concerns based on the annual review in each of our sustainability reports.

Completeness

The information in this report covers significant economic, environment and social impact of our business. We have considered, reporting significant

sustainability impacts of our business in areas of operational control and influence. The exclusions are brought out in section 3.4 of this report. The report also addresses additional indicators that are material. Report addresses topics/aspects which we deem material and we bring out relevant indicators as per GRI G4 guidelines.

3.8 Application of The Reporting Principles for Defining Quality

The following gives an explanation about application of the GRI reporting principles for defining quality.

3.8.1 Balance

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

3.8.2 Comparability

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

3.8.3 Accuracy

To continually improve the accuracy of reported data and information, Essar Shipping has strategically implemented a software based data capturing and analyzing system known as EIS (Enterprise

Information System). EIS system monitors environment, health and safety data information.

3.8.4 Timeliness

Essar shipping discloses its sustainability performance on an annual basis i.e., within 10 months of close of the accounting year.

Essar Shipping (ESL) released its fifth Sustainability Report - titled 'Sustainability - A process for Positive Change' - on Dec 23, 2015. However, due to changes in the Board of directors as mentioned in this report and major change in data capturing in house software system, ESL could not bring out the sustainability report, on time, for the financial year 2015-16. Hence this report contains data for both the financial year 2015-16 and 2016-17. We aim to publish the report within eight months of each fiscal year, going forward.

3.8.5 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.

3.8.6 Reliability

As an organization we are convinced that

our system are robust to capture sustainability performance. However, we believe assurance brings credibility to the report and helps in enhancing the quality and reliability of information provided therein, also gives us feedback from a different perspective that is vital in our quest for improvement. As per our policy, we engaged an independent third party, DNV GL Business Assurance

India Pvt. Ltd to provide assurance on our sixth report as per the requirements of VeriSustain (DNVGL's Protocol for verification of sustainability reporting).

This report has been reviewed and verified at the Board level by the Executive Director & CEO of ESL.

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.

3.8.7 Feedback

Your input is invaluable as we aim to improve and grow our business the right way - sustainably. We look forward to hearing from you. You may send your feedback or suggestions to:

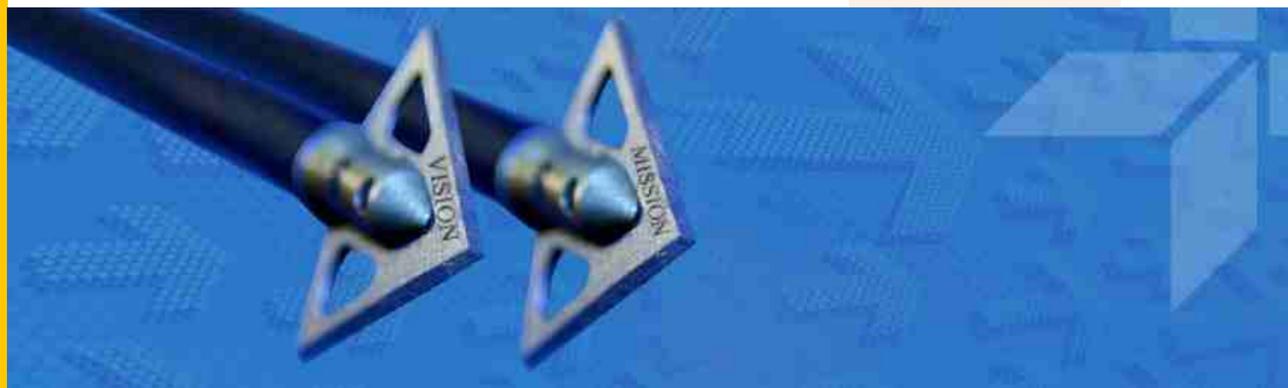
Mr. Rajesh Kasaragod, Head Technical.
 Email :
 Rajesh.kasaragod@essarshipping.co.in
 or eslqns@essar.com

3.8.8 Compliance:

Local and international regulations related to Environment, MLC, MARPOL, SOLAS, ISPS etc.. are adhered to, both ashore and on board ships. There were no significant monetary and non-monetary sanctions for non-compliance with laws and regulations during the reporting period. Compliance is

verified/reviewed by way of Audits, Inspections, surveys and reports. Further details are brought out in section 6.2.6 of this report.

Quarterly update on the new regulation sent, as per company Safety Management System, to all ships and to the office staff, for compliance.



Our Pedigree

An international footprint
Positioned for growth in high-potential markets



The Essar Group is a multinational conglomerate and a leading player in the sectors of Steel, Oil & Gas, Power, BPO & Telecom Services, Shipping, Ports, and Projects. The Group employs 8,000 people, and has revenues of USD 15 billion.

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

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

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



CHAPTER 4

**MATERIALITY
&
STAKE HOLDER
ENGAGEMENT**

MATERIALITY & STAKE HOLDER ENGAGEMENT

4.1 Declaration on Management Approach "What matters and where it matters"

Our approach to identification of the material aspects (or other material topics) depends on an assessment of the impacts resulting from the organization's activities. These impacts once identified also consider if the control is inside or outside of the organization. In order to assess these impacts, the organization dialogs with different stakeholders (and experts), identifies the impacts to be considered, and prioritizes those which are considered material.

The materiality process to identify material aspects and boundaries are:

1. Identification
2. Prioritization
3. Validation
4. Review

Each of the four steps addresses specific elements in how to define "what matters and where it matters".

4.2 Essar Shipping Limited Material aspects and impact

The material issues were identified on the basis of the five-part materiality test:

1. Policy-based performance
2. Direct, short-term financial impacts
3. Stakeholder behavior and concerns

4. Societal norms (regulatory and non-regulatory)

5. Business peer based norms

Each material issue was mapped against key stakeholders concerns to arrive at the final matrix. In the process, we also identified those issues that were germane to the organization and also of concern to the stakeholder but did not find their way into the Annual Business Plan. Depending on the assessment of impacts, each identified aspects are evaluated and broadly categorized as 'High', 'Medium' and 'Low'. Further evaluations of these impacts are considered against each of the sector, prior arriving at the material aspect table furnished below.

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

ESSAR SHIPPING LIMITED MATERIAL ASPECTS

Sr No	Material Topic/Aspects	Head Office	STB	EOSIL	Logistics	External
Environmental						
1	Emission to air (GHG,SO _x ,NO _x ,ODS)	Low	High	High	Medium	High
2	Effluents & waste (BWM, sewage, garbage, oil spill, water pollution.)	Low	High	High	Medium	High
3	End of life of ship/ship breaking	Medium	Low	Low	Low	Medium
4	Green ship (passport)	Medium	Medium	Low	Low	Medium
5	Antifouling system	High	High	High	Low	High
6	Oil spills	High	High	High	High	High
7	Fuel efficiency	High	High	High	High	High
8	Resource consumption (paint, lube oil, chemicals)	High	High	High	High	High
9	Emergency response/preparedness	High	High	High	High	High
10	Energy	High	High	High	High	High
Economic						
1	Economic performance (Asset value, freight rate, fuel cost, cost of operation, age of ship, cost of insurance, fleet expansion)	High	High	High	High	High
2	Procurement practices	High	High	High	High	High
Social						
1	Occupational health & safety (employees and non-employees)	High	High	High	Medium	High
2	Human resource development(training & skilling)	High	High	High	Medium	High
3	Human relationship (grievance, welfare, engagement, non-discrimination)	High	High	High	Medium	High
4	Human resource availability including attrition	Medium	Medium	Medium	Medium	Medium
5	Work and rest hour	High	High	High	High	High
6	Customer satisfaction	High	High	High	Medium	Low
7	Reward and recognition and compensation	High	High	Medium	Medium	Medium
8	Compliance to maritime labour conventions and human rights	High	High	High	High	High
9	Anticorruption	High	High	High	High	High
10	Emergency response (piracy, security, civil unrest)	High	High	High	Low	High
11	Stowaway (unauthorised passengers) management	High	High	Low	Low	High
12	Transportation of dangerous goods	High	High	Low	Low	High
13	Labor/management relationship	Medium	Medium	Medium	Medium	Low
14	Anticompetitive behavior	High	High	Medium	Low	Low
15	Customer privacy	High	High	Low	Low	Low

Note - all Aspects/topics rated High in the external and internal boundary, in the above table, are represented in this report through appropriate GRI performance indicators and DMA.

4.3 Stakeholder Engagement

As an organisation, we consider stakeholder engagement to be fundamental to a successful business. Engaging with our stakeholders not only helps us in business decision making but also helps us in

prioritizing material issues. This engagement brings many diverse perspectives on issues and gives us an opportunity to devise an effective plan. The aim of our stakeholder engagement is to seek a win-win outcome.

4.3.1 The focus was to deepen our understanding of key stakeholder groups and issues. Workshops and one-on-one meetings with personnel were conducted for top management to identify the stakeholder influence dependency matrix. This matrix consists of stakeholders who can have an impact on the economic, social or environmental performance of the organization or can be affected by our operations. The following dimensions were considered while identifying the stakeholders: responsibility, influence, proximity, dependency and representation.

The stakeholders were evaluated based on the degree and manner in which they affect or get affected by the organization and its activities.

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

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

Stakeholder Group	Details	Mode of Engagement	Frequency	Topics and Concerns
Employees	Fixed Term Employees	Appraisal for shore based employees, Technical briefings, Company Brochures, Website, meeting, presentations, E-mails, Phone calls	Every day meeting, six monthly through E-compass	Employee welfare Health and safety Competence Grievance redressal Reward and recognition
	Contractual staff	E-mail, Training Sessions, Sailing visits, Port visits	During Signing-off/ Appraisal every 3 months for floating staff	Health and safety issues Timely payment Employment contract
Clients	Internal (Group Companies)/ External/Agents	Technical briefings, meetings, phone calls, E-mails	Once in a year Need based during visits	Service levels -availability cargo safety Invoicing Certification Detention Legal threats, Economic health of the organisation Security - piracy, etc.
	Brokers / Charters	E-mails, Meetings, Phone calls	Daily basis	Meeting contractual requirements Certification, Detention, Legal threats, Economic health of the organisation, Security - piracy, etc.

Legal and Statutory Authorities	Port State/ Flag State	E-mails, Meetings, Phone calls, Technical briefings, Websites	Need-based and regular pro-active basis	Non-compliance Ship maintenance Certification of crew and ship ISM/ISPS/MLC/STCW other requirements MARPOL/SOLAS requirements Spills Human trafficking
	IMO	Websites, E-mails	During inspections	
	Class	E-mails, Meetings, Phone calls, Technical briefings, Websites	During audits, inspections and surveys.	
	Customs	E-mails, Meetings, Phone calls, Technical briefings, Websites	As and when required	
	Rightship	E-mails, Meetings, Phone calls, Technical briefings, Websites	As and when required	
	Oil majors	E-mails, Meetings, Phone calls, Technical briefings, Websites	As and when required	
Insurance Bodies	Port Health Office	E-mails, Meetings, Phone calls, Technical briefings, Websites	As and when required	Maintenance of ships Meeting statutory and class requirements Timely payment of premium Transparency in declaration Claims integrity
	Protection and Indemnity	E-mails, Meetings, Phone calls, Technical briefings, Websites	Every year	
	Hull and Machinery	E-mails, Meetings, Phone calls, Technical briefings, Websites	During any incidents - incident investigation reports	
	Seafarers	E-mail, Training Sessions, Sailing visits, Port visits, Mandatory	During Signing-off/ Appraisal every 3 months for floating staff	
Business Partners	Suppliers and Service Providers, Contractors	E-mails, Meetings, Phone calls, Technical briefings, Websites	Once in a year/need based, Case-to-case basis	On-time payment Selection process - transparent/fair Adherence to service level agreements Clarity in communication Anti-corruption and anti-bribery
Communities, Industry Bodies and NGOs	INSA, Essar Foundation	E-mails, Meetings, Phone calls, Technical briefings, Websites	Need based/issue based	Meeting compliance and environmental/social obligations Proactive spill/other incident management Emergency response/preparedness
Trade Unions	MUI, ITF	E-mails, Meetings, Phone calls, Websites	Once in a quarter As and when required	Collective bargaining agreements Cordial and participatorial relations Deviations from MLC requirements Memberships and transfer of subscriptions
Investors	Investors	E-mails, Meetings, Phone calls, Websites	Once a quarter - quarterly reports/updates	Debt and principal servicing Economic performance Asset maintenance Adequacy of investment Business and growth strategy Operational Efficiency
Media	Media	E-mails, Meetings, Phone calls, Technical briefings, Websites	Need/issue based Once a quarter - quarterly reports, press releases	Market reviews Future trends New announcements Business and growth strategy

The image features a blue gradient background. On the left, two hands are shown in silhouette, holding two interlocking gears. On the right, another pair of hands is shown in silhouette, holding a larger gear that interlocks with the smaller one. The overall composition is clean and modern, with a focus on mechanical and human interaction.

CHAPTER 5

**SUPPLY-CHAIN
AND
PROCUREMENT
PRACTICE**

SUPPLY-CHAIN AND PROCUREMENT PRACTICE

5.1 Essar Shipping Limited provides crude oil transportation, transportation management services and integrated dry bulk and finished goods transportation services to global oil majors and the energy, steel and power industries.

ESL believes that we have a positive role to play in identifying supply chain for strong sustained operations. Supply chain management encompasses the planning and management of all activities involved in sourcing, procurement and logistics management. Parties identified below support us to carry out our operations and to deliver our commitments. Hence they play an important role in our path towards meeting the desired sustainable goals.

1. Evaluation and approval of vendors for the purchase of materials and services
2. Establishment of rate contracts.
3. Regular requisition and supply of materials (stores and spare parts
4. Emergency purchase of materials (stores and spare parts
5. Agency services.
6. Stevedore services.
7. Purchase of bunkers.
8. Verification of purchased product.
9. Invoice Certification and Settlement.
10. Human resources for the shore based office.
11. Human resources for shipboard service.

5.2 Procurement Practice

5.2.1 Disclosure of Management Approach

Procurement is a critical part of ship management activities. The procurement processes vary within the different business segments, as some products and services are sourced by global teams and others locally by the responsible local entity.

The Company purchases materials and services for the safe and efficient operation of ships. In order to be aligned to the company's Social, Economic and Environmental strategies, following procedures are followed:



Any purchase of material or service shall be made only after evaluating the subcontractor or Supplier.

A supplier shall be proposed for inclusion as approved supplier only, if any or some of the criteria below is satisfied.

- a. Ability to meet requirements for purchased material or services.
- b. Possession of a certified quality assurance system.
- c. Is an Original Equipment Manufacturer (OEM).

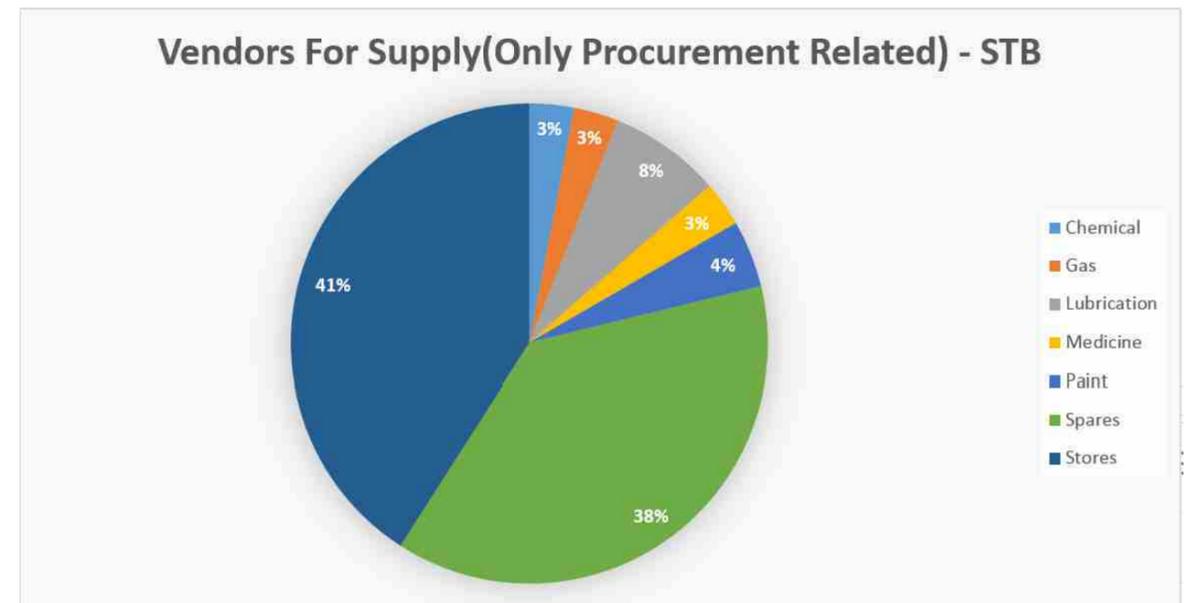
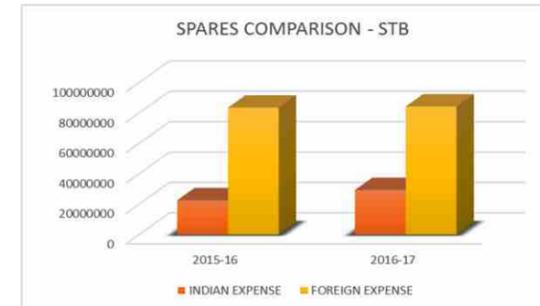
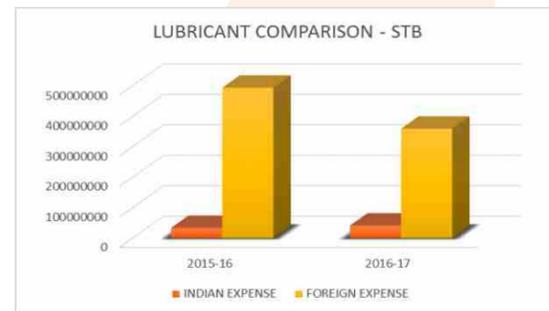
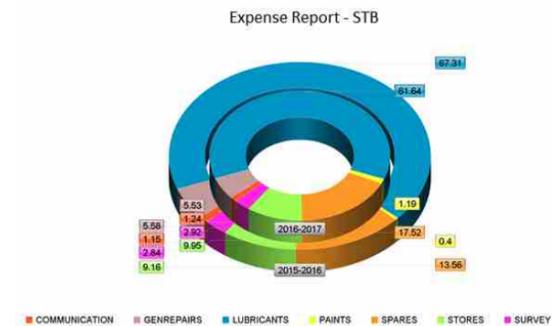
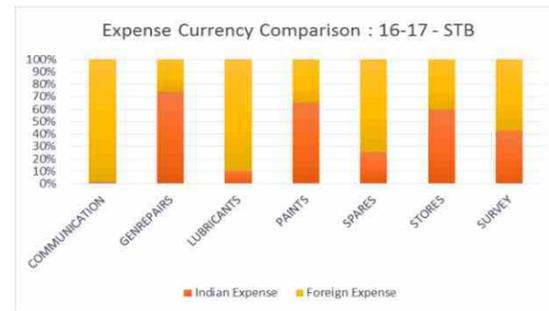
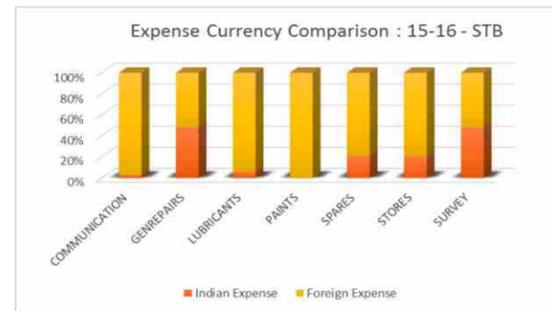
- d. Is an authorised agent for original equipment.
- e. Is an authorised dealer for brand name products.
- f. Has service capability through a network of depots or offices in an area or region.
- g. Has a recommendation from concerned personnel in the office relating to past performance.

5.3 ESL strongly believe that Company's business targets can only be achieved through dealings that are supported by honesty and free from any kind of fraud and malpractices. We are committed to high ethical standards in our "Business Ethics and Conduct" and our vendor empanelment procedures ensure this.

Further, the Company has established Vigil Mechanism by adopting the, 'Whistleblower Policy', for Directors and Employees. The Whistleblower Policy provides for adequate

safeguards against victimization of persons who use such mechanism and have provision for direct access to the Chairperson of the Audit Committee in appropriate cases. A copy of the Whistleblower Policy is available on the website of the Company www.essar.com.

5.4 Below are the few data related to types of vendors and the distribution of expenses towards India and Foreign.





CHAPTER 6

CORPORATE GOVERNANCE



CORPORATE GOVERNANCE

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

The Company believes that adhering to global standards of Corporate Governance is essential to enhance shareholders value and achieve long term corporate goals. The Company's philosophy on Corporate Governance stresses the importance of

issues, the ownership of sustainability performance lies with the respective business CEOs who are also part of the Board. The structure of the Company as of date is as below

6.2 The Governance Structure and Composition

The Governance and Compliance is a Board room Agenda since inception. The Board's philosophy on Corporate Governance stresses the importance of transparency,



* Arkay Logistics Limited, India became associates w.e.f 11 march 2017.

**Essar Shipping Limited owns only 74% shares in Energy II Limited w.e.f. June 22, 2017

transparency, accountability and protection of shareholders interests.

Sustainability has been adopted as an agenda by the Board of Essar Shipping Limited. Whilst the Board will provide the oversight and guidance on sustainability

accountability, compliance and risk management, community development and protection of interest of stakeholders.

The Board has optimum combination of Independent and Executive Directors. The composition of the Board as of 31 Mar 2017 is

given below. The Company has designated Chairman of the Board. Each Director declares his interest in accordance with the provisions of the Companies Act to ensure conflicts of interest are avoided at all times.

- Corporate Social Responsibility Committee
- Risk Management Committee

Mr. P K Srivastava	Non-executive Chairman
Mr. Ranjit Singh*	Executive Director and CEO
Mr. N Srinivasan	Non-executive Independent Director
Capt. B S Kumar	Non-executive Independent Director
Ms. Neelam Kapoor**	Non-executive Director
Capt. Rahul Bhargava***	Executive Director

*Appointed as Executive Director and CEO with effect from September 22, 2016 in the place of Captain Anoop Kumar Sharma who ceased to act as Managing Director w.e.f. September 09, 2016.

**Appointed w.e.f. July 31, 2017 in the place of Ms. S. Gayathri who ceased to act as Director w.e.f. May 24, 2017.

*** Appointed w.e.f. November 14, 2017.

5 out of 6 Directors are above the age of 50 and 1 Director is in the age group of 30 to 50. There is one women Director in the Board.

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

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

- Audit Committee
- Nomination and Remuneration Committee
- Stakeholders Relationship Committee

6.2.1 Audit Committee

The Audit Committee of the Company is

Committee

The terms of reference of Nomination and Remuneration Committee includes inter-alia to formulate evaluation criteria and recommend to the Board from time to time on matters such as candidates for induction on the Board, compensation structure for Managing Director, Whole-time Director and Key Managerial Personnel and other Senior Executives and to administer and supervise the Employee Stock Option Scheme of the Company.

During the year under review, no stock options were granted to any Director or employee of the Company. No Shares or Convertible Instruments are held by any Members of the Board except the Stock Options granted to the Executive Director(s) of the Company and its subsidiaries pursuant to the, Essar Shipping Employees Stock Option Scheme - 2011.

Performance Evaluation of Board and Directors

The Company has detailed policy on performance evaluation of the Board and individual Directors clearly setting the parameters for performance evaluation of Board and Directors.

Criteria for evaluation

Evaluation of Board as a whole

The Independent Directors and the Nomination and Remuneration Committee while undertaking the Board evaluation

decide on the criteria of evaluation of the Board and its Committees which among others include:

- The extent to which the Board and its Committees are successful in fulfilling their key roles and responsibilities.
- The extent to which individual directors contribute to the achievement of these objectives.
- The extent to which the Board and its Committees adhere to best practices in structure and procedure.
- The Committee will consider the balance of skills, experience, independence and knowledge requirements at Essar Shipping Ltd. Board and the diversity representation of the Board, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness.

Non-Executive Directors

The criteria for evaluation of Non-executive Directors are determined by the Nomination and Remuneration Committee. However, the actual evaluation process remains confidential and shall be a constructive mechanism to improve the effectiveness of the Board/Committees. An indicative list of factors that may be evaluated as part of this exercise is:

- Participation in meetings and contribution by director
- Commitment including guidance

provided to senior management executives outside of Board / Committee meetings

- Effective deployment of expertise and knowledge
- Effective management of relationship with stakeholders
- Integrity and maintenance of confidentiality
- Independence of behavior and judgment
- Impact and influence.

Executive Directors/Managing Director

Balance Score Card is derived from Annual Business Plan and goals are aligned and cascaded across the organization, and linking to every Executive Director's performance. Assessment parameters are defined for each of the goals and performance will be measured against the goals at the end of each financial year. The compensation is finalized by the Nomination and Remuneration Committee based on evaluation of the individual director and the performance of the Company.

6.2.3 Stakeholders Relationship Committee

The Stakeholders Relationship Committee of the Board is constituted in compliance with the provisions of Section 178(5) of the Companies Act, 2013 and Regulation 20 of the SEBI (Listing Obligations and Disclosures

Requirement) Regulations, 2015. The Committee is fully empowered to consider and resolve grievances of stake holders of the Company including complaints related to transfer of shares, non-receipt of Annual Report, Notices and other interests of the stake holders. Periodic reports are placed for review by the Committee. The Stakeholders Relationship Committee comprises Captain B.S. Kumar and Mr. Ranjit Singh.

Captain B. S. Kumar, Non-executive Independent Director of the Company is heading the Committee as Chairman of the Committee and Company Secretary of the Company is Compliance Officer. During the year ended on March 31, 2017, four (4) meetings of the Committee were held on May 25, 2016, September 08, 2016, December 13, 2016 and February 14, 2017. The Company received a total of 128 complaints during the year 2016-17. All the complaints received during the year were redressed and no complaint was outstanding as on March 31, 2017.

6.2.4 Risk Management

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

efficient Risk Management Framework, your Company is able to manage:

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

The company has a Risk Management Policy Framework for risk identification, assessment and control to effectively manage risks associated with the business of the company. The Company has Risk Management Committee comprising of two Directors of the Company and Chief Financial Officer.

The Company has a well-established framework of internal operational and financial controls, including suitable monitoring procedures which are adequate for the nature of its business and the size of its operations. The policies and procedures adopted by the Company ensure the orderly

and efficient conduct of its business, including adherence to Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial information. In addition to the external audit, the financial and operating controls of Company are reviewed by Internal Auditors, who report their observations to the Audit Committee of the Board.

6.2.5 Subsidiary Monitoring Framework

All the subsidiary companies of the Company are managed by their Board of Directors having the right and obligations to manage such Companies in the best interest of their stakeholders. As a majority shareholder, the Company at times nominates its representatives on the Boards of subsidiary companies and monitors the performance of such companies, inter-alia, by the following means:

- a) Mr. N. Srinivasan, an Independent Director of Essar Shipping Limited is on the Board of Essar Oilfields Services India Limited, a material non-listed Indian subsidiary;
- b) The copies of the Minutes of the meetings of the Board of Directors of all the subsidiary companies are tabled before the Company's Board on Quarterly Basis;

- c) A statement containing all significant transactions and arrangements entered into by the unlisted subsidiary companies is placed before the Company's Board; and
- d) Financial Results summary are also tabled before the Company's Board on quarterly basis.

6.2.6 Regulatory Compliance

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

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

1. Customer focus : Understanding the needs of different business verticals and providing a solution alongside legal advice that is compliant.

This involves continual interface with businesses on transactional basis and business issues.

2. Standardized procedures and templates : We have standardized procedures and templates that assist business teams in areas such as mergers & acquisitions, due

diligence, operations, leases, confidentiality and financing matters.

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

These audits also cover deviations against the code of conduct such as corruption, malpractices, discrimination etc.

CHAPTER 7

ECONOMIC PERFORMANCE



ECONOMIC PERFORMANCE

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

Overall, our economic performance during this reporting period has been negatively impacted due to adverse market conditions. Our Total Income for the period was Rs.21,917.20MINR as against Rs. 17,182.60

MINR in the past year and the increased income is mainly on account of better performance by the company.

Below given information is consolidated Ind-AS financial statements of Essar Shipping Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its associates comprising of the Consolidated Balance Sheet as at March 31, 2017 and same is also available in Annual report for the FY 2016-17 which is accessible on the website www.essar.com/investors/shipping

Particulars	2016-17	2015-16	2014-15	Remarks
	(MINR)	(MINR)	(MINR)	
Revenues				
Net sales (Gross Sales less returns, discounts)	21,917.20	17,182.60	19,106.20	As per annual report
Income from investments including cash received as interest, dividends, royalties and direct income generated from assets	(686.00)	1,987.70	2,426.70	As per annual report
Income from sale of assets (tangible & intangible)	22.60	13.70	0.00	As per annual report
Total direct economic value generated	21,253.80	19,184.00	21,532.90	
Operating costs	16,020.70	13,043.60	14,802.00	Annexure-1
Employee wages & benefits - Offshore	1,114.30	1,067.20	1,578.00	As per annual report
Employee wages & benefits - Onshore	1,012.20	299.80	456.00	As per annual report
Payment to Govt. (by country) (India)	378.50	219.40	273.80	Annexure-2
Payment to Providers of capital (Interest)	(116.84)	26.23	181.18	As per annual report

*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 Particulars	MINR		
	2016-17	2015-16	2014-15
Cost of Sales	15,564.00	12,189.30	13,349.80
Admin & selling	456.70	854.30	1452.20
OPERATING COST	16020.70	13043.60	14802.00

ANNEXURE - 2

Payment to Government Particulars	MINR		
	2016-17	2015-16	2014-15
ESL	26.50	33.90	45.00
Logistics	352.00	185.50	228.80
Oilfield Services	-	-	-
Tax Adjustment for Previous Years	-	-	-
TOTAL	378.50	219.40	273.80

Total Assets and Market Capitalization	INR in Crore (cr.)					
	2016-17		2015-16		2014-15	
Total Assets	Total Non-current assets:	6,143.31	Total Non-current assets:	6,691.77	Total Non-current assets:	6,775.79
	Fixed Assets Net Block:	3,226.28	Fixed Assets Net Block:	3,698.06	Fixed Assets Net Block:	4,088.00
	Capital work in progress:	136.51	Capital work in progress:	79.04	Capital work in progress:	78.37
	Current Assets:	3,352.84	Current Assets:	3,471.29	Current Assets:	3,166.96
Market Capitalization (for listed companies)	Market Cap on BSE at close of day was Rs. 579.54 (Closing price : 28.00 per share on 31 st March 2017)		Market Cap on BSE at close of day was Rs. 518.48 (closing price : 25.05 per share on 31 st March 2016)		Market Cap on BSE at close of day was Rs. 449.45 (closing price : 21.90 per share on 31 st March 2015)	

1. Changes in the share capital structure and other capital formation, maintenance and alteration operations

a. In March 2016, Paid up Share Capital of the Company was changed to Rs.

206.98 crores from Rs. 205.23 crores. This happened because of the issue of shares to Employees Stock Option Scheme Trust under ESOP provisions.

2. List of entities included in the consolidated financial statement.

- a. Essar Oilfields Services Limited, Mauritius
- b. Essar Shipping DMCC
- c. Energy Transportation International Limited, Bermuda
- d. Energy II Limited, Bermuda

List of entities not included in the consolidated financial statement - None. All the subsidiaries have been consolidated.

7.2 Disclosure on Management approach

Essar Shipping Limited ("the Company") was incorporated in September 2010 and is listed on the Bombay Stock Exchange and National Stock Exchange in India. The Company is mainly engaged in fleet operating and chartering activities and operates international and coastal voyages. The Company has also directly and/or through its subsidiaries and associates invested in diverse business verticals viz. Fleet operating and chartering (tankers and dry bulkers), Oilfields services (land rigs and semi-submersible rig) and logistics services (trucks, trailers and tippers). The place of business of the Company is in Mumbai, India.

Financial statements for the year ended 31st March, 2017 are the first financials with comparatives, prepared under Ind AS. For all previous periods including the year ended 31st March, 2016, the Company had prepared

its financial statements in accordance with the accounting standards notified under section 133 of the Companies Act, 2013 read with Rule 7 of Companies (Accounting Standards) Rules, 2014 (as amended) and other relevant provisions of the Act (hereinafter referred to as 'Previous GAAP') used for its statutory reporting requirement in India.

Capital management

The Company manages its capital to ensure that entities in the company will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The company's overall strategy remains unchanged from 2015-16. The capital structure of the company consists of debt, which includes the borrowings including temporary overdrawn balance, cash and cash equivalents including short term bank deposits, equity comprising issued capital, reserves and non-controlling interests.

Financial risk management objectives:

The Company's principal financial liabilities comprise of loan from banks and financial institutions, finance lease obligations, overdrafts and trade payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables, cash and short term deposits, which arise directly from its operations.

The main risks arising from Company's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The Board of Directors review and agree policies for managing each of these risks.

Foreign currency risk

Foreign currency risk mainly arises from transactions undertaken by an operating unit denominated in currencies other than its functional currency. Exposure to foreign currency risk is partly mitigated by natural hedges of matching revenues and costs.

Interest rate risk

The Company is exposed to interest rate risk as entities in the Company borrow funds at floating interest rates. The interest rate risk is managed by monitoring the Company's level of borrowings periodically and structuring its borrowings on varying maturities and interest rate terms. The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously

monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company monitors its risk of shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations, public offerings and refinancing of current borrowings.

At 31st March 2017, the current liabilities of the Company exceed its current assets. The Management has taken the following initiatives in order to meet its short term liabilities in a timely manner:

- 1) Borrowings from related parties and others (including FCCB's) amounting to 2,157 crores are proposed to be converted to equity instruments.
- 2) Borrowings from a bank amounting to 170 crores were repaid subsequent to balance sheet date through a Standby Letter of Credit facility availed by a foreign subsidiary.
- 3) Borrowings amounting to 90 crores have been classified to current owing to covenant breaches as mandated by IND-AS 1.

Based on the above actions to be taken, management is confident that it will be able to meet its current obligations as and when they fall due for payment. Accordingly, these financial statements have been prepared on a going concern basis.

Economic Performance

Information is available in annual report 2016-17 which is accessible on the website www.essar.com/investors/shipping.

Market Served

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

The types of cargoes handled in the year have been Bentonite, Coal, Finished Steel, Iron Ore, Lime Stone in General Cargo and Bulk carriers, whereas crude oil in tankers.

7.3 Sustainability Disclosure

During the FY 2015- 16 and 2016-17 several key nodal agencies for the shipping sector have been urging the shipping community to undertake Sustainability Reporting as crucial to a sustainable future. ESL commenced this journey in FY 2010 -11. The shipping sector has been facing severe challenges.

Description of key impact risks and opportunities

In continuation with identified key risks and opportunities (Sustainability Report 2011), we have further reviewed and following additional key impact risks have been identified as below :

1. Cost of freight
2. Age of Ships
3. Insurance cost

4. Fuel efficiency of aging ships and rising cost of fuel
5. Attrition of qualified personnel
6. Regulatory compliance and climate change
7. Excessive tonnage availability in market and Economic slowdown resulting in reduced freight rates
8. Political unrest and Piracy threats
9. Increased operating cost, High lubricating oil costs
10. Availability of low sulphur fuels
11. New Ballast water Treatment related regulation, its implementation and cost

Impact of Key Risks on Sustainability

Shipping business continues to experience a difficult freight market and it is not possible to see an immediate or quick improvement to the situation. The supply and demand equation for ships militates against a speedy resolution of the problem. Pressure on ship owners is expected to continue, until greater balance is achieved between the supply and demand followed with an improved market condition. In addition to the low freight, age of the ships and cost of insurance are also very critical for ESL.

Company is taking a series of initiatives to weather the difficult market conditions on the operational front as well as on the financing end to make a sustainable business model for its shipping business. The initiative includes entering into long term

contracts for deployment of vessels for ensuring assured returns. Company is also looking at replacing old age ships with the new/young ships. Regarding insurance, ESL has initiated tough negotiation to achieve the much needed lower premium, so as to keep the overall expense low, while having no change in the terms of insurance cover.

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

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

Excessive supply of tonnage in market due to low cost of tonnage is leading to lesser demand in market as cargo movement has not grown in proportion to tonnage. Overcapacity is seemingly expected to get corrected, to some extent, next year.

Piracy threats is another high risk to our

economic and social sustainability as we take additional safety and security measures together with adoption of longer and safer routes to prevent Piracy attacks.

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

7.4 Indirect Economic Impacts

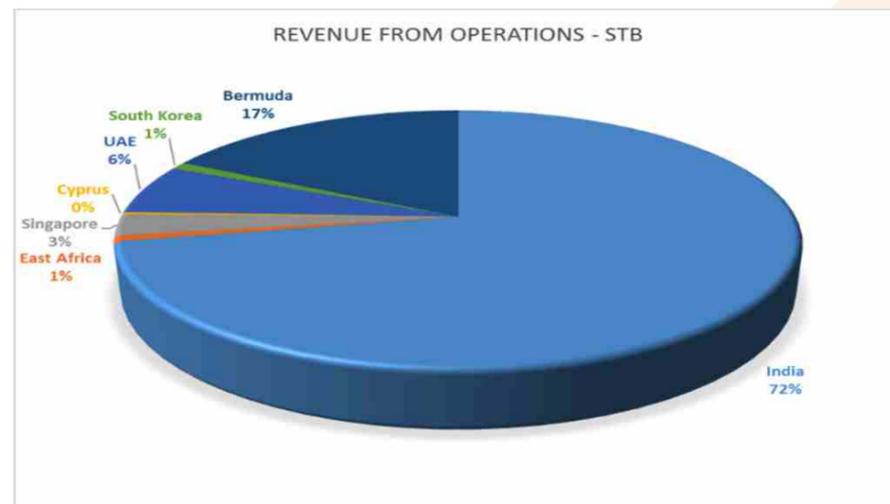
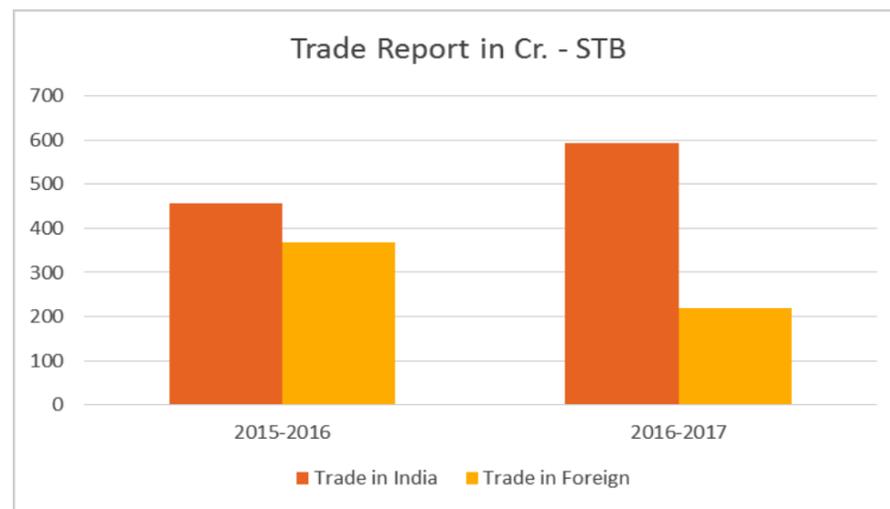
The direct economic impact created by the organization can be immediately assessed through financial statements and fund flows. However, the economic footprint of the organization expands significantly when accounting for the indirect economic impact of its activities.

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

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

We also work closely with various Governmental agencies and associations at the federal and state level on various issues. The information and technical knowhow that the Company shares with these agencies

and associations allows them to formulate policies and guidelines that are helpful for various stakeholders dependent on the coastal economy.





CHAPTER 8

LABOUR AND HUMAN RIGHTS

LABOUR AND HUMAN RIGHTS

8.1 Disclosure of Management Approach:

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

Our Group has policies with reference to labor aspects that highlight our commitment to be an employee friendly organization.

The policies apply to the Essar Shipping - shore personnel. There are HR processes in place for recruitment and selection of personnel at all levels; policies in place for Induction, Performance management, Learning & Development, Retrials, Separation, Business practices and exit. Employees can provide recommendations to the organization through the business head - HR who reports to the Shipping Executive Committee on a periodic basis.

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

create a learning environment and interlinked people programmes through a common system to meet business requirements.

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

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

The Company believes that employee competence and motivation are necessary to achieve its business objectives. The Company has undertaken many training initiatives to enhance technical and managerial competence of the employees and to further leverage their capabilities to enhance their performance. The Company has taken a series of initiatives to enhance emotional and intellectual engagement 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 take care of these issues in our contract agreements.

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

The Company has policies on conduct, sexual harassment of women at workplace, whistle blower, corporate governance, insider trading etc. guiding the human assets of the Company. For the year under review, there was no instance of the sexual harassment reported pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

The Company does not engage in or support any activity or contractor where right to exercise freedom of association and collective bargaining may be at significant risk or violated.

Our Sea Transportation business complies with the requirements of MLC (Maritime Labor Convention) which provides an international safety net for the protection of and contributes to decent work for sea farers. Annual assessment of ships are

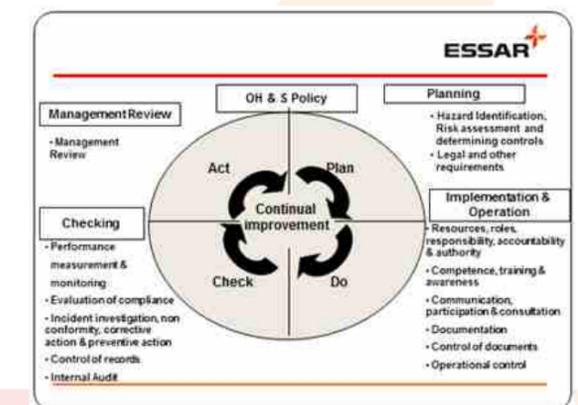
carried out against MLC requirements and any deviation noted are dealt with as per MLC, which include work/rest hour requirements.

8.1.1 Occupational Health and Safety Program

ESL has established a system to eliminate or minimise risks to interested parties who could be exposed to OH&S hazards associated with the company's activities.

This helps the Company to counter high costs associated with failure to control OHS risks and to meet Legislation.

OCCUPATIONAL HEALTH & SAFETY PROGRAM (OHS&P) is based on the **PLAN - DO - CHECK - ACT** model of an occupational Safety and Health management system and is illustrated in the following diagram:



REVIEWS AND AUDITS

As per company Safety Management System, OHSAS annual internal audit is carried out on all ships. Office and sample ship audit is carried out by ABS, on annual basis.

During the report period we have not identified any Occupational disease linked to our core activity.

8.1.2 Security - Stow Away

COMPANY SECURITY POLICY STATEMENT

We are committed to provide a safe and secure ship and working environment, and we believe that this can be achieved by establishing and maintaining the required security measures to prevent unlawful acts against people and marine assets, which may endanger the safety, security and wellbeing of people and marine assets.

In order to meet the above policy and the applicable ISPS code, all our ships are provided with Ship security plan (SSP). A plan developed to ensure the application of measures on board the ship designed to protect persons on board, cargo, cargo transport units, ship's stores or the ship from the risks of a security incident.

STOWAWAYS

Stowaways may stow away for a variety of reasons ranging from economic, to avoidance of persecution, to entering

another country with the aim of creating harm.

Prevention is the best method of avoiding a stow-away problem and a thorough search of the ship, accommodation and engine room, stores and all possible hiding places, including spaces such as rudder trunks must be carried out, especially prior departure from ports where the stow-away menace is prevalent. Other measures such as gangway control and exhorting stevedores to exercise headcount control can be used as well. Keeping all spaces that can be safely locked in such state and regular checks of locks is also a preventative measure.

However if a stowaway is discovered at sea, SSP clearly mention the procedures to be followed, meeting all the national and international requirements.

8.2 Building a Learning Organization

Our Learning Philosophy

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

Learning@Essar does not merely equip individuals with the skills required in their present roles - we believe in investing for the future development of all our employees. To make this philosophy work, employees are expected to take ownership of their learning

and development needs. The Business HR team and the Corporate HR team are committed to support employees in the pursuit of their development and partner with them in all their learning endeavors.

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

Some of the learning initiatives include the following:

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

8.3 Talent Acquisition

We have filled Open vacancies through our Internal Recruitment model called Next Moves and through external agencies.

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

Ratings of all vessels are hired through

external agencies. These agencies have Recruitment & Placement Service license issued by the DGS under Merchant Shipping Rules, 2005. Human rights issues are covered before the agency qualifies for an RPS license.

8.4 Employee Engagement

The Employee Engagement initiative at Essar details our efforts to enhance engagement using all six engagement drivers: 'Quality of Life', 'Work', 'Opportunities', 'Total Rewards', 'People' and 'Company Practices' to create a highly engaged workforce that is committed to the organization's journey of value creation.

8.5 Performance Management

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

All full-time employees with more than 6 months of service period in the organization are eligible for annual performance and career development review. All fixed term contract and third party contract employees are also covered under annual performance review. Our organization believes in equal pay for equal work.

The ratio of basic salary men: women is 1:1. We abide by the local minimum wage statute. Annual performance linked bonus is based both on the performance of the company as well as the individual in the given financial year.

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

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

Executive Development Review (EDR)

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

his/her learning needs in the Organization.

8.6 Employee Benefits

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

- Retirals policy
- Provident fund / Employees' pension scheme
- Superannuation scheme
- Gratuity
- Group Personal Accident Insurance policy
- Health Insurance policy
- Domestic Transfer policy
- Relocation Allowance

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

The benefits for ship based employees include provident fund, compensation and other benefits as per INSA - MUI agreement.

8.7 Key Initiatives on Rewards & Recognition

Employee Stock Option Scheme has also been introduced for the Senior Management with an aim to create a stronger link between executive performance and reward and increasing the shareholder value by enabling

participants to have greater involvement with, and share in, the future growth and profitability of the Company. These initiative are in force and successful.

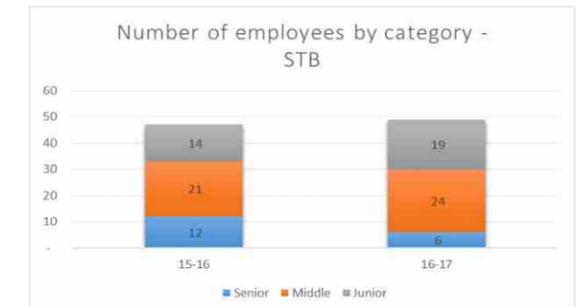
Company has in place skill soft portal which is 24x7 system and is on-line. It has host of behavioral, functional and skill management certified programs which support employees continued employability and assist them in managing career.

EmployeeCONNECT - Harmony

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

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

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



Gymnasium is provided for work-out.

We reduced working days per week from 6 to 5 w.e.f 2016.

8.7.1 Minimum Notice Period

Minimum notice period is either as per management of change procedure which is part of the company management system or as specified in the bargaining agreement applicable to floating staff. Management reduced the notice period for level M5 and below, from 3 months to one month in 2016-17.

8.8 Essar as an organization respects the human rights of its employees and we comply with the labor laws that are in force for the regions we operate in. The application of MLC (Maritime Labor Convention) has been implemented on our front size vessels ahead of time and all of our ships are MLC compliant. Non-discrimination, prohibition of child labor, prevention of forced and compulsory labor, indigenous rights, living and working conditions, training, compensation and prevention of sexual harassment at the work

place are addressed in the convention and enforced on board. Additionally, an internal complaints committee has been set up at the Corporate to address the requirements of Sexual Harassment Act.

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

8.8.2 No Human right grievances received.

The governing law adequately addresses the human rights requirements for operations and suppliers identified as exposed to human rights violation. All critical vendors including manning agencies are vetted by company Quality, Health and Safety Management System to ensure compliance with requirements. Manning Agencies are vetted for MLC compliance where human right screening is covered.

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

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

discrimination case was reported.

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

The company does not engage in or support any activity or contractor where right to exercise freedom of association and collective bargaining may be at significant risk or violated. No such case was reported. Flag State MLC (Maritime Labor Convention) inspections, ITF (International Transport Workers Federation) inspections, Port state control inspections and our own internal audits routinely monitor the working conditions on board and ensure that the work place conforms to internationally accepted standards.

All crew are trained on their rights under the MLC and are aware of the procedures to be followed, if any violations or shortfalls exist.

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

The benefits provided to full-time employees are as per statute and include provident

fund, pension scheme and superannuation and gratuity benefits. A family health insurance policy is also provided to employees. A part of these benefits may be extended to temporary or part time employees basis recommendations from line managers

8.9 Corruption

The company has an anti-corruption policy and seeks full integrity of employees. This policy is available under HR policy and posted on site. Employees are briefed during induction for anti-corruption and be a whistle blower. All the employees (100%) are trained and aware of anti-corruption policies and procedures. HR department and departmental heads regularly brief employees. This is also implemented on

board. Close interaction between employees at all levels, personnel on board ships and suppliers help in implementing anti-corruption policy and establishing integrity. Despite having numerous interactions with various suppliers, ship-staff and employees, no case of corruption came to light.

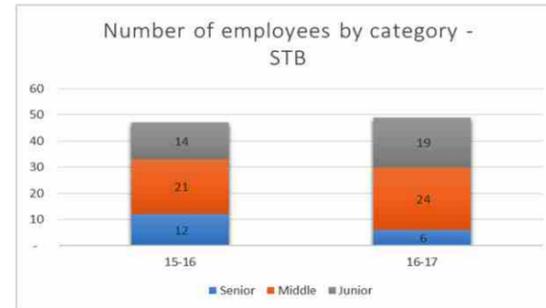
The company is in the process of strengthening internal systems to report the following, in future reports.

The total number and percentage of operations assessed for risks related to corruption

The significant risks related to corruption identified through the risk assessment.

8.10 Employee's benefit plan :

EMPLOYEE'S BENEFIT PLAN			
Particulars	FY 16-17 (In Cr.)	FY 15-16 (In Cr.)	FY 14-15 (In Cr.)
Offshore Staff			
Salaries, wages and bonus	79.69	76.03	142.83
Contribution to Staff provident and other funds (refer note 32)	1.71	1.58	1.79
Staff Welfare	8.49	10.72	13.18
Office Staff			
Salaries, wages and bonus	11.18	13.93	37.92
Contribution to staff provident and other funds (refer note 32)	0.49	1.52	3.16
Staff Welfare	1.63	1.73	4.07
Employee Stock option scheme (refer note 4 and 34)	0.10	0.25	0.45
TOTAL	103.29	105.76	203.40



8.11 - LABOUR - DATA		STB		
LABOUR	2014-2015	2015-2016	2016-2017	
EMPLOYMENT				
Total workforce by type				
Permanent employees	48	47	49	
Fixed term contract	591	637	577	
Third party contract	0	5	5	
Fixed term contract by gender				
Male	589	636	575	
Female	2	1	2	
Work force by gender				
Male - Permanent	41	41	43	
Female - Permanent	7	6	6	
%Women Employees				
% Women employees - Permanent	14	15	14	
% Women employees - Fixed term contract	0.3	0.15	0.35	
Collective Bargaining				
% employees covered by collective bargaining	92	93	92	

8.11 - LABOUR - DATA		STB		
Number of fixed term contract employees by age group	2014-2015	2015-2016	2016-2017	
less than 30				
30-50				
>50				
Number of third party contract employees by age group				
less than 30	0	0	0	
30-50	0	5	5	
>50	0	0	0	
Number of employees by category				
Senior	12	12	6	
Middle	23	21	24	
Junior	13	14	19	
Number of employees by gender and category				
Male - Senior	12	12	6	
Male - Middle	21	19	21	
Male - Junior	8	10	16	
Female - Senior	0	0	0	
Female - Middle	2	2	4	
Female - Junior	5	4	2	
Number of employees by age group				
less than 30	5	2	5	
30-50	28	30	33	
>50	15	15	11	
% employees returning to work after parental leave	0	0	0	

8.12 - LABOR OCCUPATIONAL HEALTH & SAFETY DATA	STB		
	2014-2015	2015-2016	2016-2017
Near Misses	588	686	480
Hours worked - employees	3373080	3080328	2958144
Hours worked - contractors	0	0	0
First Aid Cases	34	32	15
Medical Treatment Cases	7	6	3
Lost Time Injury - Employees	2	1	0
Lost Time Injury - Contractors	0	0	0
LTIFR per 200,000 hours worked - Employees	0.52	0.06	0
LTIFR per 200,000 hours worked - Contractors	0	0	0
Overall LTIFR per 200,000 hours worked	0.52	0.06	0
Fatalities - Employees	0	0	0
Fatalities - Contractors	0	0	0
Fatality rate per million hours worked	0	0	0
Occupational Disease Rate	0.93	0.9	1.54





CHAPTER 9

HEALTH AND SAFETY



HEALTH & SAFETY

9.1 Declaration of Management approach.

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

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

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

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

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

of Aden and the vessels join UN protected convoys where available.

We have developed in-house software to capture, analyze and promulgate safety reports, near miss incidents and learning points which has resulted in a marked increase in reports of even minor nature. We were the first Shipping company in India to achieve ISO 9001:2008, 14001:2004 and OHSAS 18001:2007 ABS Guidelines certification (upgraded to latest, as and when applicable) and the measures taken in compliance to these standards has improved the Health and Safety standards on board.

9.1.1 Safety Culture

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

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

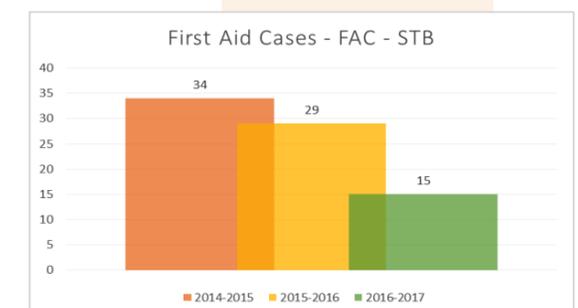
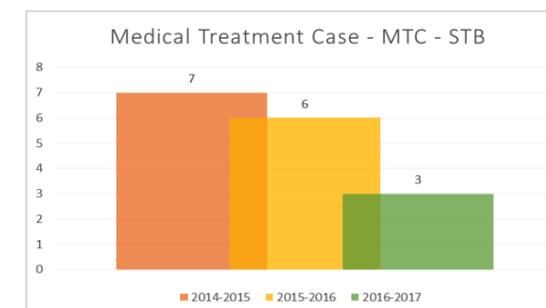
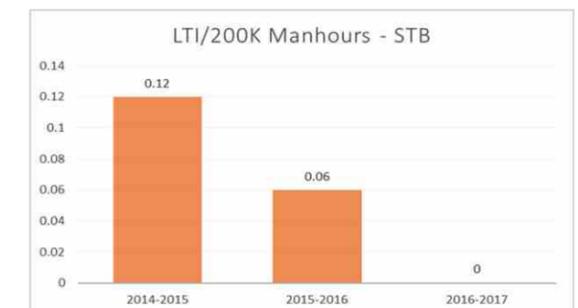
No case of non-compliance concerning health and regulations has been reported.

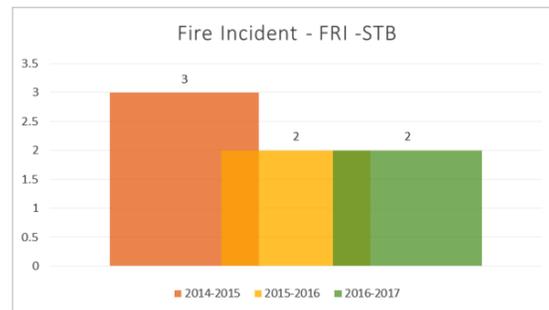
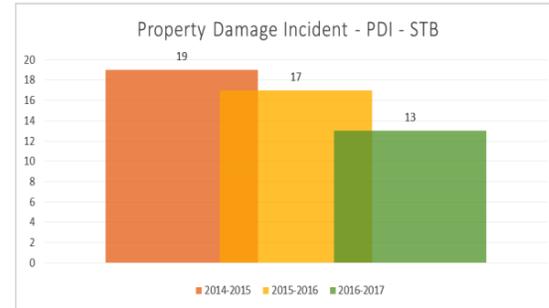
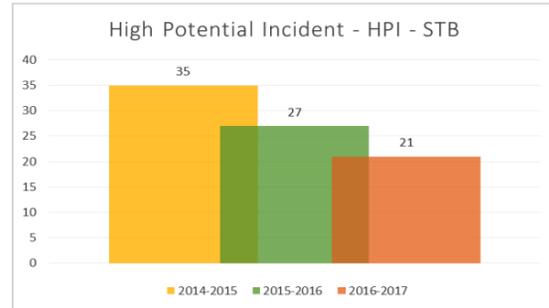
Safety committee onboard ships are represented by the entire workforce. Apart from monthly safety committee meetings on board the ships and regular drills between office and ships/rigs, Annual safety seminars with floating staff and senior management of company are held where experts from industries in field of safety, quality and environment do knowledge sharing. Health experts are also invited to improve awareness on healthy living. On board

training and discussions are also held when office superintendents visit vessels

Detentions: In the year 2015-16, there were three PSC detentions. In the year 2016-17 there was one PSC detention. The investigation on these incidents carried out and required corrective and preventive actions have been implemented across fleet.

Below are the Safety highlights during the last three years.

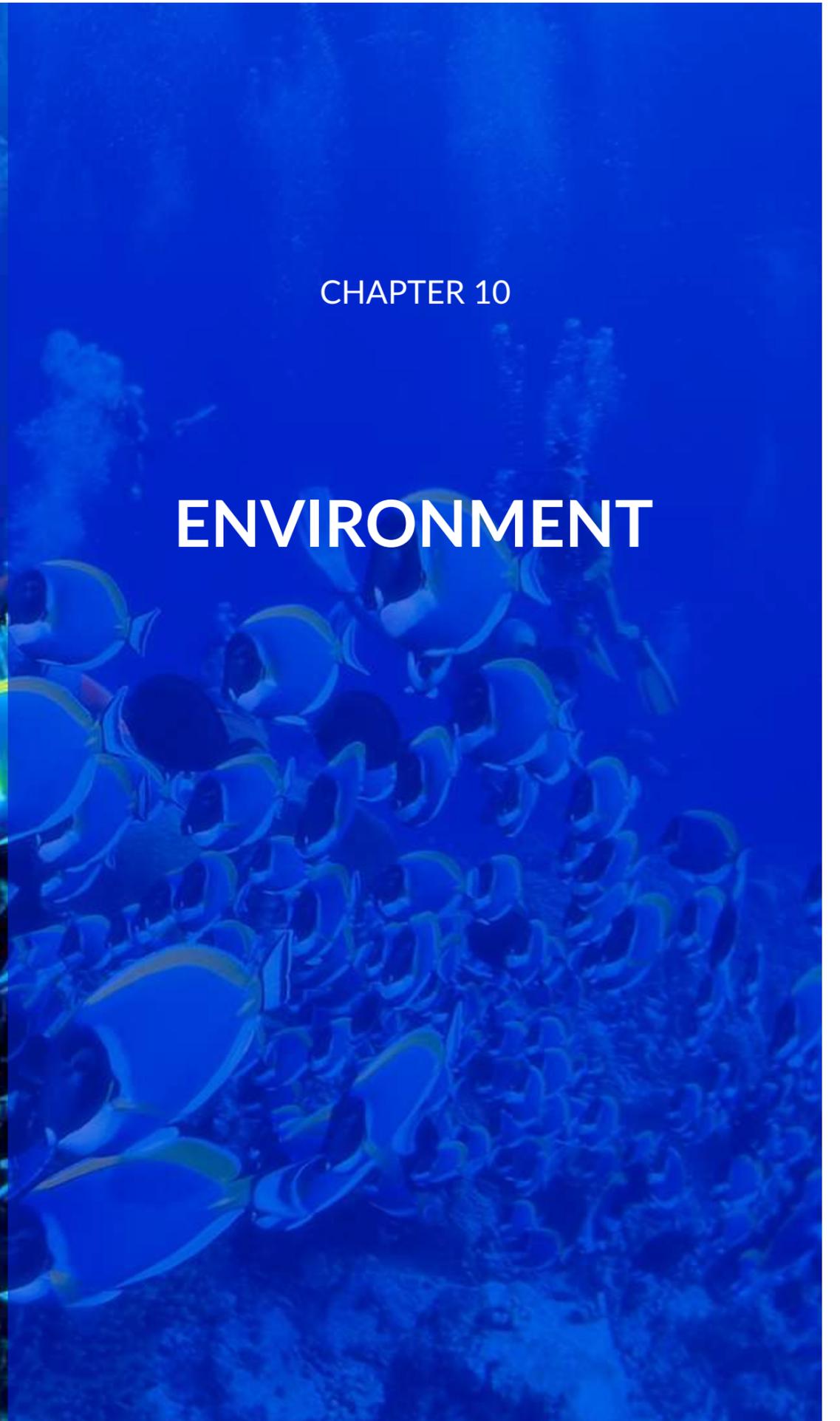






CHAPTER 10

ENVIRONMENT



ENVIRONMENT

10.1 Disclosure of Management Approach

The Shipping sector has seen a marked increase in the focus on environmental issues namely emissions from ships and waste management. As an organization the company has monitored its environmental performance for several years and our focus on emission reduction has seen positive results.

All ships owned or operated by the Company fly the flag of one of the parties to the "International Convention on Prevention of Pollution from Ships at Sea" herein after referred to as "Marpol 73/78". As a part of its operational process the regulatory authorities shall be given all facilities to check compliance with Marpol 73/78 and to ensure that the ships shall be issued with relevant certification to confirm the status under that convention.

Essar Shipping Ltd. is in compliance with ISO 9001 / 14001 and 18001 as specified in ABS guideline of HSQE for shipping operation

The Master and Chief Engineer Officer on all ships shall ensure that the procedures relating to activities under their control are brought to the notice of all concerned and that, where applicable, such procedures are implemented, recorded and reviewed.

We ensure that our ships meet the applicable environmental regulations and guidelines, including SEEMP (ships energy efficiency management plan), Ballast water Management plan, Energy efficiency

certification, Green passport. Our fleet renewal plan has resulted in a marked improvement in the efficiency of transportation between our primary destinations, East coast of India to Hazira

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

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

We continued our focus on raising awareness about environmental issues through online and classroom training. Going forward, the following will continue as our priorities in the FY17-18

In order to ensure compliance to legal and other requirements below steps are followed.

- Minimize pollution and continually improve performance to reduce our environmental foot print
- Optimise resource consumption by

planning and carrying out operations using proven resource conservation methods

- Identification of opportunities such as clean technologies, energy efficiency, water efficiency etc. with an approach that enables long term sustainability
- Increasing awareness of global as well as business specific environmental issues

10.2 Materials

Due to the nature of our business (transportation and drilling), we consider lubricants, paint and chemicals as materials necessary to deliver our services. Packaging is not material to our business as we transport goods packaged by the manufacturer. We have included Paint and Chemicals as material, from this year, as we feel that they have significant impact on the Environment. Supply and consumption is monitored all across our fleet and where applicable, alternate environmental friendly chemicals are used.

10.3 Energy

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

damage as per MARPOL.

Ship Energy Efficiency Management Plan (SEEMP): In line with current guidelines that have been established by IMO, each of our vessels has a vessel specific Energy Efficiency Management Plan. This plan covers fuel consumption for propulsion, electricity generation and consumption and cargo operations. We are capturing and monitoring the data on a monthly basis so as to take appropriate corrective measures on a timely basis. Onboard performance monitoring systems will give a holistic approach to ship operations with the aim of reducing fuel consumption and emissions while achieving optimum vessel performance (Ref IMO- MEPC.1/683). We have already completed energy efficiency evaluation on our ships and effectively implemented the fuel efficiency measures. These include trim optimisation, speed reduction and weather routing. These fuel efficiency measures will not only reduce our energy consumption but also benefit our customers through lower fuel cost, where applicable. On the basis of this initiative, all ships are now certified with International Energy Efficiency (IEE) Certificate. SEEMP is reviewed annually and changes as required are effected.

10.4 Water

Sea Transportation and Oilfield services mostly use water that is generated on board. The water is withdrawn from deep oceans

and is used for operational and other purposes. This sea water is also used for generating fresh water onboard. No water sources were significantly affected due to withdrawal during the reporting period.

10.5 Ballast water

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

10.6 Biodiversity

The sea transportation and oil field services mainly operate at sea and hence have no impact on bio-diversity. There has been no incident of any spill during the year. Spill is considered as significant when the spill result in creation of a sheen on water.

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

10.7 Emissions, Effluents and Waste

Emissions from ships and rigs are mainly SO_x, NO_x, PM are regulated and controlled and records maintained as per MARPOL requirements. SEEMP is in place to minimize emissions.

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

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

Waste management is carried out onboard as per garbage management plan. Incinerator to burn waste and sludge generated are provided onboard as required by MARPOL. Records are maintained onboard. No hazardous waste is transported, imported, exported by our company. Garbage under the Plastic category is landed ashore and record as per MARPOL annex V is maintained. Other Garbage under the category of Food Waster, Domestic wasters, Cooking oil, Incinerator Ashes, Operational waster, E waster are all disposed as per MARPOL.

Disposal of Garbage is carried out by landing them through the port facility, with the Flag State/local pollution board approved vendors. These approved vendors have the required facility, meeting the local

pollution control board requirements for proper disposal and treatment.

We ensure that our ships are painted with appropriate paint meeting the present anti fouling regulations.

10.8 Overall

The management approach is to comply with mandatory National and International rules and regulations and applicable industry standards, guidelines or codes to ensure minimum impact on environment and natural resources and also take adequate precautions and measures to prevent any damage. Company addresses precautionary principle by analyzing environmental impacts reported by the stakeholders during the normal activities and identifying the significant impacts for evaluation as aspects.

10.9 Climate Change

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

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

Our strategy to reduce GHG emissions was identified during the year 2013. Modal shift offered an excellent opportunity to make large reductions. Ships emit about 8-10 times less carbon per tonne-mile than trucks and given the large volumes of cargo to be moved around the country*, a conscious decision has been taken to move increasing volumes by sea where possible. Dedicated vessels have been deployed for carrying finished goods from the Hazira plant to ports around the country where cargo was delivered to serve the inland destinations by minimizing road transportation.

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

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

IMO has been in the process of formulating various Climate Change initiatives for the Maritime Sector and it has been our focus to

incorporate all the emerging regulations in our approach. However as a group we have concentrated our focus on the following

- GHG emissions in alignment with the industry
- Ozone emission - consumption and supply monitored using EIS.
- 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

Previous GHG emissions were calculated using IMO GHG study. However, since last two years 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 assessment are also based on the requirements of ISO 14064, in addition to IMO requirements.

*Reference IMO GHG study 2009

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

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

climate change has severe impact on our business.

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

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

10.10 Scope 1/ 2/ 3 Emissions

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 dry-dock to supply electricity via hired generators on owned or bareboat

chartered vessels.

Scope 2

Emissions due to vessel purchasing electricity from the grid (in dry dock or at berth) from owned or controlled sources.

Scope 3

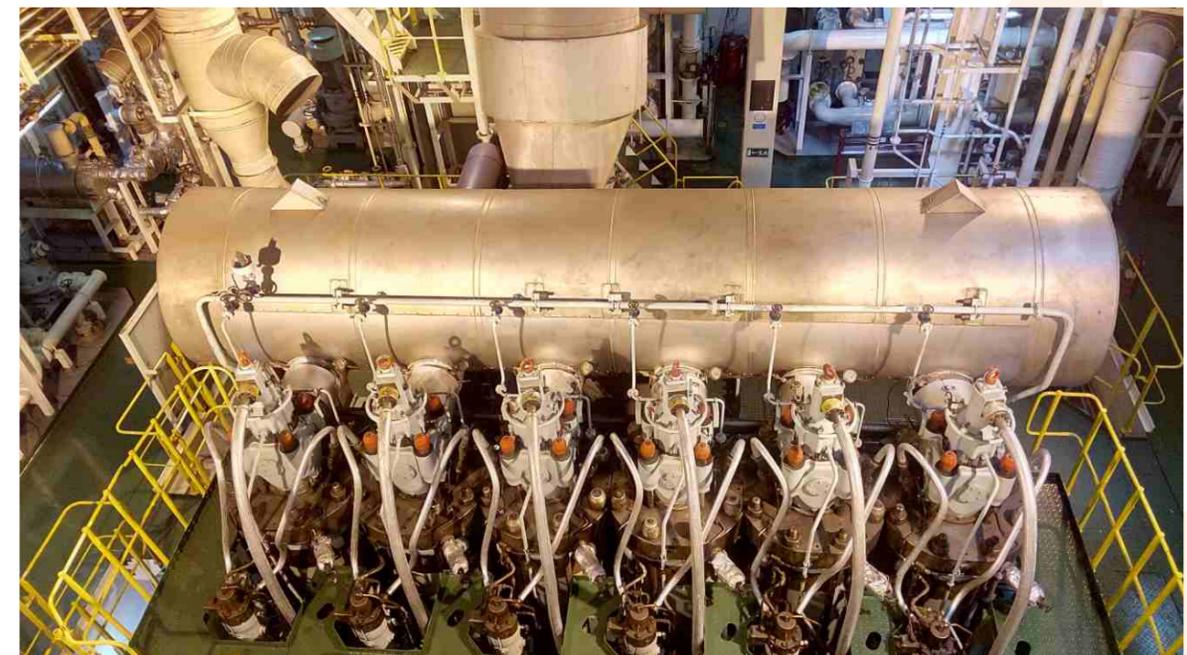
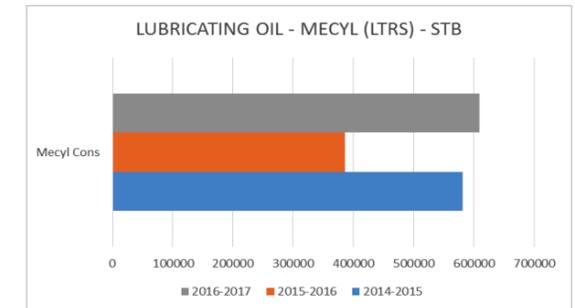
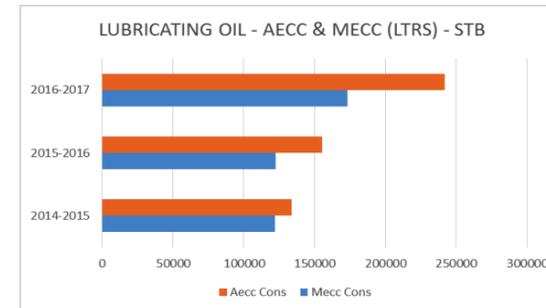
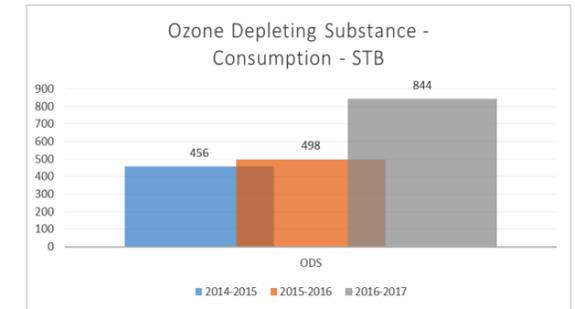
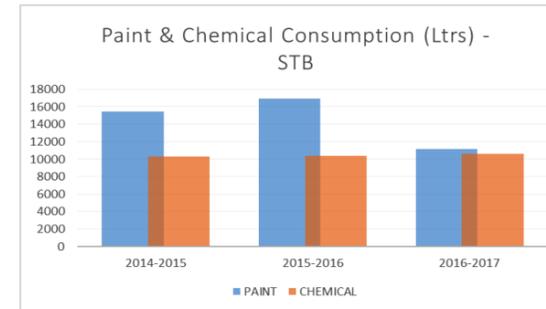
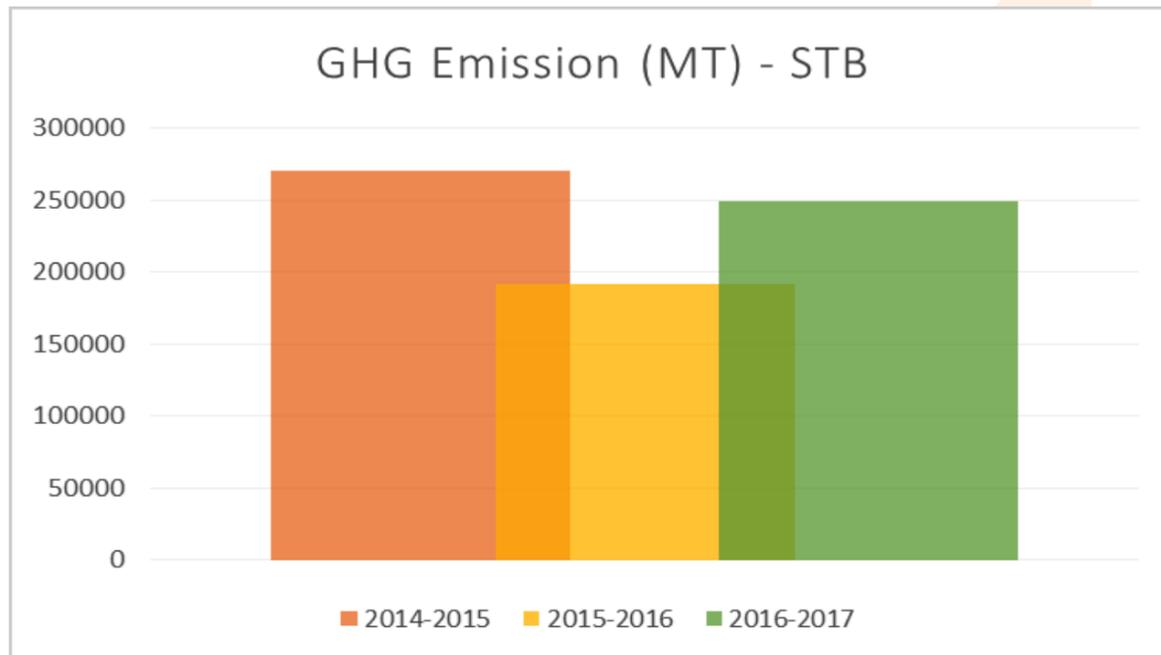
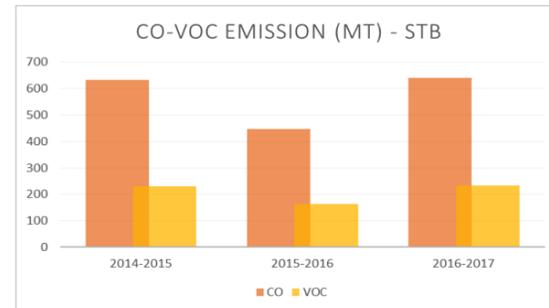
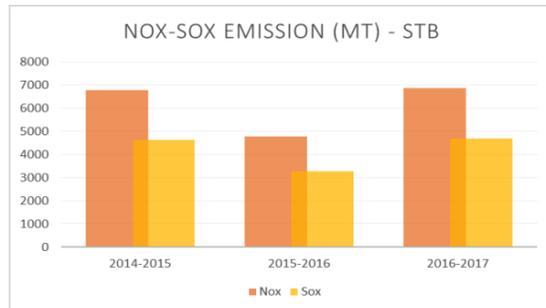
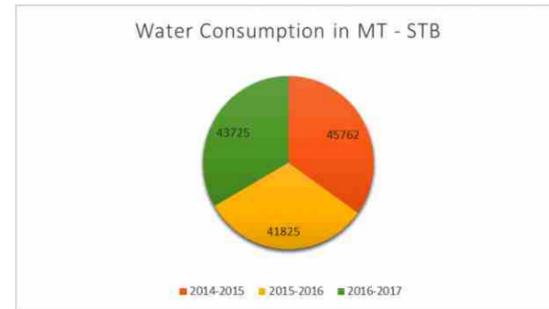
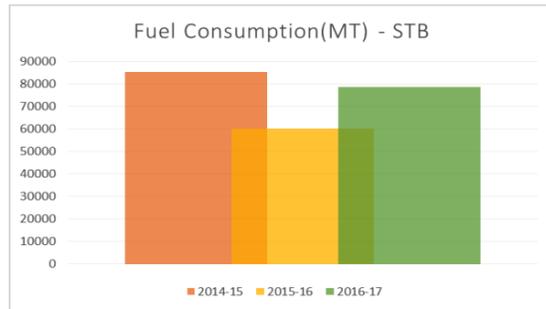
Emissions due to transporting cargo on ships neither owned or bareboat chartered to ESL

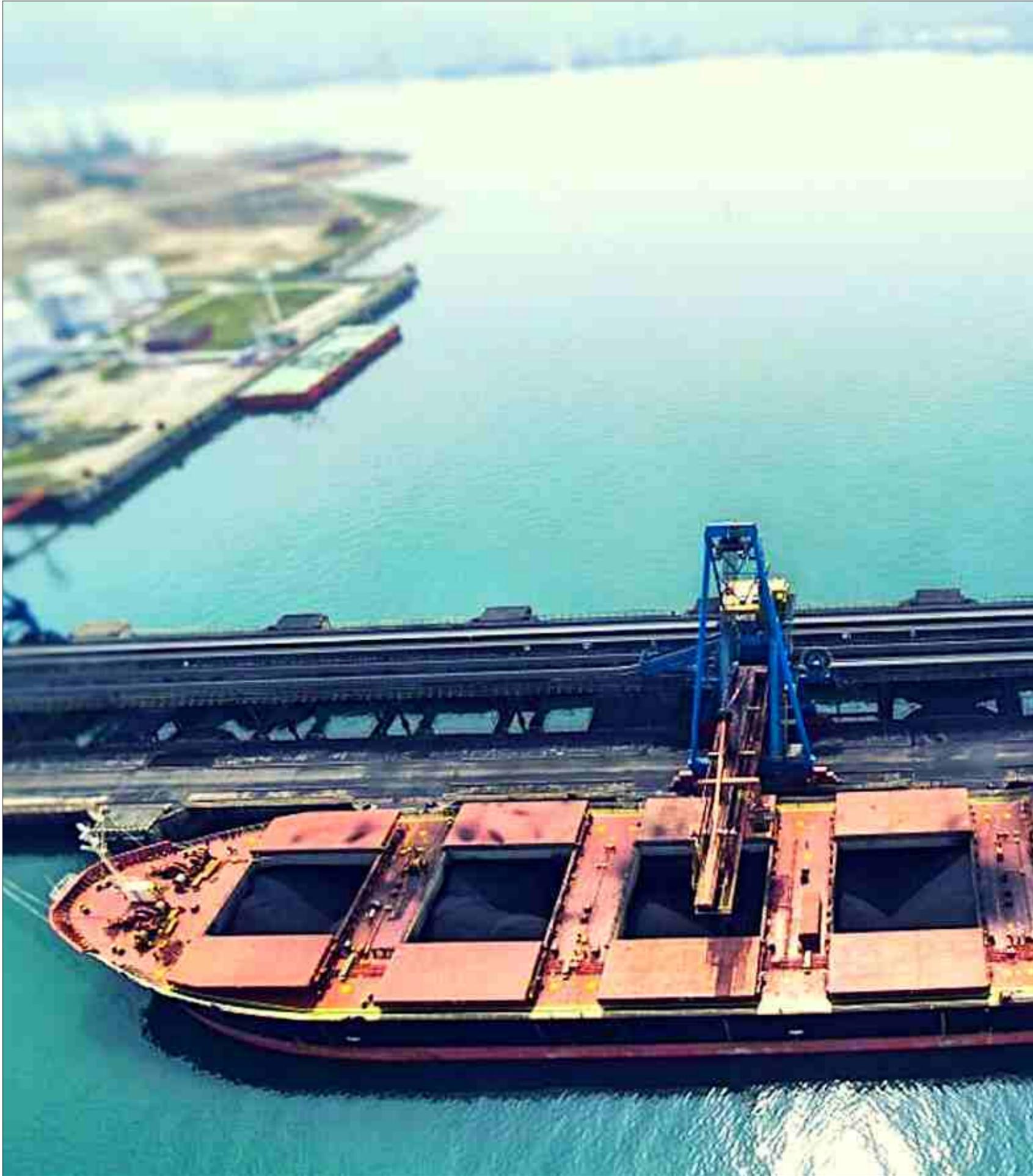
10.11 Environmental Performance

10.11.1 Environment data

STB				
ENVIRONMENT	Unit	2014-2015	2015-2016	2016-2017
Fuel Consumption	MT	85327.67	60325.01	78684.54
Lubricants consumed	Ltr	853938	677494.6	1050821.47
Direct Energy Consumption	GJ	3504122	2479496.893	3550968
Indirect Energy Consumption	GJ	0	0	0
Water Consumption	MT	45762	41825	43725
Water Generated	MT	32789	23448	27247
Water Received	MT	16945	25607	20719
Total Direct & Indirect	tCO2e	0	0	0
Greenhouse Gas Emissions				
Scope 1 Emissions	tCO2e	270137.5	191255.67	274240.6
Scope 2 Emissions	tCO2e	0	0	0
Ozone Depleting Substances	Kg	456	498	844
NOx	MT	6763	4787	6860
SOx	MT	4607.694	3261.13	4672.70
PM10	Kg	5.45	3.88	5.65
CO	MT	631.42	446.89	640.33
VOC	MT	230.86	163.16	233.90
Bilge Water Treated	M ³	2244	1900	2558
Hazardous Waste	MT	135	146	119
Non-Hazardous Waste	MT	360	308	302
Number of Significant Spills	Numbers	1	0	0
Volume of Significant Spills	MT	0	0	0
Paint consumed	Ltrs	15463	16966	11141
Chemical consumed	Ltrs	10290	10374	10648

10.11.2 Analysis of Environment data





CHAPTER 11

PRODUCT RESPONSIBILITY



PRODUCT RESPONSIBILITY

11.1 Disclosure of Management Approach

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

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

Information security Policy - This Information Security policy relates to protection of information and information processing assets of Essar companies and the protection of customers' information and assets that are entrusted to Essar. This policy applies to all employees across all locations and offices, consultants, vendors, partners and contractors of Essar companies. This policy applies to all Essar owned information assets, all privately owned systems when connected directly or indirectly to the Essar's network

All employees, contractors, consultants, vendors or any third parties associated with Essar and Essar companies shall be made aware of and be required to comply with the relevant sections of these policies as applicable to the nature of the engagement that they have with the Essar.

Essar's Management is committed to

protecting the firm's information resources from internal and external threats to their confidentiality, integrity and availability. Senior Management provide support through discrete funding for information security, appropriate resourcing for projects and plans and by providing regular review and feedback on results and effectiveness.

It is our constant endeavor to provide a holistic solution to all the logistics including offshore and onshore drilling needs of our customers. Operational excellence, on-time delivery and delivering consistent value are some of our key customer focus areas. We are improving our planning and logistics strategy to meet customer demands. One of the key steps that we have taken in this regard is providing customised ERP solutions to cater to specific customer requirements. This includes information visibility and interpretation through use of dashboards that facilitate slice and dice. In the last 3 years our IT approach has changed from being reactive to being proactive. We are now moving towards a predictive approach. Our IT backbone consists of SAP / EIS applications for governance functions such as Finance and Accounts, Fund Management, Materials Management etc. The customised ERP solution caters to the core operating needs of businesses. Solutions through our EIS have already been deployed in areas such as crew management, voyage management, in-chartering management, critical certificates, activity tracking, Port State

Control/Flag State Control Inspections, ISM related documentations and reports, Sustainability related reports and incident monitoring. The framework and baseline are ready to take on new challenges and we are trying to align ourselves with international benchmarks to be on a par with the best. Some of the solutions include vessel profitability, oilfield operations, consumption monitoring and crew payroll

Top management provides evidence of its commitment to the development and implementation of the management system and continually improving its effectiveness by:

- a) communicating the importance of meeting the customer's as well as the statutory and regulatory requirements within the organization and ensuring these requirements are understood;
- b) establishing the Quality policy;
- c) ensuring that quality objectives are established;
- d) conducting management reviews; and
- e) ensuring availability of resources.

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

Prior fixing the cargo, MSDS and related cargo documents are checked and confirmed for compliance. Prior fixing the dangerous cargo, P&I is involved to

scrutinize the documents and give their expert opinion, which help ESL in minimizing the risk.

- Transport

Transportation of goods is carried out in accordance with Local, National and International requirements. Company ensures that all applicable loading/ stability guidelines together with best industry practices and safety management guidelines are complied with, while carrying out the transport.

11.2 Customer Focus

Top management ensures that Customer's requirements are determined and met with the aim of enhancing Customer satisfaction. Additionally Essar Shipping Limited, monitors information relating to the Customer's perception to demonstrate fulfilling customer or charter party requirements. The methods for obtaining and using this information is determined and includes:

- a) procedures for reviewing pertinent voyage inspection and test records in order to determine if contractual requirements have been met and if requirements have not been met, corrective action is taken;
- b) participation in client meetings;
- c) soliciting of client feedback;

- d) tracking breakdowns, accidents, delays and port state interventions;
- e) anticipating trends including opportunities for preventive action;
- f) tracking supplier's performance and costs of purchases;

11.3 Delivering consistent value, product and service quality

Providing quality services to our customers is part of our mission statement. The customer's requirements are documented in the contracts and charter parties. All terms, conditions and exceptions are stated in the contract. We encourage our customers to evaluate our performance and provide feedback for improvement. Sea Transportation business has a formal customer feedback mechanism. Feedback is also taken during interaction with the customers from time to time. This enables us to deliver consistent value to our customers.

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

11.4 Reach to Market and Customer

There is a system of approaching key partners in market through networking and industry get-togethers, exhibition and forums. Our marketing communications, including advertising, promotion, and

sponsorship are done adhering to laws, standards, and voluntary codes. There is a corporate communication team which has a presence at strategic locations and it deals with all external communications ensuring adherence to laws and codes.

There has been no complaints regarding breaching of customer privacy and losses of customer data. There is a strict IT policy in place.

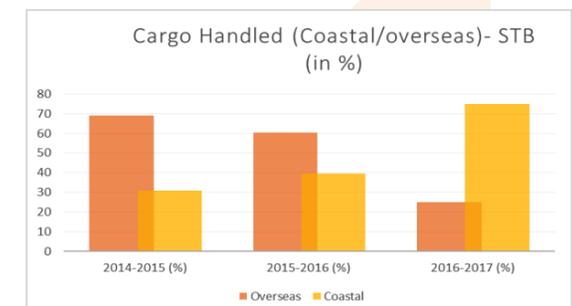
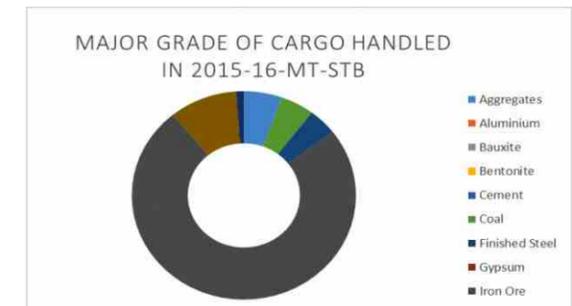
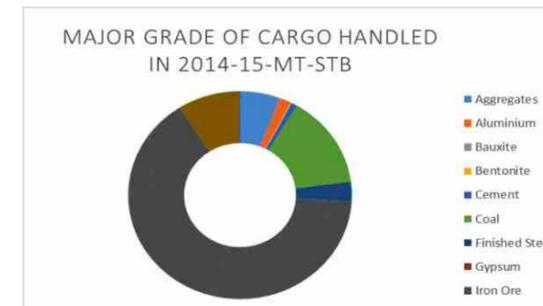
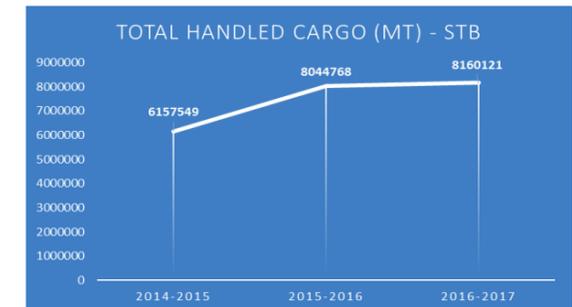
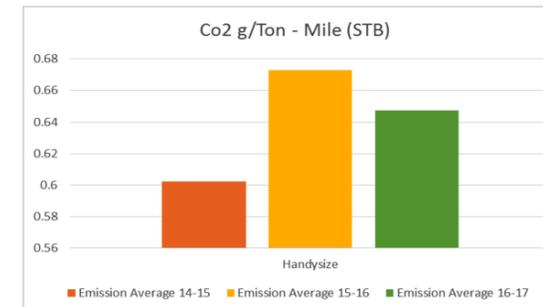
Essar shipping Limited complies with laws and regulations concerning the provision and use of our services. No non-compliance case with significant monetary value (no pollution or damage) has been reported during year.

There has been no significant change in the trading areas, sectors served and customers as compared to the previous year.

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

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

11.5 Countries of operations and distribution of product segments - Ref section 2.3 of this report.





CHAPTER 12

SOCIAL RESPONSIBILITY

SOCIAL RESPONSIBILITY

12.1 Management Disclosure

Essar Group is committed to achieve excellence in Corporate Social Responsibility (CSR) and subscribes to the principle of sustainable development and the sustainability policy of the group. The purpose of the CSR policy is to guide the group to proactively work towards meeting the needs of present generation without compromising the ability of future generations to meet their own needs.

The organization's values, principles, standards are elaborated in the company codes of conduct and codes of ethics manual, which is available to all the employees through the intranet. Employees are briefed during induction process on all the policies.

To meet this commitment Essar shall design and deliver programs that make positive impact on Social Capital, Natural Capital, Human Capital and Financial Capital in the communities where we operate. We will respect the law of the land, proactively engage with the stakeholders, set progressive benchmarks, and establish practices that meet international standards, by adopting:

Responsible Business Practices

- Maintain highest degree of business ethics and standards of corporate governance
- Establish mechanisms and controls to

ensure continuous compliance to standards

- Respect for competition and antitrust laws in geography of operation.

Responsible Stakeholder Engagement

- Demonstrate mutuality and respect for diversity of cultures and rights of individuals and groups in areas where we operate
- Engage and support programs aimed of socio-economic development of communities where we operate, in consultation with local government, Knowledge institutions and other appropriate stakeholders

Responsible Employees

- Establish highest standards of HR practices enabling continuous professional development
- Encourage and facilitate employees volunteering across locations

Responsible Value Chain

- Identify, develop and encourage value chain partners that demonstrate highest level of business ethics, integrity and are committed to responsible business practices.
- Establish appropriate programs for suppliers and contractors development

Responsible Reporting

- Develop robust monitoring and evaluation framework and reporting against established global standards and best practices

We commit that our CSR objectives and commitments shall be aligned with the business processes to enhance stakeholder and shareholders value

The Corporate Social Responsibility Committee comprises Captain B. S. Kumar - Chairman; Mr. Ranjit Singh; and Ms. Neelam Kapoor (Appointed w.e.f. July 31, 2017 in place of Ms. S Gayathri who has resigned on May 24, 2017).

12.2 Corruption - ref to section 8.9

12.3 Vigil Mechanism

The Company has in compliance with Section 177 of the Companies Act, 2013 has established Vigil Mechanism by adopting the, 'Whistle Blower Policy', for Directors and Employees. The Whistle Blower Policy provides for adequate safeguards against victimization of persons who use such mechanism and have provision for direct access to the Chairperson of the Audit Committee in appropriate cases.

12.4 Social Objectives

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

12.5 Grievance Mechanisms

It is the philosophy of the Essar Group that all employees should be encouraged

to discuss their problems with the management. Essar's 'Open Door' policy guarantees that employee concerns are heard, considered and answered without fear of reprisal. A three step approach to address the Grievance is available on the website of the Company www.essar.com.

The Company followed related rules and regulations such as the Anti unfair Competition Law and the Interim Rules on Prohibition of commercial Bribery, advocated fair competition, and opposed market monopolization and unfair competition behaviors. It collected and appraised related international and domestic anti-monopolization and anti-unfair competition laws and regulations on regular basis, and formulated the systems to maintain free and fair market competition order based on these requirements.

No legal actions pending or completed during the Reported period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant.

ESL has a procedure to the selection evaluation and Re-evaluation of sub-contractors and suppliers for inclusion and maintenance in a databank of Approved Suppliers.

Evaluation of supplier is important as it directly affects the safety, health,

environment and social performance of the company. As per company policy, evaluation of all suppliers carried out on annual basis. Inclusion of any new vendor is carried out as per company policy and only when the vendor meets all the requirements of domestic and international regulations.

12.6 COMMUNITY ENGAGEMENT

As a Service Industry Essar Shipping Ltd has diverse surrounding communities and our focus areas for community engagement were Education, Health, Child Welfare.

2015-16

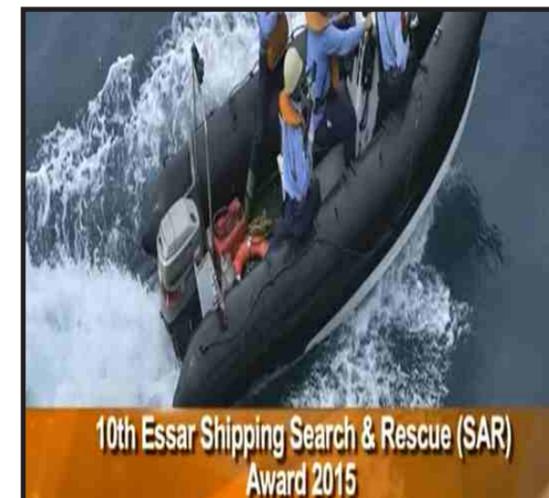
Essar Shipping employees participate in Swachh Bharat Abhiyan for the welfare of abandoned children). 19th August 2015 – Essar Shipping employees come together to clean the Play Park area at Bal Asha Trust in AnandNiketan, Mahalaxmi

This gave the shipping employees an opportunity to promote the "Swachh Bharat Abhiyan" laid down by the Prime Minister

Essar Shipping presents annual Search and Rescue awards - 17th July 2015

Saving lives at sea is in line with the highest traditions of seafaring and with limited resources it takes courage, and selflessness. Every year Essar Shipping recognizes acts of bravery both in the Indian Coast Guard, as

well as by the fishing community. The 10th Essar SAR Award 2015 was presented jointly to Indian Coast Guard vessels, 'Hovercraft-194' and Research Vessel 'SagarManjusha'. The Essar SAR Award for Fishermen 2015 was awarded to Fishing Boat 'L. Aster', for the bravery shown by its crew in upholding the highest traditions of seafaring



Essar Shipping Active involvement in celebration of ICC Day at Juhu Beach, Mumbai, Maharashtra - 19th September 2015

The day started with a formal inauguration by JS Sabharwal, Deputy Inspector General, Indian Coast Guard-6. Around 2,000 persons including officers, sailors, from the Navy, and their family members, NCC cadets, students from Navy Children School, various volunteers organizations, PSUs CISF, Marine Police and corporates participated in the coastal cleanup drive, which was

themed, 'Keep the sea trash free'. Team Essar Foundation, Vizag, pitched in to support the Coastal Clean-up Drive. The event concluded with the aerial display by the Eastern Naval Command rescue operation team. The act featured the procedure which they use for their rescue operation.



Essar Shipping Ltd.(ESL) and Essar Ports Ltd. (EPL), in association with the ICG, observed ICC Day in Mumbai. This annual programme involves volunteers cleaning up two main beaches in the city, Juhu and Girgaum Chowpatty. Essarites took the time off between 8:00 - 10:30 am on ICC Day 2015, and joined 2,500 Mumbaikars of all ages, to participate in this event. This was our chance to join a global movement and do our bit to preserve the environment. This year, although the event was immediately after 1.5

days 'GanpatiVisarjan' (ritual immersion of Ganpati idols) in Mumbai, the beaches were found to be in a much cleaner state, than in the previous years. We believe that there is definite awareness amongst Mumbaikars, and the impact was visible

Diwali and Janmashtami Celebrations with special Children 6th November 2015

Sharing celebrations simply doubles the joy of festivals, as Team Essar Shipping, Mumbai, has experienced time and again through its 3-year old employee volunteering programme, 'Enriching lives through the Power of giving'

Essar Shipping Ltd.(ESL) Mumbai, brought in Diwali festivities this year with the children of the SEC Day School for the differently abled, in Central Mumbai

As they've experienced time and again through their 3-year old employee volunteering programme, 'Enriching lives through the Power of giving', sharing celebrations simply doubles the joy of festivals.



2016-17

Essar Shipping presents annual Search and Rescue awards - on 27th Jul 2016

The 11th Essar Shipping Search & Rescue (SAR) Awards 2016 were presented jointly to Indian Coast Guard's ICG Ship C-410 and CSG (Marine Police) boat TN-MP- 12-01. Mr MokaNaganna from Gillakaladiindi, Machilipatnam, Andhra Pradesh, received a cash award and a citation for his courageous act of rescue in extreme weather conditions. The awards were presented at the 15th National Maritime Search and Rescue (NMSAR) commemoration ceremony held in Delhi on 27 July 2016.



Accidents on the high seas can be incredibly dangerous, as assistance is not easily available and communication is difficult, or in many cases, practically impossible. Responding to the call of a distressed vessel

on the high seas, is more than just upholding the highest traditions of seafaring. Given the limited resources, it takes courage and selflessness for a crew to respond to a call for help.

Essar Search & Rescue (SAR) Awards

Since 2005, every year, Essar Shipping (ESL) has recognised the courageous and selfless acts of the men and women of the Indian Coast Guard (ICG) who perform the task of Search-and-Rescue along the Indian coast. Awards were given to the following:

- ICG Ship C-410, which rescued a local fishing boat, 'Rabzsea'
- o CSG (Marine Police) boat TN-MP- 12-01 for prompt response to distress calls

Mr MokaNaganna from Gillakaladiindi, Machilipatnam, Andhra Pradesh, for rescuing four fishermen, whose boat had capsized in an accident the previous night

Dr Harsh Vardhan, Hon'ble Union Minister of Earth Sciences, was the chief guest for the inauguration and launch of the Search and Rescue Aid Tool - 'SARAT'. The tool has been designed and developed by Indian National Centre of Ocean Information Services (INCOIS).

Essar Shipping and Ports join hands with the Indian Coast Guard to clean up beaches at Mumbai 17th September 2016

Mumbai : 17th September 2016: International Coastal cleanup Day is the world's largest one-day volunteer effort to clean up the coast and the surrounding environment. It is observed annually in the 3rd week of September. Every year, Essar volunteers it upon themselves to clean up their beaches, and this year was no different. Essar Shipping, along with the Indian Coastguard organised a coastal clean-up drive in Mumbai along the beaches of Girgaum, Juhu and Dadar.

Over 5000 people were able to clean up 15 truckloads of debris and litter, leaving our beaches cleaner and our environment less polluted.



Support Education by providing the Stationery needs of SIES day school 29th November 2016

Essar Shipping Ltd., Mumbai, has experienced time and again through its 5-year old employee volunteering programme, 'Enriching lives through the Power of giving' employees come together on 29th November 2016 to support the education underprivileged and crippled students of if SIES day school. 5 employees of Essar Shipping Limited visited SIES day school and donated Notebooks, School Stationery items.

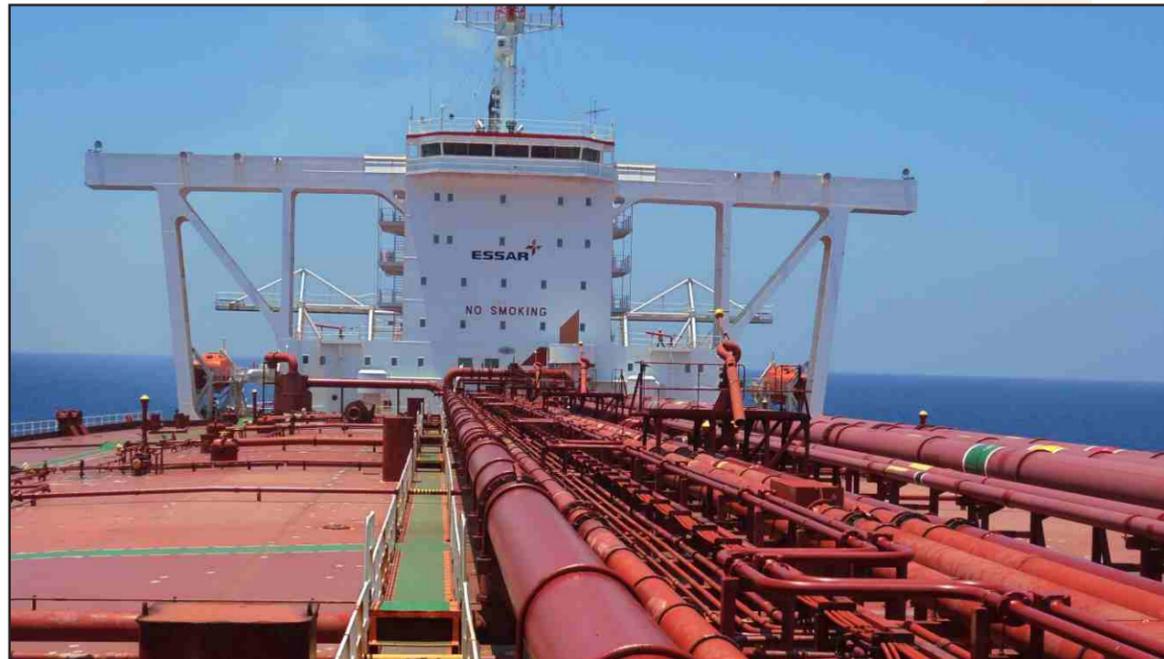
Also organized for snacks and gifts before they break for Diwali vacation

They interacted with children and spent



quality time trying to understand their background, their problems it was great experience for employees to comprehend how children with so many disabilities & Obstacles still have the ability to live happily.

We also enjoyed watching some of kids Singing Bollywood numbers and saying Bollywood dialogues



GLOSSARY

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

STB	Sea Transportation Business
IUCN	International Union for Conservation of Nature

First Aid Case (FAC)

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

Fixed term contract employees

Employees directly hired through the company on a fixed term contract basis for a period ranging 1-3 years for certain/specific projects. The contract can be renewed further as per business needs upon mutual consent by both the parties. The contract can be terminated by both the parties with 1 month notice period from either side.

Medical Treatment case (MTC)

This is any work related loss of consciousness (unless due to ill health), injury or illness requiring more than first aid treatment by a physician, dentist, surgeon or registered medical personnel, e.g. nurse or paramedic under the standing orders of physician or under the specific order of a physician, or under the specific order of a physician or if at sea with no physician onboard could be

considered as being in the province of a physician.

Third party contract employees

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

Oil Spill

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

- Violate applicable water quality standards;

- Cause a film or "sheen" upon, or discoloration of the surface of the water or adjoining shorelines; or
- Cause a sludge or emulsion to be deposited beneath the surface of the water or upon adjoining shorelines.

Significant spill is defined as quantity greater than 100 litres

Lost Time Injury

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

NO.	EMISSION	CALCULATION
1	Scope 1-2 emissions	$\frac{((\text{HO consumption in MT} * 1000 * 41.0) / 1000000) * 77400}{1000} + \frac{((\text{DO consumption in MT} * 1000 * 41.0) / 1000000) * 74100}{1000}$
2	NOx	$(\text{HO consumption in MT} * 79.3) / 1000 + (\text{DO consumption in MT} * 78.5) / 1000$
3	SOx	$(\text{HO consumption in MT} * 54) / 1000 + (\text{DO consumption in MT} * 54) / 1000$
4	PM10	$(\text{HO consumption in MT} * 6.7) / 100000 + (\text{DO consumption in MT} * 1.1) / 100000$
5	CO	$\frac{((\text{HO consumption in MT} * 7.4) + (\text{DO consumption in MT} * 7.4))}{1000}$
6	VOC	$\frac{((\text{HO consumption in MT} * 2.7) + (\text{DO consumption in MT} * 2.8))}{1000}$

NO.	EMISSION	CALCULATION
7	CO ₂ Emission Gram / Ton	$((3.114 * \text{HO consumption in MT}) + (3.186 * \text{DO consumption in MT})) / (\text{Total Distance Travelled} * \text{Total Handled Qty In Mt}) * 1000000$
8	GHG Emission	a) Take HO consumption & DO consumption units in MT
		b) Convert MT units of HO & DO into Kgs. (HO in MT * 1000 , DO in MT * 1000)
		c) Further convert HO in KG & DO in KG for Direct Energy in MJ : HO in KG X 41 = HO DIRECT ENERGY in MJ DO in KG X 42.2 = DO DIRECT ENERGY in MJ
		d) Now , Convert obtained MJ unit in TJ : HO ENERGY in MJ / 1000000 = DIRECT ENERGY in TJ DO ENERGY in MJ / 1000000 = DIRECT ENERGY in TJ
		e) Calculate CO ₂ in KG : for FO, ENERGY in TJ X 77400 = CO ₂ in KG for DO, ENERGY in TJ X 74100 = CO ₂ in KG
		f) Combine obtained figures from (e) and get the conversion in tons : > (CO ₂ in KG FO + CO ₂ in KG DO) / 1000
		g) Obtain indirect CO ₂ in tons : 1 KWH = 3.6 MJ MWH X 0.9987 = CO ₂ in tons
		h) Summation of "Effective CO ₂ in Tons" and "Indirect energy in MWH" gets you GHG Emission.



CHAPTER 14

GRI INDEX

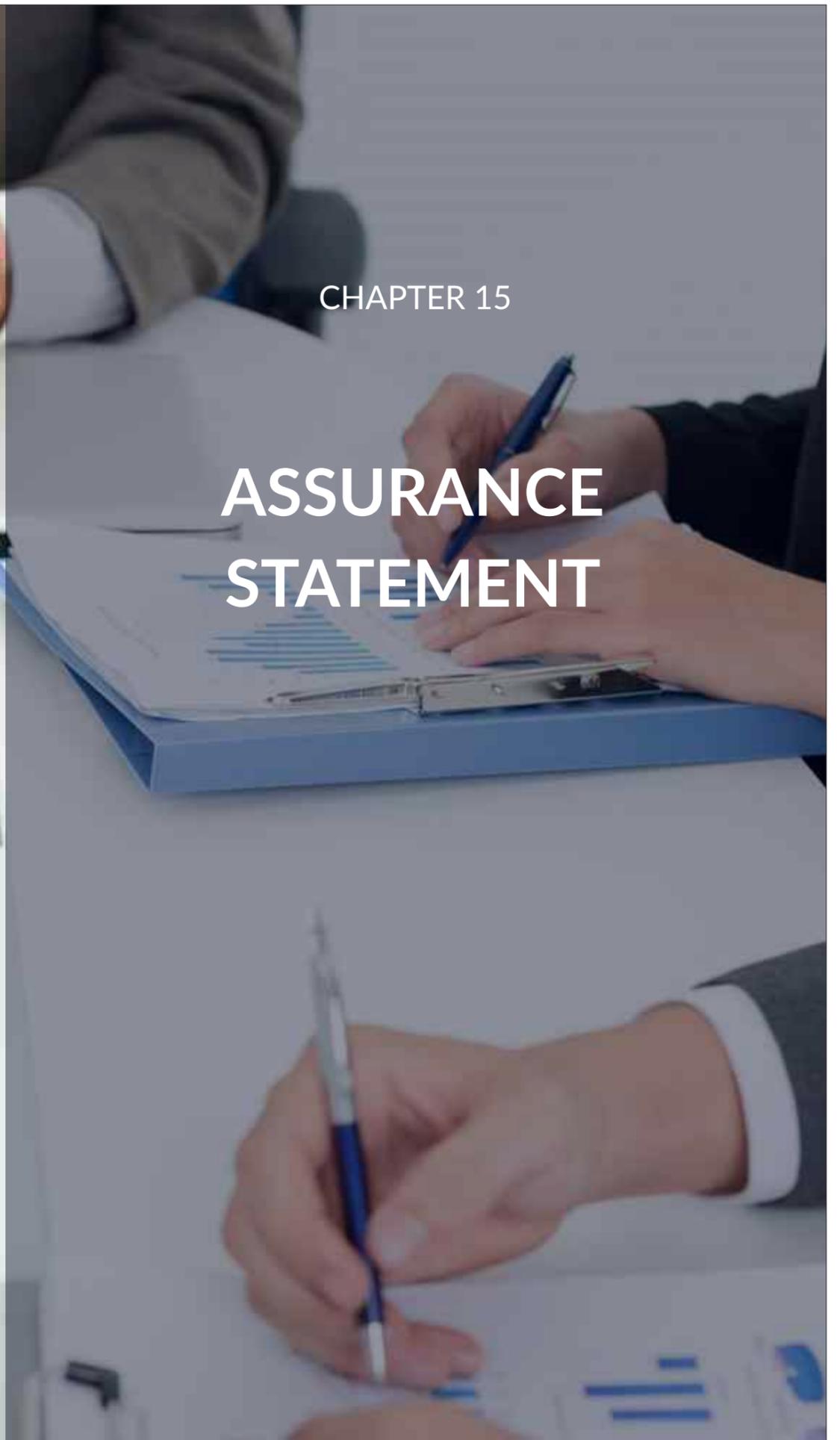


Reported Period April 2015 - March 2017 (2 years)			
In accordance	Core		
General Standard Disclosure	Disclosure Requirements	Cross Reference/ section no.	External Assurance Yes/No
STRATEGY AND ANALYSIS			
G4-1	CEO statement on sustainability	1.1	Yes
ORGANISATIONAL PROFILE			
G4-3	Organisation name	Front page	Yes
G4-4	Primary brands, products, and services	2.1	Yes
G4-5	Location of head office	2.2	Yes
G4-6	Number of countries, significant countries	2.3	Yes
G4-7	Nature of ownership and legal form	2.4	Yes
G4-8	Markets served	2.1, 2.3	Yes
G4-9	Scale of organisation	2.1.1	Yes
G4-10	Work force by employment contract, gender, region, etc	8.11	Yes
G4-11	Collective bargaining agreements	8.11	Yes
G4-12	External assurance	5.4	Yes
G4-13	Significant changes in organisation size	3.5	Yes
G4-14	Addressing the precautionary approach	10.8	Yes
G4-15	Charters, principles and initiatives	2.5	Yes
G4-16	Organisation memberships	2.5, 2.6	Yes
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Entities included in financials, and in sustainability report	3.4,6,1,7.1	Yes
G4-18	Report content process and reporting principles	3.7, 3.8,4.1	Yes
G4-19	Material aspects	4.2	Yes
G4-20	Aspect Boundaries in organisation	4.2	Yes
G4-21	Aspect Boundaries outside organisation	4.2	Yes
G4-22	Reasons and effects of restatements	3.3	Yes
G4-23	Changes in Scope and Aspect Boundaries	3.2	Yes
STAKEHOLDER ENGAGEMENT			
G4-24	Stakeholder groups	4.3	Yes
G4-25	Identification of stakeholders	4.3.1	Yes
G4-26	Approach to stakeholder engagement	4.3	Yes
G4-27	Key topics and concerns raised by stakeholders	4.3.1	Yes
REPORT PROFILE			
G4-28	Reporting period	3.2, 3.8.4	Yes
G4-29	Date of most recent previous report	3.8.4	Yes
G4-30	Reporting cycle	3.8.4	Yes
G4-31	Contact point for questions	3.8.7	Yes
G4-32	GRI reporting level	3.1, 3.8.6	Yes
G4-33	External assurance policy	3.8.6	Yes
GOVERNANCE			
G4-34	Governance structure	6.2	Yes
ETHICS AND INTEGRITY			
G4-56	Ethics and integrity	12.1,12.2,12.3,5,3,8.9	Yes

Part-2 SPECIFIC STANDARD DISCLOSURES - Economic Performance			
Specific Standard Disclosure	Cross Reference / section no.	External Assurance Yes/No	
ECONOMIC PERFORMANCE			
G4-DMA	Generic Disclosures on Management Approach	7.2	Yes
G4-EC1	Direct economic value generated and distributed	7.3	Yes
PROCUREMENT PRACTICES			
G4-DMA	Generic Disclosures on Management Approach	5.2.1	Yes
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	5.4, 11.5	Yes
Part-2 SPECIFIC STANDARD DISCLOSURES - Environment			
MATERIALS			
G4-DMA	Generic Disclosures on Management Approach	10.1,10.2	Yes
G4-EN1	Materials used by weight or volume	10.11.1	Yes
ENERGY			
G4-DMA	Generic Disclosures on Management Approach	10.3	Yes
G4-EN3	Energy consumption within the organization	10.3,10.11	Yes
EMISSIONS			
G4-DMA	Generic Disclosures on Management Approach	10.3,10.7	Yes
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	10.11	Yes
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	10.11	Yes
G4-EN20	Emissions of ozone-depleting substances (ODS)	10.11	Yes
G4-EN21	NOx, SOx, and other significant air emissions	10.11	Yes
EFFLUENTS AND WASTE			
G4-DMA	Generic Disclosures on Management Approach	10.7	Yes
G4-EN22	Total water discharge by quality and destination	10.11	Yes
G4-EN24	Total number and volume of significant spills	10.6	Yes
COMPLIANCE			
G4-DMA	Generic Disclosures on Management Approach	11.3	Yes
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	3.8.7	Yes
Part-2 SPECIFIC STANDARD DISCLOSURES - Labour Practices			
G4-DMA	Generic Disclosures on Management Approach	8.1	Yes
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	8.11	Yes
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	8.6,8.7,8.10	Yes

LABOUR AND MANAGEMENT RELATIONSHIP			
G4-DMA	Generic Disclosures on Management Approach	8.1	Yes
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	8.7.1	Yes
OCCUPATIONAL HEALTH AND SAFETY			
G4-DMA	Generic Disclosures on Management Approach	8.1	Yes
G4-LA5	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	9.1.1	Yes
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	8.12	Yes
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	8.11	Yes
TRAINING AND EDUCATION			
G4-DMA	Generic Disclosures on Management Approach	8.1	Yes
G4-LA9	Average hours of training per year per employee by gender, and by employee category	8.11	Yes
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	8.5	Yes
Part -2 SPECIFIC STANDARD DISCLOSURES - Human Rights			
NON DISCRIMINATION			
G4-DMA	Generic Disclosures on Management Approach	8.1, 8.8	Yes
G4-HR3	Total number of incidents of discrimination and corrective actions taken	8.8.1	Yes
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
G4-DMA	Generic Disclosures on Management Approach	8.1,	Yes
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	8.8.3	
CHILD LABOUR			
G4-DMA	Generic Disclosures on Management Approach	8.1,8.8	Yes
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	8.8.4	Yes
FORCED LABOUR			
G4-DMA	Generic Disclosures on Management Approach	8.1,8.8	Yes
G4-HR6	Operations and 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	8.8.4	Yes

ASSESSMENT			
G4-DMA	Generic Disclosures on Management Approach	8.1	Yes
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	8.1	Yes
Part -2 SPECIFIC STANDARD DISCLOSURES - Society			
ANTI-CORRUPTION			
G4-DMA	Generic Disclosures on Management Approach	8.9	Yes
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	8.9	Commitment to reporting in future expressed.
G4-SO4	Communication and training on anti-corruption policies and procedures	8.9, 6.2.6	Yes
G4-SO5	Confirmed incidents of corruption and actions taken	8.9	Commitment to reporting in future expressed.
COMPLIANCE			
G4-DMA	Generic Disclosures on Management Approach	10.1	Yes
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	10.8	Yes
Part-2 SPECIFIC STANDARD DISCLOSURES - Product Responsibility			
PRODUCT AND SERVICE LABELLING			
G4-DMA	Generic Disclosures on Management Approach	11.1	Yes
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	11.3	Yes
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	11.3	Yes
CUSTOMER PRIVACY			
G4-DMA	Generic Disclosures on Management Approach	11.1	Yes
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	11.4	Yes
COMPLIANCE			
G4-DMA	Generic Disclosures on Management Approach	10.1	Yes
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	10.8	Yes



CHAPTER 15

ASSURANCE STATEMENT

Independent Assurance Statement

Scope and Approach

DNV GL Business Assurance India Private Limited has been commissioned by the management of Essar Shipping Limited ('ESL' or 'the Company') to carry out an independent assurance engagement of its sustainability performance reported in ESL's Sustainability Report 2015-17 ('the Report') in its printed format and references in the Company's website. The sustainability disclosures in this Report have been prepared in line with the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines ('GRI G4') in accordance – 'Core' option of reporting and covers economic, environmental and social performance for the activities undertaken by the Company for the reporting period 1st April 2015 - 31st March 2017.

We performed our work using DNV GL's assurance methodology **VeriSustain™¹**, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised* and GRI G4. Our assurance engagement was planned and carried out in April – June 2018.

The intended user of this assurance statement is the Management of ESL.

While defining Report Content and Aspect Boundaries, the disclosures on sustainability performance have been based on the materiality assessment carried out by the Company and covers assets owned by the Sea Transportation and that are directly under its operational and management control. The Report excludes performance related to:

- wild cat and land rigs owned by Essar Oilfield Services Limited citing scaled down operations, and,
- performance related to joint ventures, subsidiaries, leased facilities and outsourced operations which are indicated as not significant during the reporting period.

This is explained and set out in the Report in the section 3.3 in 'About the Report'.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion and the process did not involve engagement with external stakeholders.

Responsibilities of the Management of Essar Shipping Limited and of the Assurance Providers

The Management of the Company has the sole responsibility for the preparation of the Report and are responsible for all information disclosed in the Report. The Management is also responsible for the processes for collecting, analysing and reporting the information presented in the printed and web-based versions of the Report, including the maintenance and integrity of the website. In performing this assurance work, our responsibility is to the Management; however, this statement represents our independent opinion and is intended to inform the outcome of the assurance to the stakeholders of the Company. We were not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

We provide a range of other services to ESL, none of which in our opinion, constitute a conflict of interest with this assurance work. Our assurance engagements are based on the assumption

¹ The VeriSustain protocol is available on www.dnvgl.com

* Assurance Engagements other than Audits or Reviews of Historical Financial Information.

that the data and information provided by the client to us as part of our review was factual and offered in good faith. We expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Basis of our Opinion

As part of the assurance, we undertook the following activities:

- Review of ESL's approach to stakeholder engagement and materiality determination process and the outcome as disclosed in this Report. We did not have any direct engagement with external stakeholders;
- Interviews with selected senior managers responsible for management of sustainability issues and review of selected evidence to support issues disclosed in the Report. We were free to choose interviewees and interviewed those with overall responsibility to deliver the Company's sustainability objectives;
- Desk-review of the processes and systems for preparing sustainability data and implementation of sustainability strategy; we did not carry out any site visits as part of our verification;
- Review of supporting evidence for key claims and data in the Report;
- Review of the processes for gathering and consolidating the specified performance data related to identified material topics against chosen Aspect Boundaries and, for a sample, checking the data consolidation in context to the Principle of Completeness as per VeriSustain.
- An independent assessment of ESL's reporting against the reporting requirements for the GRI G4's in accordance 'Core' option of reporting.

During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement. The reported data on economic performance, and other financial data are based on audited financial statements issued by the Company's statutory auditors.

Opinion

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe Essar Shipping Limited's disclosures related to the GRI G4 Principles for Defining Report Content Principles, General Standard Disclosures, and Specific Standard Disclosures including Disclosures on Management Approach (DMA) and Performance Indicators for the 'in accordance' – Core option of reporting as below:

Economic

Economic Performance – G4-EC1;
Procurement Practices – G4-EC9;

Environment

Materials – G4-EN1;
Energy – G4-EN3;
Emissions – G4-EN15, G4-EN16, G4-EN20, G4-EN21;
Effluents and Waste – G4-EN22, G4-EN23, G4-EN24;
Compliance – G4-EN29;

Social

Labour Practices and Decent Work

Employment – G4-LA1, G4-LA2;

Labour and Management Relationship – G4-LA4;
Occupational Health and Safety – G4-LA5, G4-LA6, G4-LA7;
Training and Education – G4-LA9, G4-LA11;

Human Rights

Non-discrimination – G4-HR3;
Freedom of Association and Collective Bargaining - G4-HR4;
Child Labour – G4-HR5;
Forced Labour – G4-HR6;
Assessment – G4-HR9;

Society

Anti-corruption – G4-SO4;
Compliance – G4-SO8;

Product Responsibility

Product and Service Labelling – G4-PR3, G4-PR4;
Customer Privacy – G4-PR8;
Compliance – G4-PR9.

Observations and Opportunities for Improvement

Without affecting our assurance opinion, we provide the following observations evaluating the Report’s adherence to the following principles:

Stakeholder Inclusiveness

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.

The Report brings out both formal and informal processes by which the Company identifies significant stakeholder concerns and prioritizes stakeholders, and responds to key stakeholder concerns. The outcome is fairly brought out in the Report, and key concerns are taken into account while arriving at the Company’s material issues.

Materiality

The process of determining the issues that is most relevant to an organization and its stakeholders.

The Report discloses the identified material topics and impacts of the Company’s activities within and outside its boundaries, and maps each material issue to key stakeholder concerns. Nothing has come to our attention to suggest that the Report has missed out any significant material issues based on its selected reporting boundaries. However, future reports may evaluate materiality in the value chain, including joint ventures, subsidiaries, key business partners and other entities, and bring out the impacts of identified material topics.

Responsiveness

The extent to which an organization responds to stakeholder issues.

The Report adequately brings out policies, strategies, management systems and governance mechanisms that the Company has in place to respond to issues it has identified as material. Report may further bring out short, medium and long term plans of ESL and link to its material Aspects.

Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

The majority of data and information verified by us through desk review were found to be fairly accurate and reliable. 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. It is suggested that a process of review and periodic validation and verification of sustainability related performance data may be put in place and internal assessments at routine intervals may be carried out to further improve on the quality and reliability of sustainability data disclosed and shared in the Report.

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported?

The Report has adequately captured disclosures on ESL’s economic, environmental and social performance through General and Specific Standard disclosures including disclosures on management approach and applicable performance indicators for key material aspects for GRI G4’s ‘in accordance’ – Core option of reporting. ESL has further committed to reporting on other performance indicators it has identified as material (G4-SO3 and G4-SO5 under the GRI Aspect, ‘Anti-Corruption’) in the future.

Neutrality

The extent to which a report provides a balanced account of an organization’s performance, delivered in a neutral tone.

The disclosures related to sustainability performance and issues are presented in a neutral tone, in terms of content and presentation, along with key concerns and challenges faced during the period.

For DNV GL Business Assurance India Private Limited

 Kiran Radhakrishnan Lead Verifier - Sustainability Services DNV GL Business Assurance India Private Limited, India.	 Prasun Kundu Assurance Reviewer DNV GL Business Assurance India Private Limited, India.
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14th June 2018, Bengaluru, India.

 DNV GL Business Assurance India Private Limited is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. www.dnvgl.com





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