

COMMUNICATION ON PROGRESS Report

GAIL (India) Limited

2011



GAIL (India) Ltd.



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GAIL (India) Ltd.

Vision

Be the leading company in natural gas and beyond, with global focus, committed to customer care, value creation for all stakeholders and environmental responsibility.

Mission

To accelerate and optimise the effective and economic use of natural gas and its fractions to the benefit of national economy.

Introduction:

GAIL (India) Ltd., India's flagship Gas Major, was incorporated on 16.08.1984. GAIL is a schedule-'A' Central Public Sector Enterprise under the administrative control of Ministry of Petroleum and Natural Gas, Government of India. As of 31.03.2012, 57.34 % shares of GAIL are held by the Government of India and the public shareholding in GAIL is 42.66 %.

GAIL shares are listed on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). GAIL is also one of the fifty companies in benchmark Nifty index of NSE and one of the thirty companies in Sensex of BSE. GAIL Global Depository Receipt (GDR) is listed on London Stock Exchange.

Business profile

GAIL owns and operates 9,000 Kms of natural gas high pressure trunk pipeline with a capacity to carry 170 MMSCMD of natural gas across the country, 7 gas processing plants located at different parts of the country to produce 1.4 MMTPA of LPG and other liquid hydrocarbons, 2,000 kms of LPG transmission pipeline with a capacity to transport 3.8 MMTPA of LPG and a 450 KTA gas based petrochemical plant in northern part of India to produce Polyethylene (PE) which is being expanded to 900 KTA. Further through two Joint Venture Companies, GAIL is setting up two petrochemical plants in India to produce 1.7 MMTPA of Polyethylene and Polypropylene.

GAIL is a promoter of three LNG receiving terminals in India. GAIL has incorporated 8 joint venture companies and 1 wholly owned subsidiary company for pursuing city gas and CNG projects in India.

Financial Performance

During FY 10-11 year, our sales were Rs. 32,459 Crore, PBT and PAT were Rs. 5,240 and Rs. 3,561 Crore respectively. Our 10 year CAGR of Turnover was 14 % and PAT was 12 %. We crossed 170



MMSCMD of the gas transmission capacity and are well poised to secure substantially higher volumes in coming few years.

Subsidiaries and Joint Ventures

GAIL was the first company to introduce City Gas Projects in India and has set up a subsidiary company 'GAIL Gas Limited' to pursue city gas distribution and CNG corridor projects. GAIL has formed eight Joint Venture companies for supplies to households, commercial users and for the transport sector in 8 cities (Delhi, Mumbai, Hyderabad, Tripura, Kanpur, Lucknow, Agra and Pune). GAIL has 32.88% stake in the Ratnagiri Gas and Power Private Limited (RGPPL) along with NTPC as equal partner, Financial Institutions and MSEB. GAIL is also a co-promoter with 17% equity stake in ONGC Petro-additions Limited (OPaL). GAIL has also acquired stake in China Gas Holdings for CNG opportunities in mainland China.

In a move towards integration along the energy chain and for sourcing supply, GAIL has entered into the area of Exploration & Production. The Company holds a participating interest in 31 oil and gas exploration blocks including 2 blocks in Myanmar.

GAIL has acquired its first shale gas assets in the USA through its wholly owned US subsidiary GAIL Global (USA) Inc. The subsidiary company has executed definitive agreements with Carrizo Oil & Gas Inc. based in Houston, Texas, to enter into an unincorporated joint venture, under which GAIL Global (USA) Inc. has acquired a 20% interest in Carrizo's Eagle Ford Shale acreage position.

GAIL has also set up a wholly- owned subsidiary company viz. GAIL Global (Singapore) Pte. Ltd. in Singapore for sourcing LNG, petrochemicals and LNG trading and overseas investments. GAIL has formed a Joint Venture with China Gas Global Energy Holdings Limited. GAIL and China Gas are equal partners in this JV which has been registered in Bermuda. This is the first Joint Venture Company of GAIL abroad. In order to have a long term association with China Gas and also to expand business in the fast downstream Chinese gas sector, the Joint Venture (JV) will pursue opportunities in CNG, City Gas, Pipeline, CBM, LNG and E&P projects. GAIL has established its CNG and City Gas presence in Egypt through equity participation in Fayum Gas and Natgas, Egypt. GAIL is pursuing business opportunities in regions such as South / South-East Asia, West Asia, Russia and Central Asian Republics and African continent in the areas of exploration and production, gas transmission, CNG and city gas distribution, LNG and petrochemicals.



Statement of Chairman & Managing Director

GAIL's business philosophy lays considerable emphasis on long term value creation through pursuing corporate growth which is sustainable for the economy, stakeholders, community and environment. Ever since GAIL's inception in 1984, we have made a conscious endeavour to do business in accordance with norms of good corporate citizenship. In line with our commitment to the United Nations Global Compact, GAIL is dedicated to embrace and support the ten universally accepted principles in the areas of human rights, labour standards, the environment and anti-corruption by suitably aligning our operations and strategies.

GAIL has recently released its maiden Sustainability Report for 2010-11, providing comprehensive information on our social, economic and environmental performance and plans. We remain committed to moving forward on our sustainability journey, working in tandem with all stakeholders.

(B. C. Tripathi)



Human Rights

- **Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and**

Principles of Natural Justice are the basic foundations on which “GAIL Conduct, Discipline and Appeal Rules” are applicable to its employees.

- ♣ We treat our employees with respect and value difference.
 - We are committed to achieving a truly diverse workforce that is representative of the customers and communities we serve.
 - We do not condone any form of individual discrimination unrelated to performance or merit, or the abuse or harassment of any employees.
 - We also provide employment opportunities to disadvantaged and underrepresented segments of the communities we serve.
- ♣ We will provide a fair and safe working environment for our employees.
 - Our workplace policies reflect our commitment to the principle of ‘fair and equal pay’ in those markets where we operate.
 - We foster a workplace environment where employees are encouraged to express their ideas, opinions and concerns provided they do not infringe the human rights of others.
 - Engineers-In-Charge at every work centre ensure that all Labour legislations are strictly adhered to.
- ♣ Promoting respect for our employees
 - We have established occupational health, safety and wellbeing plans for all work centres in our company.
 - We have announced a number of measures to address some of the challenges that women face at work such as sexual harassment, child care leave of upto 2 years etc.
 - We have a workplace policy on HIV/AIDS prevention and control to prevent discrimination and create awareness on HIV/AIDS.
- ♣ We continue to encourage our employees to acquire higher qualifications, while in service of GAIL so as to enable them to improve their knowledge and professional competence to pursue development opportunities.



- ♣ We use our internal communications channels to encourage employees to take responsibility for respecting and promoting human rights as they go about their everyday business. Practical actions include:
 - Welcoming and listening to the opinions of others- suggestion schemes;
 - Providing forums for all views to be heard- grievances redressal, CMD open house and whistle blower policy;
 - Encouraging diversity and equal opportunity in our workplace; and
 - Contributing to a safe and healthy working environment.
- ♣ Safety and Well being
 - Despite dealing with hazardous processes/products, the company has endeavored to protect human lives by deploying state-of-the-art technology, regular maintenance of equipment and activities such as mock drills.
 - Exhaustive Disaster Control Plans have been developed at each major location, which has the approval of the concerned District Authorities.
 - The organisation also conducts various training programmes pertaining to Safety, Health and Environment such as Lay-Off Protection Analysis, Hazardous Waste Management and Environment Protection, First Aid etc.
 - As a measure of caring for our employees even after they retire, we have an active Post-retirement Medical Scheme for provision of facility of reimbursement up to limits as specified hereunder towards medical treatment after retirement.
 - Project Affected People are adequately compensated according to government norms and every measure is taken to provide employment to local people according to their competencies.
 - The HR policies developed over the years have also dynamically changed with the changing business environment respecting the laws of the land and driving the aspirations of the employees.

Human Rights

- ***Principle 2: make sure that they are not complicit in human rights abuses;***

- ♣ GAIL conforms to human rights principles and has ensured that no violation has occurred during the year.
 - The organization has an approved policy for handling grievances of employees and customers raised by other stakeholders such as Contractors, Dealers, Vendors and surrounding villagers and public are also attended promptly.
 - It also shares information on different issues under the 'Right to Information Act' with various interested parties and stake holders.
 - Engineers-In-Charge at every work center ensure that all Labour legislations are strictly adhered to by contractors and suppliers.



Labour Standards

- ***Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;***

- ♣ GAIL upholds the freedom of Association and effectively recognizes the right in collective bargaining by generously recognizing and promoting the workers' unions, officers' associations, Women's Forums, etc.
 - Regular interactions with employee collectives
 - Coordination with labour authorities
 - Settlement of Industrial Disputes
 - Grievance Redressal Systems
 - Issues pertaining to Contract Labour/ PAPs/ Co-operative Societies
 - Labour Law compliances
 - Records/ analysis of Work Centre level issues of collectives
 - Negotiations with Unions for Long-Term Settlement
- ♣ The major employee collectives in GAIL are as follows:
 - GAIL Officers Association (GOA)- Represents Officers of all Work Centres/ Offices of GAIL
 - GAIL Employees Association (GEA)- Represents Workmen/ Non-executives of all Work Centres/ Offices except Corporate Office
 - GAIL Karamchari Sangh (GKS)- Represents Non-executives of Corporate Office
 - GAIL SC ST Employees Welfare Association (GSEWA)- Represents SC/ST EmployeesThe company ensures that worker issues are represented at all levels.

Labour Standards

- **Principle 4: the elimination of all forms of forced and compulsory labour;**
- **Principle 5: the effective abolition of child labour;**
- **Principle 6: the elimination of discrimination in respect of employment and occupation.**

- ♣ GAIL India Limited believes in voluntary labour and right to work.
 - There are in-built provisions in the company policy and compliance checks for labour laws.
 - The organization also does not force employees to deposit their original certificates pertaining to educational qualification or Date of Birth at the time of joining.
- ♣ Engineers-In-Charge at every work centre ensure that corresponding Labour legislations are strictly adhered to by contractors and suppliers.

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- ♣ The company has a policy whereby minimum age for employment is prescribed and child labour is strictly denied.

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- ♣ All rules in GAIL India Ltd apply equally to all employees, irrespective of factors such as sex, caste, religion, race etc., following Mandatory government reservation norms.
 - In each Interview board there is SC/ST representative to safeguard the interest of SC / ST applicants. In case vacancies against which selection to be made, is less than 10, efforts are made to have a Minority community member in such Boards/ Committees.
 - Organization provides equal opportunity for training and development to different strata of employees.
 - GAIL (India) Ltd has an active Women's Cell that looks into issues faced by women at various work centres.
 - GAIL will preserve rights, privileges and dignity of employees and their family members affected by HIV/AIDS.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges.

- ♣ GAIL has an enviable track record in taking requisite measures to mitigate environmental, safety, security and social risks. The accountability and responsibility of risk management is defined from the Board level HSE subcommittee to individual risk officers as a part of the risk –management framework.
- ♣ Emergency mitigation plans enable effective combating of emergencies are based on risk perception of respective installations.
- ♣ We have an integrated Corporate Health, Safety & Environment Policy depicting our commitment to promote globally comparable levels of Environment Management Systems.
- ♣ We have a Board-level Sustainable Development (SD) Sub-Committee headed by Independent Director to regularly monitor our sustainability initiatives and performance. This committee is supported by SD Steering Committee to plan, oversee and implement on-ground sustainability activities. We have a focused SD Core team working at Corporate level.
- ♣ Our SD Policy is in process of finalization and is soon to be released.
- ♣ GAIL accords highest priority to promote eco-friendly activities, provide structured training to all employees for HSE best practices and continuous review of the policy with respect to business development.
- ♣ All our gas processing and petrochemical plant, LPG pipeline systems and Natural Gas Compressor Stations under operation are ISO 9001, ISO 14001 & OHSAS 18001 certified.
- ♣ Our Integrated Management System (IMS) based on systemic requirements of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 for all our processes, activities, products across locations to effectively control and manage our performance.

Environment

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Our efforts in environment protection are not limited to our operations alone and extended this responsibility to the communities we operate in by supporting or developing the environment.

- ♣ Waste Management- Several steps were taken to improve handling and disposal of hazardous waste by ensuring proper disposal of hazardous waste through CPCB-authorized waste handlers who process these wastes and ensure minimum impact on the environment from their disposal.
- ♣ Managing Water resources- GAIL understands that the depleting water resources pose a major threat for the sustainability of major ecosystems and significant risk to the sustainability of any business. We are consciously optimizing our consumption of water and at the same time make provisions for the nearby communities by trying to minimize our use of groundwater. GAIL is making continuous effort to use recycled water and thus reducing the overall water consumption.
- ♣ Detailed environmental impact assessment and series of approvals from Ministry of Environment and Forests. The pipeline alignment is selected in such a way that the length is optimized avoiding ecologically sensitive and protected areas/ geographically unstable areas/ less number of obstacle crossings like NH/SH/ Railways, restricted / reserve forest area/ Coastal Regulation Zones.
- ♣ Employee Engagement- Our employees made a resolution to plant around 10,000 saplings in 2009 and 7500 saplings in 2010. Our Green Belt area is approximately 41% of our total land holdings which is around 17.2 million square meters.

Environment

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

- ♣ Addressing Climate Change concerns- We understand our responsibility towards securing energy as well as growing concerns over climate change. We thereby focus on sourcing wind and solar energy for captive consumption. During FY 10-11, we consumed 31,749 GJ of energy from such renewable sources. Projects undertaken in this direction are:
 - 4.5 MW Wind Energy Project, Sinoi, Dist. Kutch, Gujarat at a cost of Rs. 27.7 crores for captive consumption.
 - 14.7 MW Wind Energy Project, Jamanwada, Dist. Kutch, Gujarat at a cost of Rs. 93.76 crores for captive consumption.
 - 100 MW Wind Energy Projects in Karnataka & Tamil Nadu for Commercial utilization.
 - Investment in solar power by active participation in future bidding under Jawaharlal Nehru National Solar Mission.
 - ♣ Other Initiatives- During the year, GAIL also undertook several other initiatives for environmental protection. These include development of gas-based crematorium in New Delhi and installation of bio-gas plants for poor slum-dwellers where GAIL supplies gas.
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- ♣ We have taken measures for improving efficiency of our processes and optimizing use of energy resources. We were able to save 685,771 GJ of energy mostly on account of decreased electricity consumption. Our total GHG emissions across operations in FY10-11 were 2.889 million tCO₂e & were able to avoid 7948.12tCO₂e of GHG emissions owing to our energy efficiency measures.
 - ♣ Increased use of low-NO_x burners across our operations has helped us in reducing our NO_x emissions by approximately 12% over the last year.

- ♣ Some of our other major energy efficiency improvement initiatives are mentioned below:
 - Optimization of Bleed Valve Operation & SoLoNox mode Operation of Gas Turbines: at GPU Gandhar resulted in reduction in specific fuel consumption from 1.93% to 1.80% resulting in decrease in natural gas consumption as fuel by approximately 1.09 MMSCM in a year translating to saving of 92 lacs during the year.
 - Utilization of improved Molecular Sieves in Feed Gas Dryers: at GPU Gandhar has resulted in reduction in natural gas consumption as fuel by approximately 0.52 MMSCM in a year which translates to saving of 44 lacs during the year.
 - Implementation of Automatic blow down system: in Heat Recovery Steam Generator at GPU Pata resulted in reduction of natural gas consumption as fuel of approximately 0.18 MMSCM in a year which translates to saving of 17 lacs during the year.
 - Commissioning of Revamped BOG compressor: The diversion of boiled off gases directly to downstream polymer plant has resulted in saving of 762 MT of VHP steam which has resulted in saving of about 7.46 lacs in 5 months.
 - Switching from TEG power to Grid Power at Remote RR Stations: across JLPL pipeline, has resulted in saving of approximately 17 lacs during the year.
 - Land-fill gas to CNG: a possibility developed at GAIL Landfill gas, emanating from city landfills (or municipal solid waste dump yards) is one of the largest sources of methane emissions globally. Under a unique collaboration with the Municipal Corporation of Delhi, we have initiated a R&D program to recover this land-fill gas, purify it and make it suitable for commercial use in our CNG and PNG products.

Anti- Corruption

**Principle 10: Businesses
should work against
corruption in all its
forms, including
extortion and bribery**

- ♣ Our guiding principle
 - Strong standard operating processes and procedures backed by effective leveraging information technology to bring utmost transparency is the guiding principle in GAIL which emphasizes on Predictive and Prevention Vigilance leaving a very little scope for Punitive Vigilance.
 - GAIL has a Vigilance Department under the strong leadership of Chief Vigilance Officer, generally an IAS officer strives to continually review and improve the existing systems and procedures and focus towards innovative management solutions to make organization free of corruption.
- ♣ Actions
 - GAIL is among the first few organizations in India to implement e-payments and e-receivables to / from its vendors and customers. Bill Watch System is in place to access and monitor the status of payment to vendors on real time basis.
 - To bring the utmost clarity in the procurement and award of works contract, web hosting of tenders, e-procurement, reverse auction are in place.
 - Whistle Blower mechanism and online Vigilance complaint portal are accessible by all employees and other stakeholders



- Since 2007, the Integrity Pact in consultation with CVC is under operation and IP agreement is mandatorily signed by vendors / suppliers having high value contracts. It is also having grievance redressal mechanism by engaging Independent External Monitors.
- Every year Vigilance Awareness Week is conducted to all offices/work centres of the company to refresh the Vigilance principles amongst the employees by publication of magazines, organizing seminars, conducting essay, slogan, online quiz competition, displaying banners / posters. Organizing customers' and vendors' meet to get their feedback to improve systems and procedures.
- Anti-corruption compliance training is mandatory for all new entrants.