

Chennai Petroleum Corporation Limited
(A group Company of IndianOil)

**SUB : STATEMENT OF DIRECTOR(FINANCE & HR) OF CHENNAI PETROLEUM
CORPORATION LIMITED PLEDGING CONTINUED SUPPORT TO GLOBAL
COMPACT PROGRAM OF UNITED NATIONS**

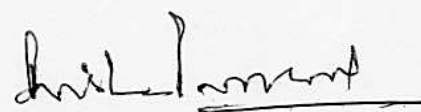
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CPCL, through manufacturing of petroleum products, adds value to the economy, with greater care for environmental and social aspects along with efficient management of available resources. Sustainability development is thus an indispensable and embedded component of CPCL's business plan and decision making processes.

I am pleased to confirm that Chennai Petroleum Corporation Limited reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations.

We also commit to share this information with our stakeholders using our primary channels of communication.



(S.Krishna Prasad)
Director (Finance & HR)

Chennai Petroleum Corporation Limited

UN GLOBAL COMPACT 2016-17

During the year 1999, UN Secretary-General launched the 'Global Compact' calling upon corporate leaders to align their business practices according to the principles of the Compact. The Global Compact has 10 principles, which encompass the areas of Human Rights, Labour, Environment and Anti-corruption. These 10 principles have been derived from various UN Declarations and conventions, viz. the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment & Development and the United Nations Convention against Corruption.

COMMUNICATION ON PROGRESS (COP) FOR 2016-17

The 10 principles of Global Compact are mentioned below:

- 1. Business should support and respect the protection of internationally proclaimed human rights.**
- 2. Make sure that businesses are not complicit in human rights abuses.**
- 3. Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.**
- 4. Elimination of all forms of forced and compulsory labour.**
- 5. Effective abolition of child labour.**
- 6. Elimination of discrimination in respect of employment and occupation.**
- 7. Business should support a precautionary approach to environmental challenges.**
- 8. Undertake initiatives to promote greater environmental responsibility.**
- 9. Encourage the development and diffusion of environmentally friendly technologies.**
- 10. Businesses should work against all forms of corruption, including extortion and bribery.**

PRINCIPLE 1 : BUSINESS SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS

CPCL conforms to human rights principles and ensures that no violation occurs in its vicinity. CPCL is an equal opportunity employer and believes in fostering an environment of equality at the workplace and ensures recognition of the equal and inalienable rights. In order to ensure the same the following activities were done in CPCL during the year 2016-17:

A) COMMUNICATION MEETING:

During the year, to promote employees participation by way of information sharing, Communication meetings with Functional Directors and Managing Director were conducted covering Employees working in various departments. Towards developing a culture of care and trust, Open House meetings with Chairman, Managing Director and Directors were conducted.

B) CORPORATE SOCIAL RESPONSIBILITY:

CPCL firmly believes that Corporate Social Responsibility is one of its important functions to support sustainable development of the society. An amount of Rs187.51 lakhs was spent during the year 2016-17 on various CSR&SD Project / initiatives focusing on Health, Education, Infrastructure, Sanitation and Renewal Energy for the benefit of cross section of stake holders around the Refineries at Manali and CBR, Nagapattinam. Some of these services are detailed below:

Health : We at CPCL, believe that healthcare as one of thrust areas for our contribution to the society. We have initiated many healthcare projects, wherein we create awareness and provide accessible healthcare services. We run four Community Health Centres at Manali, Periyasekkadu, Thirunillai and Muttam (CBR) through reputed NGOs wherein free medical consultation and general medicines are provided to the patients. In addition, we had conducted general Medical Camps at near our Manali Refinery, Chennai & Cauvery Basin Refinery, Nagapattinam. An amount of Rs.44.81 lakhs was spent for Health Care activities and around 80,000 people benefited during

the year. We have also partnered with Government sponsored National Pulse Polio Programme and provided them with various facilities for successful conduct of the programme.

Education : We strive to help the underprivileged with their education. In order to reduce dropouts due to financial problems; we do a timely distribution of scholarships to the meritorious students. During the year, scholarships distributed to 530 students of schools & Polytechnic College for a total amount of Rs.20.0 lakhs. CPCL also contributed an amount Rs.21.25 lakhs to CPCL Education Trust in order to partially meet the running and maintenance expenditure of CPCL Polytechnic College.

Women Development : As part of our CSR initiative, we have partnered with Womens' India Association and run a crèche at Manali. The crèche provides a secure and hygienic environment to the children and enables the mothers of these young children to work. This initiative helps the poor families to pursue livelihood opportunities.

Sanitation Facilities : In response to the Hon'ble Prime Minister's call to the Nation to give priority under CSR for maintenance / construction of toilets as part of the 'Swachh Vidyalaya Campaign' under the 'Swachh Bharat Abhiyan', CPCL had undertaken maintenance of 182 toilets spread over various Schools/ Colleges. CPCL also conducts Swachh Bharat activities regularly near its Refineries to spread the message of cleanliness and hygiene amongst the citizens

Cyclone Relief Activities : The cyclone Vardah in Dec'16, caused widespread damage in Chennai. We took an immediate step forward and assisted the neighbourhood people by providing them various materials like fishing nets, tricycles, sarees, hearing aids, food packets, etc to enable them to return to normalcy at the earliest.

C)HEALTH PROMOTION ACTIVITIES:

CPCL's Occupational Health Service constantly endeavors to promote the health of its workers including contract workers and also prevention of illness by ensuring a safe

work environment by a well established schedule of work environment monitoring of the various hazards in the refinery. Persistent efforts were undertaken for promoting the awareness amongst the employees on various health care issues by conducting several health awareness programs.

As part of Health surveillance, 88% of the employees underwent comprehensive medical examination. In addition, the health of the Contract workers doing critical jobs, security personnel and canteen workers were examined as per the statutory requirements. Regular training programs were conducted for improving the awareness of employees on the hazards in their work place and first aid care. OHS medical laboratory continued its focus on sustaining the high quality standards. Health talks were given by medical experts to our employees on various topical subjects.

D) OTHER ACTIVITIES CARRIED OUT:

Observance of Anti-Terrorism day: "Anti-Terrorism Day" is being observed on 21st May every year with the objective of weaning away people, particularly the youth, from terrorism and cult of violence by highlighting the suffering of the common people and to highlight how it is prejudicial to the national interest. The employees working in different locations within the Refinery premises had administered the Anti-Terrorism Pledge.

Observance of Goodwill Day (Sadbhavana Diwas) : Goodwill Day (Sadbhavana Diwas) is observed on 20th August every year. The purpose of observing Goodwill Day is to eschew violence and to promote Goodwill among the people of all religion, language and region. The employees working in different locations within the Refinery premises had administered the Goodwill Day Pledge collectively.

PRINCIPLE 2 : MAKE SURE THAT BUSINESSES ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES.

CPCL strives to maintain communal harmony inside the company through inculcation of strong internal value system with greater understanding of human nature. Towards this, CPCL observed National Integration week - from 19th to 25th November 2016. A number of activities

were carried out for fostering patriotism and national integration despite their religion, language and region.

CPCL gives utmost importance for prevention of sexual harassment of women at workplace and takes immediate action in the event of reporting of such incidents. An Internal Complaints Committee is in place to deal with sexual harassment complaints and conduct enquiries, if any. There were no complaints of sexual harassment during the year. A Sensitization program on Sexual Harassment at Work Place (Prevention, Prohibition & Redressal) Act 2013, was conducted in September, 2016 for the benefit of women employees.

**PRINCIPLE 3: BUSINESS SHOULD UPHOLD THE FREEDOM OF
ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO
COLLECTIVE BARGAINING.**

CPCL recognizes Right to freedom of Association and Collective Bargaining and supports a participative culture in Management through a consultative approach with the Collectives thus aiming at establishment of harmonious relationship for industrial peace and productivity. CPCL encourages its employees to be a member in Union / Association and also has checkout system for the collectives. 92.67% of workmen and 94.15% of the Officers are members of the Union or Association.

In order to maintain good Industrial Relations, CPCL has a tradition of holding meetings for the Employees and the Collectives. As a measure to have cordial industrial climate, Managing Director / Functional Directors / HR Official had several meetings and Get-togethers with the Office Bearers of Chennai Petroleum Employees' Union and Chennai Petroleum Officers' Association on various occasions during the reporting year. Three Communication meetings were held with the collectives. Further, 7 quarterly communication meetings with Office bearers of Welfare Associations were also conducted.

CPCL ensures participative work culture by including employee representatives (collectives) in Committees like PF Trust, Area Safety, Canteen Management, etc. and Cross Functional Teams (CFTs).

PRINCIPLE 4: ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR.

During 2016-17, no incident of forced, compulsory or bonded labour for CPCL's operations was reported. The Contract Labour Management Cell continuously monitors the human rights of contractor labour and coordinates with contractors for ensuring payment of minimum wages and other benefits like Provident Fund and ESI.

PRINCIPLE 5 : EFFECTIVE ABOLITION OF CHILD LABOUR.

CPCL complies with the laws related to child labour in manufacturing industries and ensures that no child labour is engaged by the contractors in all areas of refinery operations and administration. The Contract Labour Management Cell through continuous scrutiny ensures that all stipulations are adhered to by the contractors. The General Conditions of Contract (GCC) of the company include the clause on prohibition of child labour usage which prevents the contractors to use minors in their works. In addition, CPCL has also stipulated the minimum age limit for direct employment and contract labour as 18 years.

PRINCIPLE 6 : ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION.

CPCL ensures that there is no discrimination on the basis of colour, gender, religion or region while offering employment and providing growth and development. The company strictly adheres to the principle of equal wage for equal work. CPCL also provides equal opportunity to women employees in Career growth and in assigning responsibilities. CPCL plays a vital role in eliminating discrimination outside the workplace, that is, in the community to build a climate of tolerance and access to opportunities for occupational development.

PRINCIPLE 7: BUSINESS SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES.

The details of precautionary approach to environmental challenges adopted by CPCL are as under:

a. Liquid effluents

The liquid effluent from the refinery and City sewage purchased from Chennai Metro Water Supply & Sewage Board (CMWSSB) is recycled with use of the following clean technologies :

- Oil (free & emulsified) removal by American Petroleum Institute (API), Tilted Plate Interceptor (TPI) separators, Dissolved Air Floatation (DAF) unit.
- Bio-Chemical Oxygen Demand (BOD) removal by Activated sludge process and attached film process.
- Removal of bacteria by Chlorination.
- Removal of suspended solids by Multi media Filter.
- Removal of Colloidal particles by use of ultra filtration Technology.
- Removal of Dissolved solids by use of Reverse Osmosis Technology.

b. Solid waste management

Effective waste management techniques imply efficiency and productivity in business operations, besides being an environmentally responsible company. CPCL also has adopted sound waste management practices to handle the waste arising out of refinery operations with utmost safety. These hazardous wastes are predominantly disposed by one or more of the following methods:-

- Mechanical treatment of oil sludge to recover oil from the sludge followed by bio-remediation to make it suitable for landfill and disposed through landfill.
- Spent catalysts with noble metals are disposed by sending to authorized recyclers for recovery of valuable metals from them.

- CPCL is a member of the Industrial Waste Management Association (IWMA) which has set up a facility for safe disposal of hazardous wastes in a secure landfill in SIPCOT Industrial Estate at Gummidipoondi. Hence, other hazardous wastes are sent to Common Hazardous waste treatment, storage disposal facility at Gummidipoondi.

c. Air pollution

The following steps have been taken by CPCL to combat air pollution:

- Use of low sulfur Fuel for reduction of Sulfur-di-Oxide (SO₂) emission
- Use of Low-Nox burners and De-Nox facilities to reduce Nox emissions. (Oxides of Nitrogen)
- Provision of double seal in floating roof tanks to reduce Volatile Organic Compound (VOC) emissions.
- Continuous Stack emission monitoring in Heaters and Boilers
- Operation of seven numbers of Ambient Air quality monitoring stations and one Mobile Continuous Air Monitoring station.
- Continuous operation of VOC adsorption system in ETP -2
- Green House Gas (GHG) Emission survey completed for 2016-17

PRINCIPLE 8 : UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY.

The following initiatives were undertaken to promote greater environmental responsibility:

- Linking of Continuous Air Monitoring station with TNPCB for data transfer, on-line in real time mode for better transparency.
- Implementation of Energy conservation measures, which resulted in energy saving to the extent of 14095 SRFT.
- Windmill of CPCL generates around 25 Million units of clean electricity every year, which is utilized to meet power requirement of Desalination Plant at Chennai through wheeling of power.

- Continuous monitoring of air pollutants like NO_x, SO_x and other significant emissions as per the National Ambient Air Quality Standards and MINAS standards.
- Emergency Response & Disaster Management Planning (ERDMP) re-certification was obtained from Disaster Management Institute, Bhopal in line with the guidelines of MoP&NG.
- Strengthening of Insulation of High heat loss steam / process lines
- Routing CDU – I/II stabiliser overhead gas to FCC WGC
- Intermittent PDS operation

PRINCIPLE 9 : ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES.

The following action plan has been drawn for development of environmentally friendly technologies:

S.No.	Action Point
1.0	Water Environment
1.1	The new ETP which is envisaged as a part of Resid Upgradation Project is under construction and expected to yield quality water as output proposed to be directly used in the Power Plant after its commissioning in December,2017.
1.2	Desalination Plant: CPCL operates the 5.8 Million Gallons per Day (MGD) (26.367 Million Litres per Day (MLD) Reverse Osmosis (RO) based Desalination Plant at Kattupalli Village, Ponneri Taluk, Tiruvallur District. During the year 2016-17, this plant produced significant quantity of water to meet the water requirement of CPCL, thus reducing the fresh/ground water intake.
2.0	Air Environment
2.1	Linking 10 CSM (Continuous Stack Monitoring) with Tamilnadu Pollution Control Board (TNPCB)

2.2	Volatile Organic Compounds (VOC) Adsorption System is in continuous operation
2.3	Leak Detection and Repair (LDAR) Program was carried out as per the Environment rules on regular basis.
2.4	In Cauvery Basin Refinery, Online stack monitoring station, Ambient Air Quality monitoring system and Online ETP monitoring system are in operation.
3.0	Land Environment
3.1	Provision of Rain water Harvesting for buildings
3.2	In CBR, Secondary seals provided in Class A petroleum storage tanks to reduce fugitive emission

PRINCIPLE 10 : BUSINESSES SHOULD WORK AGAINST ALL FORMS OF CORRUPTION, INCLUDING EXTORTION AND BRIBERY.

To improve Vigilance Management in the company, periodic / surprise inspections, major inspections and systems studies were conducted during the year. These studies focus on compliance with Statutory provisions, Rules and Regulations, provisions in various manuals of CPCL such as Tender Procedure Manual, Work Procedure Manual, Finance manual, General Conditions of Contract, etc. With an objective to create awareness among employees about vigilance aspects of business operations, a number of Training programs and Lectures on vigilance functions including the procedures to be followed in procurement, contracts and execution of works were conducted.

CPCL continues to focus on leveraging of technologies as a result of which the Payment of Bills to vendors / contractors is effected through ECS / EFT with current percentage of the payment to contractors / vendors through ECS / EFT mode is at 99%. All open tenders are published in CPCL website in order to ensure competition and transparency. In line with CVC's guidelines, Notice Inviting Tenders, tender documents and details of Purchase Orders/Contracts awarded are hosted in the CPCL website. Procurement and contracts are initiated through "e-tendering" mode.

Implementation of Integrity Pact

CPCL signed an Integrity Pact (IP) with Transparency India International in order to improve transparency in purchase of high value items and award of contracts. In this regard, Interactive Sessions with major contractors/vendors and Independent External Monitors (IEMs) was organised on 2nd November, 2016 on implementation of Integrity Pact (IP). Shri M. Raman, I.A.S.(Retd), former Secretary to Govt. of India, Dr. N. Sundaradevan, I.A.S.(Retd), former Additional Chief Secretary to Govt. of Tamil Nadu, participated in the program along with Managing Director, Director (Operations), CVO and other senior officials of CPCL. Progress on implementation of Integrity Pact(IP) is being reviewed by the Management along with IEMs.

Due to the efforts taken by CPCL by way of system improvement, several measures have been taken up for implementation to streamline function of departments, compliance to extant procedures and guidelines of CVC and MOPNG, transparency. During the reporting year, 90 major contracts were covered under the Integrity Pact, when the threshold limit for entering into Integrity Pact had been revised from Rs 10 Crore to Rs 1 Crore in a phased manner.

