



VALUE BEYOND BUSINESS



Sustainability Report 2010-11



VALUE BEYOND BUSINESS

Creating value for business and beyond business forms the ethos of the way we work. In addition to maximising the business value in financial terms, GAIL has always strived for providing value beyond business in economic, environment and social aspect. Since inception in 1984, GAIL has created value through its business by contributing significantly to India's gas infrastructure and posting a remarkable business growth year on year. We started with an equity of INR 8,450 million that has grown multi-fold to about INR 590,000 million in last 27 years. Alongside our endeavors in ensuring sound value creation through our business, we focus our efforts in creating value beyond business through our interventions in various aspects of our triple bottom-line, whether it is improving efficiencies in our operations, developing the communities around us, or taking initiatives that reduce our impact on the environment. Our first sustainability report, 'Value Beyond Business', is an account of our activities, efforts and plans to infuse sustainability into our business to create value that benefit realms beyond business.

170 MMSCMD+
Gas Transmission capacity

12% reduction in
NOx emissions

87% goods and services
procured from
suppliers located in
India

31,749 GJ of renewable
energy
generated
through solar
and wind
projects

22% increase in total
training provided
to workforce

30% growth in turnover
in this year

28 E&P / CBM blocks

690,000 GJ of
energy
saved
through
efficiency
initiatives

7,948 tCO₂e
of GHG emissions reduced
through energy efficiency initiatives

14% growth in PAT
in this year



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VISION & MISSION

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.

GAIL's Vision Elements

Leading Company

Be the undisputed leader in the Natural Gas market in India and a significant player in the global natural gas industry, by growing aggressively while maintaining the highest level of operating standards.

01

Natural Gas and Beyond

Focus on all aspects of the Natural Gas value chain and beyond including exploration, production, transmission, marketing, extraction, processing, distribution, utilisation including petrochemicals, power, Natural Gas related infrastructure, products and services.

Global Focus

Create and strengthen significant global presence to pursue strategic, attractive opportunities that leverage GAIL's capabilities while effectively managing business risks.

Customer Care

Anticipate and exceed customer expectations through the provision of highest quality infrastructure, products and services.

Value Creation for All Stakeholders

GAIL will create superior value for all stakeholders including shareholders, customers, employees, business partners, surrounding communities and the nation.

Environmental Responsibility

GAIL is committed to operational excellence in all we do with a focus on continuous efforts to improve environmental performance for ourselves and our customers and will be sensitive to the needs of the environment in all our actions.



ABOUT THIS REPORT

We embark on our Sustainability Reporting journey with the theme “Value Beyond Business” which has been the guiding principle of GAIL since inception. This report depicts our sustainability performance for the period 01 April 2010 to 31 March 2011. It covers our gas processing units at Gandhar, Pata, Vaghodia, Vijaipur, and Usar; petrochemicals unit at Pata, Natural Gas compressor stations at Hazira, Vijaipur, Vaghodia, Jhabua, Khera and Dibiyapur; LPG pumping/receiving stations at Loni, Mansarampura, Nasirabad, Abu Road, Samakhiali, Jamnagar, Vizag and Cherlapally; and regional pipeline offices at NCR, Agra, Baroda, Mumbai and Rajahmundry. This report does not cover the sustainability performance of our JVs, subsidiaries, and other upstream or downstream entities in the supply chain.

We relied on our internal systems and management processes to

account for our sustainability performance. This performance is based on the data and information collected and collated from primary sources across our operations. Further, wherever required, we have used assumptions, standard equations and calculation methodologies for data estimation and quantification. We have used an average USD to INR exchange rate of 45.57 in this report. Certain information included in this report refers to our future plans and intentions, in order to present a holistic account of our sustainability activities. This information relates to our strategy, operations, performance goals and targets, business plans, research & development and investments in the countries, sectors or markets where we operate. By their sub-nature, such information involves a certain degree of uncertainty as the end result is dependent on future market conditions, geo-political

developments; most of which are beyond our control or cannot be predicted by us. While we will strive to achieve progress on these, we cannot ensure a desirable outcome in all cases.

This report is based on Global Reporting Initiative's G3 guidelines on sustainability reporting. A detailed table showing reference to reported GRI indicators has been presented on pages 72-77 of this report. The report is also aligned with the International Petroleum Industry Environmental Conservation Association (IPIECA) and the American Petroleum Institute's (API) Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (2005).

We engaged KPMG to provide advisory services for developing this report and Emergent Ventures India Pvt. Ltd. to provide independent external assurance on the report.



GAIL Corporate Office, New Delhi



CHAIRMAN & MANAGING DIRECTORS'S MESSAGE



Dear Stakeholders,

It is a pleasure to present GAIL (India) Limited's first Sustainability Report. Being India's premier natural gas company for over 25 years, we recognize that our maiden Sustainability Report was indeed overdue but our commitment to the concept of sustainability has always been embedded in our systems, processes and activities.

We are operating in a vast country, whose economy is booming and at the same time, the benefits of which are yet to be distributed equitably. A vast majority of our people still do not even have access to any form of commercial energy. Even today, more than 400 million of our people do not have access to electricity. The aspirations of more than 1,200 million people, with more than 800 million of our population under the age of 30, are driving sweeping social and economic changes in the country. This is posing a huge challenge not only to India, but is also causing ripple effects world-wide. Some even

apprehend that together with China, it may take two planet Earths just to sustain the booming economies of India and China, if the business-as-usual scenario continues.

Fortunately, in India, concept of "sustainability" has always been an intrinsic part of our way of life, which has been reflected even in our ancient scripts. Efficient and innovative uses of natural resources, re-cycling and re-use have always been an integral part of our ethos.

As a clean energy company that promotes usage of natural gas, GAIL is able to contribute in a humble way to the cause of sustainability. Natural gas is fast emerging as the preferred fuel and in recent years, its consumption in India has increased substantially. Clearly, natural gas will be playing an increasingly important role in securing a sustainable energy future for India and GAIL will continue to play its role in energy security for India.

Together with India's growth story, GAIL's surging growth is receiving global attention in the gas-utility space. At the same time, we are keenly aware of our responsibility to fully integrate environmental and social considerations into our growth strategies. Taking cognizance of this, our Strategic Plan recently prepared for this decade, envisages sustainable growth across the gas value chain for the company and also aims to take steps beyond natural gas by tapping emerging potential in renewable power from wind solar, unconventional energy sources like Shale gas and coal gasification..

03

“As a clean energy company that promotes usage of natural gas, GAIL is able to contribute in a humble way to the cause of sustainability”



For promoting a cleaner and sustainable economic development in India, Gas Pipeline infrastructure development is crucial. GAIL's vast gas pipeline transmission network of more than 9,000 kms and its implementation of on-going new pipeline projects at an investment of over INR.250,000 Million would soon result in a pan-Indian network of about 14,500 kms. This shall become the arterial infrastructural linkage to transport gas from source to customers and it will also in turn, spur development of City Gas Distribution (CGD) projects in many cities and towns, thereby laying the foundation of sustainable urban development in India.

While pursuing our business goals, we always strive not only to ensure compliance to applicable regulations but also aim to set ourselves new benchmarks in terms of operational performance in the industry. We are also going to expand our Carbon foot-printing initiative to a greater number of GAIL installations as part of the Natural Gas STAR Program of the U.S. EPA under Global Methane Initiative. For developing new sources of energy and to deliver energy efficiently, we have brought greater focus and outlays for R&D in GAIL. We adopt processes that help to conduct business in a fair and transparent manner with minimal impact on natural resources.

Ensuring health and safety of workforce and the communities near our operations is a high priority. For this reason, we have a Health, Safety & Environment Sub-Committee of the Board of Directors to review the HSE

preparedness and performance of the company. In our efforts to build a progressive society, GAIL has been allocating 2% of its PAT of previous financial year for Corporate Social Responsibility (CSR) projects. This commitment was around USD15 million during financial year 2010-11.

Being a Public Sector Enterprise, achievement of commercial goals by GAIL has always been in harmony with the People and Planet aspects of Sustainability. At the same time, we realize that this first sustainability disclosure of GAIL will provide us with new insights into growing responsibly as well as better presenting our credentials to the outside world. To give greater momentum to business sustainability in GAIL, we have set up a Board Level sub-committee in the year 2011-2012. This sub-committee is chaired by an Independent Director to formulate and oversee sustainability strategy and initiatives. A Sustainability Policy is being developed to implement these initiatives in sync with the overall business strategy.

To conclude, I would like to thank our stakeholders for their continued trust and support. We remain committed to further improve the practice of sustainability in GAIL to better meet your expectations.

With best wishes,



(B.C. Tripathi)
Chairman and
Managing Director

“Achievement of commercial goals by GAIL has always been in harmony with the People and Planet”



OUR SUSTAINABILITY APPROACH

Accountability, transparency and sustainability will be the deciding factors that will boost our market value, give us a competitive advantage and guarantee a secure future for GAIL. Earlier as a part of our 2012 strategy and now as a part of our forthcoming 2020 strategy, sustainability has been an integral part of GAIL's business processes. As we have progressed, we have realized the need for further promulgating sustainability at GAIL. Considering what we do for our operations and stakeholders, today; and what we have planned for tomorrow; it is important for us to translate our sustainability aspirations in to effective actions for creation of shared value. Our Directors are responsible for managing these aspirations and driving them in to the most important aspects of GAIL's business – projects, human resources, marketing, finance and business development. Together, they have created a roadmap towards creating sustainable business processes at GAIL.



From left: S Venkatraman, Prabhat Singh, B C Tripathi, S L Raina, P K Jain, R D Goyal

While we take pride in our dominant market position in the Natural Gas industry and strive to maintain it, we are committed to mitigate environmental impacts of our operations as well. Our environmental mission includes optimizing energy, material and water consumption, mitigating impacts on climate change and air emissions, ensuring sensitivity towards biodiversity and managing environmentally sound operations. Our operation and maintenance procedures are

designed to enhance energy efficiency in operations. We continuously seek opportunities in waste recycling and reuse and also improving water availability by rainwater harvesting and other measures. We are also exploring alternate energy sources including solar and wind power to meet the growing energy needs of the country. At GAIL, our constant focus is on **achieving operational excellence with due attention to the betterment of**

environment and the society.

Our top position in Platts Top 250 Energy Company rankings and other recognitions and accolades from various Indian and International bodies such as National Safety Council, British Safety Council, Greentech, OISD, TERI, etc highlight our all round performance and leadership position in the global energy industry.

R D Goyal
Director (Projects)



It is our firm belief that human resources are our most important asset and the best source of creating a competitive edge. Our HR policies and people practices are not only strategically aligned to business goals but also aimed towards sustaining the motivational level of our employees. The HR Directorate inter-alia focuses on the following aspects:

Enabling Culture: We endeavour to develop a vibrant and dynamic culture that enables each individual to realize his/her full potential. Our aim is to instil a sense of belongingness and pride amongst the employees. Over the years, we have built a supportive framework by means of progressive policies and best of HR practices and have focused towards developing a safe workplace and healthier employees. It has been our endeavour to **create a workplace which encourages a collaborative, caring, open and socio-friendly work environment.** We promote diversity and inclusion at workplace by giving equal opportunities to all, irrespective of gender, religion, caste and community. Our inclusion policies give special emphasis to differently-abled employees. We are keen supporters of the UNGC principles and look forward to become a signatory to UNGC's mandate next year. Through our policies and practices on ethical behaviour and good conduct, we ensure that our operations are free from any risks involving freedom of expression in professional matters, child labour, forced labour or discrimination of any kind.

People Development: We hold a promise to continuously develop our people so that they have an enriching and fulfilling employment experience. **Our people**

development philosophy adopts a comprehensive framework

comprising experiential learning (through job rotations, special assignments, etc), relationship based learning (such as mentoring, informal feedback from seniors, etc.), formal learnings (through specialized trainings) and leadership development. A major thrust is given on providing career opportunities for each individual as we take upon our ambitious growth plans.

Community Development: Our commitment towards our community is reflected through **our social responsibility programs**, carefully identified through a diligent process of **need identification and assessment exercise at the grass root level.** Our programs are identified across seven broad 'thrust areas' - Community Development, Infrastructure, Water & sanitation, Literacy Enhancement, Educational Aids, Environment Protection and Health. We have constituted a CSR Board Sub-Committee to enhance governance of our social performance at the highest level. Under the CSR Sub-Committee, we have constituted a cross-functional committee at Corporate Office at senior-most level to evaluate each recommendation from the Work Centres. At each Work Centre also, recommendations are made by a cross-functional committee of executives at middle or senior levels.

It is our **commitment to continue to invest in all spheres of people development and society** we belong to, in order to achieve sustainable development.

S L Raina
Director (HR)

Our natural resources have an intrinsic potential of being sustainable with controlled anthropogenic interventions. GAIL has consistently made efforts to create a system which resonates with the natural harmonics of our environment. Thereby, we remain committed **to increasing the use of Natural Gas, which is a source of energy with high calorie power, little contamination and a relatively low-carbon fuel.** Additionally our focus on low-carbon energy means we continue to explore other renewable energy sources such as wind and solar.

A vital aspect of GAIL's business is to make products that create value for the company and its stakeholders. In this context, innovative measures designed to improve the efficiency of processes and satisfaction of the needs detected in the different market segments; are regularly carried out in a systematic and timely manner. We organize regular interactive meets with our consumers, suppliers and vendors to map and address their expectations and concerns. We use these meets to educate our customers and general public and make them aware of the various uses of natural gas and various measures that can be adopted while handling our products. Our approach towards enhancing product responsibility and improving the downstream supply chain is based on listening to customers' concerns. Further, we also seek to anticipate market needs and offer products with better performance and lower environmental impact. Our aim is to **make products that are good to the nation, society and the environment** and are compliant to all relevant product and marketing related regulations.



OUR SUSTAINABILITY APPROACH

GAIL is conscious of the fact that its progress and growth impacts not just the long-term prospects of the company, but the society and the nation as a whole. Its ultimate goal is to **assume a leadership position as a transparent and responsible corporate** in the markets we operate. We hope that the wealth created as a result of development will not only power the business and the industry but would also be reinvested back for the conservation and enrichment of environment.

Prabhat Singh
Director (Marketing)

During the year, GAIL contributed to the national gas infrastructure to increase the pipeline network across the country and **look forward to creating a pipeline network of 14,500 km** by the next year. We have also increased our participation in upstream operations through our JVs, subsidiaries and have undertaken strategic investments to ensure uninterrupted availability of gas. Our emphasis on health and safety supported by a strong governance mechanism driven at the Board level has been effective in **achieving a high safety index** across operations. We continue to use external audits and internal knowledge-sharing to improve our safety performance. We have increased our focus on research & development and are currently in the process of formulating a policy on our R&D activities. We have undertaken important projects in hydrogen storage, use of land-fill gas, coal gasification and development of new polymer grades. With breakthrough in these projects alongside expansion of our pipeline network, we look forward to a healthy economic growth in the near future.

S Venkatraman
Director (BD)

The biggest challenge facing oil & gas companies across the globe is to ensure reliable, safe and affordable fuel supplies to meet the ever-increasing energy demands without compromising the environment and ensuring social well-being at the same time. The success of these companies would essentially rest upon their ability to adapt their business models to the new global socio-economic scenarios that recognize the importance of low-carbon energy sources and societal balance. Therefore it is in the better interest of oil & gas companies to foster strategies that will work towards stabilization of the three bottom-lines: economic, environmental and social.

GAIL is a market leader in the gas utility business in Asia. We achieved a turnover of INR 32,4590 million and a profit after tax of INR 35,610 million in FY 2010-11. This was achieved due to increase in Natural Gas and Liquid Hydrocarbon sales. While we continue to focus on our core business strength, new areas of interest in terms of diversification within the oil and gas value chain and investments in renewable energy sources are emerging fast. We have seen a **robust economic growth in the past few years** and perceive this as an opportunity to **share the fruits of our success for the betterment of our nation and communities.** Our approach has special emphasis on providing adequate economic support to break barriers for a positive change and common good.

P K Jain
Director (Finance)





GAIL - REVISITING THE JOURNEY

Key facts about GAIL:

- About 3/4th of Natural Gas transmitted in India through pipelines
- More than half of Natural Gas sold in India
- LPG produced for every 10th cylinder of the country
- Pipeline transmission of around 1/4th of country's total LPG
- Gas supply for about half of country's fertilizer produced
- Gas supply for about half of country's gas-based power generation
- Operating more than 2/3rd of country's CNG stations through JVs
- Jamnagar-Loni pipeline: World's longest exclusive LPG pipeline
 - 74% market share in gas transmission

GAIL - REVISITING THE JOURNEY

India had negligible Natural Gas production at the time of independence. From that time to present day, the country has progressed in its gas production, which has boosted the total Natural Gas production to 50,240 million cubic meters (MCM) by FY 2009-10¹. Set up by the Government of India in 1984 as a principal gas transmission and marketing company, we have evolved into a major integrated gas company with a global presence across the Natural Gas value chain. We have come a long way from commissioning the Hazira-Vijaipur-Jagdishpur (HVJ) pipeline in 1987, to presently owning and operating Natural Gas infrastructure across many states in India, by continuously augmenting our pipeline networks and facilities.

increased quite sharply. During that time, a number of government committees were formed to prepare plans for Natural Gas utilization in India. Recognizing the importance of Natural Gas and to establish transmission and distribution facilities in the country, the Government formed GAIL with the following primary objectives:

- To augment and set up infrastructure for utilization of Natural Gas
- To transport, treat, fractionate, purify and market Natural Gas fractions
- To formulate plans for proper utilization of Natural Gas fractions in close coordination with Government and concerned agencies including industrial users
- To plan, design and construct pipelines, systems and related facilities for collection, treatment, fractionation and marketing of Natural Gas fractions.
- To promote research and development in Natural Gas transmission, treatment and processing

The commissioning of HVJ pipeline, the most vital part of India's gas transmission infrastructure, is one of the most important milestones in GAIL's history. The proposal for laying this pipeline to connect some of country's biggest fertilizer plants and gas-based power plants was approved in early 1984. The entire project included establishment of four compressor stations en-route, cathodic protection system for corrosion protection, and tele-supervisory and telecommunication systems to maintain the safety and control the pipeline operations. GAIL took utmost care and operational precision while laying the pipeline, safely traversing 204 canal crossings, 241 road crossings, 24 railway crossings and 14 forest crossings. The pipe laying work was completed by June, 1987 and energized by end of July, 1987. In its initial years, the HVJ (erstwhile HBJ) pipeline provided Natural Gas to major fertilizer and gas-based power plants in northern and western India.

¹Annual Report for FY 09-10 – Ministry of Petroleum and Natural Gas (MoP&NG), Government Of India



HBJ Gas Pipeline, the foundation of India's Gas Infrastructure

The 1980s - A remarkable beginning

Though Natural Gas was produced and utilized in India since the turn of the 20th century, the contribution of Natural Gas in the overall energy consumption remained small. In mid 1970s, the price of petroleum products



The 1990s – Consolidation and diversification

This was a period of consolidation and augmentation of our pipeline network. In May 1992, ONGC transferred all gas pipelines and marketing functions relating to Natural Gas to GAIL. During early 1990s, GAIL consolidated its network by establishing distribution network around Delhi, Gujarat, Maharashtra, and Andhra Pradesh.

Gas and LPG transmission - In March 1994, Government accorded approval to the HVJ up-gradation project at a total cost of INR 23,760 million towards enhancement of the pipeline flow capacity from the existing 18.2 MMSCMD to 33 MMSCMD by increasing capacities of existing compressor stations at Hazira and Jhabua and setting up of two new compressor stations at Vaghodia and Khera together with laying of 505 km pipeline between Vijaipur and Dadri. In LPG transmission, GAIL launched the construction activities for the world's longest 1269 km. Jamnagar – Loni exclusive LPG pipeline in October 1999 at a cost of INR 12,400 million. While GAIL took several projects for augmentation of pipeline network, there was a conscious effort towards improving the environment. In late 1990s, MoP&NG allocated 0.6 MMSCMD of Natural Gas for supply to industries in Agra and Firozabad in order to improve the environment and to protect the Taj Mahal, one of the Seven Wonders of the World, from pollution.

Gas processing - While gas transmission formed the core of GAIL's business towards the end of the 1980s, GAIL set up its gas processing facilities at Vijaipur for extracting propane and butane fractions from rich gas to produce



The first step in Petrochemicals, Pata

LPG and propane. The LPG plant at Vijaipur was commissioned in two phases in 1990-91 and 1991-92. In the year 1993-94, Government accorded approval to GAIL to market propane in India. In the following years, GAIL also set up other LPG plants at Vaghodia, Lakwa and Usar to augment gas processing facilities.

Petrochemicals - After elaborate feasibility studies and review of available technologies, Government awarded the Letter of Intent for setting up a gas cracker unit in September 1989. By September 1991, GAIL had acquired 215 hectares of land for UP Petrochemicals Complex and had selected the technology for gas cracker and sweetening plant. The Complex was finally commissioned in March 1999 at a cost of INR 24,040 million with a design capacity of 300,000 tons of ethylene to produce 260,000 tons of HDPE and LLDPE.

City Gas Distribution - GAIL had been entrusted the responsibility for setting up the infrastructure for use of CNG in the Transport Sector in Mumbai, Delhi and Vadodara. GAIL established Compressor Stations and Retail Outlets in all the three cities. GAIL

commenced its CGD operations in Mumbai through a JV with British Gas named as Mahanagar Gas Limited in FY 1994-95. Subsequently, GAIL started the CGD operation in Delhi for the supply of CNG/PNG to domestic, transport and commercial consumers through a JV with BPCL and Government of National Capital Territory of Delhi named as Indraprastha Gas Limited in 1998.

Exploration and production - Considering the need for increasing the supply of primary energy resources, GAIL initiated various projects for increasing the supply of primary energy resources in 1995-96. By mid 1996, GAIL planned to embark on a Coal-Bed Methane exploration and utilization programme after resource evaluation and completion of techno-economic studies. By mid 1997, GAIL had begun discussions with ONGC for the possibility of joint operation in Gujarat area for undertaking initial assessment of CBM resources by utilizing abandoned and ceased wells in oil and gas fields. During 1999-2000, GAIL entered into an MoU with Government of Rajasthan for studying the feasibility of in-situ lignite gasification.



GAIL - REVISITING THE JOURNEY

The 2000s – establishing leadership

This period marked GAIL's endeavors in exploring new business opportunities, whilst establishing leadership in its businesses.

LPG and Gas transmission - The Jamnagar – Loni LPG pipeline, world's longest and India's first cross-country LPG pipeline was commissioned during FY 2000-01. Covering 1269 km, this pipeline passes through the states of Gujarat, Rajasthan, Haryana, Delhi and U.P. The pipeline capacity in the first phase was 1.7 MMTPA, which was upgraded to 2.5 MMTPA through commencement of Kandla-Samakhiali linkage in FY 2002-03. The Board of Directors approved the project to lay a 600 km LPG pipeline from Vizag to Secunderabad in February 2001 at an estimated cost of INR 4,900 million. GAIL completed the Vizag-Secunderabad LPG pipeline in June 2003, designed for a maximum throughput of 1.16 MMTPA of LPG from Vizag to Secunderabad. Over the years, GAIL has grown organically by building a network of Natural Gas trunk pipelines covering a length of over 8,600 km and over 2,000 km of LPG pipeline. Towards the end of early 2000s, GAIL transmitted more than 118 MMSCM of gas everyday through its dedicated pipelines, contributing to a 74% market share in gas transmission.

Gas processing - With the commencement of operations in LPG plant at Pata in 2000 and Gandhar in 2001, GAIL reached a design production capacity of 1.1 MMT of LPG per annum.

Petrochemicals - GAIL undertook major de-bottlenecking of downstream plants thus resulting in increase in production capacity from 260,000 TPA to 300,000 TPA in 2005. It also enhanced its ethylene production capacity from 300,000 TPA to 400,000 TPA by addition of new cracker furnace in FY 2006-07.

Exploration and production - By 2002-03, GAIL had participating interest in 10 exploration blocks in consortium with E&P companies like ONGC, OIL, GSPC, Hardy, Gazprom and Daewoo International. The portfolio consisted of 8 NELP and 2 farm-in blocks. The year 2003-04 brought the first success for GAIL's E&P activities with gas discovery in A 1 block in Myanmar and discovery of oil and gas in the Cambay block. GAIL had participating interest in 11 E&P blocks covering an acreage of over 67,000 sq. km. by 2004-05. For the first time ever, GAIL started the production of crude oil in its Cambay Oil Basin

from September 6, 2005, which was discovered in September 2004. GAIL holds 50 percent participating interest in the block.

City gas distribution - GAIL expanded its city gas distribution business by spreading its pipeline network in various cities, including Kanpur, Agra, Lucknow, Pune and cities in Andhra Pradesh and Tripura, through eight Joint Venture companies. GAIL has also set up a 100% subsidiary company, GAIL Gas Limited (GGL) for City Gas Distribution (CGD) and CNG corridor business. GGL was created to take up distribution and marketing of CNG as fuel for vehicles, Piped Natural Gas for domestic/ commercial/ industrial purposes and Auto LPG as fuel for transport vehicles in the various cities of India and abroad. GGL would also take up investment in and setting up of infrastructure in various cities of India and along the national highways for building CNG corridors.



LPG transmission through pipeline



Today – A leading integrated gas company

The year 2010-11 saw a remarkable increase of 30% in our total sales, with 13.5% increase in PAT over the last year. This was a result of our continued efforts in augmenting our operations and pursuing new business opportunities.

Gas and LPG transmission – During the year, we successfully commissioned the 498 km Vijaipur-Dadri pipeline, 175 km Sultanpur-Neemrana pipeline and 88 km Focus Energy pipeline. With the execution of our on-going projects to build cross-country gas pipeline infrastructure, we plan to augment our pan-India presence with a total pipeline network of 15000 km in coming years.

Petrochemicals – Over the years, we developed our competencies in petrochemicals to achieve a 17% market share in India. Apart from serving customers in India, we have grown the customer base for our petrochemicals products in

China, Vietnam, Indonesia, Philippines, Israel and the United Arab Emirates. During the year, we acquired a 17% equity stake in a 1.1 MMTPA petrochemical project implemented by ONGC Petro Additions Limited at Dahej, Gujarat, India. We are further doubling the capacity of our petrochemical plant at Pata by installing 450,000 TPA Gas Cracker Unit and 400,000 TPA Downstream Polymer Unit. These investments will help us in realizing the strong growth that we have envisaged in this business.

GAIL is promoting a Joint Venture Company, Brahmaputra Cracker & Polymer Limited (BCPL), in Assam, which has been incorporated as a Central Public Sector Enterprise under Ministry of Chemicals & Fertilizers. GAIL is the main promoter having 70% equity share, with Oil India Limited (OIL), Numaligarh Refinery Limited (NRL), Govt. of Assam, each having 10% equity share. BCPL is setting up a 2,80,000 MT per annum polymer plant at an investment of INR 89,200 Million. This is the single

biggest investment in the north-east region of the country. This project is expected to give rise to a substantial employment generation both direct as well as indirect, and will attract substantial investments in setting up of downstream plastic processing industries in North east. Hon'ble Prime Minister of India laid the foundation stone of the project at Lepetkata, Dibrugarh, Assam on 9th April, 2007.

Exploration and Production – Our foray into exploration and production business post liberalization of Natural Gas sector in the year 2000 has opened up various opportunities for our business and will help GAIL to match demand with supply of gas through integration of supply chain. We are currently participating in 27 exploration blocks in Mahanadi, Mumbai, Cambay, Assam-Arakan, Tripura Fold Belt, Krishna Godavari, Cauvery and Cauvery Palar basins. These blocks are in various stages of exploration, appraisal and development, with hydrocarbon discoveries in seven E&P blocks.

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Gas Cracker Unit at Pata



Special Postage Stamp released on Silver Jubilee of GAIL



GAIL - REVISITING THE JOURNEY



Pipeline Laying Operation

13 *City Gas Distribution* – Our foray in city gas distribution has led to increase in the reach of our products to retail customers, thereby augmenting consumption of Natural Gas based products in the form of CNG and PNG, besides strengthening our presence in downstream operations. At present CNG retail outlets of GAIL and its JVs are available in Delhi, Maharashtra, Uttar Pradesh, Gujarat, Andhra Pradesh, Tripura, and Madhya Pradesh states with more than 400 CNG retail outlets catering to approximately 6,80,000 vehicles.

Through our JVs we have also established city gas distribution systems consisting of underground pipeline distribution network inside cities to supply Natural Gas to consumers for varied applications.

Renewable Energy - We are strategically looking at lowering our environmental footprint by focusing on renewable energy. We have successfully commissioned a 4.5 MW wind energy project at Sinoi, Gujarat, India, mainly for captive consumption. We are currently executing another 15 MW wind power project in

Gujarat, India, for captive utilization, and are gearing up to set a 100 MW commercial wind energy project. Apart from wind energy generation, we are also exploring opportunities in solar power.

Telecom - Started in 2001, GAILTEL: our telecom business has a reach of around 13,000 km of optical fibre cable network across India, connecting 150 towns and cities spanning across 10 Indian states. GAILTEL network is built largely along our highly secured cross-country pipeline corridor ensuring highly reliable and error free service to its customers.



A Night View of Gas Processing Facility at Vijaipur, M.P.



Creating value beyond business

In line with our Vision to create value for all stakeholders and fulfill our environmental responsibility, we have taken various initiatives and business decisions over the years to ensure our businesses and operations have maximum impact on the economy and our stakeholders.

Contribution to India's energy requirements - India is the fourth largest energy consumer in the world, with gas constituting around 11% of India's primary energy consumption. Out of the 162.11 MMSCMD gas marketed in the country in FY 2010-11, GAIL marketed around 83.23 MMSCMD, thus accounting for 5.6% of the primary energy consumption. Currently, more than half of India's Natural Gas is traded by GAIL, operating more than 2/3rd of country's CNG stations through JVs, producing 25% of India's total poly-ethylene and producing LPG for every 10th cylinder in the country.

Developing the high-grade steel industry - During the nascent years of GAIL's operations, steel pipes were primarily imported from foreign suppliers, with HVJ constructed using completely imported pipes along its length at that time due to unavailability of suppliers of special grade steel in India. Since 1985 during construction of HVJ pipeline to now, GAIL's operations have contributed to the development of Indian steel pipe manufacturing industry which has come a long way, with over ten suppliers currently providing X-70 steel grade pipes in India, further exporting 30% of their total output. With over 10,000 km of pipelines planned to be constructed during the period 2011-15, the industry now observes huge demand creation of

GAIL's contribution to gas supply in India in FY 2010-2011

Sector	All India Supply (MMSCMD)	Supply made by GAIL (MMSCMD)	% of supply made by GAIL
Power	63.59	31.20	49
Fertilisers	38.52	21.29	55
CGD	13.31	6.07	46
Sponge Iron	8.03	2.89	36
Small Scale Industries	5.34	5.34	100
Others (Refineries, Petrochemicals etc.)	24.45	10.12	41
Internal Consumption/Shrinkage	8.87	6.32	71
Total Supply	162.11	83.23	51

up to 2.5 million tons of steel pipes from this expansion².

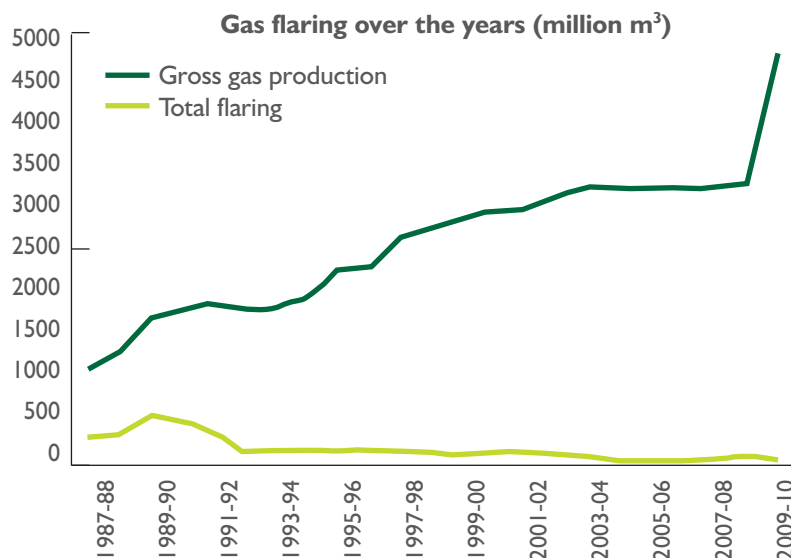
Substituting road transportation of LPG - With laying of exclusive pipelines for LPG transmission in various parts of the country, GAIL has contributed to replace the mode of transportation by road required to deliver LPG from production facilities to various customers. During FY 10-11, our pipelines led to reduction of GHG emissions by 9,656 tCO₂e by shifting of LPG transport from road to pipeline.

Reducing GHG emissions from flaring - India's exploration and production activities involved flaring of natural gas that could not

be utilized until the 1980s due to technological and economic feasibility. With commencement of GAIL's operations and growth over the years, GAIL has significantly contributed towards reducing flaring of gas from exploration and production activities. From 3,445 million cu.m of gas flaring in India at the time of commissioning of HVJ pipeline in 1987-88, gas flaring in India has reduced to 993 million cu.m in FY 2010-11³.

²Source: Ministry of Steel website and Internal informations.

³Source: "Basic Statistics on Indian Petroleum and Natural Gas 2009-10" by MoPNG





Sharing the spirit of togetherness



OUR BUSINESSES, PRODUCTS & BRANDS

Industrial & domestic consumers



PNGA

CNGA

City Gas Distribution

Ratnagiri Gas Private Limited

Power

Industrial and Consumers



LPG transmission

Exploration and Production

Operational units
27 E&P blocks
(25 in India, 2 overseas)

Total production
420 TMT (FY 10-11)

Key products/services
Gas from Imports, Gas from Indigenous sources

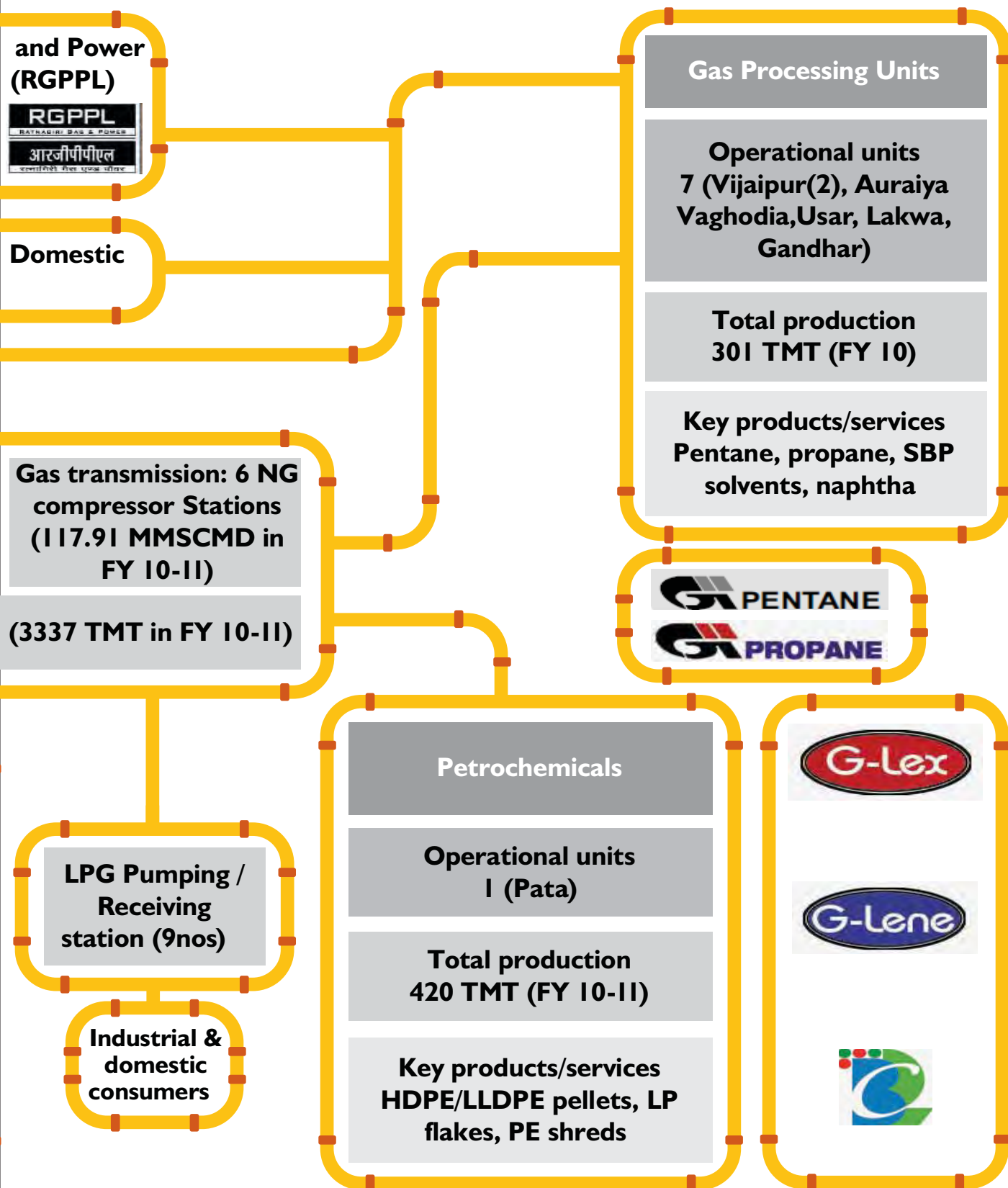


GAIL
China Gas
Global Energy Holdings Limited
GAIL Global (Singapore) Pte Limited

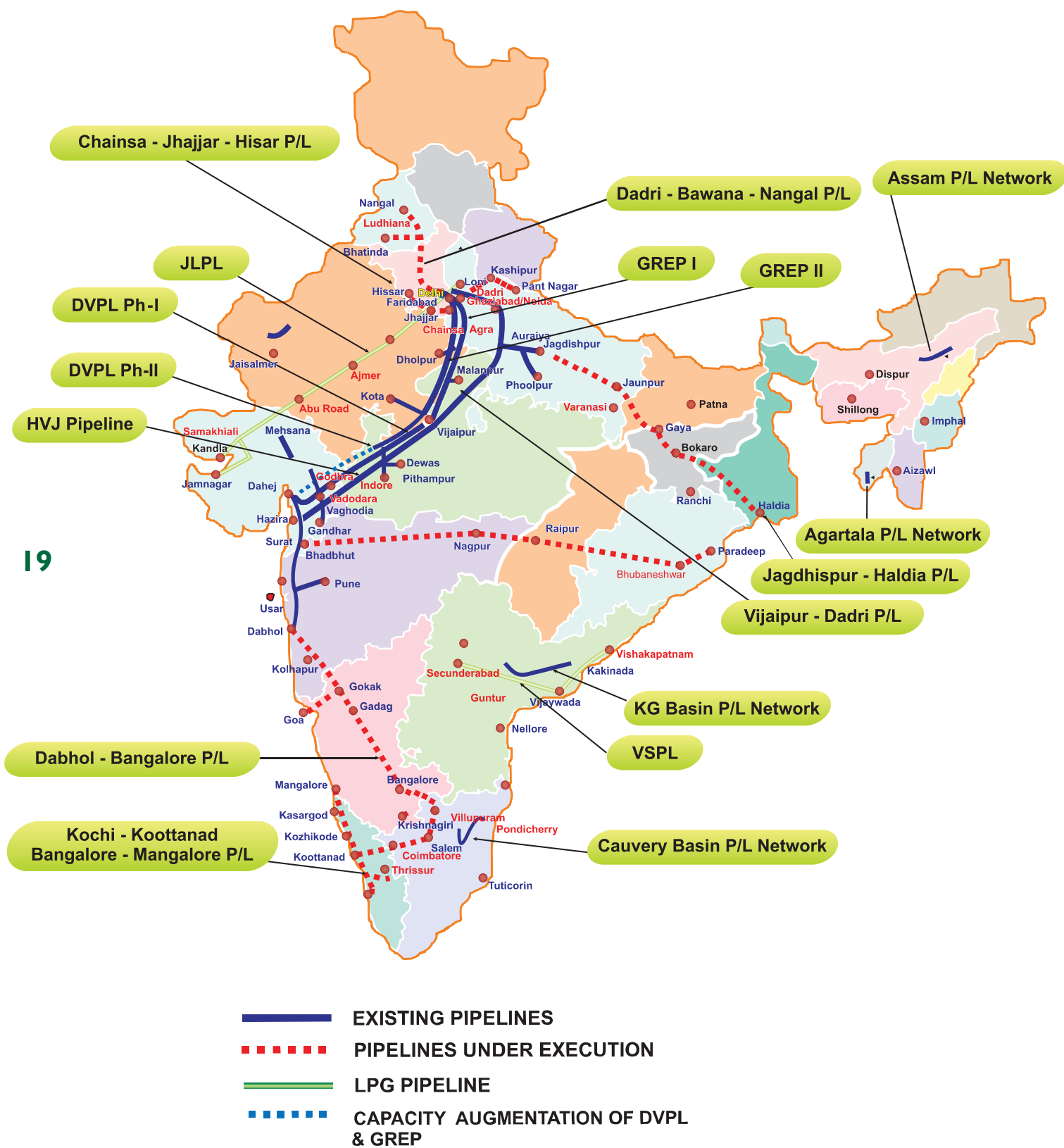


13000 km of OFC network through cross country pipelines (5681 km) and state/national highway routes (7346 km).





GAIL'S PAN INDIA PRESENCE





AWARDS AND ACCOLADES



21



10th ICSI National Award for Excellence in Corporate Governance 2010 - Certificate of Recognition for Excellence in Corporate Governance
Institute of Company Secretaries of India



Ranked No.1 Company among gas utilities by
Platts Top 250 Global Ranking of Energy Companies



Corporate Award for Gas-Processing, Transmission, and Marketing
Dun & Bradstreet – Rolta



Greentech Environment Excellence (Gold) Award 2010
Pata, Vijaipur, Vaghodia, Jhabua, Hazira, NCR and Mumbai
Greentech Foundation



Asia's Best Employer – Best HR strategy in line with Business
World HRD Congress



International Safety Award for KG Basin and NCR units
British Safety Council (UK)



'Managing India Award' for the outstanding PSU
All India Management Association (AIMA)



Customer Responsiveness Award, 2010 in Manufacturing Sector
Economic Times & Avaya Global Connect



Oil Industry Safety Award
(14th time for our HVJ pipeline, 7th time for Vijaipur unit)
OISD



Safety Innovation Award – Agra, Khera, Lakwa, Nasirabad
Institute of Engineers Delhi State Centre



Sarvashrestha Award – MP Chapter for Vijaipur
National Safety Council





GOVERNING THE WAY WE OPERATE

Our governance framework is founded on the principles of ethical conduct, transparency, professionalism and accountability. We are also closely guided by government-mandated frameworks for developing our strategy and associated actions, further reinforcing our commitment towards responsible business practices.

We have a range of company-wide policies that enhance control over various aspects of GAIL's business performance and work discipline. These policies range from devising standard procedures for advertisement and communication to laying stringent codes and procedures for operation and maintenance. Over the last two years, we have reviewed major policies like HR, CSR and HSE in line with changing business requirements and leading practices across the industry. GAIL(India) Limited is a Navratna, Central Public Sector Enterprise listed with Bombay Stock Exchange (BSE), National Stock Exchange (NSE) and its GDR is also listed with London Stock Exchange. It is one of the constituents of benchmark index NIFTY and SENSEX of NSE and BSE respectively. Government of India is the majority shareholder with 57.35% equity stake in the company. For the shareholding pattern refer to page 51 of Corporate Governance section of our annual report FY 2010-11.

Leadership at GAIL

The Board of Directors supervises our corporate strategy and overall performance of the company. Their rational decision-making and able leadership has been an important contributor to our success over the years. As on 31st March 2011, there were 14 Directors on the Board, comprising six Whole-Time Directors including the Chairman and Managing Director, two part-time Directors nominated by Government of India, and six part-time Independent Directors.

Our Board drives the company's strategy and specific actions

through various Board Committees⁴. These committees, apart from expediting business decisions, also assist the Board in governing sustainability performance of the company. To ensure a strong focus on sustainability, we have constituted committees to look into various aspects of sustainability, including health, safety and environment, employee discipline and corporate social responsibility (CSR).

⁴Our Annual Report details out the functions and responsibilities of each Board Committee. Please refer to the following line to access our latest Annual Report - http://gailonline.com/final_site/pdf/GAIL_AR_2010_11.pdf

- HR
- HRD
- Training
- CSR
- Legal
- Security
- RTI
- Co-ordination

DIRECTOR (HR)

- Project
 - Pipeline Petrochemical Plant
 - NGMC &
- O&M
 - Pipeline Network
 - Gas Processing Units
 - Petrochemical Plant Pata
- GAILTEL & Telemetry
- Contracts & Procurements
- Business Information System
- Corporate Affairs

DIRECTOR (PROJECTS)

Board Structure

Functional Directors

- B.C. Tripathi
- R.D. Goyal
- S.L. Raina
- Prabhat Singh
- S. Venkatraman
- P.K. Jain

Govt. Nominee Directors

- Sudhir Bhargava
- Apurva Chandra

Independent Directors

- Prof. A.Q. Contractor
- Mahesh Shah
- R.M. Sethi
- Dr. Vinayshil Gautam
- Arun Agarwal
- Dr. U.K. Sen



Functional Structure



Sub-Committees of the Board

- 01 **Audit Committee**
Prof. A.Q. Contractor (Chairman) - Mahesh Shah
Arun Agarwal
- 02 **Business Development & Marketing Committee**
R.M. Sethi (Chairman) - Prabhat Singh - S. Venkatraman
P.K. Jain - Apurva Chandra - Arun Agarwal
- 03 **Corporate Social Responsibility Committee**
B.C. Tripathi (Chairman) - S.L. Raina - Apurva Chandra
Prof. A.Q. Contractor
- 04 **Employee Disciplinary Committee**
B.C. Tripathi (Chairman) - R.D. Goyal - S.L. Raina
Dr. Vinayshil Gautam
- 05 **Empowered C&P Committee**
B.C. Tripathi (Chairman) - R.D. Goyal - S.L. Raina
Prabhat Singh - S. Venkatraman - P.K. Jain
- 06 **Ethics Committee**
Mahesh Shah (Chairman) - Prof. A.Q. Contractor
Arun Agarwal
- 07 **HR Committee**
B.C. Tripathi (Chairman) - R.D. Goyal - Arun Agarwal
S.L. Raina - Prabhat Singh - S. Venkatraman - P.K. Jain
Mahesh Shah - Dr. Vinayshil Gautam
- 08 **HSE Committee**
Prof. A.Q. Contractor (Chairman) - R.D. Goyal
S. Venkatraman
- 09 **Project Appraisal Committee**
B.C. Tripathi (Chairman) - P.K. Jain - Apurva Chandra
Dr. Vinayshil Gautam - Arun Agarwal
- 10 **Remuneration Committee**
R.M. Sethi (Chairman) - S.L. Raina - P.K. Jain
Prof. A.Q. Contractor - Arun Agarwal
- 11 **Shareholders / Investor's Grievance Committee**
Mahesh Shah (Chairman) - S.L. Raina - Prabhat Singh
- 12 **Share Transfer Committee**
Executive Director (Finance) / Head of Finance
Company Secretary / Senior Most Official Company Secretariat
- 13 **Stakeholders' Grievance Redressal Committee**
Prof. A.Q. Contractor (Chairman) - P.K. Jain



Managing risk across GAIL

At GAIL, the accountability and responsibility of risk management is clearly defined from the Board level to individual risk officers. The Audit Committee, Corporate-level and site level Risk Steering Committees, help in overseeing risk management activities that are executed by risk owners at site and at corporate level. Over the years, our risk management process has evolved to incorporate innovative methods of risk identification, mitigation and awareness generation. This year, we identified seven key business risks for GAIL, to be monitored at corporate and site level. These include:

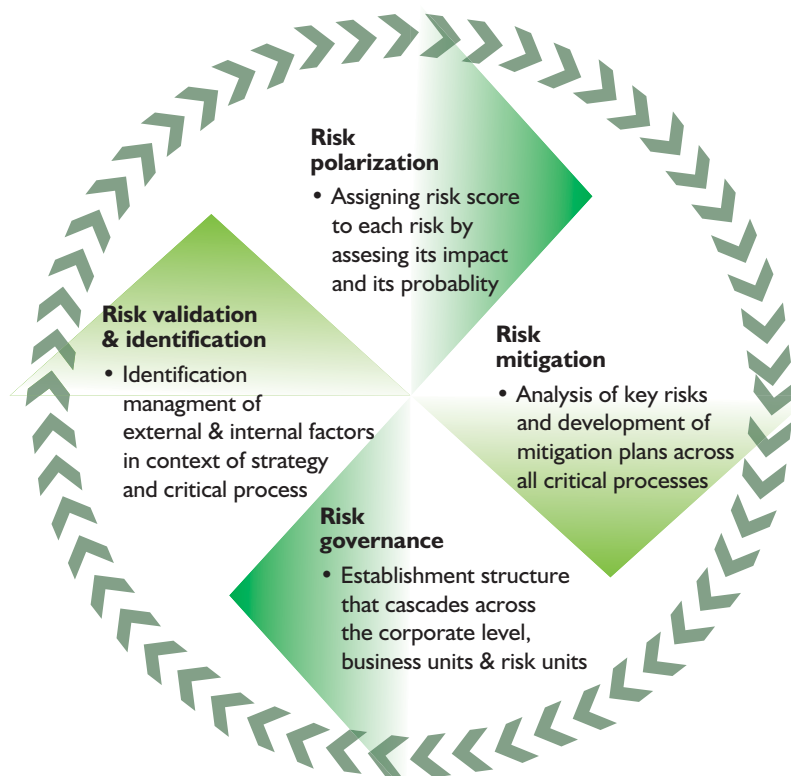
- Existing sourcing of Natural Gas / RLNG (Re-gasified Liquefied Natural Gas) vis-à-vis absence of additional sourcing arrangements and meeting increased gas requirement with the expansion of existing polymer production capacity.
- Growth of transmission business affected by tight supply of gas and laying of self-owned domestic gas pipelines by private players.
- Increased competition from new players due to de-regulation of market.
- Limited product range resulting in threat to market share.
- Inadequacy of storage space for by-products like MFO, C4 mix leading to running of the plant at a lesser load.
- Improvement in control mechanism over compliance issues for identifying

non-compliances & highlighting for timely corrective action.

- Alignment of decisions to venture into E&P projects in India and abroad by setting up standard of operations and performance with defined risk tolerance capacity.

Governing our sustainability performance

The Board of Directors supervise our triple bottom-line performance through sub-committees dedicated to relevant sustainability focus areas like CSR, employee discipline, health, safety and environment. These committees are responsible for developing annual plans, approving or nominating initiatives to be taken, and monitoring and reviewing the performance from corporate office of each facility. All our facilities are mandated to report their HSE and CSR performance on a monthly basis. These progress reports are collated, reviewed and discussed by the committee members along with the Board. All our gas processing and petrochemical plant and LPG pipeline systems and Natural Gas Compressor Stations under operation are ISO 9001, ISO 14001 and OHSAS 18001 certified. We have designed an 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 and services across locations. These systems enable us to effectively control and manage our performance.





CMD and Board of Directors at the Annual General Meeting of GAIL

Driving ethics and transparency through proactive vigilance

We have adopted stringent measures to uphold ethical conduct across operations, whether related to contractor performance or employee behavior. Based on Government of India's rigorous vigilance procedures, we have developed systems and policies that promote and ensure high standards of ethics and transparency across GAIL's operations. Our "Code of Conduct" sets out strong guidelines for our employees, including the Board members, to act responsibly in all aspects during their tenure at GAIL.

We endeavor to preserve the confidentiality of price sensitive information and prevent misuse of such information by anyone. We are committed to transparency and fairness in dealing with all stakeholders and in ensuring

adherence to all laws and regulations. Every designated employee of GAIL has a moral obligation to safeguard the confidentiality of sensitive information and also ensure that his or her position or knowledge about GAIL is not used to gain any personal or third party benefit. To this extent we have prepared a Code of Conduct for Prevention of Insider Trading that extends this responsibility and accountability to all our dealings.

We have set up an Ethics Committee under the Board of Directors to put more emphasis on ingraining ethics and transparency as an important element of our governance practices. This committee is chaired by an Independent Director to ensure its independent and effective functioning. Upholding the essence of Clause 49 of the Listing Agreement and our Code of Conduct, the Ethics Committee reviews practices and

performance with regard to conflict of interest, fair play, integrity, accountability, transparency in disclosures, compliance, propriety, and confidentiality. We have set out a stringent code of ethics for our internal audit department to further our commitment towards business ethics. We have also activated an online complaint registration system on our corporate website to leverage IT to address vigilance-related complaints raised by our stakeholders

At GAIL, we have deployed a Bill Watch System to improve processing of vendor bills, increase transparency for vendors during tracking of payment, and enhance trust through independent nature of the system involved. Similarly, we have also upgraded our File Management System on similar lines to track the movement of files within GAIL.



GOVERNING THE WAY WE OPERATE

We promote vigilance awareness through our internal magazine, 'Jagrook', which provides information on proactive vigilance and describes several successful case studies. This is supported by appropriate measures to boost awareness of our employees and major vendors towards the need for proactive vigilance and ethics. This year we also observed a Vigilance Awareness Week from 25 October to 01 November 2010. During this week, banners and posters were displayed across sites and seminars were conducted at major locations. Additionally, we have also put efforts to effectively implement RTI Act at GAIL. In this regard, during the year, we provided 11 training programs to 200 employees on the key elements and enforcement areas for this Act.

GAIL endeavours to create an organization free from corruption and is inclined towards upholding high ethical values. To this end, we have signed an MoU with Transparency International⁵ (TI) in 2007 for ratification of Integrity Pact Programme in consultation with the CVC to maintain and foster ethical and corruption free business environment. This pact is also mandatorily signed by vendors / suppliers having high value contracts. We have become the first public sector enterprise to opt for audit and 360 degree review of the efficacy of Integrity Pact Programme by an external agency. This will help us to further strengthen our procurement practices. GAIL has appointed Independent External Monitors (IEM) of high repute to lend transparency to our procurement procedures. IEMs strengthen our vigilance in contract and procurement procedures by

providing a transparent way for vendors to put forth their grievances and get them redressed in an effective manner.

While we have taken stringent measures to curb corruption and promote transparency in our operations, there were seven cases of corruption reported during the year. Necessary action was taken by the vigilance department, based on the outcome of their investigation. In four cases we imposed a minor penalty, while remaining three are in various stages of closure. As we move into the next year, we will continue to undertake similar measures to instill high standards of anti corruption across our operations.

⁵Transparency International is a non-government, non-party, and not-for-profit organization of citizens of professional, social, industrial or academic experience to promote transparent and ethical governance and to eradicate corruption.

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On the occasion of Vigilance Awareness Week: (Top Left) Launch of Jagrook Magazine; (Top Right) Awareness March at Vijaipur; (Bottom Left) Pledge Taking Ceremony; (Bottom Right) Awareness March at Jaipur





ENHANCING THE TRUST OF OUR STAKEHOLDERS

‘Value creation for all stakeholders’ has always been a part of our vision. We believe in working together with our stakeholders to create long-term value and enhance their trust in our business. Our increased growth is a result of synergies and relationships that we have developed with our stakeholders, over a period of time.

We identify our key stakeholders through their impact on our business and the value we create for them in return. The concerns identified by them through various channels and engagement mechanisms are vital for our business continuity. We have defined specific roles and responsibilities of the key departments in GAIL to address these concerns, monitor them, and ensure that they are addressed in a timely and efficient manner. We are one of the few companies in India to set up a focused Board committee to address grievances of all stakeholders through the Stakeholders' Grievance Redressal Committee. This committee is empowered to take decisions on disputes referred by stakeholders and resolve them amicably. The committee has been constituted in a manner to bring independence in its functioning. Disputes or concerns, if any, reported by our stakeholders to the Committee are resolved through our Settlement Advisory Committee. The Settlement Advisory Committee helps in communicating views of each

party to the other, assist in identifying issues, reducing misunderstandings, clarifying priorities, and exploring areas of compromise and generating options in an attempt to solve the disputes.

Government of India and regulatory authorities

Being a Central Public Sector Enterprise (CPSE), GAIL is directly accountable to the Government of India for its performance and fulfillment of business objectives. The Government plays an important role in setting out our annual business objectives. These objectives are clearly set out as part of our MoU with the Ministry, which is mutually discussed and agreed upon at the start of each financial year. We also engage with the Directorate-General of Hydrocarbons (DGH) for our exploration and production activities that contribute to the nation's energy security. Additionally, we have regular discussions on our financial performance, gas allocation, gas pricing, energy security, project planning, vigilance issues, safety

and security, expansion and diversification plans with the Ministry and other government bodies at regular intervals. During this year, we also engaged in discussions with Government on gas utilization, Natural Gas pooling and swapping mechanism. The Petroleum and Natural Gas Regulatory Board (PNGRB) plays an important role in the growth plans of our pipeline and city gas distribution infrastructure. One of its mandates is to protect the interest of consumers by fostering fair trade and competition amongst the entities and also to ensure uninterrupted and adequate supply of natural gas, petroleum and petroleum products in the country. We comply with PNGRB guidelines to get approvals for any expansion projects with respect to processing, storage, transportation, distribution, marketing and sale of natural gas. We also actively engage with several regulatory authorities for ensuring compliance to laws & regulations. Apart from fulfilling our regulatory requirements including submitting annual reports and statutory filings as per Listing



High Level Meeting of Parliamentary Standing Committee with GAIL Management





Review meeting of GAIL HR

Agreement, organizing site inspections and filing compliance reports to the authorities, we are also involved with them for developing policies /regulations for Indian oil and gas industry.

Shareholders⁶ and Investors

It is important for us to understand the priorities of our shareholders and investors regarding issues on material importance to our business. This enables us to optimize our performance to create maximum value for our investors/ shareholders. We interact with our shareholders and investors on several business issues at various forums including annual general meetings, investor meetings, etc. We share our financial performance, business outlook and future business plans with them to gain their trust and incorporate their perspectives on our short and long-term business strategy.

Customers

Our ability to develop products to meet changing market demands and specific customer

requirements is vital for our current and future business growth. We engage with our customers through varied mechanisms to gauge dynamic market conditions and to address specific concerns and requirements in a timely manner. Their key concerns are centered on quality, availability and pricing of our products. We have devised a customer suggestion scheme and re-dressal mechanism module to address customer enquiries and grievances. Customers are given easy access to these tools on our corporate website. Our customer satisfaction surveys help us to assess the level of their satisfaction and their key expectations. We organize customer meets and felicitation events to further our relationship with them. Our advertising and marketing initiatives are supported by our product brochures, road-shows and campaigns.

Employees

Our employees are our most valuable resource and significant contributors to our success. It is important that we focus on

acquiring the right talent for our businesses and provide adequate opportunities for them to learn and grow in the organization. In certain facilities located far from cities and towns, we ensure that we provide our employees an engaging atmosphere through our welfare activities and internal communication. We fulfill our commitment towards employee development by providing adequate opportunities to them to hone their technical and inter-personal skills. Our annual performance review program, employee suggestion schemes, employee engagement surveys and internal review meetings help us in identifying and responding to our employees' key concerns. We support these measures by on-going means of interaction including internal magazines, newsletters and the intranet. We have also established initiatives to enhance our relationship with our employees through our employee recognition awards and schemes and by organizing celebrations for festivals and cultural events.

⁶'Shareholders' refers to all shareholders other than Government of India.



ENHANCING THE TRUST OF OUR STAKEHOLDERS

Vendors/contractors

We rely on our vendors, contractors and other business partners to support our operations through their products and services vital for our business. Therefore, it is our responsibility to guard their business interests including timely payments and making them aware of GAIL's stringent benchmarks on health and safety, proactive vigilance and quality of service. We organize vendor meets and regular business review meetings to address the key concerns of vendors. With a firm focus on vigilance, we interact with our vendors on our stringent contract and procurement procedures throughout the tenure of their service and through interaction programs as part of Vigilance Awareness Week every year. We monitor contract progress in a more structured manner, enhancing transparency and accountability in our relationship through the "Bill Watch System".

Community

We actively engage with the communities adjacent to our facilities to support their development and address their

concerns. Some of the key developmental concerns of local communities around our operations include the need for infrastructure, healthcare facilities, education and generation of adequate livelihood opportunities. We interact with our local communities through meetings with village heads, heads of local self-governments, and through community visits to understand their needs and take suitable measures to address them. Our CSR programs enhance our relationship with them while addressing their developmental concerns. Our relationship with communities is vital with regard to the safety and security of our extensive pipeline network. We interact with them by conducting meetings to create awareness on pipeline security, disaster and emergency preparedness.

Media

We have maintained very open and transparent communication channels with the media, resulting in a mutually beneficial relationship. Media communication strategies have been practiced so as to ensure alignment with the key business

objectives of creating shareholder value, attracting, retaining and motivating high quality people, enhancing reputation of all audiences, marshalling stakeholders, support on public policy issues, creating consumer preferences for product and services and minimizing the impact of any crisis on the company's financial position and business prospects. In the fast-changing environment of the oil and gas sector, which is posing myriad challenges, we are taking measures to communicate effectively with our stakeholders and maintain optimal visibility as well as brand recall in the mind-space of investors and the public base at large. The planned media / communication strategy comprises a right mix of media interaction and branding opportunities such as press conferences at headquarters as well as work centers on various developments in the Company, formal and informal media interactions, exclusive interviews with print, wire and electronic media, press releases, sponsorships of events, participation in industry exhibitions, etc.



CMD interacting with Media in a Press Conference

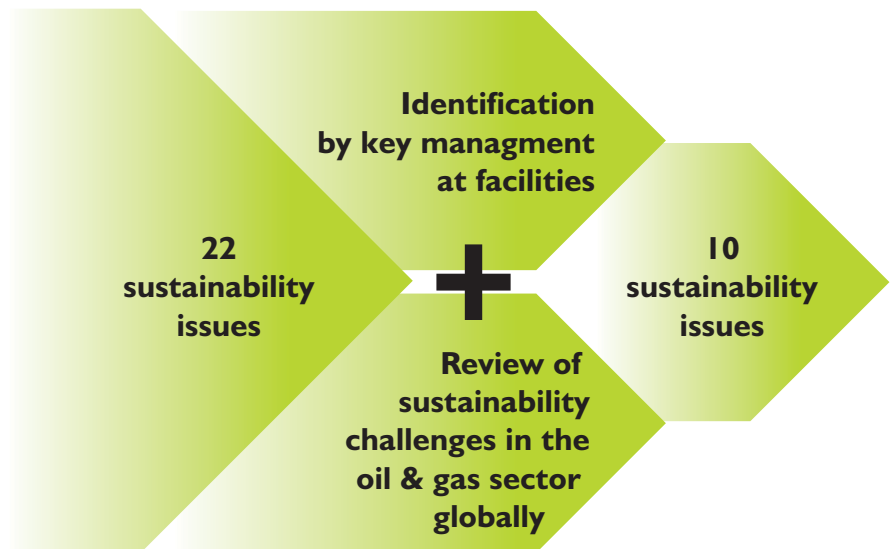




Identifying sustainability issues of critical importance is essential for developing a focused and comprehensive sustainability strategy for GAIL. For this, we institutionalized a robust process for identification of material sustainability issues and challenges for the company and its stakeholders. The intent was to deliberate on sustainability issues that impact us and would drive our growth in the future.

Our materiality

We intend to further refine the process of defining material issues in the coming years and develop a wholesome strategy based on the core sustainability areas that are significant to us and our stakeholders. We have adopted a two-phase approach towards defining materiality that takes perspectives of key management personnel across our major facilities (including our corporate office) together with review of challenges specific to the global oil and gas industry. The overall dossier formed by these perspectives was screened and reviewed by the top management to arrive at the top six material issues. While the management perspective helped in identifying business issues in conjunction with specific local sustainability issues at the facility level, review of sectoral challenges provided a balance to the process by aligning it with global trends in the oil and gas sector.



Gas sourcing

India is on a path of becoming a developed economy and in order to continue to grow at this fast pace, the energy sector would play a vital role. In the energy

space, the importance of natural gas has grown exponentially in the past few years due to its environmental and economic benefits. Being the National Gas Company of India, securing gas supplies in order to meet the burgeoning gas demand in the country holds primary importance for GAIL. We continue to strategically increase our investments in exploration and production in India and internationally. In order to ensure

continued and uninterrupted supply of gas for our business, we are also gradually increasing our footprint in LNG and natural gas trading in the international markets.

Business growth

With infusion of reforms in India's oil and gas sector, the market was opened for domestic and multinational companies, thereby increasing competition. This has increased pressure on our



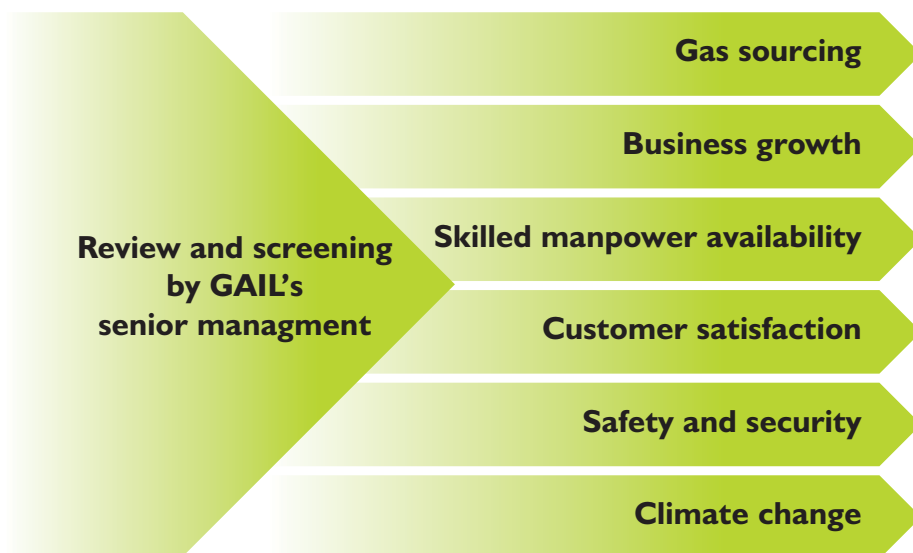
Offshore Exploration and Production activities



Expanding our Gas Pipeline Infrastructure



determination process



operating margins adding up to the stiff challenge we face due to the locking up of capital in our high value assets and gas infrastructure. These conditions have compelled us to look for new avenues to fuel our business growth. During the financial year, we increased our market penetration through further integration of our natural gas value chain and by developing new improved petrochemical products. Implementation of new projects and initiatives as per the existing 2007-2012 strategic plan

is moving as envisaged. Additionally, we are developing a 2020 strategy to accelerate our long-term growth with focus on looking beyond conventional business opportunities and associated challenges.

Skilled manpower availability

With new technological developments in the hydrocarbon sector and phenomenal expansion witnessed by the company, there is an ever-increasing need to tap

qualified personnel suitably equipped with knowledge, skills, attitude and a practical exposure to highly specialized jobs. Thus, it is imperative that we acquire the right talent to fuel our growth and give them the right exposure and opportunity for their overall development. Our efforts focus on recruitment from some of India's best academic institutions. We also conduct a stringent all India competitive test to give fair and transparent opportunities to talent across the country and train them in our high class training facilities supported by the GTI (GAIL Training Institute). A majority of our operations are located in remote areas where access to basic living amenities is a constraint. To improve retention and satisfaction amongst our employees, we have taken consistent investment efforts towards building adequate infrastructure and promoting welfare activities.

Customer satisfaction

Managing customer expectations is essential to sustain our growth and market share in India. In this regard, it is imperative that we



Training session at GAIL Training Institute, Noida



Director Marketing Interacting with Customers and Stockists



make our pipeline network more efficient by reaching out to more customers, ensure uninterrupted supply of gas to customers and be able to provide the desired quality of gas that suits their requirements. We have a strong customer relationship management approach built into our petrochemical marketing process. These are being replicated into the gas marketing business to manage customer expectations better. We have employed the latest technologies in our gas management and metering system. GAIL has been strongly pursuing gas pooling mechanism. During the year, we have strengthened our efforts in customer relationship management and have addressed queries raised by customers through customer relationship portals, satisfaction surveys and other means of engagement.

Safety and security

Health and safety risk is inherent to the sector and the nature of business that we conduct. As a result, our approach towards health and safety aims to ensure

safety of public, employees, plants, assets and equipment. HSE performance across operations is reviewed in every Board meeting. To have a focused approach on HSE issues, we have constituted a separate HSE sub-committee of Directors at the Board level to closely monitor the performance and emergency preparedness of our operations. Our extended approach on health has helped us in working with communities to address local health issues arising from pre-dominant ailments and health risks in the regions where we operate.

Security of our people and assets is of extreme importance to us. We have stringent security arrangements to handle and manage any mishaps or untoward incidents due to the increasing geo-political instability. We have also invested on trained security staff to ensure seamless operations.

Climate Change

Climate change is a widely accepted phenomenon, duly recognized by governments and businesses alike. Being an energy

company, addressing risks and opportunities arising from various aspects of climate change is vital for our business. With India stating its willingness towards accepting legally binding emission reduction targets, impending climate change related legislations will pose a challenge to our operations towards increasing energy efficiency and identifying opportunities for captive use of renewable energy. A major focus area emerging from this is our foray into alternate sources of energy that delves into development of a strong wind and solar energy portfolio in the coming years. Our plan to set up new wind power units and our active participation in the JNNSM (Jawaharlal Nehru National Solar Mission) will enable us to augment our captive power generation as well as initiate commercial sale of power from renewable sources. Additionally, we also expect a higher demand of natural gas owing to shifting customer needs for cleaner fuels to meet their emission reduction requirements, thus providing a crucial business opportunity.



Training on Fire Fighting



Solar Photovoltaic cells being utilised





OUR CORPORATE STRATEGY

While we continue to accelerate and optimize effective, economic and efficient use of natural gas to the benefit of nation, our future plans are built on the key pillars of sustainable business model, care for environment and surrounding communities. With this in the background, we defined our strategic objectives up to 2012 and have initiated Project “Next Wave” to articulate our aspirations and strategic priorities towards the next level of growth by 2020.

OUR CORPORATE STRATEGY

We have made sustainable development a cornerstone of our business strategy to achieve continued profitable, and responsible growth. We adopted the principle of materiality and prioritized key sustainability issues after collective deliberation by the management. GAIL is committed to play a key role in building sustainable energy future for the country. Our core business of natural gas transmission places us ahead of many other energy companies in terms of making cleaner fuel accessible to consumers. While we continue to accelerate and optimize effective, economic and efficient use of natural gas to the benefit of nation, our future plans are built on the key pillars of sustainable business model, care for environment and surrounding communities. With this in the background, we defined our strategic objectives up to 2012 and have initiated Project “Next Wave” to articulate our aspirations and strategic priorities towards the next level of growth by 2020.

We have started our sustainability journey with a focus on improving our economic, environmental and social performance. The emphasis is also on establishing a robust management system around sustainability performance. The

processes deployed have helped us in creating focus and direction to guide our sustainability agenda. We have established a baseline and driven by the need to minimize risks, have moved to a proactive approach by introducing environmental and social risk assessments. This approach helped us in identifying key focus areas – Gas sourcing, Business growth, Skilled manpower availability, Customer satisfaction, Safety and security and Climate Change. Today we can proudly say that sustainability is key part of our overall business strategy and reflects a clear understating of the needs and expectations of our key stakeholders.

Our vision and mission directs our corporate strategy and supports the leadership in defining a roadmap to achieve business objectives. Our short and long term objectives and associated action plans focus on achieving business leadership in the energy sector. We have identified our current business priorities in the 2007-12 Strategic Plan and are successfully implementing its various action points to further establish our pan-India presence. Our current strategy puts major thrust on expansion of infrastructure for making cleaner and affordable energy source,

Natural Gas, accessible to Indian population at large, directly and indirectly. Balancing economic growth, social development and environment protection, we aspire to expand our retail presence to a large number of cities and towns for replacing polluting fuels with CNG and bringing PNG to the doorsteps of domestic and commercial consumers.

Going forward, we aspire that our topline should grow at a rate of around 16% in this decade. For achieving this we are working on Project “Next Wave” to identify key growth areas and initiatives, in upstream, midstream and downstream segments of hydrocarbon value chain by 2020. The key focus will be on reducing carbon footprint and aiming for sustainable growth. For this, we shall look at options for further strengthening our portfolio of renewable businesses (solar, wind, etc.) in addition to global sourcing and acquisition for bringing higher volumes of natural gas in the country. By identifying and pursuing such initiatives, we are determined to play an important role in growing cleaner energy share in overall energy mix. Our endeavor is also to maximize resource value through state-of-the-art technologies, strive for energy efficiency at each level of operation and consistently deliver best-in-class performance. Understanding long term resourcing needs and strategies needed to develop and retain employees is another focus area for building sustainable business enterprise. Our effort is to build sustainable communities through robust initiatives and interventions and take our enterprise to the highest benchmarks of sustainability.



LNG Terminal and Gas Based Power Plant of RGPP at Ratnagiri, Maharashtra





CREATING
SUSTAINABLE
ECONOMIC
VALUE

A healthy increase in profit has allowed us to invest in projects and fulfill our responsibility towards the sustainability of our business, by enhancing our energy security, developing local economy and managing the company's environmental footprint.

CREATING SUSTAINABLE ECONOMIC VALUE

Due to a strong domestic fuel demand for energy, Natural Gas consumption has witnessed an impressive CAGR of 13.5% in last five years, making it the fastest growing fuel consumed in our country. With current energy market scenario and strong domestic demand, it is expected that Natural Gas demand would quadruple to 600 MMSCMD by 2030 from 154 MMSCMD in 2011. Alongside Natural Gas, we also have a significant presence in the petrochemicals business. During the year, our petrochemical business experienced 1% increase in turnover. Our Pata plant successfully commissioned an additional furnace in gas cracker unit to increase ethylene capacity. We are also setting up a 280,000 TPA petrochemical complex in Assam and 1.1 MMTPA petrochemical complex in Dahej through our subsidiary and JV company respectively. Further, capacity of Pata plant is being doubled by installing 450,000 TPA of gas cracker unit and 400,000 TPA of downstream polymer unit.

With expansions planned for our petrochemical operations, we look forward to a stronger business growth in this segment in the near future.

Achieving cost savings through online reverse auction

In order to enhance clarity and transparency in our procurement procedures, we initiated procurement through reverse auction for high value procurement during FY 10-11. We have formed a transparent procedure for reverse auction, which was applied first to tenders involving steel procurement, necessitated by the problem of fluctuation in steel prices. The first tender incorporating reverse auction procedure was floated for procurement of bare CS line pipe for a pipeline project, which resulted in a saving of around INR 400 million.

Investment for Development

A healthy increase in profit has allowed us to invest in projects

and fulfill our responsibility towards the sustainability of our business, by enhancing our energy security, developing local economy and managing the company's environmental footprint.

Enhancing energy security

India is the fifth largest consumer of energy and is expected to be third largest consumer of energy by year 2025. With increase in demand for clean fuel and to enhance energy security of the country, we have taken several expansions across operations to gear up to the rising demand. Our major expansions and measures to promote this include:

- Execution of ongoing cross country gas pipeline projects that will augment our pan-India presence with total pipeline network of about 14,500 kms.

⁷This is an indicative performance table showing essential components depicting our economic performance. For complete disclosure on our financial performance, please refer to our Annual Report for the year 2010-11, at the link http://gailonline.com/final_site/pdf/GAIL_AR_2010_11.pdf

Parameter ⁷ (all values in INR million)	FY 08-09	FY 09-10	FY 10-11	Trend over last FY
Total Revenues	238,984	249,964	324,586	↑
Operating Cost	276,544	208,891	204,040	↓
Profit After Tax (PAT)	28,037	31,398	35,611	↑
Employee Remuneration and benefits	5,767	6,212	7,527	↑
Payments to providers of capital (dividend+interest)	9,749	10,214	10,343	↑
Payment to Government (taxes)	39,707	38,401	44,425	↑
Subsidy paid to OMCs	16,940	13,270	21,110	↑



- Doubling of capacity of gas based Petrochemical Plant at Pata, at an investment of INR 81,400 million.
- Our interest in 27 E&P blocks including two outside India and one CBM block for securing long term gas supplies.
- Ensuring entry in the LNG terminal through the equity stakes in Petronet LNG and RGPPL.
- Acquisition of 4.17% equity stake in South East Asia Gas Pipeline Company which is executing Myanmar to China gas pipeline project.
- As a nodal agency of Government of India to look for overseas Gas supply, one of the major initiatives is development of Turkmenistan -Afghanistan-Pakistan-India (TAPI) Natural Gas cross border pipeline project.
- Investing in a 115 MW wind power project in the states of Gujarat, Karnataka and Tamil Nadu.
- Investment in solar power by active participation in future bidding under Jawaharlal

Nehru National Solar Mission.

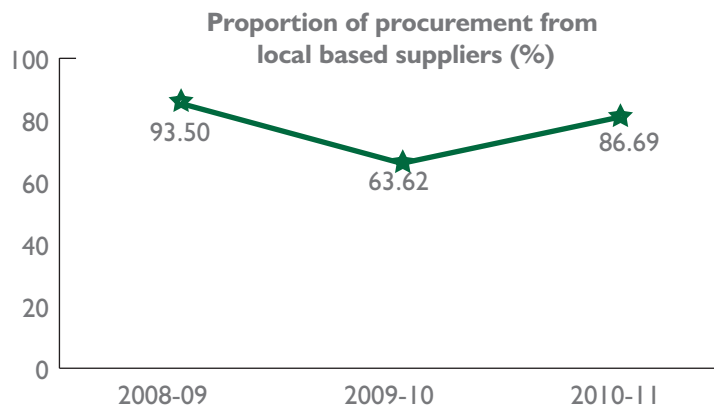
- Undertaking experimental projects to assess the technical feasibility of new sources of energy, viz. hydrogen and land-fill gas.

Generating local livelihoods

We understand the need for developing locally based suppliers. The development of local suppliers ensures uninterrupted supply of local goods essential for our operations and at a lower cost to the environment. At the same time this also contributes in developing a stronger local community by generating more employment and livelihood.

Sharing of under-recoveries by GAIL

In order to protect the consumer from large fluctuations in energy prices and inflationary pressures, Government of India is proactively addressing the challenge by providing consumers with subsidies. In line with Government directives, GAIL is assisting and sharing the burden on account of such under recoveries on domestically used LPG and Kerosene. As a result, we have shared a cumulative sum of INR 106,500 million up to 31st March 2011 including INR 21,110 million in FY 2010-11.



A View of GAIL's Petrochemical Plant at Pata, U.P.



CREATING SUSTAINABLE ECONOMIC VALUE

Spending our profits on environmental and social endeavors

A part of GAIL's annual budget is infused into our community development programs and for our work towards protection of the environment. We have invested INR 338.56 million in this year for developing infrastructure for communities and improving access to public good. With more than 50% increase in our CSR expenditure, we remain upbeat to

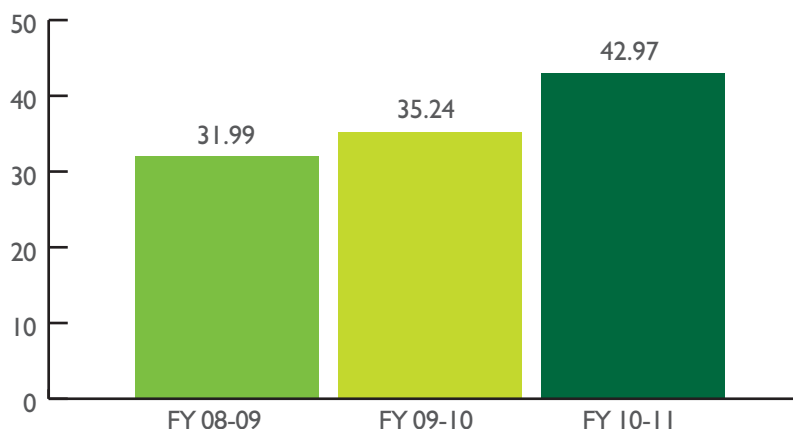
further spread the outreach of our CSR activities.

For achieving our CSR objectives through implementation of meaningful and sustainable CSR programmes, we have increased our annual CSR budget from 1% to 2% of the previous year's Profit After Tax (PAT). This budget is non-lapsable with any unutilized CSR allocation of a particular year getting carried forward to the succeeding year. In this year, the CSR allocated budget was INR 695

million, while the CSR expenses (as on 31st March, 2011) incurred were INR 599 million.

We measure and monitor our expenditure on environmental management initiatives particularly in relation to actions taken for reduction of our environmental footprint and mitigation of any adverse impact on natural resources. In 2010-11, we invested a total INR 42.97 million towards environment protection.

Our environmental management expenditures (INR million)



LPG Loading Station





MANAGING OUR ENVIRONMENTAL FOOTPRINT

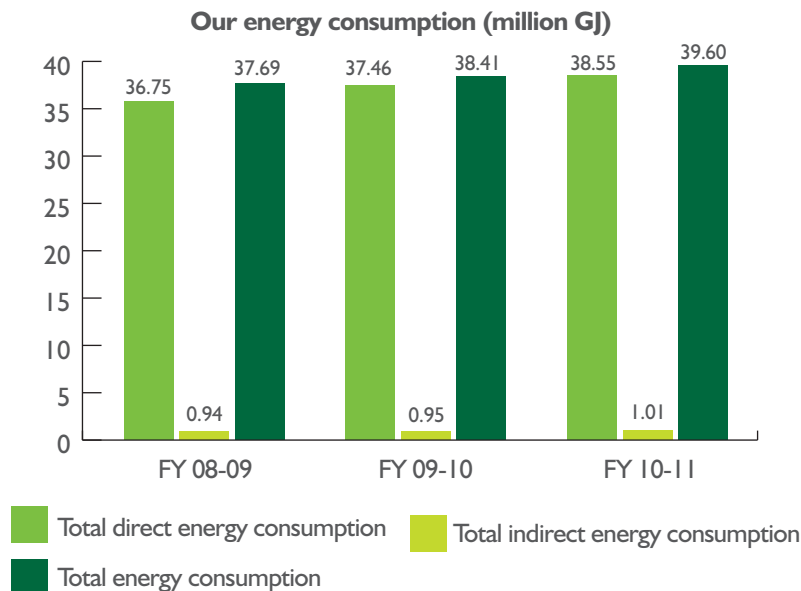
We have the largest Natural Gas pipeline network in India spread over diverse geographic regions. Despite inherent environmental, safety, security and social risks, GAIL has an enviable track record in taking requisite measures to mitigate these risks.

MANAGING OUR ENVIRONMENTAL FOOTPRINT

Energy and climate change

While the global demand for Natural Gas, a relatively cleaner fuel is expected to grow at a prolific rate, non-availability of gas would pose a major threat to our business in the future. This challenge is relatively more critical to GAIL as we have a major market share in the Indian Natural Gas market. Although, we have a limited control on the availability of the product, we are taking measures to manage this resource efficiently and exploring alternate sources of energy. We utilize wind power at our Gandhar, Kandla and Samakhiali units and solar power at Mumbai, Baroda and Abu Road units. We have planned to set up a 100 MW of wind power generation infrastructure every year till 2016. In this manner we will be able to increase our renewable energy portfolio to meet our internal energy requirements and cater to the commercial demand for power in the remote locations where our units and pipelines are located.

To reduce the environmental burden in our operations, we are taking measures for improving efficiency of our processes. This also ensures optimal use of energy resources. Enhanced energy efficiency reduces cost, has a positive impact on climate change



and stimulates innovation across operations that help us in performing better. Our total energy consumption in FY 10-11 was 39.60 million GJ, a marginal increase of 3.1% from FY 09-10 primarily due to growth in Gas & LPG transmission business. We also 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.

Across operations, we have dedicated energy conservation teams that focus on conserving energy. We were able to save 685,771 GJ of energy mostly on account of decreased electricity

consumption across our plants and other operations. Some of our other major energy efficiency improvement initiatives are mentioned below:

- At Gandhar, we optimized bleed valve operation by re-tuning the valve and SoLoNox mode operation that resulted in reduction in specific fuel consumption from 1.93% to 1.80% accounting for saving of nearly 1.09 MMSCM of Natural Gas annually.
- At Pata, we have installed an automatic blow down system in heat recovery steam generator (HRSG) resulting in reduction of blow down quantity by online monitoring of TDS levels, leading to saving of 0.18 MMSCM of Natural Gas annually.
- At Gandhar, we have used technologically improved molecular sieves in feed gas dryer that resulted in saving fuel gas consumption on account of reduction in regeneration cycle from 12 hours to 36 hours. This led to



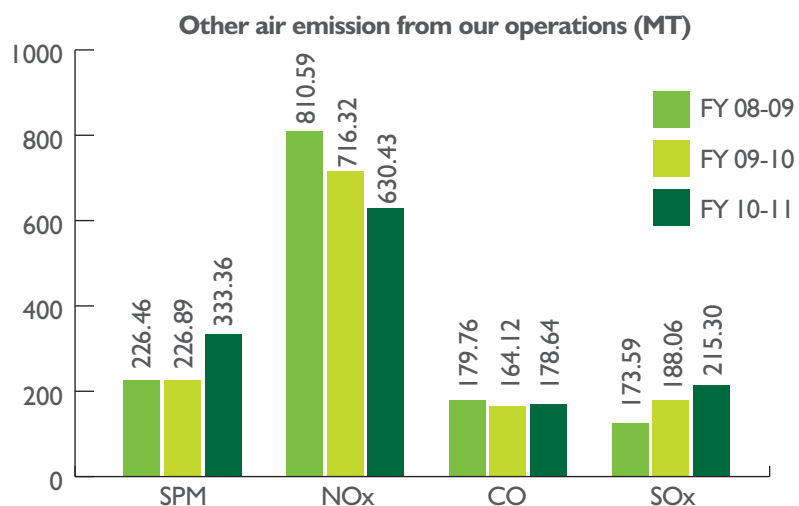
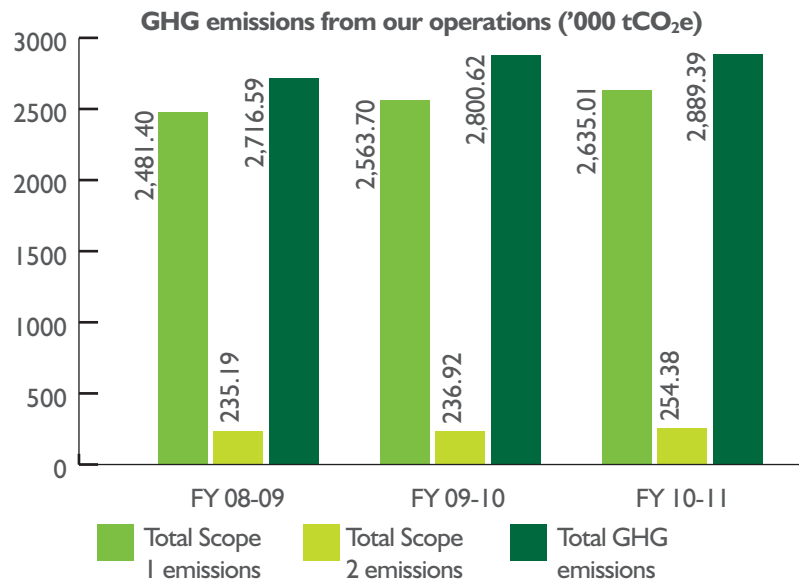
Highly efficient VSD motor



total saving of 0.52 MMSCM of Natural Gas annually.

- At Usar, we have implemented an initiative to recover LPG vapors that used to vent out during inspection of mounded storage tanks. Re-circulation of vapors as part of this initiative has resulted in saving of 96 MT of LPG in this year.
- At Pata, we have installed a revamped BOG compressor to divert boiled-off gases directly to downstream polymer plant, resulting in saving of 762 MT of VHP steam in this year.

Although it is a widely accepted postulation that Natural Gas offers a number of advantages in mitigating climate change impacts as compared to other fossil fuels because of its low carbon content, we are committed to reduce the climate change impacts in our operations. Our total GHG emissions across operations in FY 10-11 were 2.889 million tCO₂e. We were able to avoid 7948.12 tCO₂e of greenhouse gas emissions owing to our energy efficiency measures. We also focus on managing and reducing other air emissions like SO_x, NO_x, SPM, CO and ODS. 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. During the year, we also emitted ozone depleting substances amounting to 72.42 kgs of CFC-11 eq. Though we are not significant users of ozone depleting substances, we monitor the efficiency of our refrigeration and air conditioning equipments to ensure that these emissions are minimal.

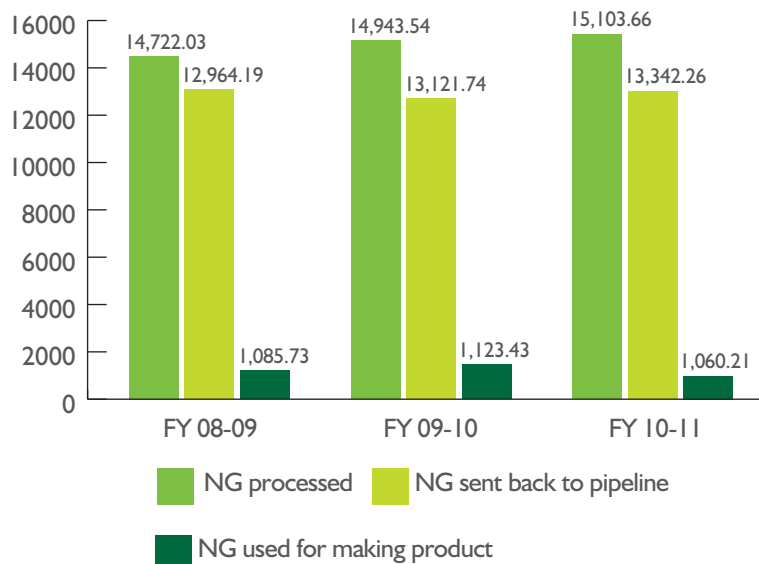


Maintaining Greenery around Plant area



MANAGING OUR ENVIRONMENTAL FOOTPRINT

Natural Gas processing in our operations (MMSCM)



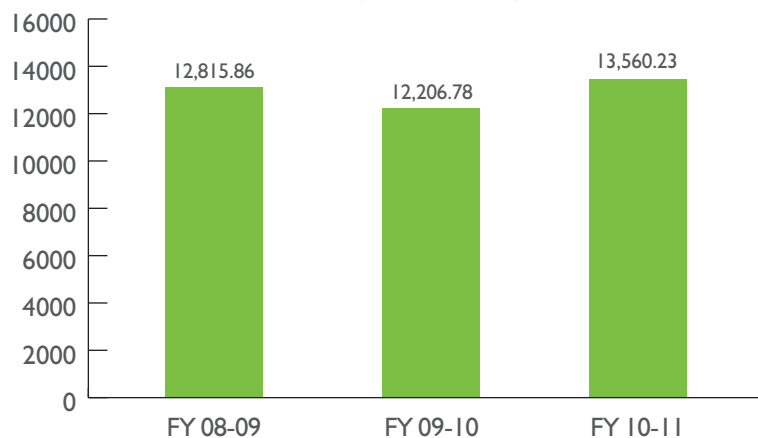
Responsible resource use

Our scale of operations has reached a level of 15,000 MMSCM⁸ of gas processing, 43,037 MMSCM of gas transmission and 420,000 MT of polymer production this year. This increase in operations has also led to an increase in consumption of process materials. Our petrochemicals business in comparison to our Natural Gas operations is material-intensive and has a scope of improvement in terms of efficient resource use. We have taken steps to ensure responsible use of materials, by optimizing our resource use and improving our operational efficiencies.

Our well maintained environmental management systems and best management practices at all our sites have helped us in optimum resource use. This has led to reduction in the equipment downtime and energy expense. In addition, we have an Operation and Maintenance Policy, which outlines the objective, targets, philosophy and guidelines for maintenance

⁸The total NG processing figure constitutes all operations under the scope of the report. This figure does not include NG processed by our GPU at Lakwa

Material consumption in our operations (MT)



Hazardous waste generated

Type of hazardous waste	Quantity	FY 2008	FY 2009	FY 2010
Used oil	MT	149.83	137.05	173.23
Used batteries	Nos.	0	15	15
	MT	0.18	5.34	1.1575
Basket filter waste	Litres	120	120	120
Molecular Sieve	MT	0.5	0	100
Tar	MT	2.6	3.35	19.5
Tar ash	MT	0	0	15.2
Oily sludge	MT	300	300	282



across our operations. This policy focuses on increasing process efficiency and decreasing downtime to ensure optimum use of resources. For our waste management, we have taken several steps to improve handling and disposal of hazardous waste. Used oil, lube oil and oily sludge are the most significant hazardous waste generated from our operations. We have ensured proper disposal of hazardous waste through CPCB-authorized waste handlers who process these wastes and ensure minimum impact on the environment from their disposal. We are recycling two of our major wastes; slop oil and spent alumina from our petrochemicals operations in Pata. This has helped us in reducing material costs, amount of waste from going to the landfills and the costs of transporting waste to the landfill. Recycling of these materials accounted for 9% of our total material consumption in FY 2010-11.

Managing our impact on nearby biodiversity

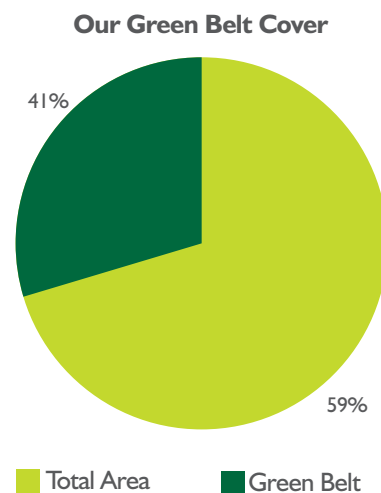
Most of our operations particularly the pipelines are at remote locations where there is higher likelihood of disturbing the natural ecosystems. We are conscious of these sensitivities, and thus plan our activities to have a minimum

impact on the surroundings. Some of the efforts worth a mention are our biodiversity management activities at Pata and Samakhiali. At Pata the site conditions were extremely hostile to any green cover development as the soil had a high pH value of around 11 and conductivity of around 6.5. By extensive soil treatment we corrected its alkalinity and restored the soil balance, thereby resulting in an increased green cover. Since the Samakhiali unit is situated in the barren lands of Kutch district, the hot and humid environment combined with saline soil prohibit growth of any vegetation except for some grasses and dry thorny scrubs. Our employees made a resolution to plant around 10,000 saplings in

2009 and 7500 saplings in 2010. The entire area was divided into small zones and each employee adopted one zone to ensure the survival of the plants. Our Green Belt area is approximately 41% of our total land holdings which is around 17.2 million square meter.

Elimination of open draining of Propylene during annual shutdown 2010

Our petrochemicals unit at Pata uses a propylene refrigeration system for chilling requirements in LPG Recovery Unit, Gas Cracker Unit and LLDPE recovery unit. To save a large amount of propylene from being flared, provisions were made in the past for transferring this propylene back to its storage. However, this reversal required draining of liquid propylene filled up in the line, creating safety and environmental hazard to the surrounding area. Our operations team installed a pressure gauge in the downstream of the make-up line of propylene to check the pressure of line. Installation of the pressure gauge in the downstream of make-up line to accumulator enabled us to depressurize the line when the pressure reduced to 0.4 Kg/cm². This helped in avoiding open drainage of propylene, thereby saving material and avoiding safety risks.



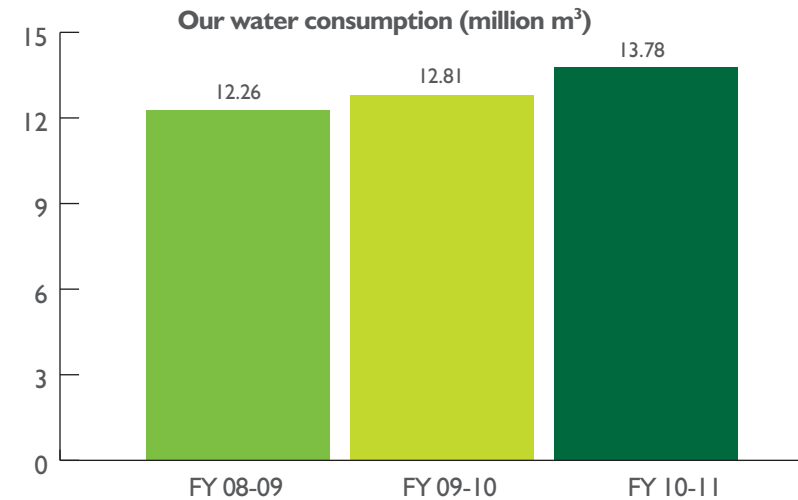
View of Raw Water Reservoir at Pata plant



Managing water resources

We are consciously optimizing our water consumption in all our operations and also making provisions for easy access to water for nearby communities. During FY 10-11, our total water consumption was 13.78 million⁹ cu.m. 96% of this consumption was sourced from the surface water. Through initiatives involving recycling and reuse of treated wastewater, we were able to replace 0.73 million m³ of our total water intake with this recycled water. This also helped us in avoiding 45.19% of the total wastewater generated getting discharged from our facilities. We have taken steps to increase water availability in vicinity of our operations. One leading example in this case is at our Gandhar unit, where rainwater harvesting was done in a land depression formed due to excavation of soil for construction purpose. Using satellite imagery and contouring, a scheme was prepared to divert the run-off water effectively into the pond. The rainwater harvesting pond thus created was used to collect over 6000 cu.m of rainwater during the single monsoon season of 2010. We have taken our commitment towards increasing water availability one step further by providing awareness sessions on conventional and modern methods of rainwater harvesting to the villagers near our Usar unit. They were also given technical assistance for conducting water quality monitoring.

To maintain the quality of water in our surroundings, we are discharging treated waste water in a responsible manner. Most of the

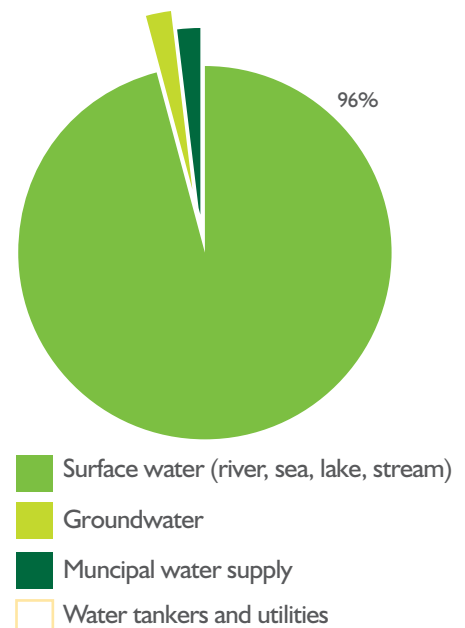


treated water is recycled. Majority of our units¹⁰ are not water intensive and do not yield significant wastewater streams. During FY 10-11, 854,255 cu.m of treated wastewater was disposed outside our operational boundaries.

Managing environmental impacts during pipeline network expansion and operations

Our pipeline are designed, constructed and maintained in line with the requirement of international standards like the ASME, API, DIN, ISO and national standards like the OISD. The pipeline network is designed after a 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 (CRZ).

Our water consumption



⁹Our water consumption data does not contain water consumed by units in Agra region. We are enhancing our monitoring systems in the region and will be able to report their contribution.

¹⁰Barring Pata and Vizag units, all other units do not discharge any wastewater outside their boundaries. Additionally, our wastewater discharge information does not contain wastewater generated or discharged by units in Agra region. We are enhancing our monitoring systems in the region and will be able to report their contribution.

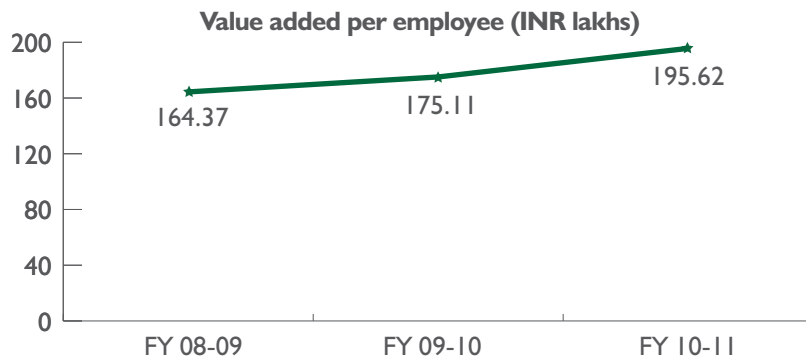




CREATING A BETTER WORKPLACE

An enlightened, skilled, committed and enthusiastic workforce has been the driving force behind our success. We are aware of the fact that retention of right talent and skills will be a key success factor that will determine our growth in the next decade. As a business success measure we have been consistently tracking value added per employee – an account of an effort of company's employees to make the best and most productive use of resources available to them.

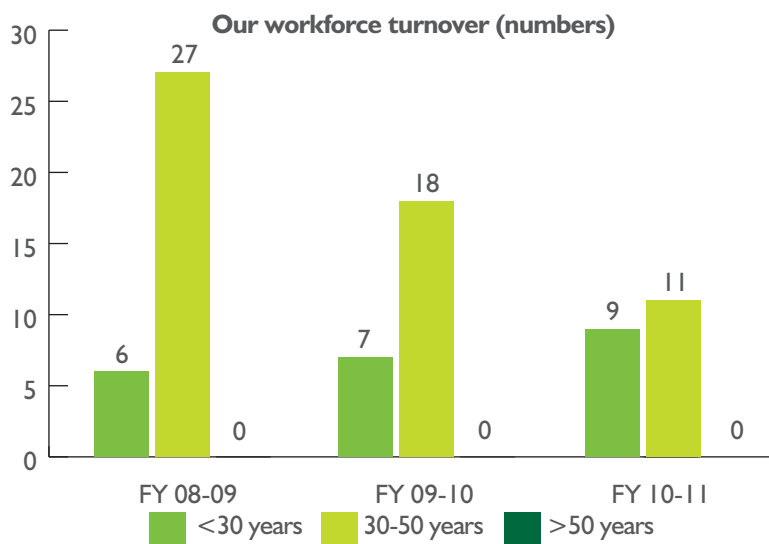
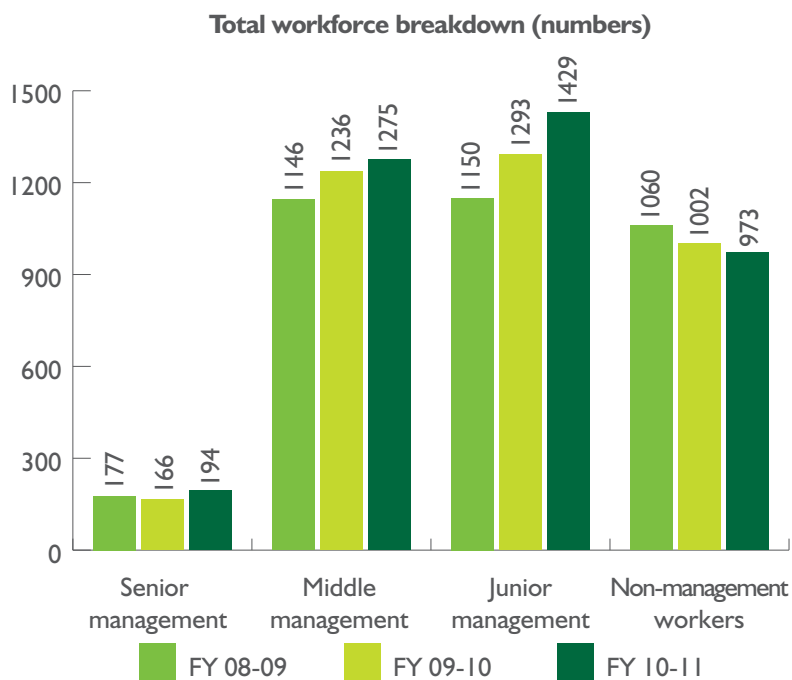
CREATING A BETTER WORKPLACE



The overall management of human resources is driven through our comprehensive HR policy that covers several essential areas ranging from employee development to grievance redressal. Director (HR) holds prime responsibility for adequate implementation of the HR policies and procedures consistently throughout the organization. In light of the exceptional business growth in the past few years, the HR policy and governance framework has been able to support it through a readily available talent pool at all levels within GAIL.

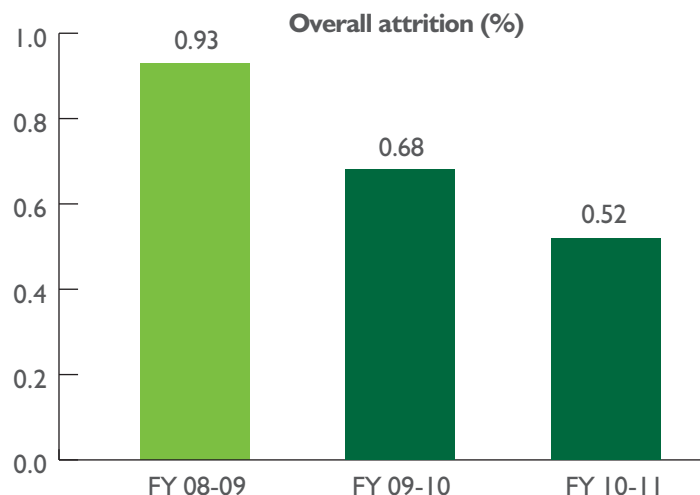
Our human resource policies and practices are inclined towards total individual development, addressing our employees' key concerns related to career progression and welfare. We offer a challenging and engaging work experience to our workforce that motivates them to perform better and in turn contribute to their success and our growth. This is a major factor in retaining our talented professionals for a long duration. Our attrition rate in FY 2010-11 was only 0.52%¹¹, which underlines our achievement in retaining the right talent in our organization.

We believe that inclusion and empowerment of people will make them more creative and productive. We lay strong emphasis on understanding our employees' concerns and their expectations to increase their motivation levels and keep them efficient at all times. Expectations are managed by identifying



¹¹ During FY 2010-11, 20 people left the organization, comprising of two female employees





concerns through employee engagement surveys and employee suggestion schemes. A major thrust area of the organization has been to provide our employees with a conducive working atmosphere, especially in the remote locations where access to high quality living is low. We have invested towards developing residential and commercial areas, sports facilities, clubs, schools and medical facilities in such regions. We have also undertaken several initiatives to boost the employee

morale by organizing events and activities during important festivals and other significant occasions for employees and their families. A special Sports Promotion Policy has been initiated that provides support towards identifying and nurturing potential talent amongst our employees and their families. We have also developed adequate sports infrastructure to train our employees and prepare them for participation in national, regional and company level sports meets and tournaments.



Employee engagement survey

This survey was conducted during FY 2010-11 to gauge the engagement level of the employees as we believe that only engaged employee will go an extra mile in delivering superior results. Nearly 60% of the GAIL employees responded to the survey. Valuable feedback was received from the employees on People Practices and suggestions were also taken for improving overall employee experience at GAIL. Based on the analysis, the overall “engagement score” was 71%, which placed GAIL in the Hewitt’s Best Employer Range. This means that majority of our workforce is engaged effectively in the organization. Further, on the basis of the key findings, action plans have been drawn up on the key areas of improvement.

Suggestion scheme

GAIL recognizes that an individual’s talent, creativity and initiative could be best used by them by incentivizing, encouraging and motivating the employees. To achieve this we have set up a “Suggestion Scheme”, in which we encourage our employees to propose any suggestion to achieve organizational excellence. This also helps GAIL to inculcate a constructive and an open work culture in the organization, which is conducive during this phase of transition. This scheme has a structured system, in which suggestions are received, recorded and then addressed. This system helps in evaluating and accepting the creative ideas of the employees. The suggestion scheme is directly made available to employees through the use of GAIL intranet. The best suggestion is rewarded and acknowledged by senior management of the company.

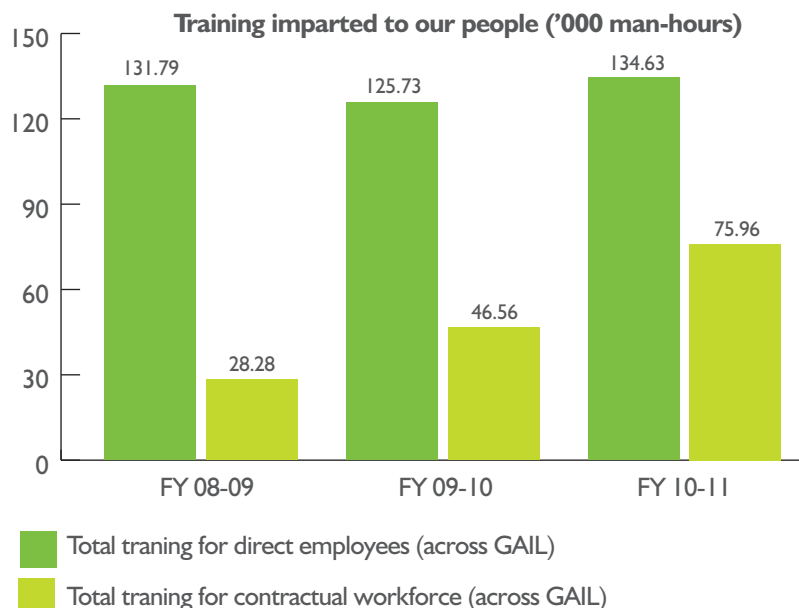


CREATING A BETTER WORKPLACE

Training and development

We have a structured process for training and development of our employees to ensure a workforce that is suitably equipped with knowledge, skills, attitude and practical exposure to highly specialized jobs. Our GAIL Training Institute (GTI) set up in the year 1997 at Noida is an ISO 9001 certified facility that provides resources and facilities for all kinds of training to our employees. To cater to maximum employees into this process, we have increased our infrastructure by setting up another GTI in Jaipur in 2005. During FY 2010-11, 14,298 man-days of training were provided by GTI against a target of 14,000. The GTI also received the prestigious National Award for Innovative Training Practices from Indian Society of Training and Development (ISTD) in January 2011. In its pursuit to offer high quality trainings to external organizations and convert itself into a revenue generating center, GTI has successfully conducted training programs for other renowned organizations like IOCL, BPCL, IGL, Siti Energy, Opal, Honda Scooters and Motorcycles Limited, amongst others.

Training effectiveness is one of the key reasons for the success of GTI. The institute has designed its own training evaluation system based on four core parameters- reaction, learning, behavior and results to measure the return on investment of the training courses. This system takes into account the opinions of participants about the course, how well they have mastered the course objectives, how well they have used the knowledge, skills, and/or values from the course and what kind of performance improvement, quality



GAIL Training Institute at Noida

improvements and cost savings have been achieved as a result of the training.

In order to cater to the development needs of a growing workforce, we have been continuously scaling up our learning and development efforts and exploring innovative models for higher quality and penetration of our training programs. In an effort to nurture leaders from the

current talent pool of the company, we have designed a leadership development program known as the Senior Management Development Center (SMDC). This program enables to place competent persons at strategic roles. The objective of this program is to identify the development needs of senior executives and design development programs to bridge any gaps.





Director HR Addressing to Employees

Learning and development initiatives

Some of the significant initiatives taken for human resource development by our company in the year 2010-11 include:

- Launch of ASME (American Society of Mechanical Engineers) certified courses at GTI Noida as an authorized training provider to ASME. Four faculty members from GAIL have been certified by ASME as authorized training instructors for offering these courses.
- GTI Noida organized new programs like Management Development Programs (MDPs) for newly promoted DGMs, GMs and EDs in April and May 2010, workshop on behavioral based safety for Officer in charges (OIC) in January 2011 and effective communication skills for Non Executives through video conferencing during December 2010 to March 2011.
- GAIL assisted in the commissioning of Panipat Petrochemical plant of Indian Oil Corporation and also

provided operational training to their employees.

- GTI successfully developed and delivered a course on Natural Gas Business Management for the MBA students of Rajiv Gandhi Institute of Petroleum Technology (RGPT).

Mentoring of new-entrants at GAIL

We recruited around 200 executive trainees in the last two years. Mentoring has been used as an effective tool to explore and nurture leadership qualities. At the same time it has also helped them overcome the initial communication barriers that are typically faced in a professional setup. The initiative was started in August 2010 through a series of workshops for mentors and mentees at GTI Noida, GTI Jaipur, GAIL Pata and GAIL Vijaipur covering about 144 new recruits. This program has helped employees to undertake healthy and open discussion with mentors on work related as well as administrative issues, enhanced their confidence levels and synergized their energies during on-the-job training phase.



Workshop at GAIL Training Institute, Noida



CREATING A BETTER WORKPLACE

Upholding human rights

GAIL is a firm supporter of the UNGC principles and values that support protection of human rights across our operations. GAIL policies have been suitably designed and followed keeping the principles of Human Rights, the Constitution of India, Labour laws etc. in mind. In GAIL there is a set policy for handling grievances of employees and the stakeholders. There are enough controls and checks at all levels to identify and prevent such incidents of breach. We support the Government of India's efforts in development of minorities and economically underprivileged sections of the society. We have made provisions for recruitment of a certain percentage of our workforce from the SC, ST and OBC categories to uphold our commitment to affirmative action. Despite inherent challenges within our sector towards recruitment and retention of women employees, we have been focused in our efforts to create a conducive environment for them. A special Women's Cell at GAIL is focused on reaching out to the women workforce, initiate discussions and adequately address their concerns including sexual harassment at workplace. Additionally, we have set up Ladies' Clubs at our operational sites and have instituted GAIL women's awards to promote their involvement and enhance satisfaction.

Health and Safety

GAIL has a well established health, safety and environment management system (HSEMS) which is based on OISD GDN-206. Our HSEM system comprises 18 elements



encompassing entire business operations and risk profiles. The corporate HSE policy is the apex document of this system and is approved and signed by CMD. The efficacy of the implemented system is also subject to audits by reputed national and international agencies. Appropriate corrective measures are taken in time bound manner to eliminate gaps identified during such audits.

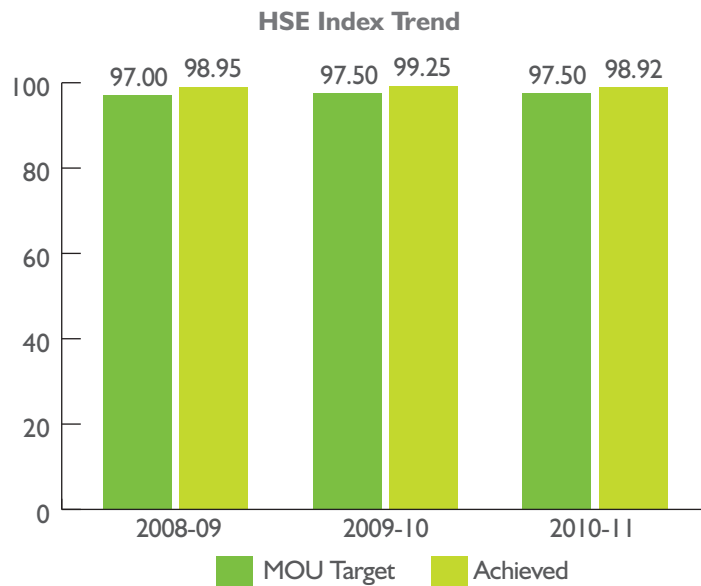
The HSE performance of the sites is constantly monitored on the basis of relevant and predefined

elements on a monthly basis. These predefined elements are Leadership and Commitment; HSE Training; Incident Reporting; Investigation and Analysis; Employees Participation; Control of Defeat & Reliability of Critical System & Devices; Process Safety Information; Operation and Maintenance; Emergency Planning and Response; Compliance Audits; Occupational Health; Environment Management; Inspection and maintenance; and Risk Analysis & Management.



Based on the performance of the sites, a HSE index is assigned to the site as well as for overall operations of GAIL. HSE performance is part of GAIL's MoU with the ministry of Petroleum and Natural Gas. In last five years we have consistently exceeded the MoU targets. The established and implemented HSE systems are subjected to review by the Board Level HSE subcommittee, which is the apex body in GAIL for reviewing the HSE performance and Emergency preparedness of the organization.

To effectively combat any emergency across installations, emergency mitigation plans are in place. These emergency mitigation plans are based on risk perception of respective installations and are



subject to periodic review for their effectiveness. We are committed to the environment

management in the organization in line with applicable environment regulations and statutory requirements.

Our safety performance

Description	Units	Workforce category	FY 2008 -09	FY 2009 -10	FY 2010 -11
External safety audits	Numbers	NA	15	18	20
HSE Awards	Numbers	NA	26	36	31
Near miss cases	Numbers	Employees	142	174	176
		Contractors	162	180	183
Minor injuries	Numbers	Employees	1	5	2
		Contractors	3	8	17
Reportable injuries	Numbers	Employees	1	0	2
		Contractors	1	0	1
Lost days due to reportable injuries	Numbers	Employees	45	0	115
		Contractors	75	0	32
Fatalities	Numbers	Employees	0	0	1
		Contractors	0	1	3
Lost time injury frequency rate	Reportable injuries per million man hours worked	Employees	0.16	0	0.32
		Contractors	0.06	0	0.07
Severity rate	Lost days per million man hours worked	Employees	7.36	0	18.21
		Contractors	4.66	0	2.29
Fatality rate	Fatalities per million man hours worked	Employees	0	0	0.16
		Contractors	0	0.08	0.22



CREATING A BETTER WORKPLACE

GAIL is committed to operate with excellence, with a focus on continuous efforts to improve environmental performance for ourselves, our stakeholders and in harmony to the needs of the stakeholders for sustainable environmental growth.

Occupational health is an integral part of our HSEMS. We have established medical attendance rules to promote medical check-up and health consciousness amongst all employees. As per these rules, all employees of the

age group 35 years or above are entitled to undergo periodical full medical check-ups once in two years. Tie-ups have been made with the reputed hospitals of the country for providing quality health care facilities to our employees and their dependents.

Security

Security of the gas pipeline and prevention of any external sabotage is a high priority for the company. Our workforce specializes in detection of such

incidents and risks early and is trained to give an effective response. We have a special focus on building capabilities of our security personnel across operations and conduct effective trainings and mock drills on emergency preparedness. A large number of security personnel are recruited from the defense forces. We have also introduced an internal magazine 'Rakshak' to share leading practices on safety and security within the oil and gas sector.

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Dedicated Emergency Response Van



Occasion of Security Awards during the Security Awareness Week



Safety Training Session in Progress for Drivers





**BUILDING
VALUE FOR OUR
CUSTOMERS**

Addressing customer grievances and concerns related to improvement in our products or the services is of utmost importance to GAIL. We have strengthened our customer relationship management systems over a period through a combination of statutory and voluntary efforts.

BUILDING VALUE FOR OUR CUSTOMERS

In this year, we introduced some new measures and reinforced existing initiatives to improve customer satisfaction. We have established suggestion systems for our customers to proactively reach out to us and provide feedback on how we can improve our products and services. Our customer satisfaction survey calculates a Customer Satisfaction Index (CSI) to highlight strong areas and improvement opportunities from the customers' perspective. Our Customer Relationship Management module is informative and provides the customer an ease of putting in service requests or product requests while keeping an online track of the requests.

57 An important aspect of our relationship with our customers is the frequency of our interaction. It is essential for us to keep our customers informed about the latest developments related to our products and their use. Additionally, it is also vital that we listen to their queries and concerns. To facilitate this dialogue, we organize customer meets across the country through our marketing offices. During FY 10-11, several meetings were organized for different product segments like gas, petrochemicals, etc. in the cities of Bhopal, Kota, Kolkata, Chennai, Lucknow, Goa, New Delhi, amongst others. These meetings have brought out several aspects of product use, such as information on possible applications of GAIL's products (particularly in petrochemicals), current market scenarios, local developments influencing product



CNG Station

use, product safety, pricing, discounts and availability. These sessions are instrumental in increasing the trust of our customers in our business. We also connect with them by celebrating festivals and conducting interactive meets.

One of our meetings at Agra on vigilance recommendations is a classic example on our responsiveness to customer queries. Organized with glass manufacturing associations and the district administration, this meeting brought to our purview concerns related to transparency in, and fixation of priority in allocation of additional quantity of RLNG on fall-back basis. As a follow-up to the meeting, our team reviewed O&M activities at the Firozabad City Gas Station and conducted surprise visits to six factories in the region. Based on the observations, we have initiated the implementation of SCADA system in Firozabad area to transparently allocate RLNG to customers. In two phases, there are plans to implement this system across 182 customers.

During the year, we received customer feedbacks regarding gas measurement and calibration errors. Based on the recommendations of our vigilance function, we took several measures to improve our gas metering system including:

- Installation of differential pressure transmitters and orifice meters with specifications in consonance with quantity of gas required to be measured
- Instruction to sites on keeping records of audit trail, configuration log, maintenance log and mis-measurement of log and calibration log
- Use of plastic tape seals having printed numbers and signed by Officer-in-Charge to seal configuration ports to avoid manipulation
- Use of digital communication link between gas chromatograph and flow computer for mapping online data on gravity and heating value to avoid errors



Measuring customers' confidence in our products

Considering the relevance of customer satisfaction to excel in competitive business environment and to serve our customers better, GAIL initiated the Customer Satisfaction Index (CSI) in the year FY 2006-07. This survey and its results gain importance in our discussions with the MoP&NG and thus form the part of the performance MoU that we sign with MoP&NG every year. The questionnaire used for this assessment is developed by our Total Quality Management department at the corporate level along with zonal offices and advice from reputed consultants. To ensure maximum participation, this questionnaire is made available in both online and manual form. Our questionnaire focuses on critical aspects of product responsibility viz. product quality, use, technical support, packaging, material delivery, quality of service, and customer concerns/problems. The annual CSI assessment exercise covers all our business segments. Based on customer feedbacks, CSI is

calculated for each quarter. CSI is measured across various levels of organization to recognize their individual performance, viz. business segments, zonal offices, and overall. Internal actions and decisions are taken regarding CSI scores and measures are taken to scale it up to above 88%.

Increasing customer awareness

To improve consumer awareness with respect to various applications of natural gas, we conduct specific awareness sessions and drives. This has a two-way benefit of enhancing customer awareness while being a marketing vehicle for the company. Our PUC camp initiative in Alibaug, Maharashtra is a success story in this regard. During FY 2010-11, our Usar unit organized free PUC camp for all state transport buses on the occasion of World Environment Day. This program was attended by workshop employees, bus drivers and conductors, journalists and common public. This exercise resulted in compilation of statistics about State Transport buses and their associated pollution levels. The initiative helped maintenance

departments at the state transport corporation enabling them to devise their strategy to focus on vehicles that require more attention, leading to better maintenance whilst improving awareness towards environment.

Extending our responsibility to product pricing

GAIL is one of the most significant suppliers of liquid hydrocarbon (LHC) products in the Indian market. Taking cognizance of our position and the importance of our role in supplying affordable products to our customers, we have developed transparent 'LHC Products Pricing Policy' to formalize the pricing procedures for LHC products and improve the governance of pricing mechanisms at GAIL. As part of this policy, all prices for LHC products are proposed by the pricing committee. Our LHC Products Pricing Policy, along with our Polymers Pricing Policy, helps us in ensuring the right prices for our products that are in synchronization with the dynamic market conditions with a view to provide affordable products to the customers.



Interacting with Customers



Pursuing innovation

GAIL puts a strong emphasis on the need for innovation for its operations. Innovation is a significant opportunity for us, whether it results in reducing operational costs, increasing efficiencies, creating a market differentiator or providing a competitive edge. It also helps us to explore new energy resources for meeting India's growing demand for clean energy.

During FY 10-11, we successfully carried out development/modifications in polymer grades based on customers' requirement by modifying properties such as melt flow index, process ability and surface smoothness etc. leading to process improvements and savings at our customers' end. As we strive to be one of the top two petrochemicals players in

India, we foresee an important role played by R&D to ensure that our products gain quality improvements and create favorable differentiation amongst other similar products in the market. We are currently in the process of formulating an R&D policy to boost our efforts in this field. Currently, our R&D function is working on the following major thrust areas:

- Hydrogen research initiatives in production, storage and application
- Underground coal gasification
- Landfill gas to CNG
- Conversion of waste plastic to value added hydrocarbons
- Development of adsorbents for natural gas
- Non-conventional hydrocarbon use
- Development of new polymer grades

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. Initiated in December 2010, we are currently preparing the detailed project report and feasibility reports. The success of this project will pave the way for integration of waste to energy products in our operations.

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Various uses of GAIL Polymers





CONTRIBUTING TO COMMUNITY DEVELOPMENT

We are a part of the community,
wherever we operate. Our operations
and projects generate livelihood for
the local working population and bring
developmental benefits for the
community.

We work along with our communities to support their development, attempt at alleviating their key societal concerns, and at the same time minimizing potential negative impacts of our operations. Our commitment towards corporate social responsibility has come a long way from merely adhering to government promoted rehabilitation activities way back in the 1990s to a distinct business function with a structured framework today. Our community programs are now carefully identified through a diligent process of need identification and assessment exercise at the grass root level and consist of a wide spectrum of welfare and developmental activities. All our programs are structured under seven broad 'thrust areas' - Community Development, Infrastructure, Water & Sanitation, Literacy Enhancement, Educational Aids, Environment Protection and Health. As an organization that creates significant economic value through its operations, we are committed to developing our communities who contribute to our success through provision of raw materials, manpower and support during our operations. We feel that by deliberating on their significant concerns and working towards alleviating them, we can contribute to their overall development.

During FY 10-11, we refined our CSR policy to augment GAIL's involvement and commitment towards community initiatives. The CSR processes have been diligently honed to ensure a more effective mechanism for

need-based identification of programmes followed by a robust implementation plan. As a part of the due diligence for undertaking meaningful projects, a cross functional committee comprising Heads of various functions has been constituted at the corporate level. We have also constituted a CSR sub-committee at the Board level to enhance governance of our social performance. Further, we have earmarked 2% of our previous year's PAT annually towards CSR projects, focused at bridging the gaps and improving the quality of life of the communities. As a reinforcement of our enhanced social commitment, the CSR performance indices have been included in the MoU being signed with the MoP&NG from the FY 11-12.

We follow a systematic approach of planning and implementing our CSR projects at the major

operational facilities and projects as follows:

- **Identification of programs**
Identification of the 'right' programs that can lead to the maximum impact on communities is critical. This is done by conducting need-identification studies by professional agencies, internal need assessment by cross-functional team at the facilities, receipt of proposals from local government agencies, followed by discussions and feedback sessions with the local representatives and civic bodies. Programmes identified at the work centre level are sifted at the corporate level by the CSR department and the cross functional committee of departmental heads before submission to the approving authority.



- **Ensuring program sustainability**

We have established internal systems for identification and implementation of CSR programs through project-based accountability approach with well-defined timelines and project milestones. While identifying programs, we ensure that the projects will sustain themselves once GAIL exits after completion of all relevant objectives and milestones.

- **Program implementation**

CSR programs approved on an annual basis by the CSR Sub Committee of the Board are implemented through external implementing agencies like NGOs, Government bodies and even other corporates. Programme implementation is overseen by the local CSR task force comprising representatives of different departments. We have adopted a structured agreement which is signed with implementing partner and covers in detail the commitments, work schedules, payment plans, etc.

- **Monitoring and feedback**

A robust monitoring mechanism is important to govern the progress of each CSR program, in turn ensuring timely and effective implementation. Each operational unit at GAIL is required to send a monthly report on the progress of projects under execution. These reports are collated to develop a comprehensive monthly CSR report sent to the Functional Director for review. This is instrumental in close monitoring of our annual CSR programs and helps us in taking corrective actions. To objectively assess the implementation efficacy and impact of the major projects, third party assessment is undertaken, besides internal assessment.

Community development

Most of our operations are located around remote dwellings having various developmental needs like basic utilities, living conditions, employment and other socio-economic issues. GAIL has extended its support towards construction and renovation of public utilities and infrastructure

for improved living conditions for villages. There are several pockets of villages having low economic progress over the past many years. We conduct livelihood programmes for these families, particularly small and marginal farmers, to ensure sustained socio-economic development of people who are below the poverty line in the country. Additionally, we are also working with other oil and gas PSUs towards provision of LPG connections to these families under Rajiv Gandhi Gramin LPG Vitrak Yojana.

Our community development activities also revolve around developing children, who are the face of India's bright future. During the year, we sponsored vehicles for mid-day meal schemes. We adopted destitute tribal children at an orphanage in Jhabua, Madhya Pradesh to support their living and ensure a better future for them. At Vijapur, we provided computer infrastructure to Ekikrit Bal Vikash project at Raghogadh Dist. Guna to support computer education. In just over two years, we have helped more than 314,000 families through our activities under the theme 'Community Development'.



Connectivity to villages by construction of roads at Pata, UP



Drinking water / sanitation

A large part of rural India is striving for availability of potable drinking water for fulfilling its daily needs. The scarcity of potable drinking water leads to use of unsafe sources of water by a significant proportion of India's population every day. Recognizing this issue at several places adjacent to our operational facilities, we have undertaken several programs to improve water infrastructure and availability. During the year, projects were taken up across our operations for improving local hygiene and sanitation practices by construction of drains, provision of basic water infrastructure including bore-wells, tube-wells, hand-pumps, overhead tanks, and water storage facilities. Some of the major initiatives include:

- Provision of drinking water to 37 Gram Panchayats at Nasirabad through pump sets and bore wells
- Installation of 100 hand pumps in villages near GAIL installations in Agra district

- Construction of toilets and urinals near Pata unit in Auraiya district
- Development of complete sanitation system in Tribal Authority of development hostel near our Abu Road unit.

Education / Literacy enhancement

We believe that augmenting education infrastructure around us to improve literacy rate can help in reducing unemployment to a significant extent in economically backward regions in the country. We address this issue by employing skill development and vocational training programs and following them up by creating livelihood opportunities to facilitate empowerment and socio-economic sustenance. During the year, we set up 100 non-formal education centers for slum-dwelling children in the NCR under our program 'Padho aur Badho'. While we have covered nearly 3000 students till date, we have taken up a five-year period for the project to cover 5000 students.

We have continued our efforts to increase the impact of our two flagship programs that have scripted our success in CSR endeavors over the years – 'GAIL Utkarsh' and 'E-Shiksha'. During the year, we increased our work in these two initiatives to enhance their impact and coverage across villages situated near our facilities. These programs, focused on IIT-JEE coaching and computer literacy respectively, aim to develop capabilities that provide a strong footing to children to make their future brighter. GAIL is continuing its efforts to enhance the literacy infrastructure in vicinity of its facilities. In this regard, we are supporting government schools situated in rural areas in construction of classrooms, laboratories, libraries, hostels, toilets etc. We have also collaborated with other oil sector PSEs for setting up of an Institute of Petroleum Technology in Assam.

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Developing water infrastructure: GAIL has taken initiatives to ensure availability of water across our installations.



“E-Shiksha” - Supporting education in nearby villages at Vijaipur and Pata

E-Siksha program is one of our most important programs under the education theme. We have set up computer labs in self-sustained power-equipped mobile vehicles with qualified instructors and teaching aids. These are used as a teaching computer aid for students with regular computer school curriculum and adults to take up a course in typing and basic computer literacy with the assistance of a trained instructor. This program has been implemented on a pilot basis in Vijaipur and Pata units. The major benefit accrued through this initiative is an increased awareness on computers and technology in nearby villages. Additionally, our NGO partner awards certificate of completion to successful candidates, the courses for which are registered with the Ministry of HRD. This has helped many successful candidates in getting employment with local contractors as clerks or book keepers. Over the last three-four years, this program has helped nearly 2500 youth in enhancing computer literacy and augmenting employment.

“GAIL Utkarsh” – Catapulting rural children to crack entrance examinations

IIT-JEE and AIEEE are the most difficult entrance examinations in the country, offering thousands of students a window to study at the prestigious IITs and NITs. Coaching for these entrance examinations is very popular in India, especially in the urban areas. However, such coaching classes are usually inaccessible to the rural population as there is a lack of coaching centres in these areas and their fee is generally not affordable. GAIL initiated its ‘GAIL-Utkarsh’ project to help deserving students living in economically backward villages in getting equitable chance to get into the IITs/NITs by providing them free residential coaching for such exams. At the end of the reporting period, we had helped 65 economically disadvantaged students successfully compete in engineering entrance examinations. In FY 2010-11, eight students cracked IIT-JEE 2011, 3 ISRO and 36 for NITs/UPTU - a remarkable feat for our initiative. Encouraged by this result, we have taken a target to reach out to 100 students in FY 2011-12.

Environment protection

Our efforts in environment protection are not limited to our operations alone. We have extended this responsibility to the communities we operate in by supporting or developing environmental infrastructure. Across our operations, we have provided more than 1000 solar lights in rural areas which are experiencing acute electricity shortage. We have collaborated with CEL, Tata BP Solar and other experts in solar products in this regard. Most of the areas of our plant locations face issues related to water management. During the year, we have undertaken several projects to improve water infrastructure for communities through rainwater harvesting and groundwater reuse, construction of check dams etc.

GAIL has been a firm supporter of wildlife protection projects. We contributed vehicles for ‘Save the Tiger’ Project in Malenad-Mysore Tiger conservation area, along with the construction of a Field Research Center at Melinahuluwathi, Bhadra Wild Reserve (implemented through Centre for Wildlife Studies, Bangalore) and support to the



Power of Knowledge: GAIL's e-Shiksha initiative under the education thrust area is focused on providing teaching aids, computer labs, mobile vehicles etc.



Mobile Veterinary Service units running in the wildlife sanctuaries of Manas National Park, through Wildlife Trust of India. 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.

Infrastructure

Lack of proper infrastructure is a major issue faced by almost all the areas where our plants are located. While we have developed our facilities we have done infrastructure development in those areas through our village adoption programs, construction of Anganwadi buildings, constructing community centres to support rural cultural festivities and by building adequate road infrastructure.

Developing water infrastructure near Vijaipur

Villages around our facility in Vijaipur, Madhya Pradesh, had to

rely on unpredictable monsoon for crops and often had to migrate to earn livelihoods during the rest of the year. The twin problems of water scarcity and migration affected the development of these villages. We realized the importance of setting up desired water infrastructure to boost economic development in the region. Our interventions involved construction of check dams and water catchment areas adjacent to our facility. This facilitated use and reuse of water alongside providing opportunities for pisci culture. Farmers in these beneficiary villages are using the water from the check dams for agriculture and animal husbandry. We have experienced a decline in migration of village youth for work during non-monsoon months.

Skill development / Empowerment

Skill development has always been considered one of the most powerful tools to boost development, and GAIL is consistently working towards sound skill enhancement

programs. We have contributed towards several initiatives facilitating effective empowerment and self-reliance. With the help of our implementing partners, we provide training on sewing and tailoring methods and devised computer-based visual speech programs for differently-abled people. A Skill Development School has been set up in partnership with IL&FS Clusters in Guna, MP for imparting vocational training to rural and semi-urban youth. In the year under reference, all 270 youth covered under this flagship programme have been successfully placed in the jobs.

Project 'Swavalambh' – GAIL –IL&FS Skill school - imparting skill training to unemployed youth

GAIL initiated its flagship program 'Swavalambh' in 2010 along with IL&FS Skill School to enhance skills and increase employment of the unemployed youth in rural areas. This program is aimed to target people who are conventionally disadvantaged with regard to skill development, including school drop-outs, undergraduate students with low marks, women, and other academically less-oriented and disadvantaged groups. In a course spanning six to eight weeks, GAIL trains candidates in retail and facility management and provided basic knowledge in computers. This course enables candidates to have higher computer literacy together with increased employability to cater to demand in the retail and facility management sectors. During the year, 270 youths successfully completed the training program and were successfully placed.



Empowering aspirations: GAIL has consistently worked on enhancing the skill set of the individual by providing training on sewing and tailoring.



Supporting MoRD in skill enhancement programs

The Ministry of Rural Development (MoRD) initiated the Swarna Jayanti Gram Swarozgar Yojana (SGSY) to promote employment in rural areas in India. GAIL has supported this scheme through the GAIL-Aroh Skill resource training center. The program, executed under a PPP model with the MoRD, aims at providing non-formal education to school drop-outs in rural areas in Delhi and NCR, additionally giving them basic education, quality care, and moral upliftment. About 7000 youth have been covered under this project. We aim to increase the impact and reach of the Aroh program by boosting the infrastructure to run these programs. This will enable us to reach out to more children and other academically disadvantaged sections of the society. Our efforts in this program have led to three-fold benefits for the target children:

- Improving the quality of education through adequate training provided to teachers and overhauling of curriculum
- Contributing to change in attitude and developing trust in education amongst communities who were traditionally resistant to education
- Creating a comfortable environment for women to participate in the system, thereby providing access to education to them

Healthcare / Medical

Along with education and infrastructure, healthcare is one of the significant areas for focusing developmental efforts in the country. We have invested in programs aimed at upgrading health infrastructure in marginal sections of the society to enable



Healing hands: One of the flagship programmes initiated under thrust area of Healthcare was mobile healthcare vehicle in remote areas providing basic medical services.

development of healthy living conditions for them. Our efforts are concentrated on health programs dealing with serious diseases that are prevalent in the affected areas. GAIL has helped to set up telemedicine centers at several district headquarters situated in vicinity of its facilities. These centers are linked to major medical institutes and research centers and are instrumental in providing treatment as well as training services. These telemedicine centers conduct regular health camps covering large number of serious diseases including cancer, thalassemia, TB, malaria, etc. Apart from these, we have regular programs in our

surrounding communities focusing on several healthcare themes including reconstructive surgery for leprosy patients, cataract operations, cancer screening, TB eradication, malaria treatment, family planning and free distribution of medicines. Hospitals and dispensaries located in our townships also extend medical care and treatment to the local villagers. We have extended our health campaign for the benefit of external communities as well. As a part of our societal commitments, we conduct medical camps and checkups for diseases such as diabetes, hypertension and cardiovascular ailments.



For a healthier future: We have been regularly conducting health awareness camps covering a wide range of ailments and diseases.



CONTRIBUTING TO COMMUNITY DEVELOPMENT

Managing social impacts during pipeline network expansion and operations

GAIL has the largest Natural Gas pipeline network in India spread over diverse geographic regions. While we extend our network to reach out to more regions and customers, we also fulfill our responsibility towards the communities that live adjacent to our pipelines, on which these operations have the maximum impact.

A typical pipeline requires Right of Way for the land under which pipeline is to be laid. Placing strong focus on compliance and our commitment towards communities, we acquire Right of Way for land under which pipeline is to be laid. As per statutory norms, we obtain RoU (Right of Use) for 15 to 30 meters wide

land. During the planning stage, we conduct an extensive engagement exercise with local communities along with a competent authority which is on deputation from the state government to identify and communicate concerns from farmers/land owners to the Government for seeking their approval. GAIL pays compensation for presumptive crops during the entire pipeline construction period up to satisfactory restoration of the fields. After completion of pipeline construction, the RoU is restored to the satisfaction of the farmer / land owner. To ensure preservation of communities' interests and allay their concerns with respect to our operations, GAIL holds 5% payment of the contracts involved in pipeline construction and releases the amount only after obtaining the NoC from the farmer/land owner

who can re-use the land for cultivation. In this regard, we fully protect the farmers' / land owners' interest.

Apart from acquiring RoU, small stretch of permanent land is also acquired for installing Sectionalizing Valve and Intermediate Pigging Stations as per the norms approved by the Board of Directors that appoints a multidisciplinary committee of Senior Executives to negotiate with the land owner for the permanent land acquisition based on the latest market rate in the area for which the land was last registered. The acquisition takes place after the rate is mutually agreed between the owner and GAIL. Thus rigorous public consultation is one of the key procedures that is stringently followed during the pipeline construction lifecycle.

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A snapshot of GAIL's various social responsibility initiatives



ASSURANCE STATEMENT

GAIL (India) Ltd. has commissioned Emergent Ventures India Private Ltd. to undertake an independent assurance of its Corporate Sustainability Report for the year 2010-11. The assurance process has been conducted in accordance with AA1000AS (2008). The assurance principles of Inclusivity, Materiality and Responsiveness, as outlined in AA1000AS (2008), and GRI 2006 (GRI G3) guidelines have been used as criteria against which to evaluate the Report.

The intended users of this assurance statement are the readers of GAIL's Sustainable Development Report 2010-11. The management of GAIL is responsible for engagement with stakeholders, identification of material issues and the collection and presentation of the information contained in the report. In performing the assurance activities, EVI's responsibility is to the management of GAIL only and in accordance with the terms of reference agreed with the company. We do not therefore accept or assume any responsibility to a third party's decisions, whether investment or otherwise, made on the basis of this assurance statement. EVI was not involved in the preparation of any statement or data included in the report except for this assurance statement, thus maintaining complete independence and impartiality.

Scope of Assurance

EVI has been engaged to provide Type 2 Moderate level of assurance as set out in AA1000AS (2008). The scope of the assurance includes the following:

1. Evaluate the adherence to the AA1000AS (2008) principles of inclusivity, materiality and responsiveness and the

principles of Global Reporting Initiative G3 Guidelines.

2. Evaluation of the reliability of specified sustainability performance information for the period April 2010 to March 2011.

Our Approach

The assurance engagement was planned and carried out in January 2012. Our assurance team, led by a Certified Sustainability Assurance Practitioner (CSAP), comprised of professionals having prior demonstrable experience in the domain of sustainability and climate change. Our conclusions are based on a review of processes & practices for identification and collation of relevant information, report content and performance data, which included a review of the stakeholder engagement and materiality determination process followed by GAIL. Relevant documentation, our observations with respect to process and systems in place and interaction with respective departments engaging with different stakeholders have formed the basis of our assurance on the principles of Inclusivity, Materiality and Responsiveness required for assurance under AA1000AS (2008).

We undertook the following key steps:

1. Site Visits: The EVI team visited a representative set of GAIL's facilities comprising of four gas processing plants (Pata, Vijapur, Vaghodia, Gandhar), one petrochemical plant (Pata), two gas compressor stations (Vaghodia, Vijapur) and one LPG pumping station (Mansarampura) to evaluate the source of data as well and interview data owners. We also made visits to the



Sustainable
Solutions
for the
Environment

Corporate Head Quarter in Delhi and GAIL Training Institute (GTI), Noida.

2. Interviews: In addition to interviewing data owners at the sites we visited, we also interviewed a representative set of people from the senior management to understand the process of stakeholder engagement and materiality determination at GAIL. Processes and systems for engagement with selected stakeholders were reviewed.
3. Data Accuracy Checks: The information disclosed under different indicators in the report was verified by way of collection and corroborating it with the source of the information. We have relied on a sample of various documents and sources like internal SAP system, invoices, work orders, reports submitted to regulatory bodies, utility bills, inter departmental communication etc. as well as on-site inspection and observations. In certain places where we had to rely on company's internal documentation we have tried cross verification from two different sources in order to minimize the chances of oversight.

The verification of company's financial performance or information provided in the economic section in the report was derived directly from the audited annual report publicly available on GAIL's official website (www.gailonline.com).



Limitations and Exclusions

1. Scope of assurance is limited to the boundary defined in the report and the period of 1st April 2010 to 31st March 2011.
2. Assurance is subject to no physical verification of things like inventory of material consumed, waste generated, emissions and effluents etc. Assurance relied on the documentation maintained by the company or provided to the company by another third party.
3. The scope of assurance does not cover the statements in the report that describe companies approach, strategy, aim, expectation, aspiration or beliefs or intentions.

Conclusion

Based on our review we have come to the following conclusions: In our opinion, GAIL's first sustainability report gives an appropriate representation of the sustainable development initiatives undertaken in the company. The report does a fairly good job of identifying the material aspects for the company, collecting performance data for majority of its facilities and reporting the information in adherence to the principles of GRI G3 guidelines and Oil and Gas Industry Guidance on Voluntary Sustainability Reporting (2005) from International Petroleum Industry Environmental Conservation Association (IPIECA) and the American Petroleum Institute (API).

Our conclusion on the adherence of the three principles under AA1000APS (2008) is as follows:

Inclusivity: We have not come across any material evidence that would lead us to conclude that GAIL has not applied the principle of inclusivity in engaging with its stakeholders. Different

departments engage regularly with their relevant stakeholders through multiple engagement channels. However, GAIL could consider the incorporation of special sustainability related modules in the existing communication channels with its stakeholders to improve their sustainability awareness.

Materiality: GAIL has followed a structured process of materiality determination. The process could further be improved by incorporating the viewpoints of stakeholders other than employees as well. Based on our scope of work and the activities undertaken for the purpose like site visits, interactions and observations, we have not come across any material aspect of sustainability performance that has been excluded from the report.

Responsiveness: Based on our observation, interviews and documentation we believe that GAIL has adequately applied the principle of responsiveness with respect to its stakeholders. The work is delegated to appropriate departments who engage, collect views and identify material issues of respective stakeholders and then devise action plan to address those issues. We have not come across any material evidence that would lead us to believe that responsiveness principle is not being adequately applied in dealing with the stakeholders.

GRI G3 Guidelines: Based on the information in the report and the independent assurance sought from us we have found that the company meets the requirement of B+ level of reporting as specified by GRI G3 guidelines.

Observations and Recommendation

Without affecting our overall conclusions on the sustainability report, we would like to bring to

notice the following observations and recommendations for the report:

- GAIL has done a commendable job at stakeholder engagement process with its key stakeholder group - Employees. The same process could be expanded to include the other stakeholders groups as well.
- Few of the plants of GAIL have implemented an internal verification mechanism for improving the reliability of performance data and the same could be replicated at the remaining facilities as well.
- GAIL should further strengthen system(s) for data capturing and managing information so as to increase the number of reported key performance indicators. Special attention needs to be given to the social performance indicators to increase the coverage and reliability of reported information.

For Emergent Ventures India Private Ltd.



Sanjay Dube

Vice President - Sustainability and Climate Value Advisory
Emergent ventures India Private Ltd.

Gurgaon, 31st of Jan, 2012



GLOSSARY

AIEEE	All India Engineering Entrance Examination	DIN	Dutch Institute fur Normung	IEM	Independent External Monitors
API	American Petroleum Institute	EVI	Emergent Ventures India Private Limited	IIT-JEE	Indian Institute of Technology - Joint Entrance Examination
ASME	American Society of Mechanical Engineers	EPA	Environmental Protection Agency	INR	Indian National Rupee
BPCL	Bharat Petroleum Corporation Limited	ED	Executive Director	ISTD	Indian Society of Training and Development
BOG	Boiled Off-Gas	E&P	Exploration and Production	ISRO	Indian Space Research Organization
BCPL	Brahmaputra Cracker & Polymer Limited	FICCI	Federation of Indian Chambers of Commerce and Industry	IGL	Indraprastha Gas Limited
BD	Business Development	FY	Financial Year	IT	Information Technology
CS	Carbon Steel	GTI	GAIL Training Institute	IL&FS	Infrastructure Leasing and Financial Services
CPCB	Central Pollution Control Board	GPU	Gas Processing Unit	IMS	Integrated Management System
CPSE	Central Public Sector Enterprise	GREP	Gas Rehabilitation and Expansion Project	ISO	International Organization for Standardization
CVC	Central Vigilance Commission	GM	General Manager	IPIECA	International Petroleum Industry Environmental Conservation Association
CMD	Chairman and Managing Director	GJ	Giga-Joule	JLPL	Jamnagar Loni Pipe Line
CFC	Chloro-fluoro Carbons	GRI	Global Reporting Initiative	JNNSM	Jawaharlal Nehru National Solar Mission
CGD	City Gas Distribution	GHG	Green-house Gas	JV	Joint Ventures
CBM	Coal Bed Methane	GSPC	Gujarat State Petroleum Corporation	km	Kilo-meters
CRZ	Coastal Regulation Zone	HVJ	Hazira-Vijaipur-Jagdishpur	KG	Krishna-Godavari
CAGR	Compounded Annual Growth Rate	HSE	Health, Safety and Environment	LPG	Liquefied Petroleum Gas
CNG	Compressed Natural Gas	HSEMS	Health, safety and environment management system	LHC	Liquid Hydro Carbon
CII	Confederation of Indian Industry	HRSG	Heat recovery steam generator	LLDPE	Linear Low Density Poly-Ethylene
CSR	Corporate Social Responsibility	HDPE	High Density Poly-Ethylene	LP	Low Polymer
CSI	Customer Satisfaction Index	HR	Human Resources	MDP	Management Development Programs
DVPL	Dahej-Vijaipur Pipe Line	HRD	Human Resources Development	MBA	Masters of Business Administration
DGM	Deputy-General Manager			MoU	Memorandum of Understanding
DGH	Directorate-General of Hydrocarbons				



GLOSSARY

MT	Metric Tons	NOx	Oxides of nitrogen		Data Acquisition
MMSCMD	Million Metric Standard Cubic Meter per Day	SOx	Oxides of sulphur	SPM	Suspended Particulate Matter
MoEF	Ministry of Environment and Forests	ODS	Ozone Depleting Substances	SD	Sustainable Development
MoP&NG	Ministry of Petroleum and Natural Gas	PESO	Petroleum and Explosive Safety Organization	SGSY	Swarna Jayanti Gram Swarozgar Yojana
MoRD	Ministry of Rural Development	PNGRB	Petroleum and Natural Gas Regulatory Board	TISS	Tata Institute of Social Sciences
MFO	Mixed Fuel Oil	PCRA	Petroleum Conservation Research Association	TERI	The Energy and Resources Institute
NCR	National Capital Region	PPAC	Petroleum Planning and Analysis Cell	TMT	Thousand Metric Tons
NH	National Highways	PNG	Piped Natural Gas	tCO ₂ e	Tons of Carbon Dioxide equivalent
NIT	National Institute of Technology	P/L	Pipeline	TPA	Tons per Annum
NG	Natural Gas	PCB	Pollution Control Board	TDS	Total Dissolved Solids
NELP	New Exploration Licensing Policy	PUC	Pollution Under Control	TI	Transparency International
NGO	Non-Government Organizations	PE	Poly-Ethylene	TB	Tuberculosis
NoC	No objection Certificate	PAT	Profit After Tax	TAPI	Turkmenistan-Afghanistan- Pakistan-India
NRL	Numaligarh Refinery Limited	PPP	Public Private Partnership	UNGC	United Nations Global Compact
OHSAS	Occupational Health and Safety Assessment Series	RGIPT	Rajiv Gandhi Institute of Petroleum Technology	US	United States
OIC	Officer-in-Charge	RGPP	Ratnagiri Gas and Power Private Limited	USD	United States Dollar
ONGC	Oil and Natural Gas Corporation	RLNG	Re-gasified Liquid Natural Gas	UP	Uttar Pradesh
OIL	Oil India Limited	R&D	Research and Development	UPTU	Uttar Pradesh Technical University
OISD	Oil Industry Safety Directorate	RoU	Right of Use	VHP	Very High Pressure
OMC	Oil Marketing Companies	RTI	Right To Information	VSPL	Vizag-Secundrabad Pipe Line
O&M	Operation and Maintenance	SC	Scheduled Castes		
OFC	Optical Fibre Cable	ST	Scheduled Tribes		
OBC	Other Backward Classes	SMDC	Senior Management Development Center		
		SBP	Special Boiling Point		
		SH	State Highways		
		SCADA	Supervisory Control and		



GRI CONTENT INDEX

Indicator reference	Description	Reported	Page reference	Remarks (if any)
1. Strategy and Analysis				
I.1	Statement from the most senior decision -maker of the organization.	Fully	3	
I.2	Description of key impacts, risks, and opportunities.	Fully	36,37	
2. Organizational Profile				
2.1	Name of the organization.	Fully	Front cover	
2.2	Primary brands, products, and/or services.	Fully	17,18	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	17,18	Please refer to page 20, 21, 28, 29 of our Annual report at http://gailonline.com/final_site/pdf/GAIL_AR_2010_11.pdf
2.4	Location of organization's headquarters.	Fully	Back cover	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	-	All operations under GAIL's full control (100% ownership) are in India. GAIL also operates through subsidiaries and JV's outside India. Additional information on coverage of operations in the report is given on page 17 - 18
2.6	Nature of ownership and legal form	Fully	-	GAIL is a government-owned Public Sector Undertaking, listed on the BSE NSE and LSE
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	9-14	
2.8	Scale of the reporting organization.	Fully	17-18	Please refer to page 23 of our Annual report at http://gailonline.com/final_site/pdf/GAIL_AR_2010_11.pdf
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	-	There were no significant changes in the reporting period in operations owned and controlled by GAIL
2.10	Awards received in the reporting period.	Fully	21	
3. Report parameters				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Fully	2	
3.2	Date of most recent previous report (if any).	Not reported	-	Not applicable as this is GAIL's first report
3.3	Reporting cycle (annual, biennial, etc.)	Fully	2	
3.4	Contact point for questions regarding the report or its contents.	Fully	Inside back cover	
3.5	Process for defining report content.	Fully	33-35	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	2	
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Fully	2	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Fully	2	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Fully	2	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Not reported	-	Not applicable as this is GAIL's first report
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Not reported	-	Not applicable as this is GAIL's first report
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	72-77	
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	2,68,69	



GRI CONTENT INDEX

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Indicator reference	Description	Reported	Page reference	Remarks (if any)
4. Governance, Commitments and Engagements				
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Fully	23-24	Please refer to page 43, 44, 45, and 46 of our Annual report at http://gailonline.com/final_site/pdf/GAIL_AR_2010_11.pdf
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	-	Our Chairman is also an executive officer
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Fully	-	Please refer to page 43 of our Annual report at http://gailonline.com/final_site/pdf/GAIL_AR_2010_11.pdf
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	-	Minority shareholders can give their recommendations to the Board during Annual General Meeting of the Company being held every year and also on designated e-mail id of the Company - investorqueries@gail.co.in Independent Directors are appointed Government of India to take care of interest of all stakeholder including minority shareholders.
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Fully	-	The remuneration of whole-time Directors is determined by the President of India, through Ministry of Petroleum & Natural Gas. The compensation includes performance-linked incentive that is based on performance parameters, viz. performance at corporate, unit and individual levels. These performance parameters, among others, include sustainability performance as well
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	-	As per provision of the Companies Act, 1956 all matters are usually required to be approved by majority of Directors except certain items which is required to be approved with unanimous consent of the Board viz. inter-corporate loan, investment, guarantees etc.
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	Fully	-	Whole-time Directors are selected by Public Enterprises Selection Board (PESB) and appointed by Ministry of Petroleum & Natural Gas. Part-time Government Nominee Directors are appointed by Ministry of Petroleum & Natural Gas, Government of India. Independent Directors representing the interest of public at large and all stakeholders are selected by Search Committee and appointed by President of India, acting through Ministry of Petroleum & Natural Gas, Government of India.
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Fully	I	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Fully	25-26	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	23-24	Additionally, please refer to page 43, 44 of our Annual report at http://gailonline.com/final_site/pdf/GAIL_AR_2010_11.pdf
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Fully	25	The use of precautionary approach is implicit in our risk management framework
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Fully	79	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	Fully	79	



Indicator reference	Description	Reported	Page reference	Remarks (if any)
4.14	List of stakeholder groups engaged by the organization.	Fully	29-31	
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	29	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	29-31	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Fully	29-31	
Disclosures on Management Approach				
DMA -EC	Disclosure on management approach - economic	Fully	5-7	
DMA -EN	Disclosure on management approach - environmental	Fully	5-7	
DMA -HR	Disclosure on management approach - human rights	Fully	5-7	
DMA -LA	Disclosure on management approach - labor practices and decent work	Fully	5-7	
DMA -PR	Disclosure on management approach - product responsibility	Fully	5-7	
DMA -SO	Disclosure on management approach - society	Fully	5-7	
Performance indicators –Economic				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Fully	39	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Not reported	-	We are currently in the process of enhancing our systems to quantify financial implications from climate change risks and opportunities
EC3	Coverage of the organization's defined benefit plan obligations.	Fully	39-40	
EC4	Significant financial assistance received from government.	Fully	-	There was no financial assistance received from the government
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Not reported	-	We are in the process of enhancing our monitoring and data management systems to track this information
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Partially reported	40	There is no explicit policy on preference of locally-based suppliers.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Fully	-	Recruitment at the Executive/ Officer cadre is done only at all India bases, and not at local level
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Fully	41	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Fully	62-67	
Performance indicators –Environmental				
EN1	Materials used by weight or volume.	Fully	45	
EN2	Percentage of materials used that are recycled input materials.	Fully	45	
EN3	Direct energy consumption by primary energy source.	Fully	43	
EN4	Indirect energy consumption by primary source.	Fully	43	
EN5	Energy saved due to conservation and efficiency improvements.	Fully	43	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Fully	43	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Not reported	-	Currently GAIL does not monitor reductions achieved from initiatives avoiding indirect energy use
EN8	Total water withdrawal by source.	Fully	47	
EN9	Water sources significantly affected by withdrawal of water.	Fully	-	Our operations do not have significant impact on nearby water sources.



GRI CONTENT INDEX

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Indicator reference	Description	Reported	Page reference	Remarks (if any)
EN10	Percentage and total volume of water recycled and reused.	Fully	47	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Not reported	-	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not reported	-	
EN13	Habitats protected or restored.	Fully	46	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not reported	-	
EN16	Total direct and indirect greenhouse gas emissions by weight.	Fully	44	
EN17	Other relevant indirect greenhouse gas emissions by weight.	Not reported	-	Currently we are in the process of developing monitoring mechanisms to track Scope 3 emissions
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Fully	44	
EN19	Emissions of ozone-depleting substances by weight.	Fully	44	
EN20	NOx, SOx, and other significant air emissions by type and weight.	Fully	44	
EN21	Total water discharge by quality and destination.	Fully	47	
EN22	Total weight of waste by type and disposal method.	Partially reported	45	Currently we are in the process of improving our monitoring & reporting mechanisms for non-hazardous wastes
EN23	Total number and volume of significant spills.	Not reported	-	Currently we are in the process of developing monitoring mechanisms to track and report our significant spills
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Fully	-	We do not transport any hazardous waste internationally
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Fully	-	There is no significant impact of our wastewater discharges and run-offs to water bodies located in the vicinity of our operations
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Fully	57-59	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not reported	-	This is not applicable for our gas transmission businesses. However, for the petrochemicals we do not reclaim any packaging material
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	-	There were no such fines or sanctions during the reporting period
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not reported	-	Currently we are in the process of developing monitoring mechanisms to track environmental impacts of our logistics operations
EN30	Total environmental protection expenditures and investments by type.	Fully	41	
Performance indicators – Human Rights				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Fully	-	Standard business agreements contains stipulations for Prohibition of engagement of child labour, Payment of Minimum Wages, and Compliance of other Labour Laws. No specific screening is done for contractors on human rights. However the Engineers in Charge at work centres ensure that Labour Legislations is adhered to. No Violations have been reported during the reporting year
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Fully	-	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Not reported	-	We are in the process of devising training programs focused on human rights
HR4	Total number of incidents of discrimination and actions taken.	Fully	-	There has been no incident of discrimination on grounds of race, color, sex, religion, political opinion, national extraction, or social origin has been reported during the assessment period



Indicator reference	Description	Reported	Page reference	Remarks (if any)
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Fully	-	Though there has not been a formal/ specific initiative to identify such operations, there is no operation which runs such a risk to the right to exercise freedom of association and collective bargaining.
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Fully	-	There is no incident of engagement of Child Labour has been reported in the reporting period. The Engineer in Charge (EIC) ensures relevant statutes are complied with. Prohibition to engage Child Labour is the standard C&P Clause.
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	Fully	-	Though there has not been a formal/ specific initiative to identify such operations, no incident of engagement of forced or compulsory labor has been reported in the assessment year. The Engineer in Charge (EIC) ensures relevant statutes are complied with.
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not reported	-	No training programs concerning human rights are conducted for security personnel or third party organizations providing security personnel.
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Fully	-	Our operations are not located in vicinity of indigenous people and do not have significant impact on any such section of the society
Performance indicators – Labor practices and decent work				
LA1	Total workforce by employment type, employment contract, and region.	Partially reported	49	We are in the process of improving systems for tracking and reporting man-hours worked by contractual labor
LA2	Total number and rate of employee turnover by age group, gender, and region.	Fully	49	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Fully	-	GAIL provides Provident Fund, Gratuity, Superannuation, performance incentive, etc.
LA4	Percentage of employees covered by collective bargaining agreements.	Fully	-	All Workmen, which constitute 23.5% of total employee strength, are covered by collective bargaining agreement
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Fully	-	We adhere to Section 9A of Industrial Dispute Act 1947 and Schedule 4 for providing notice period regarding significant operational changes
LA6	Percentage of total workforce represented in formal joint management -worker health and safety committees that help monitor and advise on occupational health and safety programs.	Fully	-	As at the end of FY 10-11, total 190 management and 110 non-management, or 7.7% of our total employees, were members of formal health and safety committees
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Fully	54	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	66-67	
LA9	Health and safety topics covered in formal agreements with trade unions.	Not reported	-	We are currently in the process of collating health and safety topics covered in unions across operations
LA10	Average hours of training per year per employee by employee category.	Fully	51	
LA11	Programs for skills management and life long learning that support the continued employability of employees and assist them in managing career endings.	Not reported	-	Currently we do not have specific programs related to lifelong learning
LA12	Percentage of employees receiving regular performance and career development reviews.	Fully	51	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Fully	-	Please refer to page 43 of our Annual report at http://gailonline.com/final_site/pdf/GAIL_AR_2010_11.pdf
LA14	Ratio of basic salary of men to women by employee category.	Fully	-	No discrimination based on gender is practiced for compensation in any work centers.
Performance indicators –Product responsibility				
PRI	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not reported	-	Our health and safety assessments are focused on our operations. We are in the process of expanding the coverage of such assessments to identify health and safety impacts across the value chain of our products



GRI CONTENT INDEX

Indicator reference	Description	Reported	Page reference	Remarks (if any)
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Fully	-	There were no such incidents of non-compliance during the reporting period
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	Fully	-	Our petrochemicals product packages bear the location of the manufacturing facility, chemical composition and total weight as per Indian legislations.
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Fully	-	There were no such incidents of non-compliance during the reporting period
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Fully	58	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Fully	-	GAIL fully complies by the ASCI norms for advertising and communication and works with ASCI-authorized media agencies only
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Fully	-	There were no such incidents of non-compliance during the reporting period
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not reported	-	Customer privacy is not a material issue for our industry and hence has not been reported
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	-	There were no such incidents of non-compliance during the reporting period.
Performance indicators – Society				
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Fully	61-62	
S02	Percentage and total number of business units analyzed for risks related to corruption.	Fully	26-27	Corruption risks are covered under our vigilance procedures and risk management framework
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	Fully	-	All our employees are mandated to go through the Code of Conduct and comply with it during their tenure. We currently do not have specific training programs on the Code of Conduct
S04	Actions taken in response to incidents of corruption.	Fully	27	
S05	Public policy positions and participation in public policy development and lobbying.	Fully	29-30, 79	
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Fully	-	There were no financial or in-kind contributions to political parties, etc.
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Fully	-	No actions were taken against GAIL since there were no instances of anti-competitive behavior, anti-trust or monopolistic practices
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	-	There were no such fines or sanctions during the reporting period

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Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3 Management Approach Disclosures	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.		Respond on each core G3 and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

*Sector supplement in final version

Report section	Pages	API/IPIECA reference	UNGC reference	Remarks (if any)
Vision and Mission	1			
About the report	2			
Chairman and Managing Director's message	3			
Our sustainability approach	5-7	SOC-1, SOC-4, SOC-7		
GAIL – Revisiting the journey	8-21			
Governing the way we operate	22-27	ENV-6, H&S -1, SOC-2, ECO-A2	Principle 7, Principle 10	Principle 7 - The use of precautionary approach is implicit in our risk management framework
Enhancing the trust of our stakeholders	28-31	SOC-A1		
Materiality	32-35			
Our corporate strategy	36-37			
Creating sustainable economic value	38-41	ECO -1		SOC-3 - There was no financial assistance received from or provided to the government or political parties ECO -2, ECO -3 - Please refer to our Annual report at http://gailonline.com/final_site/pdf/GAIL_AR_2010_11.pdf
Managing our environmental footprint	42-47	ENV-1, ENV-A2, ENV-A3, ENV-A4, ENV-A5, ENV-3, ENV-4, ENV-A6, ENV-5, ENV-A9	Principle 8, Principle 9	ENV-2 – We do not discharge hydrocarbons to water ENV-4 – Total gas flared from our operations during FY 10-11 was 8995.59 MT
Creating a better workplace	48-55	H&S-2, H&S-3, H&S-4, SOC-A2, SOC-5, SOC-6, SOC-9	Principle 1, Principle 2, Principle 3, Principle 4, Principle 5, Principle 6	SOC-A3 - Recruitment at the Executive/ Officer cadre is done only at all India bases, and not at local level Principle 2, Principle 3, Principle 4, Principle 5 - Though there has not been a formal/ specific initiative to identify such operations, there is no operation which runs such a risk to the right to exercise freedom of association and collective bargaining, child labor, forced labor Principle 2- There has been no incident of discrimination on grounds of race, color, sex, religion, political opinion, national extraction, or social origin has been reported during the assessment period Principle 1, Principle 6 - Standard business agreements contains stipulations for Prohibition of engagement of child labor, Payment of Minimum Wages, and Compliance of other Labor Laws. No specific screening is done for contractors on human rights. However the Engineers in Charge at work centers ensure that Labor Legislations is adhered to. No Violations have been reported during the reporting year
Building value for our customers	56-59	H&S-5	Principle 9	H&S-5 – Our health and safety assessments are focused on our operations. We are in the process of expanding the coverage of such assessments to identify health and safety impacts across the value chain of our products
Contributing to community development	60-67	SOC-8, SOC-4A, SOC-5A		
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CMD and Functional Directors

As we gear up for the next year, we look forward to further infuse sustainability in the way we work. We have initiated a drive across GAIL to make our employees aware about the importance of sustainability for GAIL and the way it is a part of our business strategy. We will strive to involve more employees to adopt sustainable business practices and promote sustainability across all our operations.

In the coming year, we plan to release the final draft of our Sustainability Policy that will provide direction to our sustainability efforts in the years to come. The plan also covers creating a Board level sub-committee on sustainability headed by an Independent Director, to regularly monitor our sustainability initiatives and performance. This committee will be supported by a steering committee headed by Director (BD) to plan, oversee and implement on-ground sustainability activities. The steering committee will also have the responsibility of analyzing the sustainability performance trends

of each plant to identify opportunities for improvement and preparation of action plans. In the coming year, we plan to earmark a part of our profit after tax specifically for sustainability initiatives. Once approved, this will enable us to mobilize on-ground resources to ensure rapid action on our initiatives, thereby ensuring a healthy return on investment.

Going forward, the strategic focus of GAIL would be on augmenting the renewable energy portfolio, considerably reducing our carbon footprint. We also plan to initiate a pilot GHG accounting exercise at our Vijaipur plant during the year to better understand the impact of our operations on climate change and delve upon methods to mitigate such emissions. In the coming years, we will increase the scope of this exercise to assess our GHG emissions across our operations and strategically work towards reducing our carbon footprint.

We have initiated an external community needs assessment exercise with the help of TISS across our sites to understand the

developmental needs of the communities around us in a better way. This assessment will be beneficial in drawing our CSR plans for the coming years.

We will continue to work with MoP&NG, DGH, PNGRB, OISD, PCRA, MoEF, PPAC, PCB & CPCB, PESO and industry associations like FICCI, CII, International Gas Union, Petrofed, World Energy Council on various issues in the energy sector. We are looking forward to becoming a signatory to the United Nations Global Compact and also participate in the Global Methane Initiative to better understand sustainability issues in our areas of operation and also benchmark our efforts with our global peers. Along with this we also plan to continue our contribution towards policy development through industry associations and task forces of various Ministries.

We plan to actively interact with other leading companies to share best practices and building of framework in making Sustainability an integral plank of every facet of our organization. In the year ahead, we look forward to take meaningful actions on our sustainability journey through these initiatives and maximize the value that we create for ourselves and our stakeholders.

SD Team - Corporate Planning Department



GAIL SD Team thanks management, employees and other stakeholders who helped in bringing out this maiden SD report.



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GAIL looks forward to and seriously considers stakeholder feedback. Please send your feedback to:

- **Mr. Santanu Roy, General Manager (Corporate Planning) at sroy@gail.co.in**
- **Mr. Kamal Kishore Chatiwal, Dy. General Manager (Corporate Planning) at kk.chatiwal@gail.co.in**





GAIL (India) Ltd.

GAIL Bhawan,

16, Bhikaiji Cama Place

New Delhi – 110066

India.

Web : www.gailonline.com

Tel: +91 - 11 - 2617 2580

