



SUSTAINABLE DEVELOPMENT REPORT 2010-11

BUILDING A SUSTAINABLE FUTURE



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From exploration to refining to distribution and marketing of petroleum products, Bharat Petroleum Corporation Limited has been fuelling the nation's growth for over the last three decades. At BPCL, we shoulder a great responsibility of securing the energy supplies of this country without compromising the environment or society. Our efforts are towards providing our people with opportunities to achieve their potential, building sustainable communities through affordable energy solutions and creating shared prosperity.

With the support of a strong operating environment and backed by the force of dedicated professionals, we have successfully delivered our business plans and continued our growth strategy. The recently finalized 'DreamPlan' is a logical extension to this growth strategy where we envisage building a sustainable future for this nation and for the world.

Report scope

Building a sustainable future is BPCL's 5th sustainable development report detailing its non-financial performance. This report progressively builds on the last year's report capturing our journey and delineating our performance. The report also highlights our progress on commitments and opportunities for improvement as we address the challenge of securing India's growing energy demand.

The scope of the report includes seven Strategic Business Units (SBUs) in India over which we have significant operational control – Refineries¹, Retail, Lubes, LPG, Industrial & Commercial, Aviation and Gas². None of our subsidiaries or joint ventures and retail outlets are covered under the report scope.

The report has been based on the Global Reporting Initiative's (GRI) G3 guidelines (2006). We have also aligned our report 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). As we mature in the reporting process, certain data provided for previous years may not be comparable with the previously published data. This is due to the enhancement and progress made in reporting process. Wherever necessary, explanations are provided to guide the readers on the interpretation and restatement of data and information. We strive to make further progress in the reporting journey by expanding our scope and enhancing our reporting systems. We have engaged KPMG to provide professional advisory services for the preparation of this report. The report has been assured against the principles of the AA1000 (2008) Assurance Standard by Deloitte Touche Tohmatsu India Private Limited.



¹This year we have excluded the Numaligarh refinery from the report scope.

²Gas SBU would be considered a part of the performance on commencement of steady state operations

Performance highlights³

Performance for the year 2010-11

Criteria	Units	Performance	
		What we targeted	What we achieved
Gross Margin	%	13.79	17.65
Gross Sales	₹ Crores	125,457	153,170
Customer Satisfaction			
Reseller (MS/HSD)	%	98	98
LPG	%	98	98
Aviation	%	98	99
Direct Consumers	%	98	98
Refinery Crude throughput			
Mumbai Refinery	Million tons	12.30	13.02
Kochi Refinery	Million tons	8.55	8.76
Quality Assurance Benchmarking			
Mumbai Refinery	%	95	97
Kochi Refinery	%	94	95
Specific Energy Consumption			
Mumbai Refinery	MBTU/BBL/NRGF	73	67.36
Kochi Refinery	MBTU/BBL/NRGF	92	89.90
Average Refining cost/tonne			
Mumbai Refinery	₹	533	529
Kochi Refinery	₹	664	586
Average Marketing cost/tonne			
	₹	931	892
Development of biodegradable packaging for lubricants			
	%	100	100
Number of Reportable accidents per million manhours worked (Refineries+ Marketing)			
	Frequency	0.43	0.17
HSSE training to employees (Mumbai Refinery)			
	Mandays	1,900	2,152
Fire and safety training to employees (Kochi Refinery)			
	Mandays	1,600	1,871
CSR – Rainwater harvesting project at villages			
	No. of villages covered	8	8

Targets for the year FY 2011-12

Sustainable development goal	Target
Use of renewable energy	Commissioning (95%) of 1 MW solar photovoltaic power plant at Lalru Punjab
Asses impact of resource consumption	Implementation of pilot project for measurement of water and waste footprint at Sewree
Increase rainwater harvesting	Implement rainwater harvesting area covering 80,000 sq. meters across multiple locations
Reducing carbon footprint	Replacing liquid fuel with LNG (50% Project completion) at Kochi Refinery

³The targets set are based on the MoU signed between MoPNG and BPCL, of which selected few have been presented here.

Awards and accolades



- BPCL is placed 272nd for 2011 in the prestigious list of Fortune Global 500
- BPCL has been ranked 94th globally, 19th in Asia and 5th in Refining and Marketing among Asian companies, as per the Platts Top 250 Global Energy Companies 2010 list.
- For the fifth year in succession, the BPCL brand has featured among the top ten companies, ranking seventh, according to the valuation of India's Top 50 Most Valuable Brands undertaken by Brand Finance



- BPCL was honoured with the gold award in the Oil and Gas sector at the second India Pride awards ceremony conducted by Dainik Bhaskar group by Mr. Pranab Mukherjee



- The IT Strategy Plan for Kochi Refinery won the NASSCOM CNBC-TV18 IT User Award
- BPCL won the Gold Award in the ICQCC 2010 International Convention of Quality Circles



- The NIGIS (NACE International Gateway India Section) Award for Excellent Laboratories (in the PSU category) for the year 2009-10 was awarded to BPCL's R&D Corrosion Lab
- BPCL's corporate website bagged the first prize in the category 'Most User Friendly website' (editor's choice) in the India eGov 2.0 awards 2010 from amongst 83 nominations



- BPCL was honoured with Marketing Company of the Year Award
- BPCL has received the 'Platt's Award' in recognition of outstanding global financial and industrial performance. Ranked 7th in Refining & Marketing globally
- BPCL has been achieving "Excellent" performance rating from Ministry of Petroleum & Natural Gas since 1990-91
- BPCL has won the Boston Strategies International 2009 Oil, Gas & Energy Industries Award for Exemplary leadership in Supply Chain Synchronization.
- BPCL was bestowed with the Oil & Gas Marketing Company of the Year Award, Human Resources Management Company of the Year Award and Environmental Sustainability Company of the Year Award for 2009-10 by Petroleum Federation of India (PetroFed).
- BPCL received the prestigious NDTV Profit, Business Leadership Award in the CSR category

Chairman & Managing Director's message



Dear Stakeholders,

Welcome to BPCL's 2010-11 sustainable development report, 'Building a Sustainable Future'

The year was challenging for both businesses and policy makers. The global economic scenario was impacted by a series of significant events across the globe – from debt crisis in Europe to concerns of economic recovery in the western world, from geo political conditions in Middle East and North Africa to the devastating tsunami in Japan. All these events had significant bearings for the oil & gas industry with oil prices remaining volatile throughout the year.

On the domestic front, rising prices with growing inflation remained a key concern. While the decontrol of MS was a significant step to align the fuel prices with international trends, oil & gas marketing companies had to absorb the volatility in international prices leading to under recoveries. In spite of these challenges beyond our sphere of control, we were able to report an impressive performance. Our two refineries, Mumbai and Kochi, were able to achieve a total crude throughput of 21.78 MMT as compared to combined refining capacity of 21.50 MMT.

BPCL remains committed to a systematic and unwavering focus on corporate responsibility at all levels. We have continued to work with a broad range of stakeholders including customers, suppliers, and employees, shareholders, neighbouring communities, NGOs, universities and governments, to develop and promote best practices, innovative research and positive policy solutions.

Last year saw the conceptualization of our 'DreamPlan' – an articulation of our aspirations and where we want to reach by 2015. This year we have further strengthened the plan and are gearing up for the implementation in the coming year. We followed a four step process to aligning our top management aspirations across all the business units with the DreamPlan through workshops, discussions and break-out sessions. We came up with key initiatives to support the implementation of the DreamPlan along its six strategic elements.

On 25 October 2010, Kochi refinery achieved a rare feat of completing 20 million accident free man-hours and further ended the year 2010-11 completing a staggering 1,918 days, which is equivalent to 21.8 million man-hours, of operation without LTA. Mumbai refinery did very well to achieve 9.7 million man-hours of operations without Lost Time

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Chairman & Managing Director's message

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Accident (LTA) during 2010-11. It is significant that this sterling performance was achieved in spite of hectic turnaround and construction activities carried out during the year at both the refineries. These achievements have resulted in the reduction of lost time injury frequency rate and severity rate for 2010-11.

The major incidents in the oil industry in the recent past have necessitated a re-look and revision of the systems drawn up three years back. In this background, the second edition of the HSSE management system released in January 2011 is a step in the right direction and reiterates the organizational commitment to the cause of 'Workplace Health', 'Safe Operations', 'Security' and 'Environment protection'. This year, we have also partnered with other oil & gas majors in India and the port authorities such as MbPT and JNPT to setup a Tier I Oil Spill Response (OSR) facility at Mumbai Harbour.

2010-11 was the year of challenges on workplace security and alerts/threats at BPCL. In tune with this initiatives were taken up and implemented corporate wide during the course of the year. Site security has been reinforced through enhanced training and upgradation of facilities as and where required. In order to build a robust leadership pipeline encompassing leaders at all levels capable of delivering the company's ambitious plans, an 'Integrated Talent Management Framework' with linkages to key HR processes has been developed. A number of workshops were conducted and inputs gathered from a wide cross section of employees on the values and culture the company stands for.

We continued our efforts in the area of resource conservation, by carrying out an exercise on mapping of water (Project "MeH₂O") and waste (Project "MeWas") footprint for the Sewree complex. This was a pilot project which would subsequently enable the organizational mapping of water and waste. We are in the process of setting up HSSE role holders across SBUs to drive the sustainability agenda of the company. Going forward, these role holders would be a part of the mechanism to monitor the incremental improvement year on year in the areas of energy conservation, water consumption and waste generation.

We invest in communities through a range of initiatives in the fields of education, water conservation, health, environment conservation and economic empowerment and we have assigned delegation of authority to ensure complete transparency in our corporate social responsibility (CSR) procedures. We have made a commitment of 1 - 2 percent of our PAT towards CSR initiatives. With a clear strategy, shared ambitions, and proven talent and energy of our people, we will meet our commitments. We welcome your views and suggestions on this report and our sustainability journey.



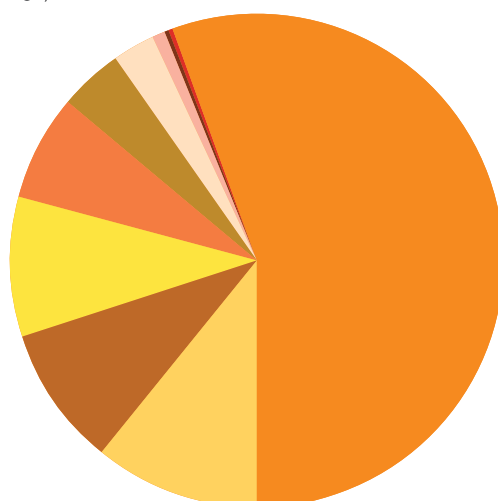
Mr. R.K.Singh
Chairman & Managing Director,
Bharat Petroleum Corporation Limited

Company profile

Organisational highlights⁴

Refineries	Numbers	2
Installations and Depots	Numbers	126
LPG bottling plants	Numbers	49
Lube plants	Numbers	4
Aviation service stations	Numbers	31
Retail outlets	Numbers	9,289
LPG distributors	Numbers	2,452
Crude throughput (Mumbai & Kochi Refineries)	MMT	21.78
Market sales	MMT	29.27
Total assets	₹ crores	34,037
Market participation	percent	22.5
Fortune 500 rank (2011)		272

Shareholding pattern⁵ (percentage)



Government	55.79
Insurance Companies	10.67
BPCL Trust	09.33
Mutual Funds / UTI	09.16
Foreign Institutional Investors	06.90
Private Corporate Bodies	04.17
Others	02.85
Clearing Members	00.83
Financial Institutions	00.20
NRIs	00.09

Product sales

	Sales volume (‘000 MT)	Market share (percent)
Naphtha	704	19.1
LPG (Bulk and packed)	3,555	26
Motor spirit	3,914	28.1
Special boiling point spirit	45	41.9
Benzene	72	55.5
Toluene	21	100.0
Polypropylene feedstock	73	71
Compressed Natural Gas	203.6	NA
Auto LPG	56	NA
Regasified LNG	607	NA
Aviation turbine fuel	1,129	22.8
Superior kerosene oil	1,582	17.2
High speed diesel	14,552	24.8
Light diesel oil	66	14.4
Mineral turpentine oil	132	67.5
Furnace oil	1,314	17.1
Low Sulphur heavy stock	254	12.8
Bitumen	651	16.0
Lubricants	275	22.7
Others	68.37	NA
Total	29,274	

Subsidiary companies

- Bharat Oman Refineries Limited
- Bharat Petro Resources Private Limited
- Numaligarh Refineries Limited

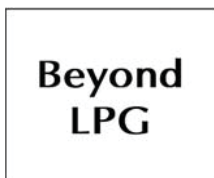
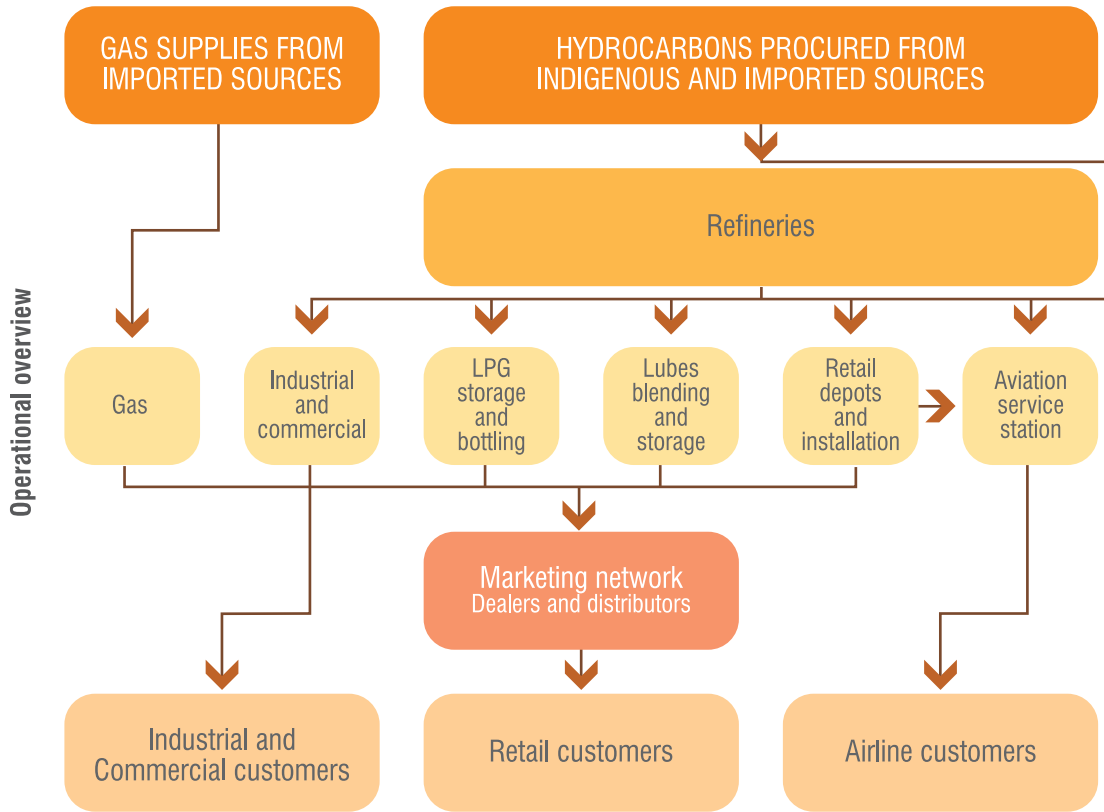
Joint ventures

- Bharat Renewable Energy Limited
- Bharat Star Services Private Limited
- Central UP Gas Limited
- Delhi Aviation Fuel Facility Private Limited
- Indraprastha Gas Limited
- Maharashtra Natural Gas Limited
- Matrix Bharat Marine Service Private Limited
- Petronet CCK Limited
- Petronet India Limited
- Petronet LNG Limited
- Sabarmati Gas Limited

⁴BPCL's Annual Report for the financial year 2010-11 http://bharatpetroleum.com/EnergisingBusiness/In_Financial.aspx?id=1

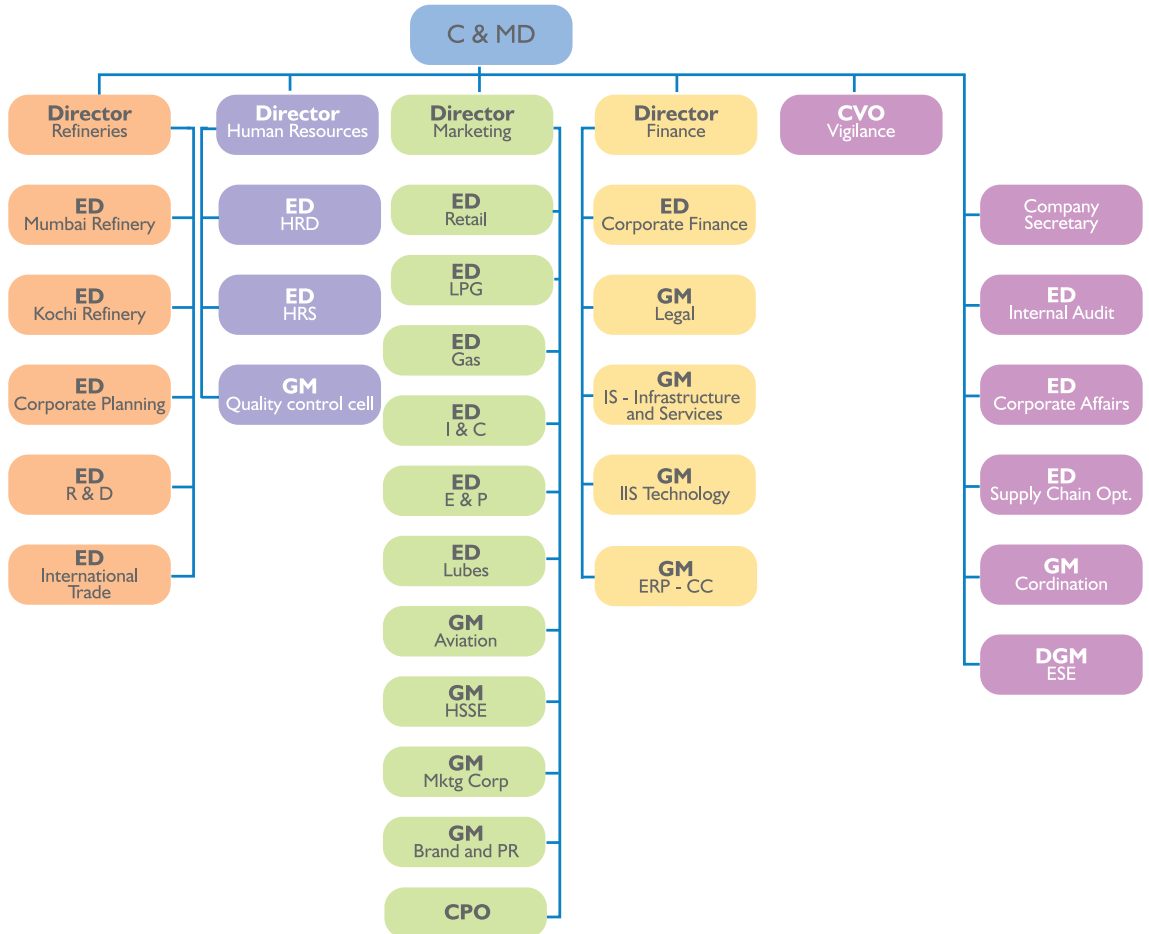
⁵BPCL's corporate website (Shareholding pattern as on 31st March 2011)

Company profile



Company profile

Organisational overview



BUILDING THE FUTURE OF ENERGY



Building the future of energy

Investing in the future

On the back of robust economic growth India's energy requirements would be on the rise and as an organization we have a big role to play. However with India's large dependence on imports, the volatility in international prices will have a major impact. Through our DreamPlan we envisage to increase our footprint in the exploration space and invest in Gas to hedge the risk against our dependency on imports. As on date Bharat Petro Resources Limited (BPRL), a wholly owned subsidiary of ours working in the exploration domain has got participating interests in 27 blocks spread across different countries including India. A total of seven discoveries have been announced in exploration blocks in Brazil, Indonesia and Mozambique where the company holds participating interests. Our triple one project has also made significant progress this year with cultivation of over 3,122 acres of jatropha plantation achieved till date. We have set ourselves a target of completing 95% of the commissioning of the 1MW solar photovoltaic power plant at Lalru, Punjab to obviate our need to depend on traditional sources of energy. We understand the importance water has assumed as a resource and we are doing our bit by building and augmenting our capacity to harvest rainwater across our locations. We aim to harvest a total of 80,000 sq. meters of area across multiple locations by the end of next year.

DreamPlan for the future

Last year we had introduced our DreamPlan, an aspirational roadmap on where we want to reach by FY 2015-16. This year we have worked towards fortifying the plan and building awareness within the organization to identify resources to execute the plan and achieve our goals. We followed a four step process to disseminate the way forward, starting from appreciative enquiry workshops.



Phase 1 discussions happened last year based on which 5 key elements to the BPCL strategy were identified as we had reported⁶. Phase 2 was conducted this year with focus on entities and pressure testing Phase 1 aspirations. The actual implementation of the plan would commence from FY 2011-12.

The DreamPlan workshop of August 2010 deep dived into each element of the identified strategy and examined new opportunities. The two day workshop broadly aligned the leadership group to DreamPlan aspirations and identified the process to pressure test and refine these aspirations. The entities have now been included to create a performance roadmap for the organisation as part of Phase 2.



⁶BPCL's 2009-10 Sustainability Development Report can be accessed at http://bharatpetroleum.com/General/CR_Vision.aspx?id=4

Focusing on our top sustainability priorities

We have infused various practices across our operations and levels to be able to identify and focus on issues of critical importance to our business. While our able senior management lends its experience to identify focus areas for our business, we also seek feedback and inputs from our most important stakeholders on issues that are relevant for them.

Over the last two years, we have streamlined our materiality determination process to make it more consistent and effective. We achieved this by encouraging participation across all levels of organization and across various stakeholder groups. As we move forward to define our business strategy through the 'DreamPlan', we have infused these core issues and have developed our micro-strategy and planned initiatives for each of them. Our sustainability reporting process shares the same framework, and is thus structured around these core issues.

Similar to last year, we have detailed out our efforts with regard to each of the five core issues identified through an elaborate materiality determination process. We also interact with our top management and key stakeholders to update the relevance and importance of these material issues on a regular basis.

Core sustainability issue	Our efforts in FY 10-11	Our key sustainability targets for FY 11-12
Energy and climate change	<ul style="list-style-type: none"> Energy efficiency initiatives resulting in saving of 0.326 million GJ and reduction of 22,468 tCO₂e of GHG emissions Use of biodiesel, solar power and wind power to substitute fossil fuel use GPS based Vehicle Tracking System in tank lorries to increase energy efficiency Enhancing our oil and gas discoveries through BPRL 	<ul style="list-style-type: none"> 95% commissioning of 1 MW solar PV power plant at our Lalru LPG plant Achieve specific energy consumption of 73 and 86 MBTU/BBL/NRGF for our Mumbai and Kochi Refineries, respectively
Health and safety	<ul style="list-style-type: none"> No LTAs across our refineries 21.8 million accident free man-hours at Kochi Refinery and 9.7 million accident free man-hours at Mumbai Refinery Risk Based Inspection (RBI) at marketing locations and Asset Integrity & Management System (AIMS) implemented at refineries to identify safety and security risks Increased retail outlets with automation systems 	<ul style="list-style-type: none"> 3,540 man-days of HSE training to employees in Mumbai and Kochi refineries 86 percent implementation of safety audit recommendations (internal and external) at Mumbai and Kochi refineries Achieve accident frequency rate of 0.43 across refineries and marketing locations
Community development	<ul style="list-style-type: none"> Leadership development workshop and development of CSR implementation plan up to 2015 under "Samavesh" Reached out to 15,000 children through education initiatives, including education assistance and CAL Continued implementation and enhancement of Project Boond to reduce water scarcity and meet water needs of communities 	<ul style="list-style-type: none"> Transform 14 villages from 'water scarce' to 'water positive' under Project Boond VI Replication and scaling of computer assisted learning (CAL) and education assistance program (EAP) for an outreach to 27,000 children Provide vocational skilling and income generation to reach out to 450 beneficiaries Spend 0.45 percent of PAT of FY 10-11 for CSR activities

Focusing on our top sustainability priorities

Core sustainability issue	Our efforts in FY 10-11	Our key sustainability targets for FY 11-12
New and clean technology	<ul style="list-style-type: none"> • Chemical Decontamination process at Mumbai refinery for reduced turnaround maintenance downtime of units and recovery of valuable oil • Installation of automatic combustion control units at Kochi Refinery • Installation of low-NOx burners and commissioning of sulphur recovery units at our refineries 	<ul style="list-style-type: none"> • Replacing liquid fuel with LNG (50 percent Project completion) at Kochi Refinery to reduce our GHG footprint
Water management	<ul style="list-style-type: none"> • Construction of five acre rainwater harvesting pond with capacity of 135 million litres at Kochi Refinery • Assessment of rainwater harvesting opportunities at significant marketing locations to reduce fresh water intake 	<ul style="list-style-type: none"> • Institute pilot project for measurement of water and waste footprint at Sewree by 31 December 2011 • Develop 80,000 sq. m. of rainwater harvesting area in multiple locations



Our stakeholder synergies

BPCL shares a mutually beneficial relationship with all the stakeholders that are impacted through its business and operations. We work along with our stakeholders to formulate sustainable relationships based on creating value that is shared and that benefits everyone. Over the years, we have maintained and enhanced existing channels⁷ of dialogue with our most important stakeholders. While some of these engagement mechanisms are ad-hoc in nature and depend on the day-to-day requirements and dynamic stakeholder needs, others are more structured and periodic to cater to specific stakeholder and regulatory requirements. We regularly reach out to individuals and organizations impacted by our operations throughout the value chain of our operations on issues of significant importance. This helps us in devising business strategies that keep in mind the priorities of our key stakeholders. This year we have considered feedback from our vendors, suppliers and employees while prioritizing our material issues and developing the report content. We intend to involve all our stakeholders in a progressive phase wise manner in the coming years in our reporting journey.

At all levels of our organization, we have delineated clear roles and responsibilities for specific individuals or departments for engaging with our key stakeholders and their representatives. Apart from the structured activities described above, these individuals/departments remain in touch with our key stakeholders on a regular basis through one-to-one interaction as per mutual requirements.

Engaging with vendors on enhanced transparency and stronger vigilance

As we progress on our approach towards achieving higher transparency across operations, we realize the importance of better vigilance and enhanced transparency in our supply chain as well. As a part of the Vigilance Awareness Week in October 2010, Kochi Refinery took the initiative of including several aspects of vigilance in its supplier meet, wherein our CVO was invited to give her insights on maintaining high standards of ethics and vigilance in operations. BPCL's initiatives like NEFT payment, bill tracking system, e-tendering, Integrity Pact, Whistleblower policy and e-auction were shared on this occasion. Over 60 suppliers from various parts of the country took part in this meet. Similar meetings were held in Mumbai and Kolkata as well. These meetings succeeded in making the vendors aware of the importance of many technological and transparency initiatives taken by BPCL. They also provided a platform to the vendors to voice their apprehensions and the difficulties faced by them while implementing these initiatives.

Stakeholder group	Level of interaction			Means of engagement	Key concerns or priorities identified in FY 2010-11	Reference to our response in sustainability report
	Corporate	SBU / Regional	Facility			
Shareholders and lenders	Yes	–	–	<ul style="list-style-type: none"> Annual general meetings Annual reports and regulatory filings Investor meetings Investor presentations Investor guides and stock quote on website Grievance redressal through Investor Grievance Committee 	<ul style="list-style-type: none"> Financial performance New ventures and major projects Crude oil prices Change in governance structure Compliance 	<ul style="list-style-type: none"> Creating shared prosperity Enhancing trust through governance
Government and regulatory authorities	Yes	Yes	Yes	<ul style="list-style-type: none"> Memorandum of Understanding – setting targets and communicating progress Annual reports and regulatory filings Meetings on ministry directives and policy development Facility inspections 	<ul style="list-style-type: none"> Annual performance planning and major projects Anti-corruption practices Regulatory compliance and timely regulatory filings Safety and security Resolution of public grievances 	<ul style="list-style-type: none"> Creating shared prosperity Enhancing trust through governance
Employees	Yes	Yes	Yes	<ul style="list-style-type: none"> Work-related interactions Training Annual performance review Employee health check Employee volunteering in engagement activities 	<ul style="list-style-type: none"> Career development Skill development and training Work satisfaction Health and safety Individual performance 	<ul style="list-style-type: none"> People Agenda : Health safety and wellbeing

⁷Please refer our previous sustainability reports for comprehensive information on our stakeholder engagement (including identification methods and frequency and modes of interaction). Our previous sustainability reports can be accessed through our corporate website www.bharatpetroleum.in

Our stakeholder synergies

Stakeholder group	Level of interaction			Means of engagement	Key concerns or priorities identified in FY 2010-11	Reference to our response in sustainability report
	Corporate	SBU / Regional	Facility			
Employees	Yes	Yes	Yes	<ul style="list-style-type: none"> Employee welfare schemes Employee recognition activities Employee satisfaction surveys 		
Industry associations	Yes	Yes	Yes	<ul style="list-style-type: none"> Industry meetings Joint implementation of industry-wide initiatives Coordination for disaster management Facility visits 	<ul style="list-style-type: none"> Sectoral policy development Setting and upgrading of standards Health and safety 	<ul style="list-style-type: none"> Enhancing trust through governance
Customers	Yes	Yes	Yes	<ul style="list-style-type: none"> Customer satisfaction surveys Customer community meets Company website for product information Customer Complaint Redressal Queries through RTI route Product campaigns and road shows Customer oriented initiatives like Beyond LPG 	<ul style="list-style-type: none"> Timely and efficient complaint redressal Product quality Product safety Timely availability of bulk product (for bulk consumers) Product pricing 	<ul style="list-style-type: none"> People Agenda : Health safety and wellbeing
Suppliers	Yes	Yes	Yes	<ul style="list-style-type: none"> Contract procedures Contract and project review Facility inspection Business review meetings Vendor interaction meets 	<ul style="list-style-type: none"> Product quality Product pricing Timely payments Business performance Compliance to company directives and policies 	<ul style="list-style-type: none"> People Agenda : Health safety and wellbeing
Business and JV partners	Yes	-	-	<ul style="list-style-type: none"> Corporate presentations, annual reports Business review meetings 	<ul style="list-style-type: none"> Business performance Future project plans and company strategy Market acquisition 	<ul style="list-style-type: none"> Creating shared prosperity Enhancing trust through governance
Community	Yes	Yes	Yes	<ul style="list-style-type: none"> Community needs assessment Community development programs Health clinics Disaster management workshops Community visits by company representatives 	<ul style="list-style-type: none"> Safety awareness Health Education Water scarcity Local livelihood generation 	<ul style="list-style-type: none"> Strengthening partnership with communities
Dealers and distributors	Yes	Yes	Yes	<ul style="list-style-type: none"> Distributor and Dealer Advisory Panels Dealer meets Quarterly and annual review meetings Customer complaint escalation 	<ul style="list-style-type: none"> Product demand Compliance to company directives and policies Product availability Product and service quality Customer grievance redressal 	<ul style="list-style-type: none"> People Agenda : Health safety and wellbeing
Contractors	-	Yes	Yes	<ul style="list-style-type: none"> Contract procedures Task de-brief meetings Work review meetings Training Health checks 	<ul style="list-style-type: none"> Health risks like HIV/AIDS Worker payments Safety and security Skill development 	<ul style="list-style-type: none"> People Agenda : Health safety and wellbeing

ENHANCING TRUST THROUGH GOVERNANCE



Enhancing trust through governance

At BPCL, we have endeavoured to design and implement a robust governance mechanism. Our Board has adopted a Code of Conduct⁸ for the Directors and management cadre employees. The Board is assisted by expert committees in its supervision of the overall affairs of the company, to ensure transparent governance. They ensure that the Code of Conduct is implemented across the organization.

The three main committees of the Board are: Audit Committee, Investor Grievance Committee⁹ and Remuneration Committee¹⁰. We also have a number of other committees including Standing Committee for Tenders, Standing Committee for release of flats, Standing Committee for transfer of shares, Standing Committee for JVC matters, Committee of functional director, among others. We acknowledge that embedding sustainable development across business processes is important and its progress has to be monitored at the Board level. For this we are in the process of creating an apex sustainable development committee at the Board level supported by sub-committees across each SBU.

Our Board¹¹ of Directors:

1. Mr. R.K. Singh (Chairman and Managing Director); Director, Refineries
2. Mr. Ashok Sinha (Chairman and Managing Director – Up to 18th August 2010)
3. Mr. S.Radhakrishnan (Director Marketing – Up to 28th February 2010)
4. Mr. K.K. Gupta, Director, Marketing
5. Mr. S.K. Joshi, Director, Finance
6. Mr. S. Mohan, Director, Human Resources
7. Mr. P. K. Sinha, Additional Secretary and Financial Advisor, Ministry of Petroleum and Natural Gas
8. Mr. T.Balakrishnan, Additional Chief Secretary, (I&C) Government of Kerala. (Upto 29th June 2010)
9. Mr. A.K. Sharma, Secretary (IP), Government of Kerala, Industries (J) Department
10. Prof N. Venkiteswaran, Director
11. Prof S.K. Barua, Director
12. Ms. Rama Bijapurkar, Director (Up to 31st June 2010)
13. Mr. I.P.S. Anand, Director
14. Mr. Hareesh. M. Jagtiani, Director

Our Risk Management Charter and underlined policies enable us to adopt a defined process for managing risks on an ongoing and continual basis. Being a Public Sector Undertaking, we are under the purview of audits and checks by the Comptroller and Auditor General (CAG) of India. The checks are stringent and occur at regular intervals to ensure our systems are comprehensive and complete. A full time member nominated by CAG is privy to all Board resolutions and operates from our office.

We have an Internal Audit department consisting of cross functional experts, which review key business processes and controls through regular audits. Audit reports, significant risk area assessments and adequacy of internal controls are also periodically reviewed by the Audit Committee through meetings held with Management, Internal Audit and Statutory Auditors. The Integrity pact program by Transparency International is strictly adhered to through our tendering process.

Internal controls

We have an adequate system of Internal Control, which ensures optimum utilization and protection of resources, speedy and accurate reporting of financial transactions and compliances with laws and regulations. We have a clearly defined organizational structure, authority limits, guidelines and operating procedures for our business units and service entities. State-of-the-art ERP solutions and Business Information Warehouses further enhance seamless exchange of information and control. An independent Audit function, consisting of professionally qualified experts from accounting, engineering and IT domains review the business processes and controls through risk focused audits. The audit Committee of the Board regularly reviews significant findings of Audit Department covering operational, financial and other areas and provides guidance on Internal Controls. There were no cases of non-compliance by BPCL and no penalties / strictures were enforced on the Company by the Stock Exchange / Securities & Exchange Board of India (SEBI) or any other statutory authority on any matter related to our functioning during the financial year.

⁸BPCL's Code of conduct, corporate vision and values are enlisted in detail in our corporate website www.bharatpetroleum.in

⁹Further information on mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body and processes in place for the Board to avoid conflicts of interest are available in our annual report for FY 2010-11 and previous sustainability reports which can be accessed through our corporate website www.bharatpetroleum.in

¹⁰Information on Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance can be sourced from our annual report for FY 2010-11 which can be accessed through our corporate website www.bharatpetroleum.in

¹¹Constitution of the Board, information on Directors - their expertise and qualifications, committees and its responsibilities are mentioned in BPCL's Annual report at http://www.bharatpetroleum.in/EnergisingBusiness/In_Financial.aspx?id=1



All India – Audit Conference 2010

All India Audit Conference was held at Goa, this year. The conference deliberated the risk based approach to internal audit, vision of the function in 2015, review the current audit process and audit Universe. Around 52 staff participated for the said conference. Our C&MD addressed the conference detailing the competitive scenario in India faced by oil marketing companies and BPCL initiatives in upstream, middle stream and downstream to overcome the competitive scenario in the coming years with a special emphasis on making BPCL's internal controls robust.

Integrating management systems

A management system that integrates all of the management systems and processes into one complete framework enables organizations to work as a single unit with unified objectives. The integration brings in many benefits to organizations by way of streamlined processes, reduced documentation, saving on valuable time and lower certification costs. Mumbai Refinery recently undertook the implementation of Integrated Management System (IMS) covering Quality Management System (ISO 9001:2008), Environmental Management System (ISO 14001:2004) and Occupational Health and Safety Management System (OHSAS 18001:2007). The integration facilitated creation of a single policy, unified documentation and focused objectives / targets and programmes under these standards. Since there is a unified management review for all standards, it results in a holistic view of the various areas important to the organization. A similar integration process is underway at Kochi Refinery.

Corporate values in practice

In order to ensure that all non-compliances to our Code of Conduct are reported and corrected, we have a "Whistle Blower Policy" that ensures that all such non-compliances are monitored. Additionally, our corporate values guide us in maintaining high ethical standards and vigilance is a critical element of our operations. It is in line with the philosophy of "Vigilance for Corporate Excellence". Our Corporate Vigilance department acts on complaints by conducting detailed investigations with specific recommendations for corrective action and system improvements. As a part of preventive vigilance, periodic / surprise inspections of refineries, depots and installations, retail outlets and LPG distributorships are carried out throughout the year. The department is headed by a Chief Vigilance Officer (CVO), who advises the Management on bringing about qualitative improvement in the functioning of the company, based on the investigations carried out. The CVO also acts as a link between us and agencies such as MoPNG, PMO, CBI, CVC, etc. This year we hosted the "Vigilance Study Circle", Mumbai chapter CVOs meet in March. The meet brings CVOs of various Organizations on a common platform to discuss, evolve the best methods and systems being followed by them and to learn from each other's experiences and best practices.

Enhancing trust through governance



An important step in the ongoing efforts to enhance transparency and increase efficiency is, "Online Vigilance Clearance". This application accelerates process requests for vigilance clearance for resignations, progressions, retirements etc. Workshops on Vigilance Awareness were conducted among our employees, dealers and distributors at all regions. Further, a special journal "Vigilance Plus" giving an overview of the Vigilance initiatives of the past year and the highlights of the activities conducted during the Vigilance Awareness Period 2010 was released by C&MD, Shri R.K. Singh in February at Mumbai. Over sixty suppliers from various parts of the country participated in the suppliers meet event organized as part of the Vigilance Awareness Week 2010 at Kochi Refinery in October this year. The aim was to ensure that stake holders are aware of all channels of redressal and appreciate the fact that it is healthier to have a preventive approach to sensitive issues.

BPCL's commitment towards fair practices ensures that there are no instances of anti-competitive behaviour. Being a significant player in India's Oil & Gas sector and earning the coveted 'Navratna' status from the Government of India, BPCL has earned its rightful place in many advisory panels and industrial decision making bodies like OADB, OISD, BIS, IMC, BCCI, ASSOCHAM, FICCI and CII. This year our efforts towards compliance were recognized by SAP during the ACE award function (Award for Customer Excellence) held at Mumbai. There were more than 200 entries from the leading companies in India and we were bestowed with the 'Best Run Award in Compliance', for leveraging technology to create a robust compliance system (for the Governance, Risk and Compliance (GRC) – Access control implementation).



CREATING SHARED PROSPERITY



Creating shared prosperity

Industry overview

The year was challenging for both businesses and policy makers. The global economic scenario was impacted by a series of significant events across the globe – from debt crisis in Europe to concerns of economic recovery in the western world, from geo political conditions in Middle East and North Africa to the devastating tsunami in Japan. All these events had significant bearings for the oil & gas industry with oil prices remaining volatile throughout year. The average prices of crude oil were much higher than in FY 2009-10, regaining the FY 2008-09 levels. The International Energy Agency (IEA) in its oil market report of April 12, 2011 has estimated a 3.4 percent demand growth for oil in calendar year 2010 compared to previous year, leading to total demand of 87.9 million barrels per day (MBPD). This represents an increase of 2.9 MBPD of oil demand while the total supply of crude oil increased only by 1.5 MBPD in 2010 compared to 2009. The year 2011 is expected to see the global oil demand to reach a level of 89.4 MBPD indicating a year on year growth of 1.6 percent.

The Indian economy was one of the few economies to exhibit growth signs; but it was not completely insulated to global conditions. Rising prices, increasing inflation and slowdown in growth of manufacturing sector remained key concerns during the year. The strong performance of the agriculture sector owing to a good monsoon was a respite. As per the provisional figures released by the Petroleum Planning & Analysis Cell in the Ministry of Petroleum & Natural Gas, consumption of petroleum products in the country in 2010-11 was of the order of 142.91 MMT as against 139.23 MMT in the previous year, representing an increase of 2.64 percent over the previous year. India still is dependent on imported energy sources, creating pricing imbalance due to high crude prices and regulated energy markets. The country had imported around 163.51 MMT of crude oil during the year as against 159.26 MMT in the previous year. Though there were significant improvements in refining margins, oil & gas marketing companies continued to suffer under recoveries due to no revision in the selling prices of key products like HSD, LPG (Domestic) and Superior Kerosene Oil (SKO) after June 2010 while the crude oil prices remained high. The decontrol of MS price based on recommendations of Empowered Group of Ministers (EGM) constituted by Government of India (GoI) was a crucial step to align the prices to international oil price vagaries. However, the decontrol of HSD and other products is yet to take place. The lowering of customs duty on crude oil, MS, HSD and increase in retail selling price of HSD, SKO and LPG (Domestic) was aimed at providing some relief to the downstream companies.

Our performance

Our economic performance is a reflection of our commitment towards building a sustainable future by creating value for our stakeholders. While there was improvement in the global economic scenario during the year, oil & gas industry in particular faced some challenges due to rising crude oil prices, pace of economic recovery and geo-political scenario especially in the middle-east and North Africa. On the domestic front, rising prices with growing inflation remained a key concern. While the decontrol of MS was a significant step to align the fuel prices with international trends, oil & gas marketing companies had to absorb the volatility in international prices leading to under recoveries. In spite of these challenges beyond our sphere of control, we were able to report an impressive performance. Our two refineries, Mumbai and Kochi, were able to achieve a total crude throughput of 21.78 MMT as compared to



Creating shared prosperity

combined refining capacity of 21.50 MMT. Our Kochi Refinery recorded the highest ever crude throughput by the refinery a single year, 8.76 MMT. Both our refineries attained better Gross Refining Margins (GRM) owing to favourable crude-product spreads, optimum capacity utilization and significant process improvements. This year our overall revenues increased by 17.31% to ₹ 1,697.03 billion. During the year, we distributed a total economic value of ₹ 1,667.19 billion and retained an economic value of ₹ 29.83 billion. This achievement is a testimony of our prudent business operations and decisions in challenging market conditions.

Economic Value Generated, Distributed and Retained (FY 2010-11 - in ₹ billion)

Economic Value Generated	1,697.03
Revenues	1,697.03
Economic Value Distributed	1,667.20
Operating costs	1,476.81
Employee benefits & wages	29.74
Payments to providers of capital	18.15
Payments to Governments	142.45
Economic Value Retained	29.83

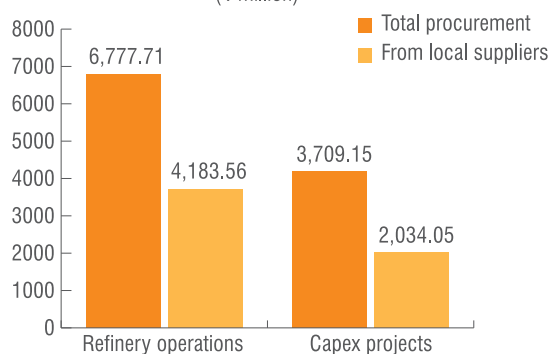
Employee benefits

We provide our employees with a host of benefits from medical assistance to subsidized loans. The benefits provided to our employees include but are not limited to gratuity schemes, provident fund schemes, medical insurance coverage, support for employee higher education, scholarships for employee's children, and housing and vehicle loans at lower interest rates. To assess our employee benefit obligations and sufficiency of apportioned funds, we conduct periodical actuarial valuations of the funds and augment them with additional resources if necessary. This year we spent a total of ₹ 29.74 billion towards employee wages and benefits.

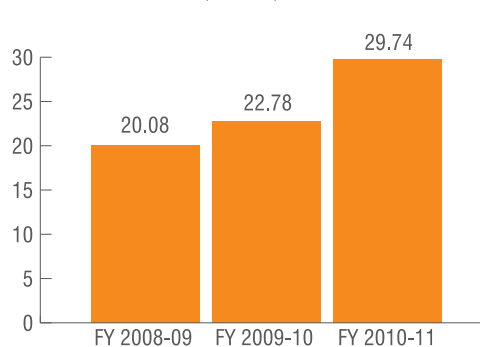
Local procurement and hiring

Our procurement policies are based on various parameters which include availability, quality and cost amongst others. We continue to contribute to local economy development and as a practice always prefer to procure from local suppliers. We are not guided by a formal policy on local procurement, wherein our case local is defined as India, owing to nature and scale of our operations. This year ₹ 6,217.61 million was spent on procurement from local suppliers for refinery operations and capex projects. Similarly, we adopt hiring policies on meritorious basis for our senior management. We respect guidance given by Gol in providing employment opportunities for certain economically and socially disadvantaged sections of society.

Procurement from local suppliers: Refineries
(₹ million)



Employee benefits and wages
(₹ billion)



Creating shared prosperity

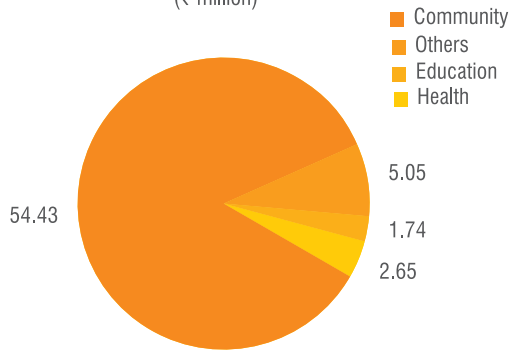
Community investments

As a responsible corporate citizen and a PSU, our company is dedicated to the development of our Nation. We invest in the communities dwelling in areas surrounding our operations through various initiatives aimed at providing community infrastructure, health, education and other community development solutions. To further channelize our efforts in community development interventions, we have identified CSR trust areas of education, environment conservation, community infrastructure, water management and health. This year we have invested ₹ 63.87 million in community development activities across our refineries.

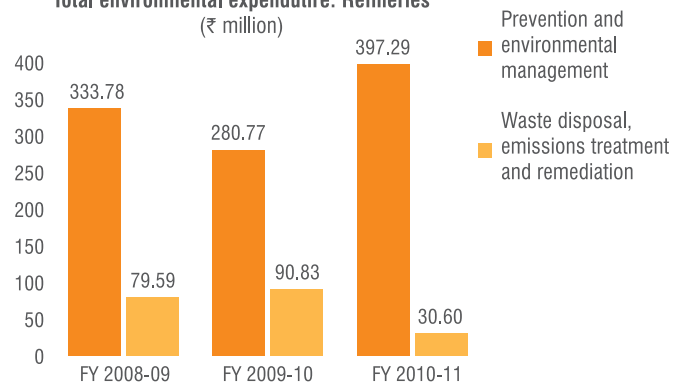
Environmental expenditure

Our operations have an impact on environment and we are well aware of this fact. However we continually strive to reduce our impacts on environment by investing in cleaner technologies and sound environmental management systems. We also invest in processes to produce cleaner products which contribute lower emission levels. All our refineries are certified for ISO 14001 environment management standards. At our refineries we spent¹² ₹ 427.89 million towards environmental expenditure while other SBUs spent ₹ 12.49 million.

Total CSR expenditure: Refineries
(₹ million)

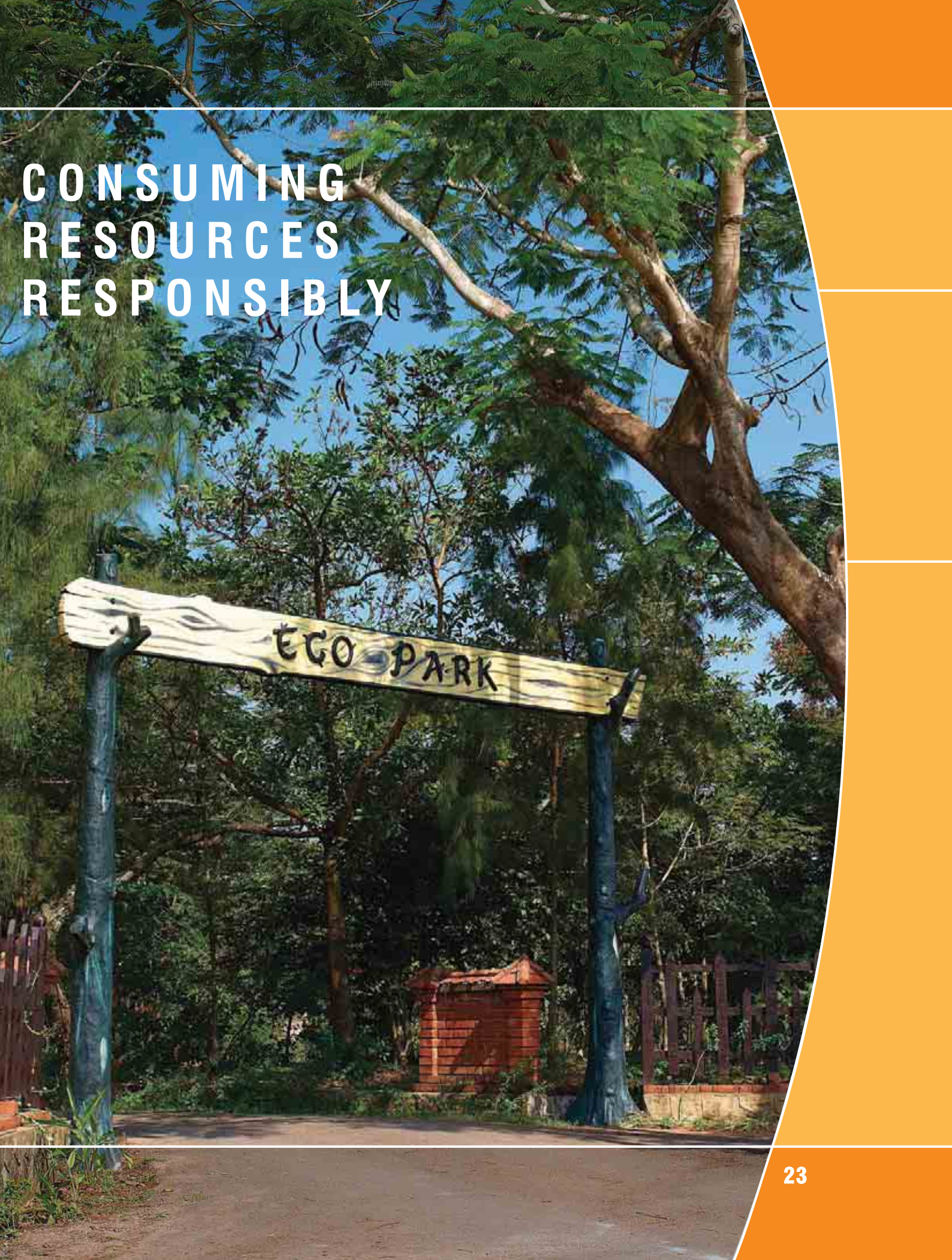


Total environmental expenditure: Refineries
(₹ million)



¹²Expenditure includes amount spent on license to operate, external services for environmental management, treatment and disposal of waste, depreciation and maintenance cost of equipment used of environmental purposes, personnel cost, annual certification costs and installation of cleaner technologies. Expenses for energy efficiency measures and personnel employed for training have not been tracked this year. We will report the same in the next reporting period.

CONSUMING RESOURCES RESPONSIBLY



Consuming resources responsibly

In line with the core theme of sustainability, we at BPCL view building a sustainable future as a corporate strategy which ensures the availability of resources not only in the short term but also in the longer run. We are aware of the dependence of our operations on non – renewable natural resources and it is our constant endeavour to reduce our resource footprint through recycling initiatives, improved operational efficiency and use of additives and chemicals bearing minimal harmful impacts on the environment.

Material management

The domestic crude oil processing in 2010-11 stood at 196.8 MMT representing a growth of around 5.5 percent over the previous year when 186.6 MMT of crude oil was processed by Indian refineries. With additional refining capacities on the anvil, India will continue to remain long on refining capacity for some more time. During the year our two refineries at Mumbai and Kochi achieved a total crude throughput of 21.78 MMT as compared to the combined refining capacity of 21.50 MMT, which is our single most significant raw material throughout our operations, out of which 14.77 MMT was imported and the remaining crude processed being indigenous.

We consumed 6,924.13 tons of significant associated materials at our refineries during the year. Our refineries also consumed 6,551.7 tons of packaging material during the year. At our marketing locations we consumed 1,361,558 tons of materials¹³ and 9,120 litres of BMCG additive (at LPG plants), along with 15,565.71 tons of packaging material (at Lubes plants). LPG cylinders are reused multiple times which reduces the requirement of new cylinders. Due to increased demand and replacement of damaged cylinders, 4.57 million new cylinders were used for LPG during the reporting year.

In 2010-11 we reprocessed 32,928.6 tons of slop at our refineries which decreased from 78,763.6 tons last year. The decrease is attributed to reduction in slop generation due to the exercise of more controlled operations resulting in lesser waste generation. To achieve greater waste minimization we have made significant efforts through reusing oil and reprocessing slop at our refineries. A total of 2,048.67 tons of oil was recovered from sludge at our refineries this year, as compared to 1,147.12 tons in the last year.

We continued our efforts in the area of resource conservation, by carrying out an exercise on mapping of water (Project “MeH2O”) & waste (Project “MeWas”) for the Sewree complex. This was a pilot project which would subsequently enable the organizational mapping of water and waste. A similar project was undertaken for measurement of carbon emissions (Project “MeCO2”) for all the Lube plants. These exercises will help to prepare an action plan to minimize carbon emissions, water consumption and waste generation across all the locations.



¹³Materials include base oils used in lube plants, additives, blue dye, ethanol, oil and grease used in retail outlets

Consuming resources responsibly

Eco-friendly bio-degradable packaging for lube oils

Our R&D Centre has undertaken a joint project with P&AD, Sewree and Lubes SBU along with M/s. Harita-NTI, Chennai, to develop an eco-friendly bio-degradable and compostable polymer packaging material for 2T lube oil packaging. The project comprises of a) identification and selection of biodegradable polymeric material followed by suitability and compatibility and laboratory scale evaluation and testing, b) biodegradability and composting, and c) performance evaluation at actual conditions via demonstration field trials. Various biodegradable polymeric materials were screened for evaluating the suitability and performance for lube oil packaging applications and a suitable biodegradable polymeric material was developed. Suitable techniques for testing the biodegradability and composting characteristics with reference to standard test methods have been standardized. Demonstration field trials at selected ROs are being taken. The oil contaminated biodegradable packaging film can be disposed in a composting infrastructure.

Waste minimization – Deriving value out of waste

In order to minimize the impact of our operations on the environment we constantly map and assess the same. We look at reducing waste generation from our operations by bringing about a greater level of operational efficiency and at the same time stepping up innovation to identify opportunities to recycle and reuse the generated waste in a responsible manner. We continuously work towards the safe and efficient disposal of hazardous waste from our operations and abide by all the regulations pertaining to the handling and disposal.

We have installed oil recovery systems at both our refineries and a majority of our retail locations to ensure that the amount of oil in the sludge that is being bio-remediated or the effluent being discharged is a minimum. This helps us in not only reducing our impact on the environment but also in reducing cost of production. A total of 32,928.63 tons of sludge that was generated mostly from crude oil tank bottom cleaning this year was treated successfully using efficient techniques including a specialized micro organism based 'Oil Zapper' technology from The Energy Research Institute (TERI). A mechanized oil recovery system for recovery from the crude tank bottom is used at Mumbai Refinery. The spent catalysts generated at our refineries are also either recycled through the suppliers of the catalysts or disposed off to secured landfill sites in accordance with the central and state regulations.

Category of hazardous ¹⁴ waste disposed at refineries (in tons)	FY 2008-09	FY 2009-10	FY 2010-11
Spent catalyst	96.80	488.66	453.27
Spent catalyst (recycled/reuse)	330.30	79.98	93.84
Oily sludge	180.00	180.00	163.50
Waste bituminous oil	359.65	0.00	0.00
Waste transformer oil	24.97	5.00	15.67
Spent resin	30.00	13.37	15.99
FCC catalyst fines	89.00	78.00	79.80
Lube additive	0.00	13.34	0.00
Spent molecular sieves	0.00	56.10	0.00
ETP chemical sludge	15.00	0.00	0.00
Alumina balls	0.00	0.00	47.74
Total	1,125.72	914.45	869.81

At our refineries we also disposed non-hazardous¹⁵ waste amounting to 15,264 tons. We ensure the responsible disposal of our unusable waste through contracted vendors who are certified by the pollution control board. At our lube plants we disposed close to 73.7 tons of non-hazardous waste this year that comprised of wooden scrap, MS scrap, corrugated boxes and packaging material while at our marketing locations we disposed non-hazardous¹⁶ waste amounting to 853.61 tons. Effective waste management strategies are in a nascent stage in some of the marketing SBUs and the same would be developed across all the other marketing SBUs. Appropriate accounting methods and disposal strategies are being identified and established for effective implementation in all its marketing SBUs.

¹⁴As defined by the State Pollution Control Boards.

¹⁵Comprises of ferrous and non-ferrous scrap, wood scrap, sulphur, aluminium, electrical waste, spent charcoal, empty drums and tins. Electronic waste has not been reported across our SBUs and refineries.

¹⁶Comprises of MS Scrap/wood/cardboard/news papers/Cylinder caps/PVC Seals

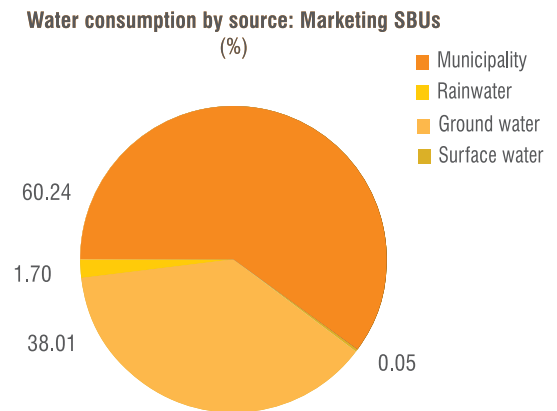
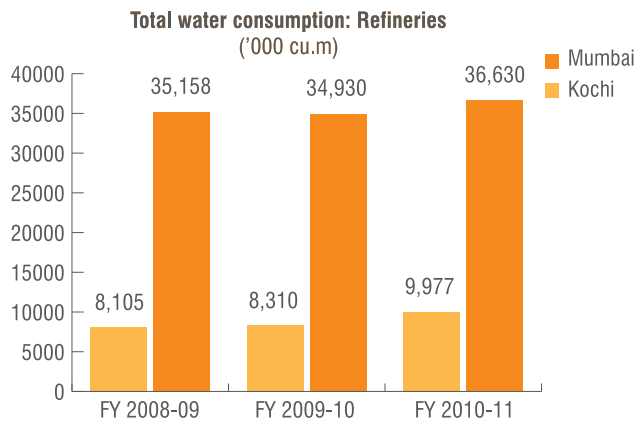
Consuming resources responsibly

Handling spills

BPCL has partnered with other oil and gas majors in India and the port authorities such as MbPT and JNPT to setup a Tier I Oil Spill Response (OSR) facility at Mumbai harbour with the objective of minimizing the damage, both ecological and economic that could be caused by an oil spill. The focus is on preventing the spilled oil from coming into contact with oil sensitive resources. This initiative is the first of its kind in the history of port authorities and also a first for all the participating companies. This agreement will provide financial, legal, authoritative and functional framework for funding, overseeing and coordinating the implementation and sustenance of National Oil Spill Disaster Control Plan within the port limits of MbPT & JNPT.

Water stewardship

With the increasing stress on the world's fresh water resources, conservation of water resources has become a critical issue for a sustainable future. At BPCL, we focus on managing our water use prudently. Our water withdrawal is from various sources and depends on the availability of water at the location of our operations. The water withdrawal is mainly from surface resources, municipal supplies and groundwater sources. Close to 90 percent of our water requirement at refineries is met through surface water (sea water at Mumbai and Periyar River at Kochi). In 2010-11, the total water consumed by the refineries was 46.6 million cubic metres while our marketing units used 1.61 million cubic metres of water.

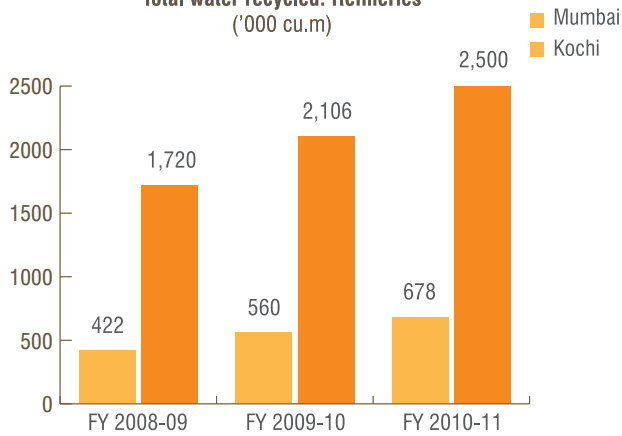


Consuming resources responsibly

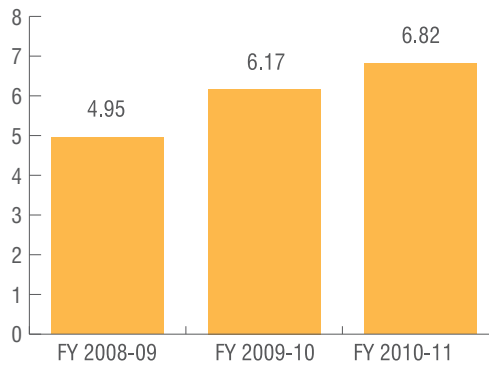


We realize that in order to reduce our fresh water withdrawal, we need to look at innovative ways to recycle and reuse the waste water being generated from our operations. During 2010-11, we were able to recycle 6.82 percent of our total water consumption at our refineries. For its efforts and insights on utilization of ETP effluent water in the process plant cooling towers, Mumbai refinery received the INSSAN (Indian National Suggestion Scheme Association) award this year. The implementation of this suggestion has resulted in reducing the intake of water from municipal supplies to the tune of 1,400 KL per day.

Total water recycled: Refineries
(’000 cu.m)



Total water recycled: Refineries
(percent)



Consuming resources responsibly

We are also extensively exploring the option of rainwater harvesting at all our locations. We have studied the rainwater harvesting potential at each of our locations and based on our study we have adopted a target of 80,000 sq. metres of catchment area for rainwater harvesting by March 2012. While Mumbai refinery has already implemented rooftop water harvesting systems at several locations in the refinery and the staff residential colony, Kochi refinery has constructed a rainwater harvesting pond consisting of an area of five acres with a capacity of 125,000 KL on the coastal belt of the Arabian Sea to minimize ingress of saline water into the water table. This year, the rain water harvesting facility in Kochi refinery was further augmented by extending the collection pond to 175,000 KL, while Mumbai refinery is looking at utilizing the total harvesting potential of 80,505 KL per annum to the fullest. Several of our marketing locations also have implemented rainwater harvesting through percolation pits to recharge the groundwater.

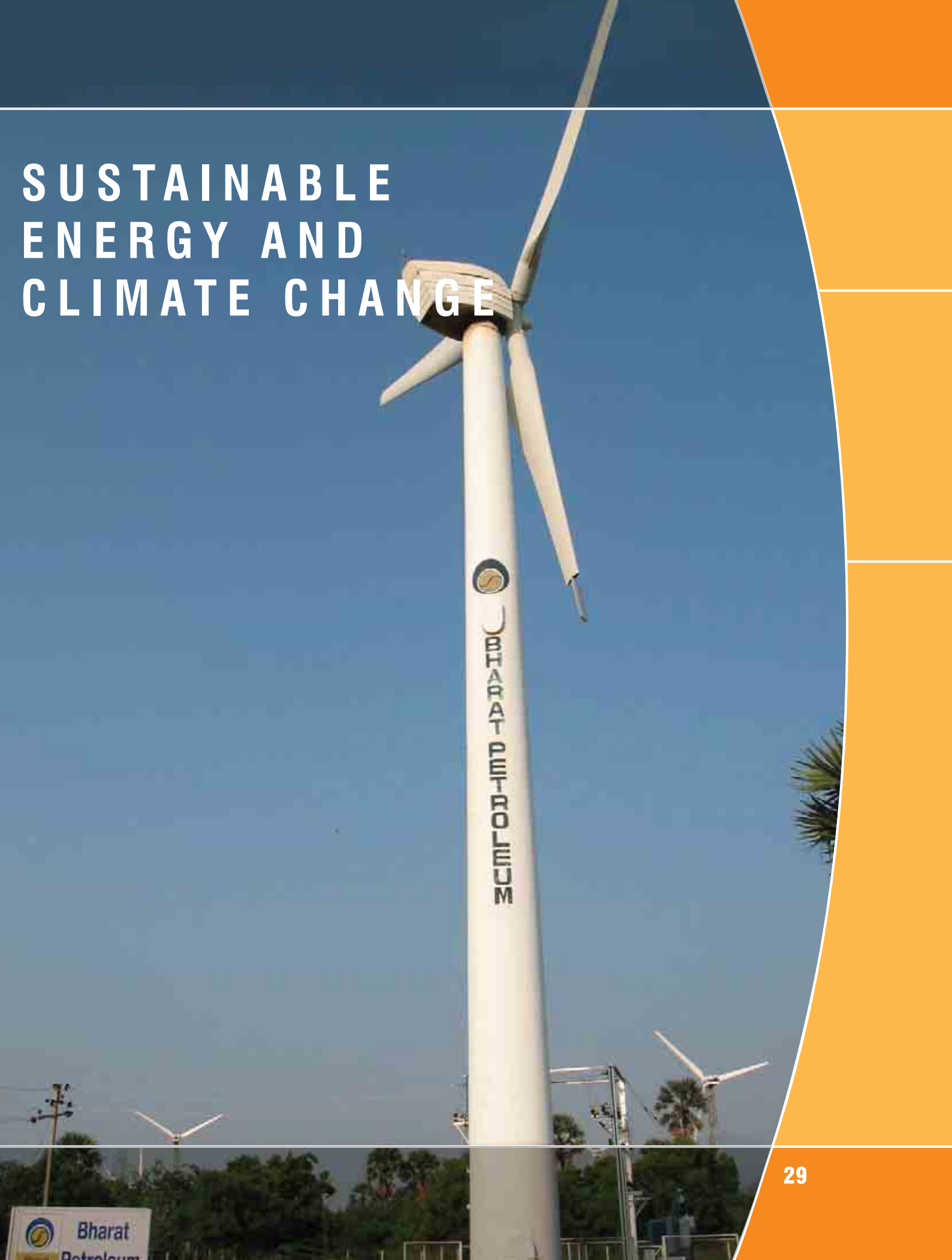
Monitoring effluent streams

We give a lot of impetus towards the effective and efficient handling of effluents generated from our operations. None of our operations are in or nearby any notified bio-diversity hotspots. We have installed oil water separators at all our relevant locations to ensure that the wastewater being discharged outside our premises does not contain any residual oil. We also ensure that the treated water from the effluent treatment plants at our plant-sites meets all the regulatory requirements as stipulated by the authorities. In the financial year 2010-11, our refineries¹⁷ discharged 2.56 million cubic metres of treated effluent.



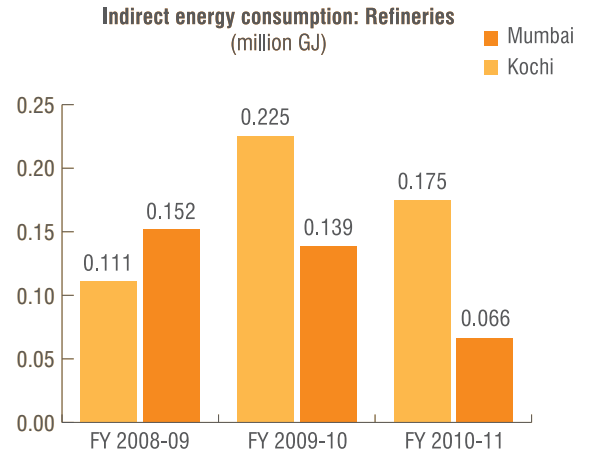
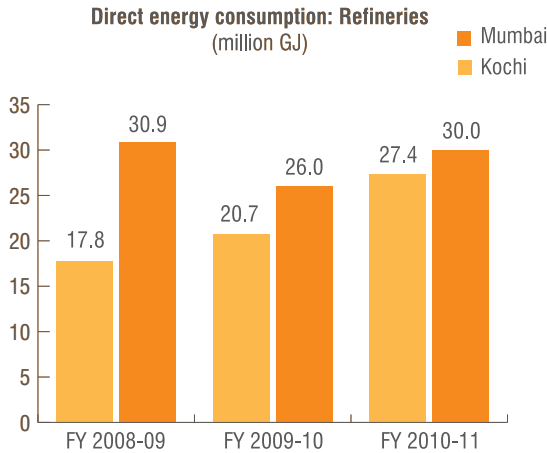
¹⁷Includes only Kochi Refinery

SUSTAINABLE ENERGY AND CLIMATE CHANGE

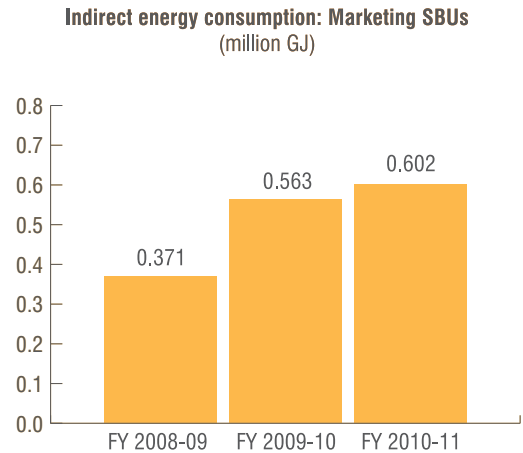
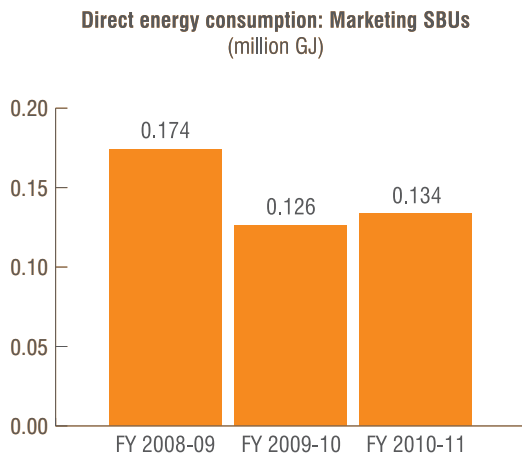


Sustainable energy and climate change

Energy and climate change as a business issue is of paramount significance to us. We approach this key issue by working towards securing crude oil supplies, improving operational efficiency and exploring new opportunities in alternate energy. Though we are in the business of selling energy, we are also a major user, consuming 57.38 million GJ of primary energy in our refining processes¹⁸. Diesel, Light Diesel Oil (LDO) and Furnace Oil (FO) are the key primary energy types consumed by our marketing SBUs.



The total primary¹⁹ energy consumption at our marketing SBUs²⁰ was 0.134 million GJ. Total indirect energy consumption²¹ at our refineries and at various locations of our marketing SBUs²² was 0.24 and 0.602 million GJ, respectively.



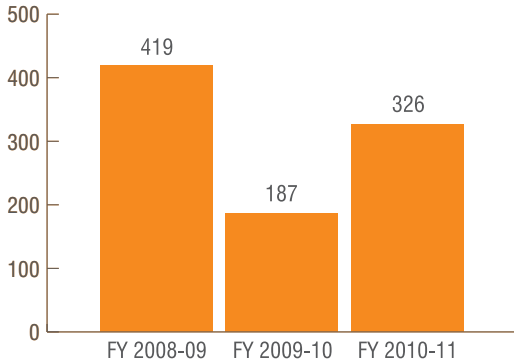
Energy efficiency and conservation are particularly critical issues for a company like ours that markets energy in various forms. Our strategy to achieve energy efficiency is to foster innovation and increase our renewable energy mix. Our constant efforts have been towards reducing our energy consumption both from primary fuels and intermediate energy. These endeavours have resulted in a total savings of 0.326 million GJ through a host of initiatives at our refineries which translates to 22,468 tons of CO₂ equivalent saved in GHG emissions in the entire year. All our marketing SBUs undertake various energy savings initiatives at a small scale and the awareness on the importance of conservation has significantly improved over the years.

As a part of energy saving and loss control measures, Mumbai refinery employed the “Chemical Decontamination Process” leading to reduced turnaround maintenance down time of units and recovery of valuable oil from the effluents generated. Installation of toroidal core transformers resulted in substantial energy savings in lighting circuits. The steps taken by Kochi refinery

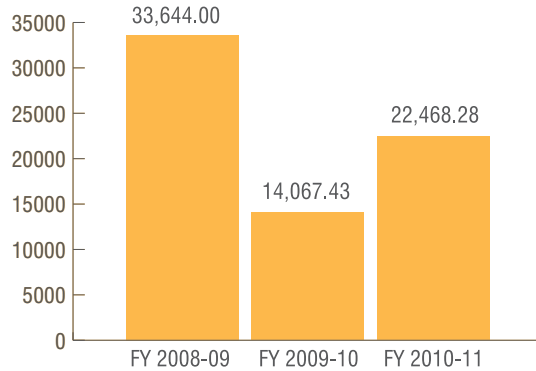
¹⁸For refining processes, throughout the report it is implied that MR and KR are considered, unless stated otherwise. ¹⁹LPG consumed in canteens has not been included as part of primary energy across all SBUs and refineries as the operations are outsourced and we do not have direct control over the consumption of the fuel. ²⁰For various locations of our marketing SBU, the data collection exercise for last year revealed that data management systems with regard to energy usage could be strengthened. Having progressively improved these systems the total energy consumption arrived at previous years has been revised and restated. ²¹Indirect energy consumption pertains to net purchased electricity. ²²Indirect energy consumption for Marketing SBUs includes MMBPL pipeline

Sustainable energy and climate change

Energy savings: Refineries
(’000 GJ)



GHG emission reduction: Refineries
(tons of CO₂e)



on the energy control front include commissioning and installation of Variable Speed Drives, Automatic Combustion Control for charge heaters in old vacuum unit and providing FRP blades for 22 air fin fans in FCCU unit. Fuel savings as a result of the energy conservation measures implemented in Kochi refinery corresponds to a savings potential of over 4,000 tons of fuel oil.

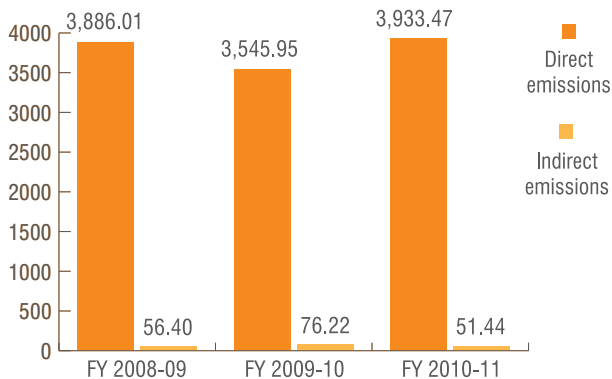
Some of the other major environmental initiatives taken by our refineries are as follows:

- Use of natural gas as fuel for furnaces/boilers - for reducing emissions and ensuring cleaner environment
- High heat recovery crude preheat train systems optimized using pinch technology
- Installation of co-generation plant for simultaneous generation of both power and steam at high efficiency
- Installation of low-NO_x burners in fired heaters to reduce release of nitrogen oxides from fired heaters
- Commissioning of sulphur recovery unit for the recovery of sulphur from gas streams thus avoiding sulphur dioxide emissions to the atmosphere.
- Production of high quality Group II + Lube Oil Base Stock (LOBS) for manufacturing environment friendly (ultra low sulphur, long life) lube oils

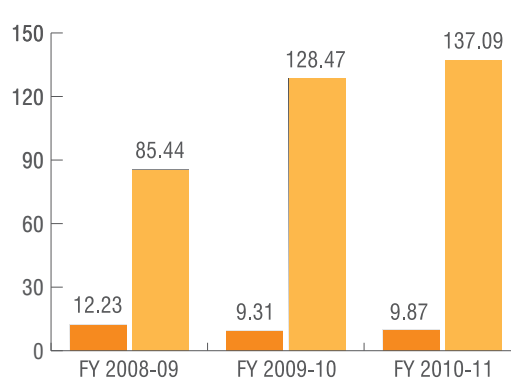
GHG emissions

As the threat of climate change looms, it is upon industries and businesses to lead and drive transformation towards a more sustainable mode of operation. Total GHG emission²³ from our refineries was 3.98 million tons CO₂ equivalent, of which only 1.3% contribution was from energy consumed from imported electricity. Total GHG emissions by various locations of our marketing SBUs was 146.96 thousand tons CO₂ equivalent with a majority of it contributed from electricity consumption.

GHG emissions: Refineries
(’000 tons of CO₂e)



GHG emissions: Marketing SBUs
(’000 tons of CO₂e)



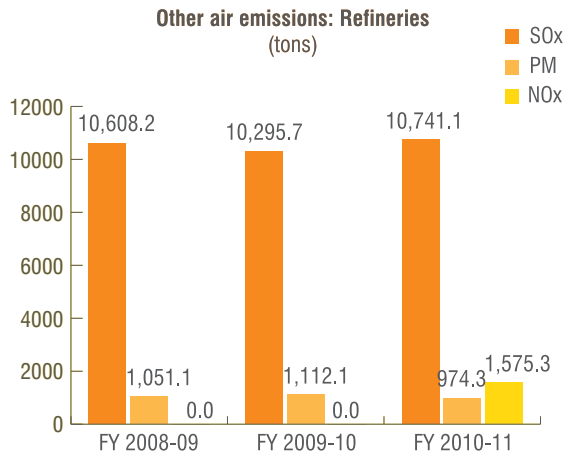
²³Since amendments were made to the energy parameters, for the marketing SBUs, as discussed in the energy section, a minor variation on GHG emissions has resulted in restatement of 2008-09 GHG emissions data.

Sustainable energy and climate change

Other air emissions

At both our refineries, three continuous air monitoring stations for monitoring the ambient air quality have been set up. The parameters measured are sulphur dioxide (SO₂), oxides of nitrogen (NOx), carbon monoxide (CO), hydrogen sulphides (H₂S), respirable particulate matter (RPM 10) and meteorological data. Ultrasonic flow measurement devices with alarms for measuring the flare gas quantity at all individual process units are in place. In addition a continuous monitoring of the flare is undertaken by using closed circuit T.V. provided in control rooms. At Kochi refinery, tall stacks have been provided for all furnace/boilers for dispersing the flue gases at higher elevations. This also helps to maintain a lower ground level concentration of pollutants. For the safe disposal of off-gases from the refinery, four tall flare systems have been installed. To minimize smoking of this flare, steam rings are provided at the burner tip. The tall structure also ensures proper dispersion of burnt gases. These measures have ensured that for the fourth consecutive time Kochi refinery was lauded with the 'Excellence Award' in the large industries category, instituted by the Kerala State Pollution Control Board.

At the refineries, the total SOx, and particulate matter loading for the year were 10,741 tons, 974.3 tons, respectively. This year we have started reporting on the total NOx loading at our refineries post improving our data monitoring and analysis for this parameter. We are well on track in the process of phasing out ozone depleting substances (ODS) across our SBUs honouring the Gol's milestones set as per Montreal Protocol. This year our refineries consumed a total of 7.4 tons of R22 gas resulting in ODS emissions of 407.06 CFC -11 kg equivalent.



Sustainable energy and climate change



Use of alternative energy

While we are committed to produce cleaner fuels with improved emission standards, we are exploring alternate energy sources in a significant way, with development of bio-diesel capacity using Jatropha through our Triple One project. A 10 KWH wind and solar hybrid project has been set up at our Pune LPG bottling plant as a remedy to the recurring power shutdown problems in Maharashtra. Considering, the availability of average wind velocity 6.18 m/second at plant area and solar radiation of 5.86/KWH/M²/day as per feasibility report, the plant went in for a wind and solar hybrid project with split of 60:40. Based on the availability of space, a 10KWH plant that will generate 60 KWH units per day having battery backup for two days was set up. The load is connected with admin block with a change over switch. Through this project the power demand of the plant's administration block and time office would be fulfilled.

At our Lubes plant in Tondiarpet, we have taken up a pilot project of positioning solar panels, batteries and switches for operation of solar powered lights. This also proved to be a safety measure as it is very unsafe to provide electrical based switches below the mezzanine floor where it is usually very dark. The set up includes seven solar lights in the Lubes premises. Savings of close to 20KWH are expected per day on account of this initiative.



Sustainable energy and climate change

Reducing our logistical footprint

Transportation of products to every nook and corner of the country requires a huge fleet of tank lorries that results in significant GHG emissions. Our GPS based Vehicle Tracking System is currently implemented on 6,320 tank lorries out of the total fleet of 6,511 tank lorries engaged in delivering MS/HSD to the retail outlets. This system has helped us optimize the routes and direct the vehicles on the shortest path which in turn helps in reducing the impact of emissions due to transport. The volume of rail movements for product dispatch crossed the 40 MMT mark during 2010-11 and is the highest achieved in a single year. Cross country pipelines also delivered significantly higher performance during the year with total product movement of 6.14 MMT in Mumbai-Manmad-Magalia-Bijwasan pipeline and 1.88 MMT in Cochin-Coimbatore-Karur pipeline. We achieved greater efficiencies in our operations through alternative modes of transport which in turn has contributed towards achieving a reduction in emissions due to logistics and operating costs like overtime.

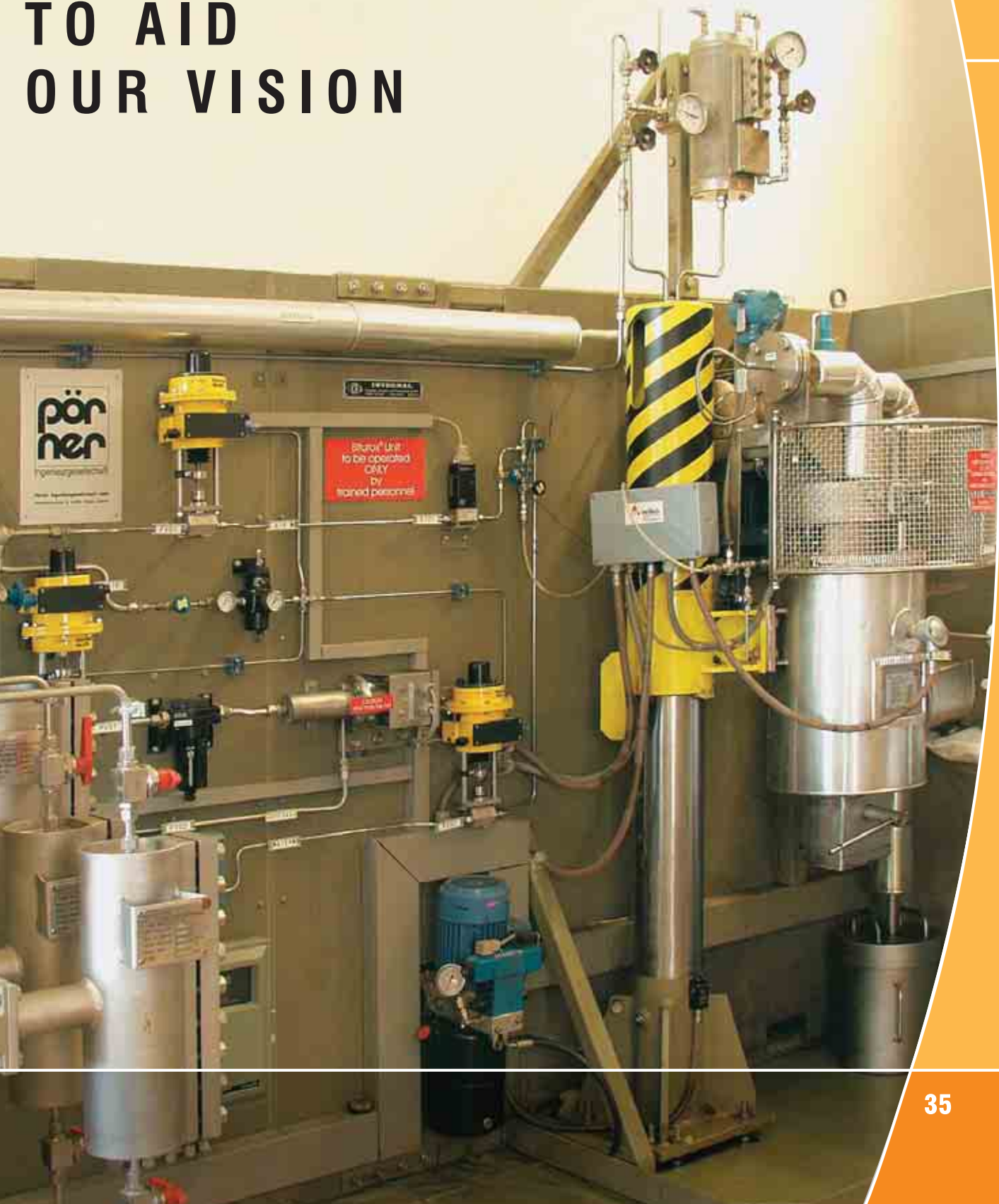
Energy security and sustainability

Bharat Petro Resources Limited (BPRL) was incorporated in 2006 as a wholly owned subsidiary of BPCL to focus on exploration and production activities to cater to the emerging energy needs. While the previous year was focused on consolidation and streamlining of operations in Brazil, the year 2010-11 have brought forth a number of discoveries in Mozambique, Indonesia and Brazil. There has been natural gas discoveries in four of the six wells drilled in Mozambique. Scoping studies have confirmed that the quantity is capable to support an onshore LNG plant in Mozambique.

There has been discovery of oil and natural gas in one of the exploratory wells drilled during the year in Indonesia and two more wells are proposed to be drilled to appraise the discovery. Also, participating interest was acquired in two blocks in Australia holding shale gas potential. The working as joint operatorship with Hindustan Oil Exploration Corporation Limited (HOEC) in the Rajasthan block was another milestone for BPRL. Presently, the Indians blocks are in various stages of exploration phase and during the current financial year two deepwater wells have been drilled in Krishna Godavari and Mahanadi block. BPRL has drawn up ambitious plans for the years ahead with a primary focus on development activities in blocks where discoveries have been announced



TECHNOLOGY TO AID OUR VISION



Technology to aid our vision

The Research and Development activities of BPCL consistently follow the current trends of technological advancement across the globe. The capabilities at the Corporate R&D Centre in Greater Noida, Uttar Pradesh, Product & Application Development Centre, Sewree, Mumbai and the R&D centre at Kochi refinery are leveraged towards supporting business growth. In particular, the Lubricants business continued to draw upon the expertise from the research activities as it sought to provide new and better formulations for the existing portfolio of products. In order to monitor our progress in this highly competitive and skilled field, we are planning to conduct regular R&D research council meetings chaired by the Director Marketing. At a strategic level, we are looking at revamping our R&D monitoring mechanism and discussing on the project implementation. We understand the importance of the commercialization of R&D projects into business and the need for integration of our efforts across SBUs.

The corporate R&D centre filed two Indian and two foreign patent applications to protect the intellectual property resulted from innovative research. BPCL continued its research collaborations with a number of leading research institutes. Substantial progress has been made in these activities. BPCL has been collaborating with institutes of repute including Indian Institute Science, Bangalore, Osmania University, Hyderabad, Tamil Nadu Agricultural University, Coimbatore, IIT, Roorkee, IIT, Madras, Institute of Plasma Research, Gandhinagar and CSMCRI Bhavnagar. During the year under review, the Kochi Refinery R&D commissioned a new Carbon Sulphur analyzer for precise determination of Carbon and Sulphur in solid samples.

Corporate R&D Centre has been working in many areas of sustainability like renewable energy, such as coal gasification, bio fuels, solar energy storage and reuse, residue upgradation, CO₂ sequestration, photovoltaic cells, bioremediation, process energy optimisation, conversion of ligno cellulose to produce bio-ethanol, synthesis of bio-lubricants and bio-butanol, synthesis of nano materials for hydrogen storage, volarisation of refinery sludge into useful products, extending the life of refinery spent catalysts by way of re generation and reuse.

Bioremediation process for treating petroleum sludge

Bioremediation is a process that uses naturally occurring micro-organism to degrade environmental contaminants into less toxic forms such as water and carbon dioxide. At BPCL this process has been improved upon in order to make it more efficient by adding manure to the existing diesel oil sludge. This new method has lead to increased degradation efficiency, better economical value and reduction in ground water contamination as well as a faster response rate. The condition of soil improved post treatment and over 95 percent weight reduction in hydrocarbon content was observed.



Technology to aid our vision



Bio fuels from ligno cellulose

Bio-ethanol is being considered the world over as a fuel source and BPCL R&D along with Osmania University is working to develop efficient and cost effective enzymes for the production process. BPCL is also working in collaboration with Sardar Patel Renewable Energy Research Institute (SPRERI) to develop methods for cost effective collection, transportation and storage of identified biomass on sustainable basis.

Biomass gasification process

R&D has installed a 10 kW biomass gasifier based generation unit where on average the annual CO₂ reduction from the process is calculated as 37 tCO₂. The possibility of using the biomass gasifier for power generation in internal combustion engine makes it a potential competitor for decentralized power generation. The advantage of de-centralized power generation is reduction in transmission and distribution losses and the prospect of rural electrification- a major concern for India.

Reuse of refinery spent catalyst

Our refinery's catalytic processes generate huge amounts of used catalyst over a period of years. The spent catalysts are contaminated with toxic chemicals and hydrocarbons which are posing a problem of disposal. R&D is involved in monitoring the health of catalyst regularly to extend the life of catalyst. Our R&D department has established the method of regeneration of DHDS catalyst. Similarly claus catalyst for sulphur recovery, Naphtha hydrodesulphurisation catalyst were analysed and suggested the method of regenerating and reuse. R&D also developed a novel method of reusing the FCC spent catalyst as support for making new catalysts and additives.

Refinery process energy optimization and CO₂ Mitigation activities

After conducting a thorough energy efficiency improvement study BPCL's R & D centre found measures that could reduce the fire heater duties causing reduction in CO₂ emissions of 11,000 tons per year. A 'Carbon Capture & Storage' initiative was studied for its potential and the capture of about 800 tons per day (0.3 million tons per year) of CO₂ from Mumbai refinery Hydrogen Unit is being analyzed for implementation.

Utilization of solar energy for producing electricity

BPCL's R&D Centre has installed a five kW solar power generation unit based on mono crystalline Si panels. These panels have been in operation since 2008 and offset about 8 tons of CO₂ per year in comparison to grid based power supply. In addition to this a 10 kW solar power plant is being installed and is expected to be commissioned in August 2011. The plant is expected

Technology to aid our vision

to cater to the electricity demands of one wing of the building, in addition to a few utilities. The carbon dioxide mitigation through this route is expected to be about 17 tons per year. The R&D Centre in collaboration with the Indian Institute of Science, Bangalore, is developing low cost and high efficiency thin film solar cells. The work involves study and optimisation of material compounds, interfaces and growth processes and substitution of toxic compounds (example – Cadmium) with environment friendly materials.

Building energy efficiency

BPCL's Corporate R&D Centre participated in the scheme for rating office buildings as part of the national commercial energy benchmarking initiative, the Bureau of Energy Efficiency (BEE), and with the help of the energy saving measures adopted at the premises, was awarded the coveted "4 star rating" by BEE, which would be valid for a period of five years, till March 2016. The rating has been awarded on the basis of the premises having a low 'Energy Performance Index' (EPI) located in a composite climatic zone.

Residue up gradation

BPCL's R&D centre along with the plasma research institute Ahmadabad is developing a process by which atmospheric residue, pet coke and tank sludge can be transformed into useful substances thereby reducing the waste going to landfills and CO₂ emissions.

Triple One project – cultivation of Jatropha

In 2008, we launched Project Triple One" with the aim of cultivating one million acres of wasteland, creating one million jobs and producing one million tons of bio-diesel from the plantation to replace diesel over the next 10 years. In collaboration with department of Biotechnology, Gol, R&D has taken up plantation of elite varieties of jatropha carcus at Greater Noida and Kanpur depot in a total land area of 15 ha. At an annual average sequestration rate of 2.25 tCO₂/ha/year. We work in close association with the Lok Panchayat to identify semi-arid land for plantation of the jatropha seeds by landless labourers. The funds for the seeds are routed through the NREG scheme. The status of the project as on date is shown below.

Activities	Cumulative acres till date
Waste land identification	116,302
Execution of agreements with Panchayats (LMCs)	54,891
Submission of application for release of fund from NREG scheme	33,001
Jatropha/Pongamia plantation achieved	3,122
Area in acres where pits ready for plantation	2,967



PEOPLE AGENDA: HEALTH, SAFETY AND WELL-BEING



People agenda: Health, Safety and Well-being

Safety first

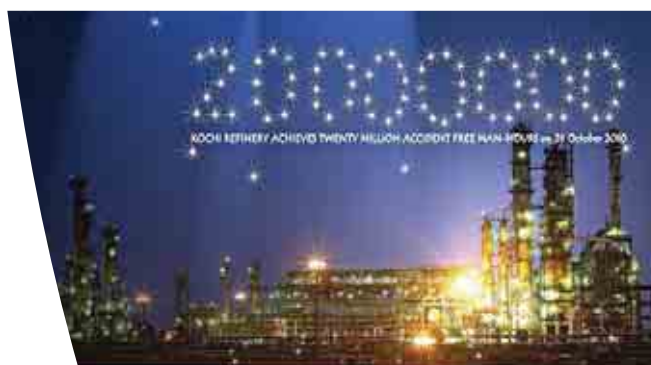
The nature of our activities makes operational and transportation safety and employee's health significant components for long-term sustainability of our business and we stand committed to these. We continually seek to identify, evaluate and mitigate major hazard risks across our operations. Quality, safety-conscious employees and safe plants are a pre-requisite for smooth production. Approximately 11 percent of our employees are members of joint health and safety committees. These committees are instrumental in increasing cooperation between management and non-management employees to ensure safe working conditions and fulfilment of internal safety targets. In the reporting year, we had no lost time accidents (LTAs) at our refineries, but there were five incidents across our marketing SBUs that resulted in a loss of 151 days of service. There were no employee fatalities during our operations during the year.

To avert recurrence, accidents are reported and fully analyzed. To inculcate safe practices, training sessions and programs on safety awareness and procedures are held at our locations. Neighbouring communities are also included in safety programs specifically identified for them. Our employees have been at the forefront of our safety culture and three fire and safety officers at Kochi refinery will be receiving the 'President's Fire Service Gallantry Medal' as communicated by the office of the Director General Civil Defence, Ministry of Home Affairs, Government of India. They are being awarded for the bravery shown in arresting a major ammonia leak from an overturned ammonia bullet truck at Ambalamugal on 11 December 2009.

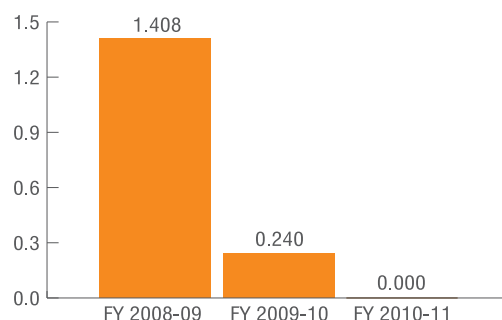
Refineries	2008-09	2009-10	2010-11
Near Misses	75	168	151
Minor Injuries	24	18	8
First aid cases	49	32	20
Reportable injuries	22	5	0
Fatalities ²⁴	2	3	0
Lost days ²⁵	5,563	292	0

Safety milestones

On 25 October 2011 this year, Kochi refinery achieved a rare feat of completing 20 million accident free man-hours. In January 2011, it achieved 21 million accident free man-hours and further ended the year 2010-11 completing a staggering 1,918 days, which is equivalent to 21.8 million man-hours, of operation without LTA. In all, the refinery has received six awards for its commitment to safety in 2010. Further, across the year 1,802 employees were covered in the 'Fire & Safety' training programmes. Awareness programmes on safety and security were also organized for contract staff and local community. In 2010 the refinery also opened a live fire fighting demonstration cum preparedness programmes to safety officers and executives of the retail SBU. Two onsite emergency mock drills and 10 emergency preparedness mock drills were organized in this year. Mumbai refinery did very well to achieve 9.7 million man hours of operations without Lost Time Accident (LTA) during 2010-11. It is significant that this sterling performance was achieved in spite of hectic turnaround and construction activities carried out during the year at both the refineries. The stupendous achievement has resulted in the reduction of lost time injury frequency rate and severity rate for 2010-11.



Lost Time Injury Frequency Rate - Contract Labour
(injuries per million man-hours worked)



²³Fatalities include only contract labour. There were no fatalities in our own employees

²⁴The values for 2007-08, 2008-09 have been restated in consistency with global safety reporting practices. The lost days pertain only to the lost time injuries and do not include lost days of 6000 per fatality as per The Factories Act, 1948.

People agenda: Health, Safety and Well-being

Safe workplaces and Society

The major incidents in the oil industry in the recent past have necessitated a re-look and revision of the systems drawn up three years back. In this background, the second edition of the HSSE Management System released in January is a step in the right direction and reiterates the organizational commitment to the cause of 'Workplace Health', 'Safe Operations', 'Security' and 'Environment protection'.



We continue to enhance our safety systems in our operations to ensure a safe working environment. Our refineries are equipped with instruments like leak detectors to detect hydrocarbon leak from relief/safety valves, gas surveyors to monitor fugitive emissions, flare gas flow meters on the flare header for close monitoring of flare losses, mechanical seals on pumps for leak free operation, double seals to the roofs of product storage tanks and submerged filling in product loading gantries. Regular mock drills are conducted at our facilities to check the level of emergency preparedness. This year, a mock drill focusing on chlorine leak was conducted at Kochi refinery where a scenario of leak was created and emergency procedure was followed.

In order to enhance the mechanical integrity and reliability of static equipments, both refineries embarked on Phase II of the Asset Integrity and Management System (AIMS) project which is in an advanced stage of implementation. This phase includes Risk Based Inspection (RBI), an initiative to prioritize plant inspection based on the associated risks (probability and consequences of failure) and schedule maintenance activities accordingly. Major rehabilitation of plant structures, pipe track development, refurbishment and painting activities were taken up in Mumbai refinery to enhance the reliability of plants.

Excellence in location upkeep

Northern Region, Retail had the privilege and honour of hosting a first of its kind training program, aiming at enhancing and refreshing the knowledge of the Location Engineers on basics of design of various facilities at the locations and significance of timely maintenance/upkeep. All the eminent speakers emphasized the importance of upkeep of facilities and other necessary infrastructure, including records, for safe, efficient and cost effective operations at locations. This program was first of its kind and will be emulated in other regions as well.

Fire drill at housing complex

Extending safety awareness to the families of our employees, a fire drill was organized at BPCL Dwarka Housing Complex. It saw active participation by women and children and our goal of equipping them to handle exigencies received a fillip.

Training for educational institution bus drivers

We understand the importance imparting awareness on road safety, especially to the drivers of educational institutions who are behavioural models to the children. At Kochi, over 150 drivers of various educational institutions participated in the program conducted with the Motor Vehicles Department.

People agenda: Health, Safety and Well-being

Enablers of safety

In case of emergency, reaching fire fighting equipment like nozzles, breathing apparatus, fire extinguishers, hoses, first aid kits etc takes time depending on the proximity to the site of the incident. A compact mobile trolley that could securely have all the equipments / accessories required for emergency was developed at one of our LPG plants which underwent a series of modifications based on feedback during pilot usage. This has reduced the manual effort involved during emergencies, thereby enhancing the performance of employee as well as function. This idea was appreciated by the Factories Department, and National Safety Council, Karnataka Chapter during their visits.

We have entered into an agreement with M/S Tops Line Agency, an Emergency Response Service (ERS) designed to assist our staff during Emergency/Life Threatening Situations. As per the tie-up this response vehicle will report to the site in nine minutes after receiving our call. In one such situation recently the emergency service vehicle of Topline reported within six minutes at one of our locations. Due to timely intervention we could move our staff who complained of chest pain for initial treatment.

Securing our Operations

2010-11 was the year of challenges on workplace security and alerts/threats at BPCL. In tune with this, initiatives were taken up and implemented corporate wide during the course of the year. Site security has been reinforced through enhanced training and upgrade of facilities as and where required. The company prefers contracting the highly trained and vigilant Central Industrial Security Force (CISF) or former defence professionals for providing site security. From this year on, members of the CISF would take care of the security of the Kochi refinery, thus marking an important step towards protecting our facilities. The induction happened in a phase wise manner starting in April 2010 with programs designed to familiarize the personnel regarding the various aspects of the Kochi refinery and the security system presently followed in the refinery including fire and safety training to the new personnel.

During the year, corporate HSSE, in close co-ordination with Regional HSSE Council, South launched two-day module on 'Workplace Safety & Fire Protection' at Coimbatore. A batch of 25 officers from locations across all SBUs/Entities from Southern region participated in the workshop. The workshop highlighted sharing of analysis of fire incidents by renowned external experts in the subject and the importance of behavioural safety at field. Also covered were important topics like electrical safety at locations, operational safety, work permit system, near miss incident reporting and analysis. The workshop was concluded with a detailed review by the panel members. In order to enhance HSSE preparedness across the organization, similar workshops will be arranged at locations across all regions. Workshops were also organised on 'Workplace Security & Surveillance' to sensitize the role holders on the importance of security preparedness plan, crisis management plan, and adoption of standard operating practices and adhering to preventative maintenance of facilities.



People agenda: Health, Safety and Well-being

Health awareness

Workforce health is an area in which the company has made a conscious effort to cater to the needs of its people. Our consistent commitment to the health and safety needs of employees, dependents and contract workers has resulted in Kochi Refinery being bestowed the 'Best Occupational Health Centre' award instituted by Department of Factories and Boilers. The refinery has a full-fledged Occupational Health Centre (OHC) situated within the refinery complex that operates round the clock and caters to the medical needs of over 2,000 employees, 300 retired employees as well as dependents of employees. It also extends medical assistance to contract employees working inside the refinery. OHC also offers support to Ambalamugal Medical Aid Society (AMAS), a charitable institution for the poor in the neighbourhood. To equip plant officers at the entry level with knowledge on the hazards associated with LPG operations and maintenance and the safe way to perform a job, an e-learning module on 'Safety in LPG plants' was released by Director Marketing during the all India TC's meet held in Shimla.

With a view to promote workplace health and hygiene at the operating locations, in-house expertise was developed with a total of 89 officers being trained under the "Train the Trainer for Workplace Health & Hygiene" programme undertaken with the help of experts in this field. This year, the initiative covered the northern region in March. The successful 'Train the Trainer' initiative has been appreciated at national workshops & international conferences.

Mumbai Refinery, in its endeavour to promote wellness amongst the employees, has undertaken a series of programmes to create awareness about various diseases including preventive measures. A "Health Talk" by Dr Anu Vij, a leading Gynaecologist from Fortis Hiranandani Hospital, was organized on 22nd Feb 2011 on "Common Cancers in Women". Smt. Gita Ramachandran, DGM (BORL), in her inaugural talk, stressed upon healthy life style so as keep oneself fit. In addition to this, a two day cancer screening camp was also organized in association with Indian Cancer Society. 173 employees, including 74 female employees were examined during this camp. Mammography test which was conducted for the first time was very well appreciated and 60 female employees have undertaken this test.

On the occasion of 'Diabetes Day' on 14th November Mumbai refinery's medical centre organized a 'Care and Cure in Diabetes' camp for employees and their families. The employees were briefed about the causes, symptoms, prevention and treatment of diabetes and special emphasis was laid on the newer treatment modalities in the field of Diabetes. 'Positive Health Options', a two day workshop on health, lifestyle and stress management was conducted at Kochi refinery learning centre during August this year in two batches. The workshop helped participants to appreciate healthy living and to take control of their lives by striking a balance between self care and medical care. Around 64 employees attended the program.

Health inclusivity

Comprehensive biennial health checks are carried out for our contract labour working in hazardous areas at our sites. Health camps for contractual workers as well as PCVO crew are regularly conducted. For the ease of our contract employees, we have distributed 'ESI Smart Cards' with the help of which along with their dependent family member, they can avail medical benefit and cash benefit from any dispensary / branch office of their choice, anywhere in India. The smart card can be used by card holders during their career without having to enrol afresh in case of relocation.



People agenda: Health, Safety and Well-being

Producing safer products

We are dedicated to minimizing the risks and impacts associated with the manufacture, use and disposal of our products. Since distillates of crude are our primary products hence, safe operations and product quality are of paramount importance to us. Although the health and safety impacts of our products along the entire value chain have not been analyzed through formal assessments, our priority remains to produce energy products in a way that preserves and protects human health, safety and environment. We have a robust quality assessment cycle for ensuring the quality of our various products.

Through our more than 2,400 distributors, we provide 25 million LPG cylinders to households across the country and special care is taken to ensure that our LPG cylinders are rigorously checked and tested for safe use. Thorough checks are carried out for our lorries used for product distribution which include the most basic verification of valid drivers' licenses, validity of mandatory OISD 154 driver training, availability of fire extinguishers, legible and conspicuous emergency information on truck bodies, tyre conditions, etc. for our retail operations, in-coordination with other Indian oil and gas PSUs, we maintain an operational fleet of Emergency Rescue Vehicles (ERV) to minimize potential damage caused in case of tank lorry accidents. The safety concerns involved in CNG usage for transport vehicles are being looked into by BPCL's R&D centre in collaboration with IISc, Bangalore and CSMCRI, Bhavnagar to develop methods of storage of Adsorbed natural gas (ANG) at lower pressures for use in areas without CNG stations.

Exhibiting consistency in its quality management and business excellence efforts, Mumbai Refinery won the "Performance Excellence Award" of RBNQA 2010 under Large Manufacturing Category. It is an exceptional feat, winning for an unprecedented 4th consecutive time in a row. This year, the success brings in a unique distinction that BPCL is the only Public Sector Undertaking that won the award. Kochi Refinery's Quality Control Laboratory continued its participation in the Shell Main Products Correlation Scheme of M/s Shell Global Solutions, Netherlands and obtained a score of 100 percent six times for satisfactory performance in the scheme during the financial year 2010-11.

We believe in the motto pure for sure and strive to deliver quality product to our consumers. We have four NABL accredited testing laboratories and our products have regularly been tested for superior quality. We assess customer satisfaction through periodic surveys intended to capture the feedback of the customers on various aspects of our products and services. We provide us customers with necessary information about the products and their safe usage as mandated by various regulatory bodies. Many of our LPG retailers have conducted workshops highlighting the safety precautions during use and disposal of LPG cylinders to housewives and local communities.



People agenda: Health, Safety and Well-being

Automation for Sure – Responsibility towards stakeholders

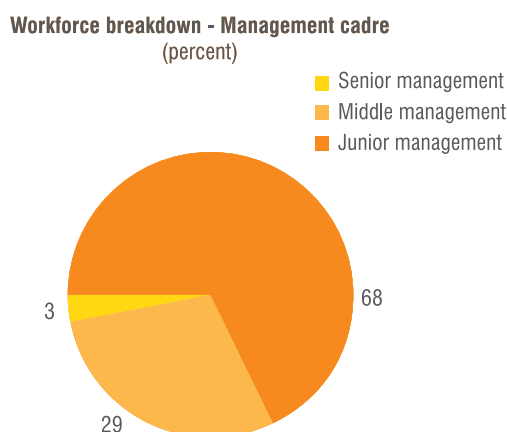
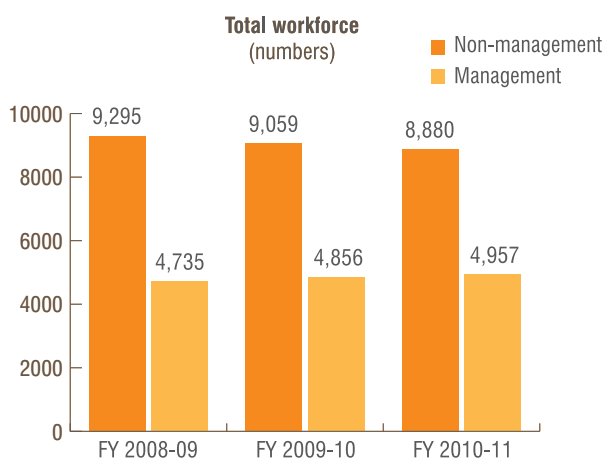
Taking Indian fuel retailing to an exclusive domain of integrated and online fuelling, BPCL launched a highly sophisticated network automation protocol “Automation for Sure”. In pursuit of offering the best to our valued customers and to support our promise of ‘pure for sure’ assurance through technology, we started automating select retail outlets in 2006. This retail automation project was named as “Bharat Petroleum Retail Automation Systems and Solutions” (BRASS) with a target of 1,500 ROs by March 2011. This system comprises amalgamation of hardware and software, which captures records and preserves each fuel transaction and fuel handling activity online at the retail outlets. The dealers and field officers were taken into the loop through workshops, field visits and orientation programmes. Post installation of the system, we can now track sites remotely and keep a track of product shortages in real time, reflect price changes quickly and ensure better and efficient utilization of assets. As at the end of the year, BPCL’s tally of automated outlets stood at 2,554 which is highest in the Industry. This system ensures seamless integration of billing with fuelling, ensures quality assurance for the customers in addition to quick turn around and information disclosure through LED displays. The dealers have also benefited through this initiative as they no longer need to use manual dips or track bulk receipts and wet stock management. They can now have better control on the outlet, utilize and monitor their equipment better, and satisfy their customers in a more efficient manner.

Responsible work practices

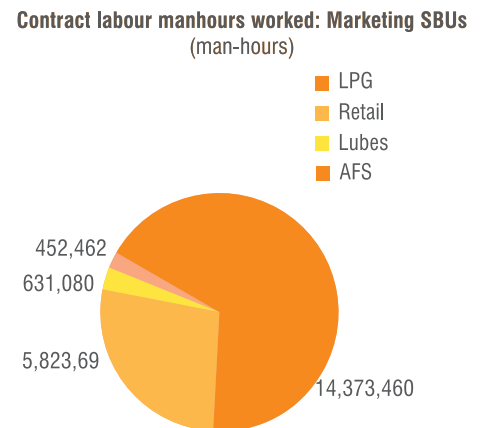
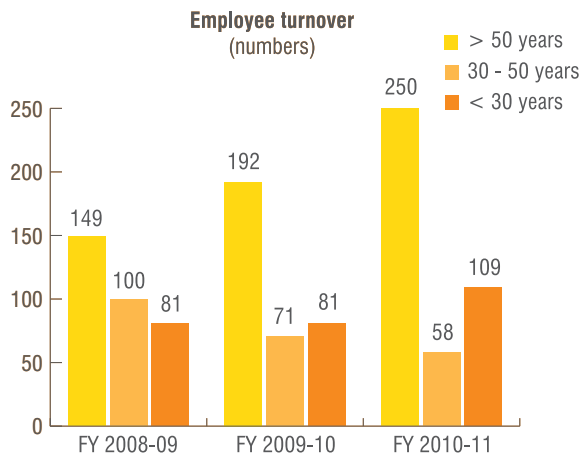
We recognize the enormous challenges on the Human Resources front in the days ahead. As the economy grows at a rapid pace, opportunities for skilled and experienced resources are bound to increase. At the same time, the internal requirements are going to increase substantially both in number as well as in terms of skill sets. The innovative measures being undertaken are designed to help the Organization to get ready for meeting these future requirements in the best possible manner.

We are an inclusive organization in which employees across all levels play a critical role in initiatives undertaken by the Company. We have developed healthy employer-employee bonds of mutual advantage through the promotion of systematic engagement, dissemination of multidimensional skills and a practice of rewarding achievement. At the end of the reporting year, BPCL’s employee strength stood at 13,837. Contractual labour complemented the effort put in by our employees and registered over 34.58 million man-hours of work across BPCL’s locations. As on 31 March 2011, 208 apprentices and 57 Graduate Engineering Trainees (GETs) worked at our refineries. We follow MoP&NG directives on remuneration for our employees, which is based on qualification and experience, and does not differentiate on the basis of gender, race, caste, and age.

BPCL, retention of our best talent is a priority and the job security afforded to our employees is well-appreciated by them. This year 417 employees left the organization out of which 20 were women. The 417 employees included 188 employees who left the organization on account of retirement. There has been an increase in the total number of employees leaving the organization this year due to the large number of retirements as compared to last year.



People agenda: Health, Safety and Well-being



Regular engagement with employees is necessary to create a cohesive organization which moves forward with a unified vision. To achieve this, various initiatives meant to increase employee involvement and camaraderie among peers are implemented. The IDEAS platform started in 2009 is an initiative to recognize and promote workplace creativity. BPCL was the first company in the public sector to take the employee friendly initiative of creating an ESE cell entrusted with the responsibilities of resolving employees' grievances and enhancing overall employee satisfaction. To fulfil its mission of making BPCL a great place to work, the ESE cell undertakes visits to upcountry locations to personally interact with the staff posted there. During the year, the programme has introduced legal and financial counselling thereby providing an avenue for employees to seek professional help in these areas. The cell has also commenced the initiative - ESE Manas to publish articles on the website aimed at providing help and guidance to employees in dealing with situations in their day to day life which cause anxiety, stress lack of self confidence etc.

BPCL believes in providing equal opportunities to all. We have some of the women executives holding key senior level positions in the corporate as well as businesses. As part of diversity in workforce, we have encouraged dealers to employ women at retail outlets and give them an inclusive atmosphere to work in. With our sincere efforts, currently approx. Five percent of our workforce providing forecourt services at the retail outlets comprises of women employees.

Investing in training

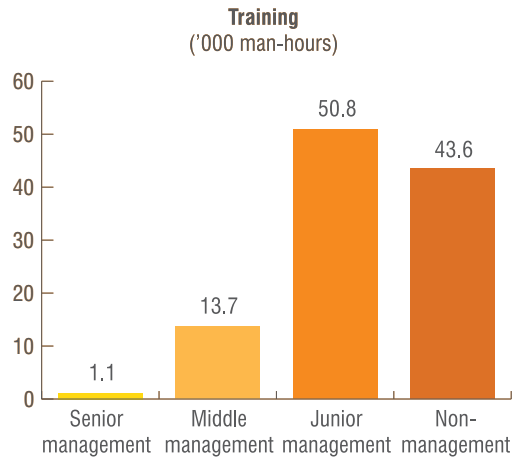
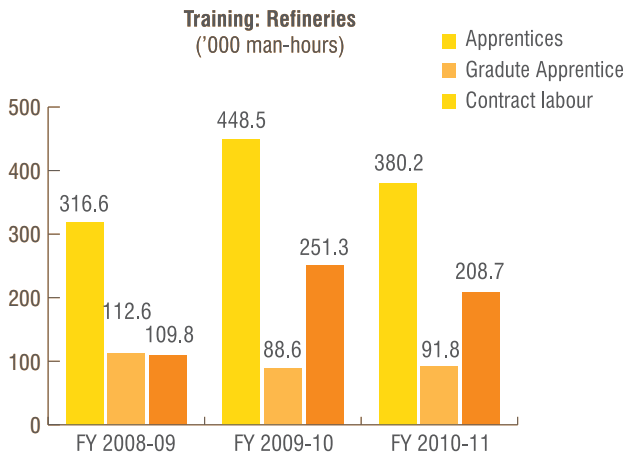
Continuing with the philosophy of harnessing the human resource potential, various need based learning and development initiatives were organized at our refineries and marketing SBUs. Our training programs comprise of a balanced mix of soft skill programs on communication, behaviour, marketing methods, leadership and interpersonal skills as well as technical skills related to specific operations and functions, safety and security, among others. Towards our endeavour of creating talent by nurturing people, in 2010-11 a total of 65,683 man-hours of trainings were imparted to our management employees²⁶ while our non-management staff participated in trainings that amounted to 43,557 man-hours. At the refineries 472,011 man-hours of training was provided to the apprentices and GETs. While it is important to constantly nurture talent at the management level, it is equally important to ensure that the competency of the people involved at ground level in the operations is being enhanced continuously. The contract labour at our refineries and marketing SBUs²⁷ received a total of 419,477 man-hours of training. Additionally, we have launched e-learning in a big way. Partnering with Skill Soft, Harvard Manage Mentor, E-Cornell University and U 21 Global, the entire population of junior and middle level managers are being covered to upgrade their skill and knowledge.

Mumbai Refinery's 'Refinery Learning Centre' launched the "Online-Training Nomination module" on 30th March, 2011 making training need identification and training nomination process more realistic and user-friendly. The training calendar for the year 2011-12 is now available online to the department heads and training coordinators with the List of staff (both management and non-management) and past training records of each staff. This would now help the department heads in picking "the right person for the right training. Kochi refinery learning centre had conducted two five-day workshops on Direct Trainer Skills and Design of Training during September. The courses were sponsored by Department of Personnel and Training (DoPT), GoI.

²⁶Includes marketing employees at all marketing SBUs and Refineries

²⁷Training imparted to PCVO crew has also been included

People agenda: Health, Safety and Well-being



Envisioning the future

In order to build a robust leadership pipeline encompassing leaders at all levels capable of delivering the company’s ambitious plans, an ‘Integrated Talent Management Framework’ with linkages to key HR processes has been developed. A number of workshops were conducted and inputs gathered from a wide cross section of employees on the values and culture the company stands for and the leadership competency/talent review framework that will be needed to excel in emerging business scenario. Work has also commenced to communicate the new values, culture and roll out the new assessment process using this framework. This year, ‘Envisioning the Future’, a future forward workshop for senior executives of Kochi Refinery and Marketing SBUs was organized in Kochi. This was a part of the ambitious planning to chart out the future of BPCL for which a series of workshops were conducted across the various regions. Over 50 senior executives participated in this session. As part of this series, a workshop was conducted for 28 trade union leaders to bring in alignment with the Dream Plan vision and perspectives of senior leadership as well as rest of the Corporation. The union leaders visualised doubling of refining capacity, emerging as market leader, making a big acquisition, charting global forays and entering into areas of renewable and nuclear energy.

Measuring effectiveness of training

During March this year training heads from various neighbouring Industries such as Godrej, IOC, HPCL and RCF came together at ‘Refinery Learning Centre’, Mumbai Refinery for a programme organized by us on “Evaluation of Training Effectiveness”. The objective of the meet was to understand and exchange some of the best practices amongst the Industries in the area of evaluation of training effectiveness. This meeting also served as a platform for benchmarking the training processes across the participating organizations.

With a view to enhance the reach of standardized training modules across the organization without disrupting the daily work schedule, BPCL has pioneered the concept of e-education within the Organization. Towards this end, partnerships were forged with leading universities like Harvard, Cornell and U21 as well as other reputed service providers to make available world class e-enabled courses. BPCL has also partnered with reputed institutions to provide executive MBA courses for select high potential employees as a means of accelerating their development process.

SAMVAAD – Confluence of best practices

Learning centre HRS North created an open forum for businesses called “SAMVAAD” (Dialogue/conversation/interaction) to facilitate sharing at a regional level in the areas of business achievements, solving inter business issues, finding avenues for combining efforts and resources and above all building camaraderie amongst ranks and cross sections of the corporation. The first “SAMVAAD” was organized in Chandigarh this year and saw the participation from key business representatives from - Chandigarh, Punjab, Himachal Pradesh, J&K. Business representatives worked in groups to chalk out areas of direct collaboration such as branding, customer service, logistics support, local administration, gift schemes, training of PCVO crew, boundary management and database sharing. This initiative has the potential to reduce costs by sharing experiences and creating a base of loyal customers through unified efforts.

People agenda: Health, Safety and Well-being

Respecting human rights

The nature of our business operations necessitates the use of contractors and sub-contractors. Violations of human rights and labour welfare clauses by a contractor are dealt with on a case-by-case basis; the punishment meted out ranges from the issuance of a warning to termination of the contract. All our agreements, including those related to investments and contracts, include clauses regarding our statutory obligations whereby human rights issues are addressed. The issues addressed through the various laws include timely wage payment as per the Minimum Wages Act, 1948, working conditions, work place safety, dispute settlements, etc. Company policies and procedures, that include references to human rights, are explained to all personnel, including security personnel, on induction. We take pride in being an equal opportunity employer and have always recognized talent based on merit. For the first time, a lady employee was given the safety driving permit at Kochi Refinery this year after standard on-the-road tests. The safety department organizes these road tests and issues permits to employees. There were no confirmed cases or instances of discrimination against any employee in 2010-11.

BPLC – Creating an environment for excellence

We strive to be a learning organization and encourage our people to continually expand their capacity to create the results they truly desire, nurture new and expansive patterns of thinking, set free collective aspiration, and learn continually. Bharat Petroleum Learning Centre (BPLC), an in-house training centre for the BPCL employee was born out of this vision. At BPLC, we provide our learners, state of art learning tools and world class learning inputs and above all an inspiring learning culture. The training calendar includes cross-functional skill sets, managerial / business acumen competencies, behavioral and personal development tools, making BPLC the thread of change management, across the organization.

To assist the delivery of learning and development, BPLC campus situated in Sewree, sprawling across two acres of land offers its learners, facilitators, trainers and guests an environment conducive for imparting and imbibing knowledge. The facilities include a state of art learning hall with capacity to accommodate 70 participants at a time, scientifically designed acoustics, wi-fi facility, LCD screens and tablet laptops for simpler and clearer communication.

The programs held at BPLC are targeted towards bridging the various skills gap at different levels of the organization. The programs vary in terms of participants mix and content, however, most of them trudge on the behavioral side. Some of the most successful programs which are conducted on a regular basis include, Bridge to Success (an induction program for transition from campus to corporate), Managing Self & Managing Others (programs to help people excel in their corporate roles), Commercial Acumen, Customer for Life, Emotionally Attuned Management, Lateral Thinking, Leadership the Way Forward and Transition – A Future Perspective (program for retiring employees and their spouses). Apart from the regular, in-house training programs, BPLC imparts a lot of learning through electronic media. Unconventional methods of learning that were implemented successfully last year include socratix and Mercurix, which use the case solving and story-telling skills as modes of imparting learning.





STRENGTHENING PARTNERSHIP WITH COMMUNITIES

Strengthening partnership with communities

At BPCL we believe that Corporate Social Responsibility underlines the objective of making a difference and adding value in people's lives. Our initiatives have emanated from the belief that it is only through unified efforts that we can bring about a change in society and improve lives. Our initiatives have been implemented across our operations and are done in collaboration with a number of non profit organizations. We have assigned delegation of authority to ensure complete transparency in our CSR procedures and have made a commitment of allocating 1-2 percent of our PAT towards CSR initiatives of the company. For all our CSR projects we conduct need assessment surveys to understand the need of the people in the region. We then identify and screen NGO partners and collaborate with them to implement the projects. We have a 'five E' concept for execution of our projects – Enter, Engage, Empower, Ensure and Exit. We ensure complete stakeholder ownership so that the project sustains itself and benefits are reaped even after our exit. Video conferencing facilities have been installed in far off locations to enable us to regularly interact with our NGO Partners and beneficiaries.

Like the previous year, CSR targets were part of the corporations MOU with MOP&NG. We had set a target of making eight drought prone villages 'water positive' through rain water harvesting and positively reach out to 15,000 children through our education initiatives. We derive immense pleasure with the successful completion of eight 'drought free' villages and reaching out to about one lakh underprivileged children by enabling qualitative and inclusive education.

We encourage our employees to volunteer with our CSR projects and in doing so have achieved 3,500 employee volunteering hours. We invest in communities through a range of initiatives in the fields of education, water conservation, health, environment conservation and economic empowerment. This year Kochi refinery made a documentary film titled, 'It's all about human hearts' which showcased the efforts of the refinery towards urban and rural societies. In recognition of the CSR efforts and the CSR documentary Kochi refinery won the Rotary-Binani Zinc CSR Excellence Award and the Golden Halo of Honour.

Initiating change through "Samavesh"

Samavesh was a two day CSR leadership development workshop planned by our Director HR to provide a common platform for all business role holders to take the CSR vision forward by learning from ideas and experiences shared by eminent leaders from various corporate and development sectors. Various CSR role holders from CO as well as businesses deliberated on action plans in their areas of work and carved out a CSR implementation plan up to 2015. The group also came up with innovative ways in which they can play a pivotal role in integrating CSR with business. The event saw participation from corporate like HSBC, Thermax and NGOs like CRY, Pratham, Azim Premji Foundation, SEWA and Dhan Foundation.

Imparting education

At BPCL we truly understand the role of education in transforming lives and have designed our educational initiatives in order to bring about this transformation. Our activities range from development of infrastructure to providing developmental leadership talks. This year we reached out to 15,000 children through our educational initiatives.

Kochi refinery provided support to the Government Vocational Higher Secondary School in the construction of a new building in the school premises. Kochi refinery is pleased to continue supporting this school which is in close proximity to the refinery and is an important part of the educational services offered in the area. . The uniqueness of this school is the history attached with its existence; this school was established in the year 1,913 and has come out as a historic spectator of the transformation of the region surrounding it. This school caters to the educational needs of about 500 children and is supported by 35 teachers. Since the year 1996, Kochi refinery has been supporting this school and continues to do so by providing nourishment to students, financial assistance for learning aids and uniforms, and awareness programs on health and safety. In addition Kochi refinery extended its aid to unprivileged students by providing motivational talks on leadership development and guidance on maintaining health.

'Integrity club' the initiative launched by Kochi refinery in February 2010, continued its efforts of instilling human values in school children with the aim of transforming children as young champions of ethics. This year the club members extended their helping towards people suffering from sickle cell anaemia which is a genetic red blood cell disorder. The young champions of ethics dispensed positive values of care and love by donating medicines and nutrition rich sweets displaying a sense of affection towards these patients. Another initiative taken up by the Integrity club members was Christmas celebration with the inmates of old age and relief homes in Ernakulam.

Further, several initiatives were undertaken like Computer Assisted Learning (CAL), Education Assistance Programme and Teach for India Programme, in rural areas of Uran, Panvel, Nandurbar district and Mumbai in Maharashtra, Lucknow in Uttar

Strengthening partnership with communities

Uttar Pradesh and Sagar District in Madhya Pradesh, enabling betterment of quality education. In September this year, for the first time, an empowerment session was organized for the Village Education Committee (VEC) members, comprised of parents, teachers, principals and the village sarpanch from seven villages in Uran, where BPCL is engaged in project CAL. During the session, the right to education act and the role of VEC members in education were discussed. The need for a collaborative public private partnership approach was also discussed.



Providing healthcare

The essence of wellbeing is good health and we at BPCL feel that awareness is the key to sustaining a healthy lifestyle. In collaboration with the Refinery Medical Centre, the social welfare cell of the Mumbai refinery organized a series of medical camps in the adopted villages of Karjat, Washala and Mahul. A team of medicos consisting of gynaecologists, dentists, general physicians, ophthalmologists, and ENT specialists provided medical treatment to patients. In addition medicines were administered free of cost. The patients detected with cataracts were provided with financial assistance for the surgery and necessary treatment. This facility benefited more than 1,100 patients including children and helped us attain our target of being a good corporate citizen.

Kochi refinery conducted a medical health camp in an area located 225 KM from Kochi. Almost 300 people from around 180 tribal hamlets consisting of the Irula, Muduga, and Kurumba sects from around Attappady hills turned up. The camp was organized with the help of Swami Vivekananda Medical Mission (SVMM), a registered charitable trust. The majority of villagers who turned up at the camp were women and children. Doctors from PSG Hospital, Coimbatore, Karunya hospital, Swami Vivekananda Medical Mission Trust and the occupational health centre of Kochi refinery, treated the patients. A team from local Primary Health Centre also distributed vaccinations to children at the camp.

Over 350 people were examined by a team of seven doctors at the free Kochi refinery multi specialty camp organized for contract labourers. Medicines were distributed for free and several patients were referred for detailed examination and continued treatment.

Snehamruthan, a project organized to help people suffering from sickle cell anaemia. Creating awareness about this amongst the people has been the greatest mission of the SVMM. Highlights from other BPCL locations include:

- Blood donation camps at Goa, Mumbai and Chandigarh LPG units were organized in August 2010.
- Health check-up camp for all the contract workers at Uran LPG. More than 280 contract workmen benefited from the camp.
- Patna LPG organized an eye camp where more than 130 members from the office as well as contract labourers had an eye check up.
- Raipur LPG, along with the New India Insurance Company, helped 227 drivers to get a life insurance policy on the occasion of the Indian Republic day on 26th January.

Strengthening partnership with communities

Project Boond

It has been five years since the inception of Project Boond which has been successful in providing assistance to the villagers affected by acute water shortages. The underlying objective of this project was to transform villages from being water scarce to water positive. Initiatives conducted under this project included repairs/deepening of wells, building bunds to capture rainwater, repairs and leak proofing of existing bunds, building water tanks etc. All these activities were undertaken by the villagers itself, which additionally gave them an opportunity to develop their skills on masonry, welding etc and helped boost their income. The target of converting 8 drought prone villages to drought free villages was completed successfully with the help of Project Boond.

Energy conservation

To create awareness on the importance of energy conservation we have undertaken programmes like talks, workshops, exhibitions and other programmes. Kochi refinery initiated the ENCON clubs in the year 2002 with the aim of associating with young children in energy conservation and environment protection. In this way we believe that we are creating a strong network of environment conscious people who would pass on the tradition to the next generation. At present we have 50 ENCON Clubs in education institutions spread across the state of Kerala, sponsored by BPCL's Kochi refinery.

Flamingo festival

This year, the Flamingo festival was organized by BPCL in collaboration with the Bombay Natural History Society (BNHS). Thousands of bird lovers and general public which included School and college children, families, corporate employees and journalists witnessed the sight of over 15,000 Greater Flamingos and Lesser Flamingos and about two dozen other waders on the mud-flats near Sewri Jetty. These flamingos fly down to Sewri mud flats every year from Kutch in Gujarat. This initiative became effective in illustrating the importance of bio-diversity conservation in Mumbai.



Strengthening partnership with communities

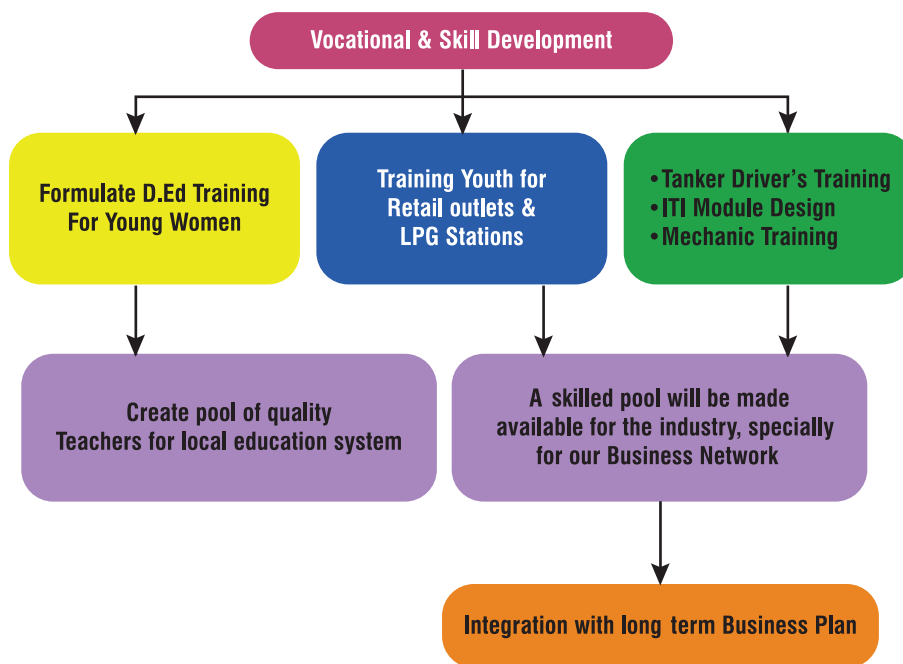
Community infrastructure

Kochi refinery has taken a unique step in imparting traffic education among children by developing an education park with the help of the Kochi city police. The Annie Besant Park owned by the Corporation of Cochin is maintained by BPCL Kochi refinery. This park is designed and developed into a mini township with miniature offices, malls, ponds, traffic signals to illustrate real life simulation of road discipline and road safety. Electric scooters, four wheelers and solar powered street lights complete the eco friendly initiative that has been developed to help children experience and internalize road discipline which includes keeping roads clean, obeying traffic rules and caring for the environment. In addition there are facilities for screening Road Safety programmes in the park to enhance safety classes that could be organized for schools.

Community kitchens are known for their dual benefits of uniting people as well as helping the environment by preventing pollution that stems from the traditional burning of wood. Acknowledging the efforts of the community service provided by Kamla Nehru Hospital, BPCL took a step forward in providing cooking facilities like community kitchen which can be utilized by the attendants of the patients at a very nominal price. Display boards, two DPR's, seven surakhsha hoses, five single burner stoves and some utensils were provided for common public usage. This facility would benefit an average of 200 people daily.

Encouraging livelihood

We have drawn up an extensive plan for livelihood creation and the following focus areas have been approved by the Board for the benefit of our stakeholders. To assess the effectiveness of the vocational training project in Chinkankari work for rural women, we conducted an impact assessment. Around 80 women on an average earn about ₹ 1,500 per month and have registered as Self Help Group. Based on the observations drawn from the impact assessment the project has been scaled up for 250 women in poverty stricken villages surrounding BPCL's bottling plant. In addition the vocational training programme for 250 youth in Ranchi was scaled up after the successful completion for 300 youth in Muzaffarpur who now earn an average of ₹ 3,500 per month.



Disclosure on management approach

Economic Indicators

At BPCL creating value for our stakeholders is of utmost importance. It has always been our endeavor to maintain strong financial performance so that we are able to maximize the benefits that we share with our stakeholders. The financial turbulence in the international market coupled with the rising inflation in the domestic markets were identified as key impediments to our growth and despite these significant challenges we were able to improve our throughput as well as revenues. The economic value distributed was aimed at benefiting our key stakeholders and society at large. The upliftment of local communities is also a major contribution of our operations by helping through local hiring as well as local procurement. We also play our part as a responsible corporate citizen by contributing in the development of communities by investing in community development initiatives.

Environmental Indicators

Being an oil and gas company our environmental impact is significant and we are well aware of this fact. We strive to implement and maintain sound environmental management systems and the investments we make to ensure this speaks volumes about it. We also look at reducing our resource footprint through recycling initiatives, improved operational efficiency to reduce waste generation and usage of chemicals and additives which have a minimal harmful impact on the environment. We are also working towards reducing our freshwater requirement and at the same time ensuring we do not have any negative impact on the freshwater reserves through our waste stream. A lot of impetus has been put on improving our energy and GHG performance. We aim at increasing our renewable energy mix and achieving high levels of energy efficiency through innovation and design. We also monitor and manage other significant air emissions from our operations and maintain them well within the stipulated limits.

Labour Practices and Decent Work Indicators

Safety is given the top priority at all our operations. We ensure maximum participation of the top management in dealing with safety related issues and aim at achieving an injury free workspace. We also promote healthy living among our employees as well as their



Disclosure on management approach



dependents. In addition to this we also look at improving the health and safety practices among our contract workmen. We focus on employee inclusivity which cuts across levels and ensures that each individual employee is appreciated for his contribution to the company's performance. We aim to improve the diversity in the organization and do not differentiate among employees on the basis of gender, race, caste and age. We identify the retention of our talent pool as a high priority and we ensure the same by regular and structured engagement with our employees. We also believe in investing in our employees by improving their technical and interpersonal skills through internal and external training programs. We also encourage continuous learning through our tie ups with academic institutions.

Human Rights Indicators

Due to high level of involvement of contractors and sub-contractors in our operations, ensuring that all the human rights requirements are met is a constant focus area for us. We have incorporated elements of human rights in our agreements and closely monitor their performance to ensure that there are no violations. Any cases of violation have to be dealt with severely.

Society Indicators

Our philosophy of maximizing partnership with the society is supported by conscientious efforts to maximize value generation for the society as a whole. We plan our initiatives using the five E concept – enter, engage, empower, ensure and exit to ensure that the initiatives are sustainable and beneficial in the long run. We have identified major areas of intervention viz., education, healthcare, environment, biodiversity, community infrastructure and livelihood creation. We intend to continue benefiting the society through our concerted efforts and have made a voluntary commitment to dedicate 1-2 percent of our PAT for social development.

Product Responsibility Indicators

We identify the risks associated with the manufacture, use and disposal of our products and are devoted to minimizing these risks. Producing energy products in a way that minimizes impact on human health, safety and environment is a priority issue for us. We ensure that all our products consistently maintain the highest quality and also ensure that all our customers are satisfied with our products through regular feedback. We also work closely with many of our customers to ensure that our products are used in a safe and correct manner. We use our marketing communications judiciously and ensure that all the stipulated regulations are adhered to.

Independent assurance statement

INDEPENDENT ASSURANCE STATEMENT ON SUSTAINABLE DEVELOPMENT REPORT, TITLED “BUILDING A SUSTAINABLE FUTURE” FOR THE FINANCIAL YEAR 2010-2011

The Management & Board of Directors
Bharat Petroleum Corporation Limited
Mumbai, Maharashtra, India

The Assurance Engagement

We have been requested by the Management of Bharat Petroleum Corporation Limited (“the company”), to provide Independent Assurance Statement by conducting a review of the Stakeholder Engagement Process and Sustainability related Performance Indicators (herein the “SPIs”) reported as per the “G3 Sustainability Reporting Guidelines” issued by the Global Reporting Initiative™ (“the GRI”) Guidelines, as set out in the Sustainable Development Report 2011, titled “Building A Sustainable Future” (“the Report”), prepared by the company for the Indian Financial Year 2010-11.

This statement is made solely to the Company, in accordance with our terms of engagement. Our work has been undertaken so that we might state to the company those matters we are required to state to them in this statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our work, or for the conclusions we have formed for the review carried out by us.

Responsibility of the Company

The company is responsible for the identification and presentation of information in the Report including the responsibility for establishing and maintaining relevant and appropriate performance management systems and internal control framework to facilitate collection, calculation, aggregation and validation of the data with respect to the GRI G3 Guidelines based indicators, included in the Report.

The Scope of Work

Our Scope of Work, as agreed with the company, was to:

- Provide Independent assurance on the Report content as described in the level of assurance to confirm GRI Application Level
- Provide Assurance Engagement in accordance with the International Standard on Assurance Engagement (“the ISAE”) 3000, issued by the International Federation of Accountants (“the IFAC”) which will meet the requirements of a Type 2 moderate level assurance engagement as defined by AA 1000AS (2008)
- The Assurance shall be as per Principles of Inclusivity, Materiality and Inclusiveness as outlined in AA 1000AS (2008) and GRI 2006 (GRI G3) guidelines
- To review the current process for capturing sustainability performance data as per GRI G3 and Corporate Guidelines, and the progress made during this period
- Review the Company’s approach to stakeholder engagement and processes for determining material issues through interview and company’s managing and reporting on its Sustainability activities by visiting sample sites, across Strategic Business Units (SBUs) covering Refineries, Lubes, LPG Bottling Units, Aviation and Retail
- Interview key personnel of the company to report their understanding including select internal and external stakeholders like middle management, dealers, transporters, contractors, vendors, etc.

The company’s descriptions pertaining to market share assessment; opinion, beliefs or future intentions; assessment of the capacity, efficiency and efficacy of any of the utilities of the company; and the economic performance indicators, included in the Report, which we understand have been derived from the company’s audited financial records are the exclusions of our review.

Our Approach and Methodology

We have performed our assurance engagement:

- In accordance with the ISAE 3000 and to meet the requirements of a Type 2 moderate level assurance engagement, defined by AA 1000AS (2008)
- As per Principles of Inclusivity, Materiality and Inclusiveness as outlined in AA 1000AS (2008) and GRI 2006 (GRI G3) Guidelines

Independent assurance statement

Our approach for the aforesaid scope of work, included visits to sample SBUs of the company (namely : Refineries - Mumbai & Kochi; Retail - Bijwasan, Tondiarpet & Budge-Budge; LPG - Pune, Uluberia & Piyala; Aviation - Chennai and Lubes - Wadibunder); stakeholder engagement and consultation process; sample test of data of sample SPIs from the books and records of the company and analytical procedures and discussions with relevant internal and external stakeholders of the company. The SPIs covered in the assessment on a sample basis include data specific to materials, energy, water, air emissions, waste management, work force, safety and training.

Our Conclusions

We believe our work provides an appropriate basis for our conclusion, which are as mentioned below:

- Inclusivity - As per the information provided by the company we are not aware of any matter that would lead us not to conclude that the Company has applied the inclusivity principle, for its key stakeholder groups.
- Materiality - Based on the inferences made and work done by us and the documents and records examined by us, as aforesaid and according to the information and explanations provided to us, nothing has come to our attention that causes us to believe that the company has materially misstated the reported SPIs or has not adopted a mechanism to identify issues that could be material to the company.
- Responsiveness - The company has demonstrated its commitment to understand its stakeholders concerns, as evident from its various stakeholder consultation engagement mechanisms which are in process. We have been informed by the company that they assess the concerns and exercise appropriate responsiveness on the same.
- The Company has reported as per A+ application level of the GRI 2006, GRI-G3 Guidelines.

Our Key Observations

- Waste management measures have already been initiated by the company in some of its facilities. The company may however strengthen the existing system through effective implementation, supported by enhanced and adequate training to concerned employees.
- While the company has already initiated measures to account for its water consumption/footprint, effective measures could be adopted to assess the actual quantity of water withdrawn, consumed, recycled, reused and discharged.

Areas of further improvement wherever identified, were brought before the attention of the management or suitably addressed.

Our Independence and Competencies in Providing Assurance

Our team consisted of a professionals having substantial experience in providing assurance in sustainability reports. We have complied with Deloitte's independence policies, which address the requirements of the IFAC Code of Ethics for Professional Accountants in their role as independent auditors. We also confirm that we have maintained our independence in the Report and there were no events or prohibited services related to the Assurance Engagement which could impair our independence.



Rajat Banerji
Senior Director

Dated: 5th September, 2011



Deloitte.

GRI content index

Contents	Page	GRI & API/ IPECA Reference	Remarks/Additional Information
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Report Scope	01	3.1, 3.6, 3.8, 3.13	<p>3.2 - Our previous report can be accessed through our website www.bharatpetroleum.in</p> <p>3.3 - Our reporting cycle is annual</p> <p>3.7 - Specific limitations (if any) pertaining the performance indicators reported have been detailed in the individual sections.</p> <p>3.9 - Relevant explanations have been provided in the individual section where necessary</p> <p>3.10 - Re-statements of information, if any, have been reported in the relevant sections</p> <p>3.11 - Numaligarh refinery has been excluded from the scope from this year. Other relevant explanations for changes in measurements methods have been included in the report, where necessary.</p>
Company profile	02 - 03, 06 - 08	2.2, 2.3, 2.4, 2.6, 2.10	<p>2.5 - BPCL is an Indian public sector undertaking. The scoped entities for this report primarily operate within India.</p> <p>2.7 - BPCL and its scoped entities for the report primarily serve the Indian market. Selected products are offered in international markets.</p> <p>2.8 - Additional aspects of scale are indicated in relevant sections of this report. Please refer our Annual Report 2010-11 for comprehensive financial information that extends beyond the coverage of this report. Our Annual Report 2010-11 can be accessed through our corporate website www.bharatpetroleum.in</p> <p>2.9 - No significant changes in the reporting period</p>
Chairman & Managing Director's message	04 - 05	1.1	1.2 - Key impacts, risks and opportunities have been detailed in relevant sections
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Focusing on our top sustainability priorities	11 - 12	3.5, 4.17	
Our stakeholder synergies	13 - 14	4.14, 4.15, 4.16, 4.17	
Enhancing trust through governance	15 - 18	4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10, 4.12, 4.13 EN28, LA 13, PR 2, PR 4, PR 6, PR 7, PR 9, SO 2, SO 3, SO 4, SO 5, SO 7, SO 8 SOC 2, SOC A1	<p>Please refer our Annual Report 2010-11 for additional information. Our Annual Report 2010-11 can be accessed through our corporate website www.bharatpetroleum.in</p> <p>4.11 - Precautionary principle aspects are implicit.</p> <p>PR 6 - All our marketing communication related to our products and services adhere to ASCI voluntary standards on marketing and communications</p>

GRI content index

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Sustainable energy and climate change	29 - 34	EC 2, EN 3, EN 4, EN 5, EN 7, EN 16, EN 17, EN 18, EN 19, EN 26, EN 20 ENV 3, ENV 4, ENV 5, ENV A6, ENV A8	EN 17 - We are augmenting to capacities to monitor other relevant GHG emissions (EN 17). Other GHG emissions are not reported for 2010-11
Technology to aid our vision	35 - 38		
People agenda: Health, Safety and Wellbeing	39 - 48	LA 1, LA 2, LA 4, LA 5, LA 6, LA 7, LA 8, LA9, LA 10, LA 11, LA12, LA 14, PR 1, PR 3, PR 5, HR 3, HR 4, HR 5, HR 6, HR 7, HR 8 SOC 1, SOC 5, SOC 6, SOC 7, SOC 9, SOC A2, SOC A3, H&S 1, H&S 2, H&S 3, H&S 4, H&S 5	
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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	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach disclosed for each Indicator Category	Report Externally Assured
	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 Externally Assured	Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.	Report Externally Assured	Report Externally Assured	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

Glossary

AIDS	Acquired Immunodeficiency Syndrome	ISO	International Organization for Standardization
ASCI	Advertising Standards Council of India	IPIECA	International Petroleum Industry Environmental Conservation Association
API	American Petroleum Institute	IISc	Indian Institute of Science
ABCI	Association of Business Communicators of India	IIT	Indian Institute of Technology
ASSO -CHAM	Associated Chambers of Commerce and Industry of India	ISB	Indian School of Business
BARC	Bhabha Atomic Research Center	JV	Joint Venture
BPCL	Bharat Petroleum Corporation Limited	KR	Kochi Refinery
BROMA	Bharat Petroleum Retail Outlet Maintenance Application	LNG	Liquefied Natural Gas
BREL	Bharat Renewable Energy Limited	LPG	Liquefied Petroleum Gas
BS	Bharat Stage	LTAs	Lost-Time Accidents
BAIF	Bharatiya Agro Industries Foundation	MW	Megawatt
BSC	British Safety Council	MBTU	Million British Thermal Units
BIS	Bureau of Indian Standards	MR	Mumbai Refinery
BBL	Barrel	MoU	Memorandum of Understanding
BCCI	Bombay Chamber of Commerce and Industry	MDG	Millennium Development Goals
BNHS	Bombay Natural History Society	MMT	Million Metric Tons
CAG	Comptroller and Audit General	MoP&NG	Ministry of Petroleum and Natural Gas
CISF	Central Industrial Security Force	MS	Motor Spirit
CAL	Computer Aided Learning	NACE	National Association of Corrosion Engineers
CVC	Central Vigilance Commission	NRMB	Natural Rubber Modified Bitumen
C&MD	Chairman and Managing Director	NABL	National Accreditation Board for Testing and Calibration Laboratories
CFO	Chief Finance Officer	NGOs	Non-government organizations
CVO	Chief Vigilance Officer	NRL	Numaligarh Refinery Limited
CDM	Clean Development Mechanism	NSC	National Safety Council
CNG	Compressed Natural Gas	OHSAS	Occupational Health and Safety Assessment Series
CSR	Corporate Social Responsibility	OGCF	Oil and Gas Conservation Fortnight
CII	Confederation of Indian Industry	OISD	Oil India Safety Directorate
CPO	Central Procurement Organization	OIDB	Oil Industry Development Board
COCO	Company-owned company-operated	OSTS	One Stop Trucker-cum-Tourist Shop
CEM	Continuous emissions monitoring	OBC	Other Backward Classes
DoPT	Department of Personnel and Training	ODS	Ozone Depleting Substance
DGM	Deputy General Manager	OMCs	Oil Manufacturing Companies
ED	Executive Director	PCVO	Professional Commercial Vehicle Owners
ESE Cell	Employee Satisfaction Enhancement Cell	PMO	Prime Minister's Office
ERP	Enterprise Resource Planning	PBT	Profit Before Tax
EBMS	Ethanol Blended Motor Spirit	P&L	Profit and Loss
E&P	Exploration and Production	PSU	Public Sector Undertaking
FY	Financial Year	PFS	Pure For Sure
FICCI	Federation of Indian Chambers of Commerce and Industry	PPE	Personal Protective Equipment
GJ	Giga Joules	R&D	Research and Development
GPS	Global Positioning System	ROs	Retail Outlets
GoI	Government of India	RBNQA	Ramakrishna Bajaj National Quality Award
GATs	Graduate Apprentice Trainees	RLNG	Re-gasified Liquefied Natural Gas
GHG	Greenhouse Gases	RWH	Rainwater Harvesting
GDP	Gross Domestic Product	SCO	Supply Chain Optimization
GRI	Global Reporting Initiative	SEBI	Securities and Exchange Board of India
HSSE	Health, Safety, Security and Environment	SEZ	Special Economic Zone
HSD	Hi-Speed Diesel	SBU	Strategic Business Unit
HIV	Human Immunodeficiency virus	SDCV	Small Distance Commercial Vehicle
HRS	Human Resource Services	TERI	The Energy and Resources Institute
HR	Human Resources	TMT	Thousand Metric Tons
HRD	Human Resources Department	TII	Transparency International India
I&C	Industrial and Commercial	UNFCCC	United Nations Framework Convention on Climate Change
IT	Information Technology		
IMC	Indian Merchant's Chamber		
IPP	Integrity Pact Program		

Year 2010-11 was indeed the year of challenges in areas of workplace Health, Safety, Security & Environment. In our efforts to achieve uninterrupted operations at Locations, various initiatives were taken up and implemented corporate wide during the year apart from specific Corporate Social Responsibilities & Sustainable Developments. Site security has been reinforced through enhanced level of training and upgrade of security infrastructure facilities. Locations were encouraged to take up operational and developmental activities to enhance environmental initiatives beneficial for their respective neighbourhoods. This was possible with the focused attention of employee teams at Locations. The team work was rewarded through a variety of programs, including our Annual Awards.



The HSSE Management System with Standard Operating Procedure was released as second edition - a step to review and reiterate our commitment to 'Workplace Health', 'Operational safety', 'Site Security' & 'Environment protection'. We are in the process to reinforce the sustainability tracking mechanism across SBUs. Going forward, the efforts of all HSSE role holders- at Locations, Regions, Business HQ and Corporate would be aligned and the progress will be monitored to capture & share the incremental improvements periodically.

With a view to promote workplace health & hygiene at the Locations, in-house expertise has been developed under the "Train the Trainer for Workplace Health & Hygiene" programme. The 'Train the Trainer' initiative has been appreciated as 'Case Study' at conferences shared during the year.

I am happy to note the consistent contribution towards Sustainable Development reporting by all HSSE Role holders and the stake holders - both internal & external.

With best regards,

(Dnyaneshwar. K. Mane)

Head - Health, Safety, Security & Environment

Our Environment set up team at Corporate HSSE thanks everyone involved in the preparation of this SDR for the Financial Year 2010-11 and their contribution towards sustainability on behalf of BPCL. In the spirit of transparency, we are open to dialogue and would welcome feedback on the work that has been done. Our vision is long term and we work closely with colleagues, business partners, host governments and communities to improve the way in which we operate. We look forward to sharing our progress on this journey with you.



Environment Team Members:

J S Bhatia, Sr Manager (Workplace Health & Sustainability)

A K Sakalker Sr Manager (Environment Projects)

Prashant G Kharge, Dy. Manager (Work place Health & Safety)

Please send your feedback to: bhatiajs@bharatpetroleum.in



Chairman's Office

Bharat Bhavan,
4 and 6 Currimbhoy Road,
Ballard Estate,
Mumbai 400001, India.
Tel No.: +91-22-22713000, +91-22-22714000

<http://www.bharatpetroleum.in>