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Oil and Natural Gas Corporation Limited
Corporate Sustainability Report 2009-10

We care



Energising India. Energising Lives!'



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About this report

Sustainability is integral to our business values and finds expression in our commitment to enhance the triple bottom line benchmarks of economic, environmental and social performance.

This is Oil and Natural Gas Corporation Limited (ONGC)'s *First Sustainability Report*. We reviewed our internal policies, vision, mission, strategy and performance management systems in order to identify issues that are important to us, and our stakeholders, which impact our sustainability performance. We have included topics that would be of material interest to our stakeholders and have broadly followed the requirements of Global Reporting Initiative (GRI G3) in defining the report content.

This report covers the period from 1st April 2009 to 31st March 2010, which coincides with our financial year 2009-10. Wherever possible, we have included data for FY 2007-08 and FY 2008-09 to enable our stakeholders to compare our performance over time. We have been guided by the reporting principles and methodology given in the GRI G3 guidelines for sustainability reporting. The reporting cycle is annual.

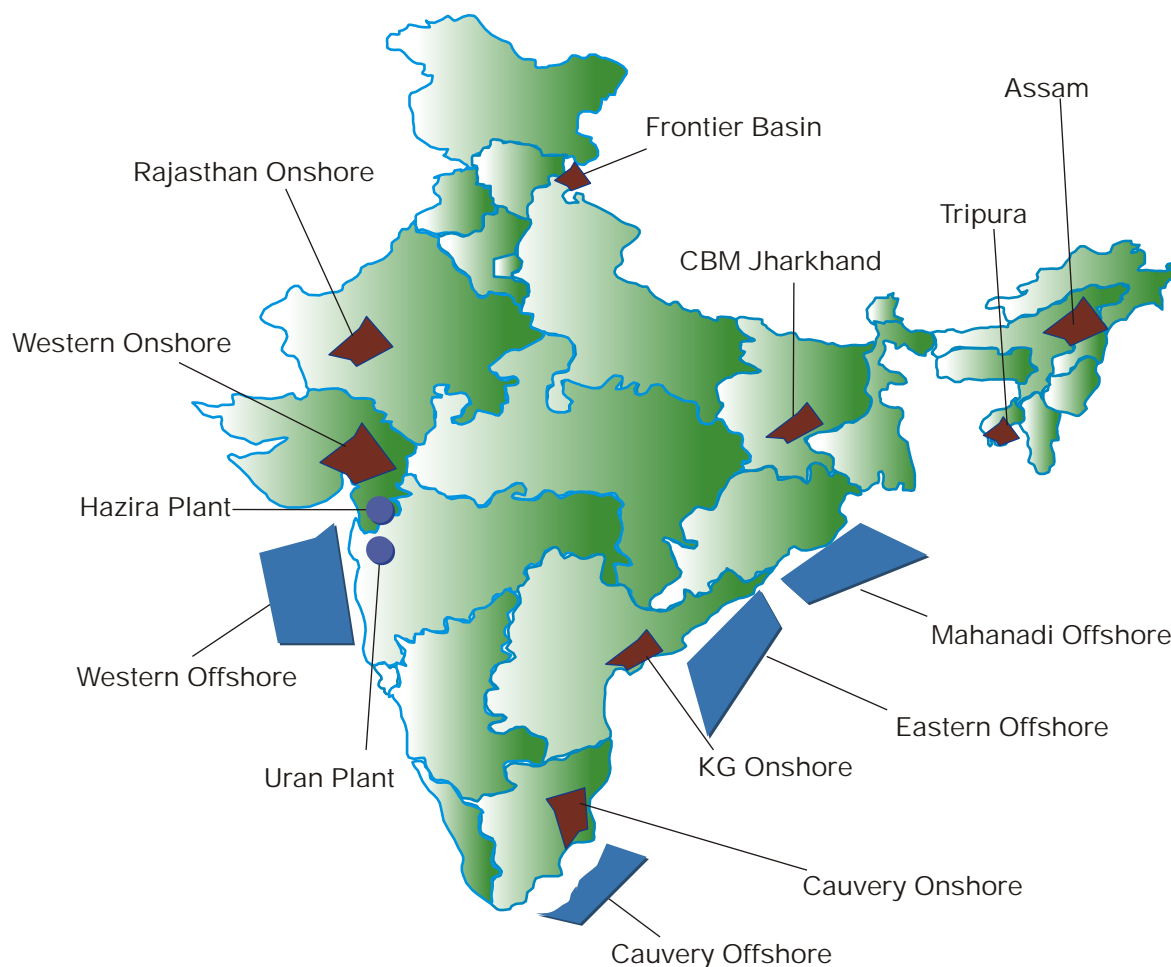
During the course of developing the sustainability report, we had meetings with representatives of the key stakeholders to understand their views on sustainability issues of mutual interest. We aim to continuously engage with our stakeholders and work with our partners to address the sustainability challenges jointly.

Report boundary

The boundary of this report covers ONGC's domestic exploration and production operations at onshore and offshore (excluding joint ventures and subsidiaries; office buildings for environmental disclosures only). Onshore refers to operations on land and offshore refers to operations at sea. We have two main processing plants at Hazira and Uran to process crude oil and natural gas and to manufacture value added products from crude oil and natural gas. This report is our maiden attempt (covering 408 facilities for identified environmental indicators and the related performance data) capturing the range of our domestic exploration and production activities. Over the next reporting, we plan to strengthen our sustainability governance and management systems and once these are uniformly applied, we would incrementally increase the scope of report boundary to progressively include our subsidiary operations.

The report has been prepared using the guidance provided in the GRI G3 guidelines. We self declare the reporting application level of B+ with external assurance.

ONGC operations in India (Report boundary)



ONGC legacy

The dream of Pandit Jawaharlal Nehru, the first Prime Minister of independent India, to create an indigenous exploration and production organization in the country was a reflection of his faith in the nation's scientific and technical community. Our scientists and engineers have lived up to that faith, making us one of the leading exploration and production of hydrocarbon companies in the world today.



An offshore facility of ONGC

Our company



ONGCians working 24 X 7 through out the year.
Keeping the rotary table moving to keep the
wheels of the country moving.



Building on our experience, expertise and dedication, we are today, a renowned name in the oil and gas industry, in India and internationally. Our role is to explore and transform the subsurface natural resources into energy sources for societal well-being. Our businesses become a major driving force for the development of the communities where we operate.

About Us: We are the flagship energy company of India, accounting for a majority of country's domestic oil and gas production. Since our inception 54 years ago, we have created a rich legacy of knowledge and experience, translating into pursuit of excellence and forging lasting relationships. We owe our success to the profound vision of Pandit Jawaharlal Nehru, the first Prime Minister of India and Sri Keshava Dev Malaviya, the then Minister of Natural Resources and Scientific research, who had faith in the potential of domestic oil and gas industry.

As a company, we were established to achieve the vision of achieving energy security for India. It indeed has been an extremely enriching, inspiring and transformational journey for us. From the very first oil discovery at Cambay in Gujarat in 1958, we have been evolving into a premier oil and gas exploration and production company globally.

As ONGC, we are an integrated petroleum company in India, operating along the entire hydrocarbon value chain- exploration and production (E & P), refining, liquefied natural gas, power, petrochemicals and new sources of energy and having the largest share of hydrocarbon acreages in India and contributing to over 79% of country's oil and 54% of country's gas production. We have been a reliable energy solution provider for the country for more than five decades now.

ONGC Videsh Limited (OVL), our wholly own subsidiary, has 40 projects spread over 15 countries with 9 producing assets in 7 countries namely Russia, Vietnam, Syria, Sudan, Brazil, Columbia and Venezuela. OVL produced 8.87 Million tonnes of Oil and Oil equivalent (MTOE) in 2009-10. Our refining subsidiary, Mangalore Refinery & Petrochemicals Limited (MRPL), refined 12.5 million metric tons crude oil with a capacity utilization of 129% which is the highest among Indian refineries in FY 2009-10.

Primary products

Our primary products are crude oil, natural gas and value added products such as naphtha, aviation turbine fuel (ATF), liquefied petroleum gas (LPG), superior kerosene oil (SKO) and others. For the reporting year 2009-10, we recorded a production level of 47.78 MTOE. 74% of our turnover was derived from the sale of crude oil, 12% from the sale of natural gas and 14% from the sale of value added products.

Operational structure

We have been selected to be a 'Maharatna' public sector organization in India. The President of India holds 74.14% of the total equity share, followed by the Indian Oil Corporation Limited with 7.69%, Gas Authority of India with 2.40%, Life Insurance Company of India with 3.17%, banks and financial institutions with 8.0% as major shareholders. Our headquarter is located in Dehradun, the place from where our organisation commenced this ambitious journey of being at the forefront in meeting India's energy security needs.

Our company is repositioning itself today to foster the principle of relational enterprise through partnerships, strategic alliances, joint ventures with preferred partners and is adopting a business strategy that relies on company skills and positional assets with focus on core business areas and opportunity specific diversification.

Scale of the reporting organization

As on 1st April 2010, we have 32826 employees on our rolls which include employees in executive and non-executive positions. For the reporting year 2009-10, we had a turnover of INR 619.83 billion and net worth of INR 864.41 billion. We started our journey as "Flagship" Oil Public Sector Undertaking (PSU) and have been selected as "Maharatna" PSU allowing us to have greater autonomy in decision making capabilities for a range of activities such as equity investment in subsidiaries, joint ventures and merger and acquisition up to a limit of INR 50000 million. We are ranked 3rd E&P Company in the world and 26th among leading global energy majors as per Platt's Top 250 Global Energy company rankings of 2009; based on assets, revenues, profits and Return on Invested Capital (ROIC) (November 2009). For the reporting year 2009-10, we as ONGC group recorded a production level of 60.93 MTOE.



ONGC Gas Processing Plant at Hazira

Our vision and mission

"To be global leader in integrated energy business through sustainable growth, knowledge excellence and exemplary governance practices."

Our Mission

World class

- Dedicated to excellence by leveraging competitive advantages in R&D and technology with involved people.
- Imbibe high standards of business ethics and organizational values.
- Abiding commitment to safety, health and environment to enrich quality of community life.
- Foster a culture of trust, openness and mutual concern to make working a stimulating and challenging experience for our people.
- Strive for customer delight through quality products and services.
- Continually strive to reduce CO₂ emissions across its activity chain with the objective of achieving carbon neutrality.

Integrated in energy business

- Focus on domestic and international oil and gas exploration and production business opportunities.
- Provide value linkages in other sectors of energy business.
- Create growth opportunities and maximize shareholder value.

Dominant Indian leadership

- Retain dominant position in Indian petroleum sector and enhance India's energy availability.

Our business priorities

- Focusing long term strategy on strengthening the core exploration and production activities in oil and gas.
- Improving the Reserve Replacement Ratio (RRR) by intensifying exploration.

Our strategic goals

1. To double reserve accretion from 6 to 12 BTOE by 2020.
2. To improve recovery factor from 28% to 40% by 2020.
3. To source 20 MMTPA equity oil and gas by 2020.



Team work at ONGC- getting together to lower the casing in a rig

From the desk of Chairman and Managing Director



R.S. Sharma

Dear Stakeholders,

I am pleased to share with you this *First Sustainability Report* of Oil and Natural Gas Corporation Limited (ONGC).

ONGC, the flagship Exploration & Production (E & P) company of India, owes its existence to the dream of Pandit Jawaharlal Nehru, the first Prime Minister of India and Sri Keshava Dev Malaviya, the then Minister of Natural Resources and Scientific Research who had immense faith in the potential of this industry. ONGC was built to achieve the vision of energy security for India.

In 54 years of our existence, it has been an enriching and transformational journey for us, from the very first oil discovery at Cambay, Gujarat in 1958 to becoming a premier oil and gas exploration and production company in the world, today. Through years, our company has retained its leadership position in E&P business in India. Our exploratory efforts have resulted in converting erstwhile frontier areas into new hydrocarbon provinces and helped to discover six of the seven producing basins in India, which has the largest hydrocarbon reserve base and the largest hydrocarbon exploration acreage in India.

We have been ranked as the 3rd E & P Company in the world as per Platt's 250 Global Energy Companies List for the year 2009. We have added over 7.14 billion tonnes of in-place oil and gas volume of hydrocarbons in the last 54 years, a significant contribution to the energy security of India, a nation that otherwise depends on imports for about 77% of its oil requirements.

Macroeconomic scenario

With the increasing demand of all forms of energy, globally, and volatile oil price regime, we have to keep contributing towards ensuring uninterrupted supply of petroleum products in India to support the steady economic growth of the country. Our strategic goals of increasing reserves, enhancing recovery factor and securing oil and gas equity abroad are aligned to achieve our country's current and future energy needs.

Economic performance

During the concluding financial year 2009-10, we achieved a turnover of INR 1,085.79 billion and net profit amounted to INR 194.04 billion. The net worth of ONGC Group of companies crossed INR 1 trillion marks registering an increase of 10% increase over last year.

Our present oil reserves (as on 31st March 2010) (3P), including joint ventures and overseas assets, is 1,619.25 MTOE. Our company has achieved a reserve replacement ratio of more than 1 during the last five successive years (a key overall sustainability metric for an upstream oil and gas company).

Our company has extended its operations beyond domestic operations through its wholly owned subsidiary OVL to source equity oil and gas from overseas. OVL, one of the largest Indian multinationals, is the second largest E&P Company in India only after ONGC. OVL continued to maintain its robust growth during 2009-10. It produced 8.87 MTOE, highest so far. Currently, it is operating 40 projects in 15 countries including a 741 km long pipeline; 23 exploration projects, 9 producing assets and 7 development projects.

MRPL, the refining arm of our company, has been maintaining its excellence as the most energy efficient and highest capacity utilising PSU refinery, having refined 12.50 MMT crude in the reporting period. It has enhanced its nameplate capacity and its expansion plan is progressing as per schedule.

ONGC, through its value-multiplier integration projects in the areas of refinery, liquefied natural gas, petrochemicals, power, and through participation in special economic zone, has meaningfully established its portfolio in the entire hydrocarbon value-chain.

New energy sources

Our company has taken structured initiatives to tap new energy sources like Coal Bed Methane, Underground Coal Gasification, Gas Hydrates and Shale gas. "ONGC Energy Centre Trust" has been set up for holistic research in non-conventional and alternate energy sources including hydrogen, solar PV, solar thermal, uranium and so on.

The Indian oil and gas industry has realized that "easy oil" has already been located and future oil and gas resources lie in logistically challenging frontiers such as in deep water basins. Our company has a strategic goal of establishing 4 billion tonnes of deep water reserves out of the targeted 6 billion of total reserves by 2020. Our company is the second operator in the world (after Chevron), to have drilled in water depths of over 3000 meters.

Research & technological innovation

On the R&D front, we stand as a technology-oriented, knowledge-based organisation. Twelve institutes located throughout India are engaged in research, covering key areas of exploration, drilling, reservoir management, production technology, ocean engineering, safety and environment protection. The R&D institutes provide essential support to keep pace with the latest developments in technology world over, through procurement of state-of-the-art technology and forming strategic alliance with world leaders.

ONGC Teri Biotech Ltd (OTBL) is another initiative through which our company has undertaken the research in the area of bio-remediation and microbial enhanced recovery. Apart from its own institutes, our company also carries out number of innovative research projects in collaboration with reputed institutes.

Environment sustainability

While we remain firmly focused on our task of ensuring India's energy security, we have not lost sight of the global as well as local challenges emanating from sustainability issues. Our policies drive us to de-carbonize our operations through efficient energy utilization and green house gas mitigation while, simultaneously, focusing on employee health and safety and community well being. We are undertaking initiatives in greenhouse gas (GHG) reporting and reduction, flare reduction and utilization of renewable energy. We have demonstrated our environmental responsibility and commitment towards sustainability through our enterprise wide sustainability initiatives and cross functional groups.

Our company has been making significant contributions towards conservation of nature by undertaking plantations of mangrove, ringal-bamboo and others annually. These plantations are set to bring about improvements in maintaining biodiversity in otherwise ecologically fragile areas.

Our carbon management group has sustained their outstanding performance this year when we registered two Clean Development Mechanism project with UNFCCC. It is a mark of distinction that we are the only central Public Sector Unit in India to have six registered clean development mechanism (CDM) projects with UNFCCC with expected annual Certified Emission Reductions (CERs) of 209,460 units. We are also taking up fugitive methane reduction projects under the global "Methane to markets" program in association with US Environmental Protection Agency (USEPA) and are one of the first non-US, state owned entity to join this initiative.

We are the founder member of the United Nations Global Compact in India and our latest "Communication on Progress" can be downloaded from http://www.ongcindia.com/download/COP_GlobalCompact/Global_compact_COP.pdf. Further, our company has been participating in the Carbon Disclosure Project (CDP) since 2007. We believe in timely disclosures on our sustainability performance.

We are inspired by the National Action Plan on Climate Change particularly the mission on energy efficiency and renewable energy in charting our future low carbon growth pathway. This is reflected in our endeavors within our operations to become energy and resource efficient as well as in the pursuit of alternative sources of energy. Several initiatives with regard to renewable energy, alternative energy sources are being pursued which include establishing a 51 MW wind power generation facility.

We also achieved exceptional health, safety & environmental (HSE) performance and had no significant environmental incidents at our operational facilities thereby surpassing the HSE performance evaluation parameter set out in our annual Memorandum of Understanding with the ministry.

All our operating locations were certified against international standards for quality, health, safety, and environment (QHSE) and we undertook group level policy development in areas where we can further build on sustainability such as green procurement and rainwater harvesting. Security of our onshore and offshore installations is a prime objective towards ensuring the uninterrupted supply of our products and we, along with our state and central agencies, follow a proactive approach on this issue.

The areas where we see opportunities for improvement are in reducing the cost of exploration and production, reducing the energy intensity of our facilities and the use of resources such as water and raw materials. The challenges arise mainly on account of working in matured oil fields, deeper wells and producing from difficult fields. We will strive to reduce the energy, carbon and water footprints of our operations through review and performance monitoring mechanisms over the next 3-5 years.

Our social performance

Our company recognizes employees as its greatest asset and values their contribution to the success of the organisation, while laying special emphasis on their well being and development. Our employees benefit not only from the various excellent employee welfare schemes, but also from the training programmes at our world class institutes.

In engaging with stakeholders, our company is guided by the code of conduct and various organization wide sustainability policies. As an organisation, we value our employees, the Ministry of Petroleum and Natural Gas and other stakeholders such as regulatory agencies, supplier, business partners, non-governmental organizations (NGOs) and the community. In July, 2009, we published our corporate social responsibility (CSR) guidelines in order to pursue our responsibility to society in a structured manner ("Project Approach") and have identified 12 focus areas. The 2009 CSR guidelines define our approach on corporate social responsibility emphasizing transformation of the organisation from "philanthropy" to "stakeholder participation". As per ministry guidelines, during the reporting period (i.e. financial year 2009-10), our yearly CSR budget increased from 0.75% to 2% of our net profit of previous financial year 2008-09.

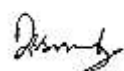
Way forward

Our company has been relentlessly pursuing the objective of sustained energy supplies, while managing the challenges in spiraling cost of services, subsidy burden and growing competition to establish control over energy resources, shortage of skilled manpower and strict environmental standards. While our company is looking for innovative solutions to meet the growing energy demand, our pursuit per se necessitates sustainable practices in the entire gamut of operations.

Our *First Sustainability Report* for 2009-10 based on the GRI G3 marks the commencement of our journey in sustainability reporting and the next step in firming up a sustainable development policy. Through this initiative, we provide a balanced view of our sustainability performance to help re-align our strategy to the key sustainability issues of importance to our company and its key stakeholders.

I encourage all stakeholders to go through this report and would like to thank them for their continued support towards ONGC's commitment to its core business vision. We welcome your feedback to enrich our business strategy and to usher in an era of sustainable development in India for all our stakeholders.

With best compliments to all of our valued stakeholders,



(R. S. Sharma)

Key facts and figures FY 2009-10

21 new domestic discoveries with ultimate reserve accretion of 82.98 MTOE in ONGC operated fields
- highest in 2 decades

Reserve Replacement Ratio of 1.74
- Above 1 for the 5th consecutive year

Improved recovery factor of 15 major fields to 33.5%

Bagged 17 out of 31 blocks in NELP-VIII round, 14 as an operator

Dividend 330%, total payout including dividend tax -INR 82.20 billion

Continues to be a zero debt company

Highest ever net profit -INR 167.68 billion
Up 3.98% over 2008-09

Highest ever Net worth - INR 864.41 billion
Up 11% over 2008-09

ROCE (PBIDT to Capital Employed) -50.9%

Economic Value Added (EVA) – 22.1%
Up 28.5% over 2008-09

Green power generated - 112.54 million unit against target of 100 million unit

Registered CDM project in renewable (51 MW wind power) - 85,762 CER highest in India

Total mandays of training - 1,40,510

Highest ever community investment -INR 2.688 billion
Up 59% over 2008-09

Savings due to technology deployment -INR 1.7 billion

Sustainability- our key risks and opportunities

We have been pursuing the objective of securing and sustaining energy supplies for India while managing the crucial challenges of spiraling cost of services, subsidy burden, growing competition, shortage of skilled manpower and strict environmental standards. We have introspected our internal and external consultative mechanisms to identify the key sustainability issues that underpin our organization. Commencing with this report, we are in the process of establishing a formal procedure of goal setting, governance and management system for effective performance measurement on the key sustainability issues.

Sustainable Production

- Improve the recovery factor of existing assets
- Minimize health, safety and environment impacts and risk of oil spills
- Reduce gas flaring
- Ensure security of our installations
- Expand the portfolio of value multiplier products and marketing activities
- Carbon management and climate change strategy
- Promote sustainable procurement and greening the vendor chain

Sustainable Technology and Field Services

- Enhance productivity through improved maintenance and operations in exploration, production, drilling and well services
- Invest in energy efficiency and environment friendly new technologies
- Explore deployment of alternate and renewable sources of energy

Sustainable Exploration

- Intensify exploration in conventional and difficult oil fields
- Manage rising cost of exploration and rig availability
- Enhance exploration knowledge through R&D and collaboration with the right partners

Sustainable Finance

- Integrating sustainability dimensions in financial decisions

Sustainable Human Resources

- Retain employees for organization success and attainment of vision
- Improved engagement with community through effective community investment and initiatives

Stakeholder engagement

We identify the stakeholders based on the impact of stakeholders on our business and our impact on stakeholders. However at present, we do not have a formalized and documented comprehensive stakeholder engagement process although all key stakeholders are engaged regularly. For example, we engage routinely with our employees who are one of our key stakeholders through processes overseen by Director (HR), CMD and other directors. Similarly vendors and contractors are engaged at different levels on relevant issues. We plan to formalize stakeholder engagement from sustainability risk and opportunity point of view over the next 2-3 years. We have presented our current understanding of material issues and key stakeholders in this report. However, our deeper and more focused consultations in the future would influence this understanding and show us ways and means of inculcating stakeholder viewpoints into our strategy making process.

The key stakeholder groups we identified are employees, contract workers, financial communities, shareholders, self help groups, local communities, NGOs, vendors, research institutes, partner academic Institution, suppliers, customers, and authorities such as Oil Industry Safety Directorate (OISD), Ministry of Petroleum and Natural Gas (MoPNG).

We conduct regular stakeholder consultations, both directly and through group consultation, and in events such as Annual General Meetings, investor meets, vendor meets, employee meetings etc. Our consultations with select stakeholder groups are geared to understand their views on the economic, environmental and social issues.

Apart from the stakeholder consultation conducted as a part of our routine business, we also conducted stakeholder consultations at three locations to learn from them their interest in specific topics for this report as well as their perception on key sustainability issues of importance locally as well as across the organization. For identification of stakeholders, material issues and deriving report content, refer our comprehensive sustainability report at our website <http://www.ongcindia.com/download/Corp%20Sust%20Report/Annexure.pdf>.



ONGC stakeholder meeting at different locations



Strategy & analysis

We continuously work towards adapting our business strategy to align to the growing expectations of our key stakeholders. All our stakeholders, including shareholders, employees, public agencies, partners, suppliers, nearby communities, NGOs and the society in general, have certain expectations from us. Our challenge lies in the ability to listen, converse, understand and, eventually, fulfill these expectations. We depicted how we create value for our organization and our stakeholders in the figure alongside. We have initiated a transformation in our sustainability governance and performance management systems to be able to more formally address stakeholder expectations and this would be reflected in our future reports.

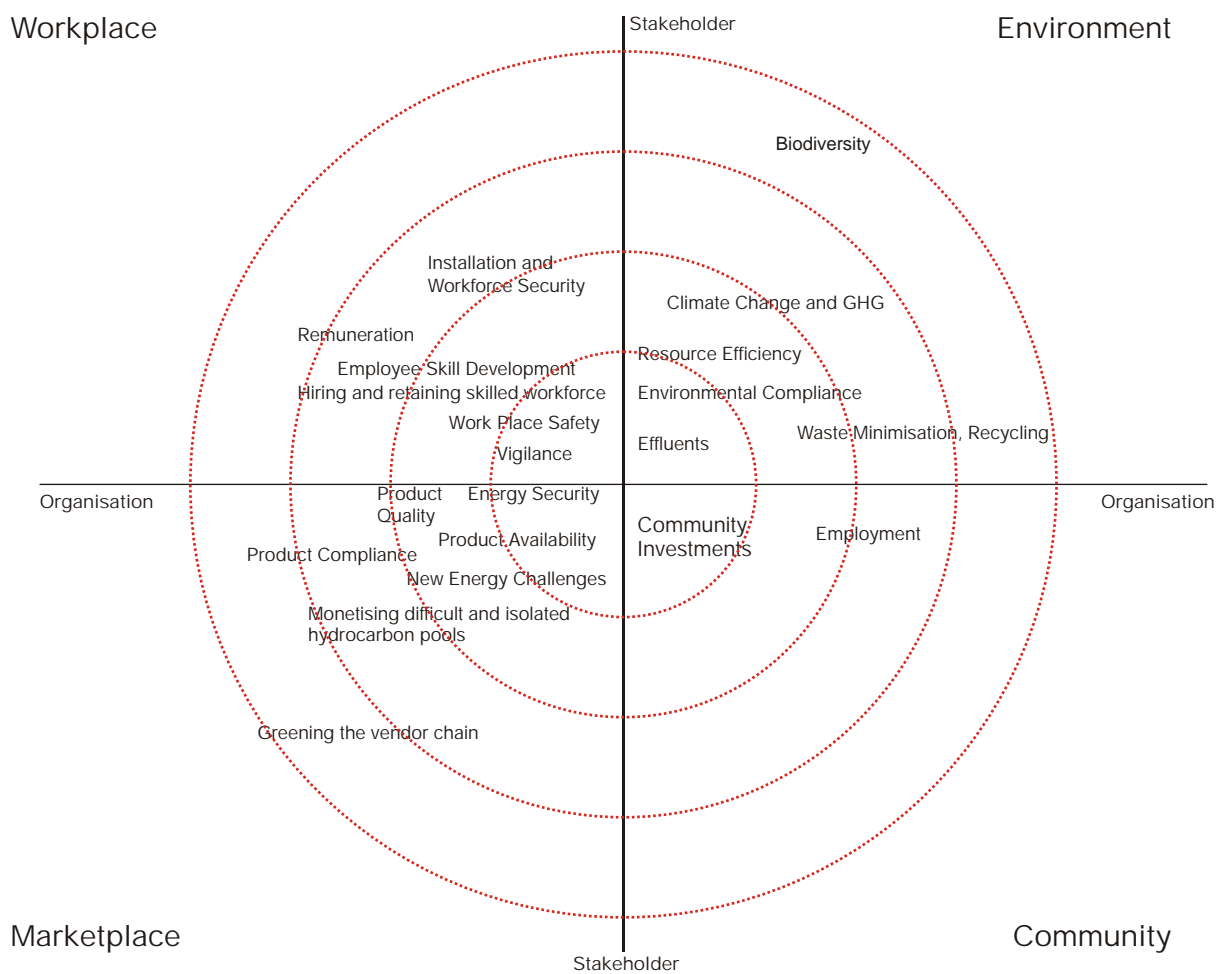
	Exploration	Production	Technology & Field Services
Value for ONGC	<ul style="list-style-type: none"> • Securing reserves • Exploring new and unconventional areas • R&D & collaboration for exploration expertise 	<ul style="list-style-type: none"> • Sustainable production • GHG management • Environmental management • Managing complex, high risk production operations through technology, safe and best practices absorption 	<ul style="list-style-type: none"> • Optimized maintenance and technical services • Synergized field services including drilling and well services • Information Technology competitiveness
Value for ONGC stakeholders	<ul style="list-style-type: none"> • Contribution to nation's energy security and availability 	<ul style="list-style-type: none"> • Safety and health at workplace • Compliance to E & P rules and regulations • Oil spill prevention and response • Value creation for stakeholders • Achieving customer satisfaction 	<ul style="list-style-type: none"> • Resource efficiency

Cross cutting issues

- Ethics and code of conduct
- Employee development
- Security and safety of installations
- Stakeholder engagement
- Social and environmental development metrics – Social impact assessment
- Response to new people challenges – age, skill, diversity, fair and transparent practices

Prioritization of issues

Sustainability Risk Radar



High Importance –Towards the centre
 Low Importance –Outwards from centre

During the process of preparing this report, we have obtained inputs through various capacity building workshops and through our stakeholder engagement exercise at operational sites. The inputs have been collated which have resulted in a high level sustainability issues map, where high priority issues are clustered in the first two concentric circles. This map is a first attempt which provides the relative importance of material sustainability issues. As mentioned, we would formalize a process for sustainability risk and opportunity assessment and prioritization together with our overall corporate risk assessment framework in the next 2-3 years.

Sustainability goals and setting of action plans

Our Board of Directors regularly communicates with the key stakeholders to discuss the strategic matters and sustainability issues are central to the discussion agenda. The issues are translated into long-term, medium-term and short-term action plans consequently.

Long-term action plans: Keeping in mind the above sustainability issues in view, long-term plans related to resource mobilisation, manpower and financials are worked out for business units in a bottom-down approach. Long-term plans are broken down in five years time-frame coinciding with the Five Year Plans of the Govt. of India.

Medium-term action plans: Medium-term action plans are driven by the strategic goals and long-term action plans. Keeping in view the resources, prospectivity of the E&P assets, unit wise five year plans are firmed up and communicated to the Government for integrating the plan with the National five year plan. Mid-course review and suitable corrective measures are deliberated in Asset Review Meetings.

Short-term action plans: ONGC signs a Memorandum of Understanding (MOU) with the administrative ministry-Ministry of Petroleum and Natural Gas (MOP&NG) every year. This MOU sets the financial, operational and enterprise specific efficiency targets related to management of the organization in quantitative terms. Each of the business units firms up its respective targets which are moderated keeping in view the medium/ long-term plans. The short term action plan is deliberated in the Executive Committee (EC) comprising CMD and the functional Directors. The EC recommends the short-term action plan to the Board of Directors for approval. From 2010-11 (next reporting period), this MOU will also evaluate our performance specifically on sustainability development.

Performance governing mechanism: We have a well defined system of 'Performance Contracts' that are agreed between the key executives with their respective Directors where clear and measurable Key Performance Indicators (KPIs) and Key-Result Areas (KRAs) are identified. We have Service Level Agreements with our service providers with a robust mechanism for performance measurement and monitoring.

	MOU targets with respective performance levels for FY 2010-11
Sustainable Production	Average cost of production (US\$/BBLOE) – 14.84 No of HSE audits (installations) – 200 No of surveillance audits for sustaining ISO/OSHAS accreditation (installations) – 365 No of registered CDM projects – 2 GHG accounting (installations) – 59
Sustainable Technology and Field Services	Productivity per employee (BOE/employee) – 11285 No of Technical audits (equipments/systems) – 470
Sustainable Exploration	Reserve accretion 3P (MTOE) – 76.9 Average finding cost (US\$/BBLOE) – 3.92 No of R & D projects – 7
Sustainable Finance	Economic Value Added (EVA) – 20.29
Sustainable Human Resources	Training man days - 85000 HR initiatives – coaching and mentoring, HR audit, engagement survey



Insights on performance Director (Onshore)

A K Hazarika

Onshore Production refers to production from inland assets, which has its unique characteristics and challenges. In the current scenario, it is crucial to maintain the recovery of oil and gas and ensure productivity from existing fields with necessary safety measures. Improved production systems (including improvement in the recovery factor), optimum recovery of flared gas and carbon management are some of the pivotal areas, that have been taken up on priority.

Improving the recovery factor of existing assets

At present, nearly, 70% of the oil production comes from mature fields. These fields are likely to have a decline in production rate, since they have been operational for a significant period of time. The major challenge is to overcome the natural decline of the 25-30 year old fields while improving energy and resource efficiency. In line with our strategic goals, we have been successful in attaining enhanced and improved oil recovery from our mature fields. As against a global norm of 7-8 percent crude oil production decline rate from such mature fields, we have been able to maintain the annual decline rate at 2% during the reporting period.

Sustained production can be achieved through an integrated approach. This includes adopting modern technology, partnering with internationally acclaimed experts for providing world class services and work practices and taking field specific initiatives to enhance production. We have invested more than INR 209.44 billion since 2001 in 21 Increased Oil Recovery and Enhanced Oil Recovery (IOR & EOR) and redevelopment projects across our assets (14 have been completed and 7 are under implementation). The incremental gain from the projects has been 7.97 million metric tons during the reporting year leading to a cumulative gain of 56 million metric tons since inception.

"As our well charted strategy, we implemented Increased Oil Recovery and Enhanced Oil Recovery schemes that have ensured sustained supply of Oil and Gas."



ONGC's onshore operations: Delivering environmentally conscious energy security

"We have been investing in sustainable sources of energy and are working towards achieving our long term goal of Carbon Neutrality. Our pursuit of carbon management have resulted in a number of registered Clean Development Mechanism (CDM) projects under the Kyoto Protocol. We shall keep pursuing more projects as we explore newer and better ways of reducing our emissions."

Reduction of gas flaring from onshore assets

Reducing gas flaring continues to be a priority for us. Barring the necessary technical flaring, we strive to achieve zero flaring in our operational facilities. Hence, we keep on investing in creating infrastructure such as compression facilities and pipelines, specialized technological interventions and direct marketing of isolated low volume and low pressure gas. Our efforts have helped in bringing down flaring at onshore assets by 18.9% from 0.244 MMSCMD in 2008-09 to 0.198 MMSCMD during the reporting year 2009-10.

Carbon management and climate change strategy

We have taken several steps in carbon management towards mitigation of climate change. Our initiatives in "Methane to Market", an international initiative aimed for cost effective recovery of methane emitted from industrial facilities and its usage as a fuel, have received accolades from global partners. Other initiatives in energy efficient buildings and renewable energy have not only trimmed down costs and enhanced revenues, but has also helped in bringing about a strong perception on the need for saving energy. We expect that our corporate vision to attain carbon neutrality will have a long term positive impact on all the stakeholders contributing to climate change mitigation and sustainable development. We have registered six CDM projects with UNFCCC and are working towards establishing our corporate wide carbon footprint and developing a blue print for carbon neutrality.

Our corporate policy on "greening the vendor chain", a sustainability supply chain initiative, is focused at intensifying awareness on climate change amongst vendors and influencing their investment decisions to implement cleaner technology.

Water management

Water is an important sustainability issue. As a responsible organization, we are taking steps to reduce and optimize water consumption. We have reduced fresh water consumption in our exploration activities, by adopting initiatives such as treatment of drill site waste water from the waste pit through mobile effluent treatment plants recycling and reusing the treated wastewater for various drilling activities including in mud preparation. We endeavor to undertake exhaustive water consumption studies followed by operation and location specific technical interventions for water management and work towards bringing out an organization specific water policy in the next 2-3 years.



Bonding at work

"We adopted a corporate policy on greening the vendor chain in 2009-10"

Health, safety and environment (HSE) impacts

We have introduced a structured and documented process of mapping environmental, occupational health and safety risks by developing and implementing an integrated management system that fulfils the requirements of the relevant quality, environment and safety standards. During the reporting year, all installations have been certified against ISO-14001 & OHSAS-18001 systems. In what can be termed as first of its kind achievement in the country, our Uran Processing plant has been rated at the highest safety level against Integrated Safety Rating System (ISRS). Procedures and blueprints have been put in place to achieve continual improvement including reduction in adverse environmental impacts and mitigation of occupational health and safety risks. A surveillance audit of 402 locations was also taken up for sustaining the internal quality, health and safety management systems.

We strive to eliminate operational disruptions and accidents by ensuring safety of our personnel and equipment. We accord top priority to identification and evaluation of safety and environmental risks for each and every project. All our projects are undertaken only after obtaining environmental clearance from the relevant authorities. ONGC is taking steps towards minimizing its environmental impacts by disposal of waste and effluents in an environmentally sound manner. In the reporting period, we spent INR 4376.5 million on environment related activities. Further, care is taken to see that people in the areas surrounding our operations are able to earn their livelihood without adverse impacts. All major incidents are investigated and the cause and key findings of the investigations are circulated for compliance in similar installations. Safety alerts are displayed on our internal health safety network for wider dissemination.

Sustainable procurement and greening the vendor chain

We deal with a large number of suppliers for a wide array of goods and services. Over the years, we have taken a number of policy initiatives to promote transparency, simplification of procedures and greening the vendor chain. Our corporate policy on greening vendor chain will help inculcate cleaner production and encourage carbon consciousness in our vendors and suppliers. We propose to assess our life cycle footprint through engaging with vendors and equipment suppliers. Also we are the first signatory in India to the 'Integrity Pact', a tool by Transparency International to mutually enhance transparency with suppliers. Innovative procurement techniques that have helped in providing a transparent and simplified supplier engagement system include e-procurement, and publication of tenders on ONGC's tender website. With these initiatives, we strive to proceed on our sustainability venture.



At ONGC, it is "Safety first"
- Safety drill in progress at site



Insights on performance Director (Offshore)

Sudhir Vasudeva

We commenced our offshore venture in March 1970. With the first oil discovery in the Miocene limestone reservoir of Mumbai High field in February 1974, we put India on the global hydrocarbon map.

Some of the critical issues faced by us are the higher lead-time in monetization of accretion, especially in deep waters, limited availability of deepwater resources including expert specialist contractors resulting in higher costs.

For sustaining and augmenting oil production, we have decided to develop marginal fields discovered in last three decades where production was postponed due to various technological and economical reasons.

In the offshore operations, we have initiated several projects for flare reduction and have developed a comprehensive knowledge base on this subject. Under the 'Methane to Markets' program, we installed low pressure compressors at Neelam and Heera process complexes which would help recover about 62,000 SCMD at each of these process complexes. We are also implementing tank vent recovery from intermediate storage tanks at our Uran gas processing plant, where recovery of around 20,800 cubic meters of gas per day is estimated.

Security stands as the paramount concern for our offshore installations. The onus of security of our offshore installations preponderantly lies on the shoulders of the Indian Coast Guard and the Indian Navy. We conduct regular briefing and sensitization of Offshore Installation Managers (OIMs) on offshore security threats and an exchange of intelligence maintained regularly with the Indian Navy, Coast Guard and other security agencies. Offshore Contingency exercises and drills are conducted periodically in all locations. With a view to further strengthening security, we have planned an adequacy assessment through reputed agencies specializing in security.



An offshore production facility in Mumbai High



Fire-drill by a Multipurpose Support Vessel (MSV) at offshore

“ONGC has many technological innovations to its credit. We are targeting to deliver India’s first deep water oil and gas production by 2012 from remotely controlled smart well technology. As a first time in the history of oil industry, we are carrying out open water wire line logging at a water-depth of more than 3000 meters. This has encouraged us to take bold steps in expediting exploration efforts in the recent VIIIth round of NELP bidding where we participated in deep sea blocks.”



Work is a precious balance between courage and caution at ONGC



A busy day in the life of an ONGCian working at offshore



Attentive fire fighting men at offshore during helicopter operation

We are conscious of the extreme and unpredictable conditions that we operate in. The recent unfortunate incident of oil spill internationally, bolsters our resolve to strengthen our processes, technology and human resources to meet the challenges of operating in some of the most hostile environments. We realize the importance of retaining the integrity of our production infrastructure in order to obviate situations leading to oil spillage in offshore operations that are usually accompanied with serious damage to life and property, besides disruption of operations.

We are well equipped with necessary resources to handle oil spills up to 700 metric tonnes in offshore operational areas. The Regional Contingency Plan of ONGC is linked to National Oil Spill Disaster Contingency Plan (NOS-DCP) of Coast Guard for combating major oil spills. Moreover, for combating oil spills of higher magnitude, ONGC has taken the membership of Oil Spill Response Limited (OSRL), UK. We bring together participating oil companies untidily to combat oil spills in the Mumbai Port area.



Insights on performance Director (Technical & Field Services)

U N Bose

"Technology and Field Services" constitutes core services such as drilling services (drilling, cementing and mud engineering), well services (work-over, well completion and testing and well stimulation), technical services, and providing information and communication technology support to all our activities. The foremost responsibility in Technology and Field services is to update the organizational competency by continuous induction of state-of-the-art technology for E&P operations.

Energy efficiency & environment friendly technology

The introduction of environment friendly and energy efficient technologies led to an estimated savings of INR 1.7 billion during the reporting period. Some of the major initiatives taken up by the various arms of the field services are as follows:

- Minimizing the impact on environment from drilling operations - Pollution at drill sites is a critical sustainability issue for us. In 23 onland sites, we have installed effluent treatment plants to treat water for recycle and reuse. We continuously strive to develop environmental friendly chemicals for use in drilling mud systems. All the drilling fluid systems used in drilling operations belong to "Non Toxic grade" and conforms to MOEF guidelines as well as our mission of abiding commitment to Health, Safety and Environment to enrich quality of community life.
e.g - we have developed two eco-friendly mud systems at IDT, Dehradun in the reporting period, which is used in our drilling operation.
 - ✓ Amine (Chlorine Chloride) base high performance water base mud system
 - ✓ Eco-friendly defoamer

An in-depth study on the feasibility of applying drill cuttings in construction of approach roads at operational sites has been taken up by us. Through the findings of the study, we hope to provide a lasting solution to the problem of disposal of drill cuttings in secured landfills. This would be a double benefit in terms of saving on cost as well as precious land resources.

- Energy efficiency at drill sites – We have replaced more than 100 engines on drilling rigs with new generation fuel efficient engines. This has significantly reduced the fuel consumption in these operations (average fuel savings of 28 liters/ hr/ engine).
- Energy efficient lighting - As part of our policy on the replacement of inefficient lighting system at installations and townships, we installed more than 5000 Compact Fluorescent Lamps.



Work in harmony with nature and community



ONGCians at work on drilling rig

- Energy efficiency awareness - Under this unique initiative of creating awareness among our employees on energy conservation, a total of 18350 executives, which is more than 50% of our total workforce, have been trained through custom designed programs on energy conservation by Petroleum Conservation Research Association (PCRA).

Alternate sources of energy through research and development

We have forayed into the areas of unconventional energy sources like coal bed methane (CBM), underground coal gasification (UCG), gas hydrates, shale gas, etc. In the area of renewable energy, we are driving large scale development of renewable energy sources like wind and solar energy. Our first wind power generation plant of 51 MW has been commissioned during the reporting period. The generated power from this wind power project is being wheeled to around 101 ONGC locations in the State of Gujarat. More than 160 million units of electricity have been generated from this project. We have also installed Solar Water Heating Systems at our facilities leading to electrical saving of around 5,60,000 units annually.

"We have plans to install another 100 MW of wind power"

"Our energy policy advocates energy conservation, development of alternate sources of energy and promotes the conservation of oil. We have established management systems that incorporate efficiency improvements and emission reduction into routine business."



Hon'ble Prime Minister laid the foundation stone of Rajiv Gandhi Urja Bhavan – an energy efficient green building of ONGC

Enhancing productivity & maintenance in exploration and production operations

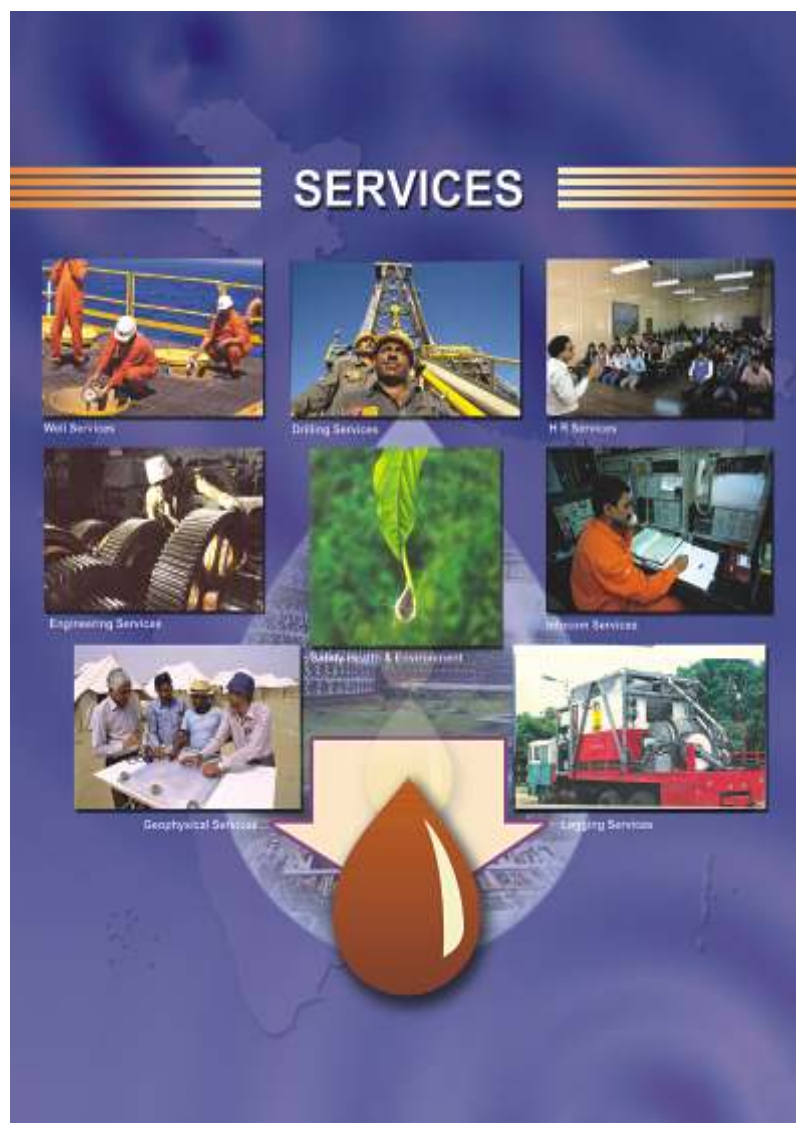
We operate in highly challenging geological terrain and sub-surface environment. This requires expensive and high level of technological inputs for the identification of the prospective areas. With the recent spurt in exploratory activities, we face a major challenge in sourcing and mobilization of more drilling rigs and their efficient utilization. Several new tools and procedures are being adopted to optimize drilling as well as well testing time. In onshore locations, the practice of testing wells by deploying work over rigs has been adopted which saves precious time for drilling rigs.

Our Project IMPETUS (implementation of maintenance and procurement effort through upgraded system) is an unique initiative that will facilitate the deployment of world class maintenance practices. Digitized maintenance plans, online tracking of maintenance and resource planning are key to reliable performance and reducing downtimes.

The Production and Revenue Accounting module of SAP has been launched that allows the mapping of every well in the system and hence revenue can be attributed each well. This would enable a model to be designed for optimum production.

We continue to invest in enhancing our IT infrastructure.

- Project EPINET (Exploration and Production Information Network) has been implemented with assistance from Schlumberger for capturing and integrating technical data pertaining to wells and reservoirs.



ONGC's various services

- Project ICE (Information consolidation for efficiency) – Enterprise Resource Planning (based on SAP system) has been implemented all across the business activities and organization.
- Project SCADA (Supervisory control and data acquisitions) is being implemented enterprise wide to capture the drilling and production parameters.
- Five “Virtual reality centres” (Third eye) have been set up for improving drilling and engineering performance with online monitoring and connectivity of rig.
- Project Vessel and Air Traffic Management System (VATMS) is expected to help in effective management of offshore logistics fleet.

Amongst other process improvement initiatives with a view to reduce energy and carbon footprint, we are promoting video conferencing extensively. More than 50 key executive meetings have been organized using multi party video conferencing system during the reporting period. Video Conferencing has become an indispensable tool for business communication and it saves significant expenditure on travel, carbon emissions and key executives' time.



Insights on performance Director (Exploration)

D K Pande

The objective of an E&P company is to find oil and gas in commercial quantities and to produce it in such a way so as to provide maximum return on the capital employed. Though exploration of oil and gas is a risky business where inputs are deterministic but the output is probabilistic, it is a vital service towards fulfilling the energy needs of our nation. We have been in the E&P business for more than five decades. Our steady performance in reserve accretion was a result of judicious planning and use of high end technology that has led to present reserves of 1174.92 MTOE (excluding JV's and overseas assets). During these years, we have also brought six of the seven basins on the hydrocarbon map of India.

Intensified exploration in conventional and difficult fields

Exploration has become increasingly challenging with the easier-to-find oil fields already been discovered. We have embarked upon a three-pronged Exploration Strategy: (i) intensive exploration in the proven areas to achieve field growth, (ii) extensive exploration to fan out in the thrust areas and unconventional resources, and (iii) knowledge building through alliance with global majors in the areas where success has been elusive.

During the reporting period, we have made 21 discoveries which include 11 new prospects (1 deep water, 3 shallow water and 7 onshore) and 10 new pools. In the latest round of bidding under NELP-VIII, we have been awarded 17 (14 as operator) of the 31 blocks awarded. We participated in all eight NELP rounds and were awarded the highest number - 121 out of 242 of bid blocks (50% of the blocks).

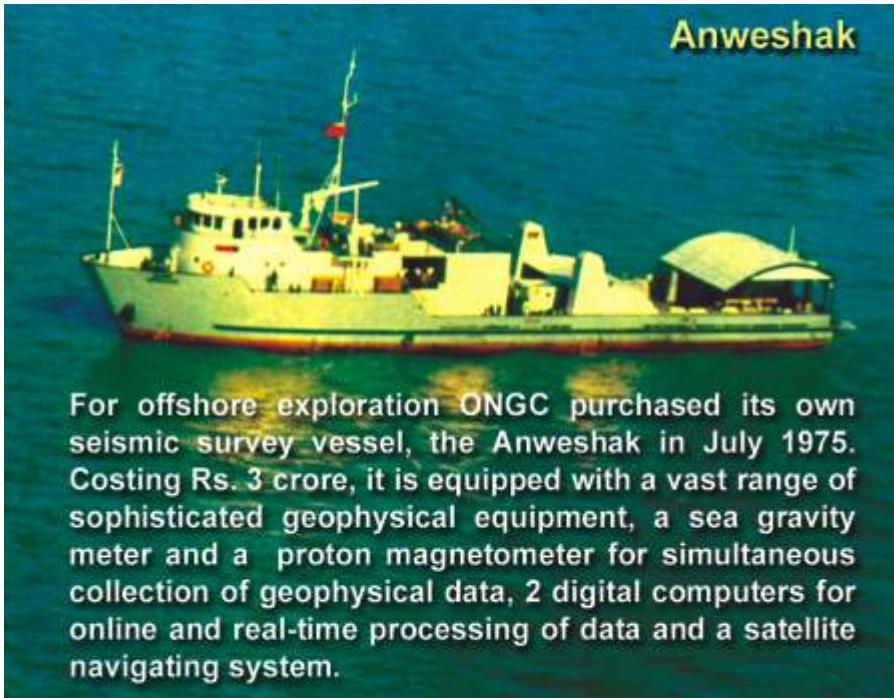
Rising cost of exploration

With most of the easily accessible and low risk areas being explored and discovered, the future exploration has to progress in logistically difficult and relatively less known terrains including frontier areas, basins and deepwater areas. As mentioned, we are playing a pioneering role in deepwater oil and gas projects which are some of the most challenging E&P endeavors.

Technology is the key driver in managing the rising cost of exploration. We have a three-pronged strategy on bringing in the state-of-the-art technology: (i) pilot testing the new technology before field scale implementation to test its efficacy, (ii) adoption of globally proven technology, and (iii) collaborating with global majors who have successfully tested the technology. These technologies are capital intensive but are required to reduce the uncertainties involved in unknown and logistically difficult terrains. Benefits in terms of reducing exploration risk through better imaging already acquired through adoption of some of these technologies have been much higher than the expenditure made. We have also ensured



Activities during the early stages in exploration



For offshore exploration ONGC purchased its own seismic survey vessel, the Anweshak in July 1975. Costing Rs. 3 crore, it is equipped with a vast range of sophisticated geophysical equipment, a sea gravity meter and a proton magnetometer for simultaneous collection of geophysical data, 2 digital computers for online and real-time processing of data and a satellite navigating system.

Enhance exploration knowledge through R&D and collaboration with right partners

We have twelve research institutes spread across the country. Over the past fifty four years, our R&D initiatives have resulted in development of many petroleum technologies which have supported the development of Indian oil exploration sector. We have invested around 0.3% of the total turnover on R&D. This includes expenditure on R&D at its research institutes, acquisition of geo-scientific knowledge in frontier areas and expenditure on usage of new techniques and equipment.

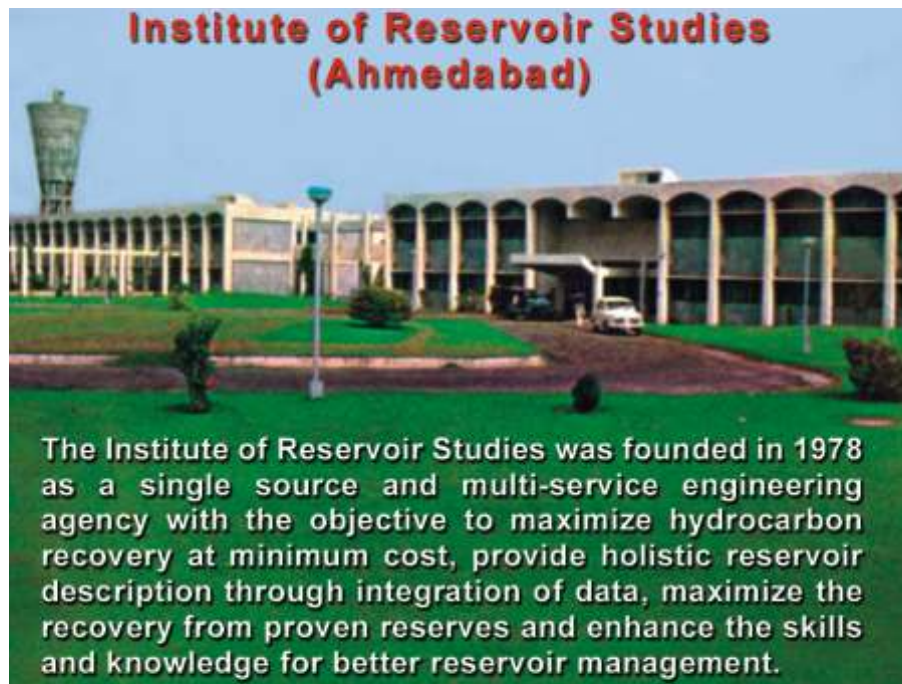
Our research thrust is presently focused on incremental technological innovations in

existing processing and production technologies. Exploration technologies are mostly being acquired and inducted through the mechanism of technological diffusion.

Potential of unconventional gas has been well acknowledged by the world. R&D efforts in exploration and production of shale gas are expected to be in focus during the coming decade. We are associated with the natural gas hydrate program which is being spearheaded by the Directorate General Hydrocarbons.

Apart from in-house research in the areas of exploration, reservoir management and production of hydrocarbons, the

twelve research Institutes work in a collaborative manner to exploit the collective wisdom and synergize in mapping and bridging technology gaps. We have also established long term technological research relationships with research institutions like Indian Institute of Sciences, CSIR Labs, Indian Institutes of Technology and other leading National and International universities.



The Institute of Reservoir Studies was founded in 1978 as a single source and multi-service engineering agency with the objective to maximize hydrocarbon recovery at minimum cost, provide holistic reservoir description through integration of data, maximize the recovery from proven reserves and enhance the skills and knowledge for better reservoir management.



Insights on performance Director (Finance)

D K Sarraf

Financial excellence is one of the three pillars of sustainability. During the reporting period, we have been able to maintain production levels and accrete record hydrocarbon reserves. Faced with the natural decline in existing fields, we undertook various enhanced oil recovery schemes, which we have been systematically implementing since 2001. It has always been our endeavor to expeditiously develop discovered fields. Between 2003 and 2010, 58 out of 134 discoveries have already been brought on-stream. Accelerated development and production for the remaining discovered fields has also been launched.

Capital investments

We intend to maintain the momentum for exploratory and development efforts. Out of total XI Plan (2007-12) outlay of INR 1,300.43 billion, INR 717.95 billion (55%) has been earmarked for domestic E&P operations; INR 453.33 billion (35%) for overseas E&P operations and balance INR 129.15 billion (10%) for value-integration projects. We have already invested INR 630.7 billion (i.e., about 83% of the total plan outlay) in the first three years of XIth Five Year Plan in domestic E&P.

We have planned to monetize idle gas and are in the process of executing a unique "gas to wire" project of 726 MW that is scheduled to be completed by 2012 in the state of Tripura for utilizing the gas discovered by us. This project being executed through a joint venture is expected to promote further development of the North-East region.

Internal control systems

During the reporting period, a well defined Internal Control Framework has been developed identifying key controls and supervision of operational efficiency of designed key controls by domain experts in consultation with internal audit function. This framework is presently under implementation phase through SAP Governance Risk and Compliance module and is aimed at providing elaborate system of checks and balances based on self assessment as well as audit of controls conducted by Internal Audit at process level. The system will facilitate identification of gaps under design or operational phase.

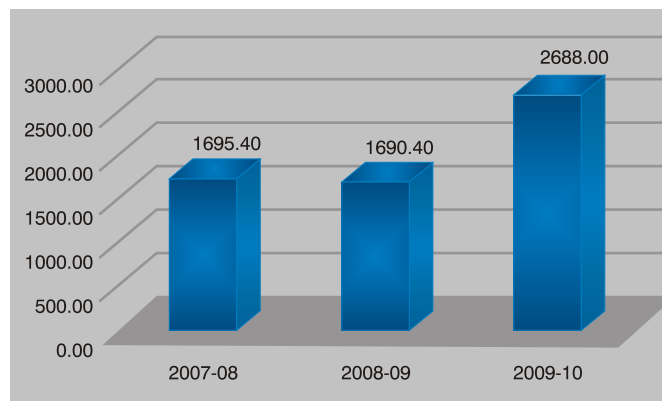
Impetus to corporate governance

In December 2009, we launched a whistle blower policy in place which brings further comfort to governance mechanism. We have a proactive approach towards having preventive vigilance for our organization. We are also in the process of formulating a fraud prevention policy and risk register in consultation with an external agency which will help the company in prevention of fraud and mitigation of risk associated with day-to-day activities.

"Oil and gas production ushers in an era of growth, many core sector industries like power, fertiliser and transport, thrive as a natural consequence of the oil and gas availability."

Increase of funds allocated for corporate social responsibility projects

We have incurred an expenditure of INR 2688 million (83.34 % of budgeted CSR fund allocation) for the various CSR projects in requirement with government guidelines, thereby playing an important role in strengthening the fabric of society. We are moving from "Philanthropy" to "Stakeholder participation" model with a project approach for CSR activities. The CSR budget allocation is non-lapsable and thus the unspent amount will roll over as part of the successive years CSR budget. Major CSR projects are spread over a number of years and thus our community investments will increase significantly over the years.



CSR expenditure (INR in million)



A community children's training centre funded by ONGC



Insights on performance Director (Human Resource)

A K Balyan

The seed of sustainability is sown within the organization by nurturing a healthy and happy team. We presently employ 32826 people and consider them the prime source which sustains its operations and drives its growth. We live up to the onus of developing and retaining employees who propel organizational success, by sharing a common vision and acknowledging their immense contribution.

Three fourths of our employees are executives with specialized skills. This is necessary for a knowledge organization, where the importance of skills and competencies are accentuated. This special character of our workforce is a competitive edge as it presents the opportunity for outsourcing in low technology areas of work and allows us to focus on building and nurturing core competencies.

Our initiatives on sustainability issues in human resources are as follows:

Strategy for having the right employee age profile

Many of our employees (about 21% of our executives) will be reaching their retirement age soon and we are working on a retirement succession plan. This plan would ensure a smooth transition to deploy manpower resources and skills. The aggressive workforce induction at the entry level (about 25 years age) will continue to be pursued at least for next 10 years. This will help to realign the age profile of our employees.

To maintain the correct age balance for field operations, we have embarked upon the innovative "tenure base" engagement policy. This scheme requires successive short (4 years) tenure engagement of workers up to the age of 45. We have 1700 tenure based workers engaged in the area of field operations that have not only reduced the age profile considerably, but have also helped raise operational efficiency.

We have taken several employee retention measures which has led to a decrease in the attrition rate. We are taking this a step further and have recently launched an initiative to bring back our separated employees.

Diversity and equal opportunity

We ensure that all individuals are accorded equal opportunities to develop knowledge, skills and competencies that are relevant to the job, he or she performs. We recruit employees with diverse background covering SC, ST, and OBC, minorities as well as those who are specially challenged. Gender equality is one area where we have stressed upon leading to strict compliance with the law relating to equal remuneration. Women representation as part of the work force in the Indian E&P industry is inherently low. We have 6.1% women representation in our organisation, across all hierarchical levels covering major disciplines in technical and non-technical areas. We have evolved a working environment that is devoid of gender discrimination or bias. Other gender supportive and nurturing initiatives include focused training and development programs for women and the setting up of the Women Development Forum.

Employee training and development

Our main training objective is to have sufficiently and adequately proficient manpower – an essential requirement for sustainable growth. Knowledgeable and experienced employees are our biggest asset. We have a number of world-class training institutes, such as the ONGC Academy, Dehradun, The School of Maintenance Practices, the Well Control School and Institute of Petroleum Safety Health and Environment Management (IPSHEM), Goa. We also extend collaboration with premier Indian and international institutes for the benefit of our employees.

A new approach to corporate social responsibility

In July, 2009, we published our CSR guidelines to pursue our responsibility to society in a structured manner. Earlier, CSR activities were carried out as per the corporate citizenship policy which was formulated in 2006. The 2009 guidelines define our role on corporate social responsibility emphasizing transformation of the organization from “philanthropy” to “stakeholder participation”. Our corporate social responsibility is rooted in sustainable and inclusive growth for all our key stakeholders. The guidelines further stresses on the “project approach” of meeting societal objectives and stresses on impact measurement as well as a new system of accounting and reporting on CSR spend through the SAP system.

The expenditure under the CSR activities are envisaged in the following sectors such as healthcare, education, community development, promotion of sports, art and culture, sponsorship of seminar and conference and calamity relief. This expenditure has enhanced over the years. The total CSR expenditure was INR 2688 million in the reporting period 2009-10 (which is 59% more than that in previous reporting period). We are a leader in advocating and implementing Corporate Social Responsibility initiatives including infrastructure investment for the community around all our work centers. Our employees play an important role in making these initiatives deliver results.

The 2009 CSR guidelines define our role on corporate social responsibility emphasizing transformation of the organization from “philanthropy” to “stakeholder participation”.



Community first: A CSR initiative for the Chanderi weaver community



ONGC and community- a continuing dialogue towards improving community relations

Recognition to our company



ONGC is awarded SCOPE Award



ONGC is awarded FICCI triple bottom line award for exemplary performance

Corporate awards

- The best overall performance award amongst the Indian upstream Sector Oil Companies for the oil and gas conservation programmes during the year 2009.
- FICCI annual award on Triple Impact Business Performance Social & Environmental Action and Globalization for outstanding performance in 2008-09 (award given in 2009).
- The Gold Trophy for SCOPE meritorious award for Corporate Social Responsibility & Responsiveness for the year 2007-08 and Gold Trophy for R&D, Technology Development & Innovation for the year 2008-09.
- Four National Safety Awards in Oil Mines Category for year 2007 (awards given in 2009).
- ONGC and MRPL have won six Oil Industry Safety Awards' for the year 2008-09, instituted by Oil Industry Safety Directorate (OISD), MoP&NG.
- Golden Peacock Award for Excellence in Corporate Governance for 2009 instituted by the World Council of Corporate Governance, London.
- 5th BML Munjal Award for Excellence in Learning & Development in Public Sector category.
- DSIJ - PSU awards 2010, for excellent overall performance in the category of Heavy Weights and for highest market capitalization amongst PSU's in the category of wealth builders.
- Petroleum Ministers Trophy for the seventh time in a row for the highest contribution from its sports person who excelled in various games. 48 sports person from ONGC were awarded for the year 2008-09 for their outstanding performance in International / National performance.
- Amity Leadership for Business Excellence award for leveraging IT in Oil & Gas Sector instituted by the Amity University.
- Delhi Green Award as a part of the regional excellence series initiated by Planman Media titled 'The Sunday Indian Mega Excellence Awards 2009, Delhi and NCR'.

Awards to business units

- Hazira Plant received the prestigious "Commendation for Strong Commitment" among independent units for the year 2009 at the CII - ITC Sustainability Awards presentation ceremony.
- Keshava Deva Malaviya Institute of Petroleum Exploration KDMIPE was awarded first prize for Energy Conservation from Uttarakhand State Energy Conservation Award-2009 under the category of Office Buildings and Educational Institute.
- Cauvery Asset, Kariakal of ONGC has been awarded INR 0.5 million and Citation by the Government of Tamil Nadu for its valuable contribution towards CSR during the year 2007-08. (Awarded in October 2009).
- Prashansa Patra by National Safety Council (NSCI) to under construction C2-C3 Plant of ONGC.

Awards to individuals

- CMD Mr. R.S. Sharma has been conferred 'Amity Leadership Award for Corporate Excellence in the Oil & Gas Industry' by Amity Business School.
- Two ONGCians, ace athlete, Ms. Sinimole Paulose and eminent Cricketer Mr. Gautam Gambhir have been bestowed the Arjuna Award, (highest civilian award to an Indian) announced on 28th July 2009.
- Three ONGCians have been bestowed the prestigious "Fire Service Medal for Meritorious Service" by the Government of India on the occasion of Independence Day 2009.



We carry the flame of knowledge,
 ideas and energy, A flame that shines on
 technologies for growth,
 and opportunities for tomorrow.
 A flame that leads the way,
 and enriches the quality of life.
 A flame that touches every Indian, everyday.
 It's a flame for making tomorrow brighter.

Our sustainable development highlights in FY 2009-10

We are embedding sustainability in all our activities. Below are some of our accomplishments in FY 2009-10 and some of the indicators enabling us to value our performance in matters such as transparency, creating value for stakeholders and our respect for the environment.



Renewable energy
ONGC has set up a 51 MW wind power project in the state of Gujarat and is further examining feasibility of setting up wind farms of additional 100 MW by March, 2011.

Bio-remediation site at Area II, GGS II, Kalol, Ahmedabad Asset.



Before After

Bio-remediation
ONGC has formed a joint venture with The Energy Resources Institute (TERI) to form ONGC-TERI Biotechnology Limited (OBTL). We have completed treatment of 31361.4 MT of oily Sludge through this bioremediation technology in the reporting period.



New energy opportunities
ONGC has taken initiatives to tap alternate & unconventional energy sources. For details on performance, please refer to section 'New energy opportunities'.



Climate change
We remain committed to our objective of substantial reduction of GHGs and have registered two CDM projects in 2009. We have completed GHG accounting pilot for 9 representative installations.



Sustainable procurement
Transparency being the most important aspect of procurement is assured through Optimal Use of IT, e-procurement, and introduction of integrity pact in tenders. We also formulated a policy on greening of vendor chain.



Recognition
Recognition at national and international forums for Sustainable performance and community development in 2009 (for details, please refer to our section on 'Recognition to our company').

Our company is an Indian State Enterprise, integrated oil & gas corporate backed by highly skilled workforce having in-house capability in all aspects of oil and gas business.



Health and safety

Our goal is an accident free and healthy workplace. Since 2006, we have started advanced state-of-the-art Helicopter Underwater Escape Training (HUET).



Corporate social responsibility

Enhanced CSR fund allocation from 0.75% to 2% of net profit for the various CSR projects. The 2009 CSR guidelines define ONGC's role on corporate social responsibility emphasizing transformation of the organization from "Philanthropy" to "stakeholder participation".



Preventive vigilance

High priority function to ensure its commitment to fair dealings throughout the business and ensuring employee code of conduct.



Environmental management

In 2009, all installations retained their certification against ISO14001, OSHAS 18001 & ISO 9001. 39 of our installations are also certified under International Safety Rating System (ISRS). We also came up with a rainwater harvesting policy for all our facilities.



Security

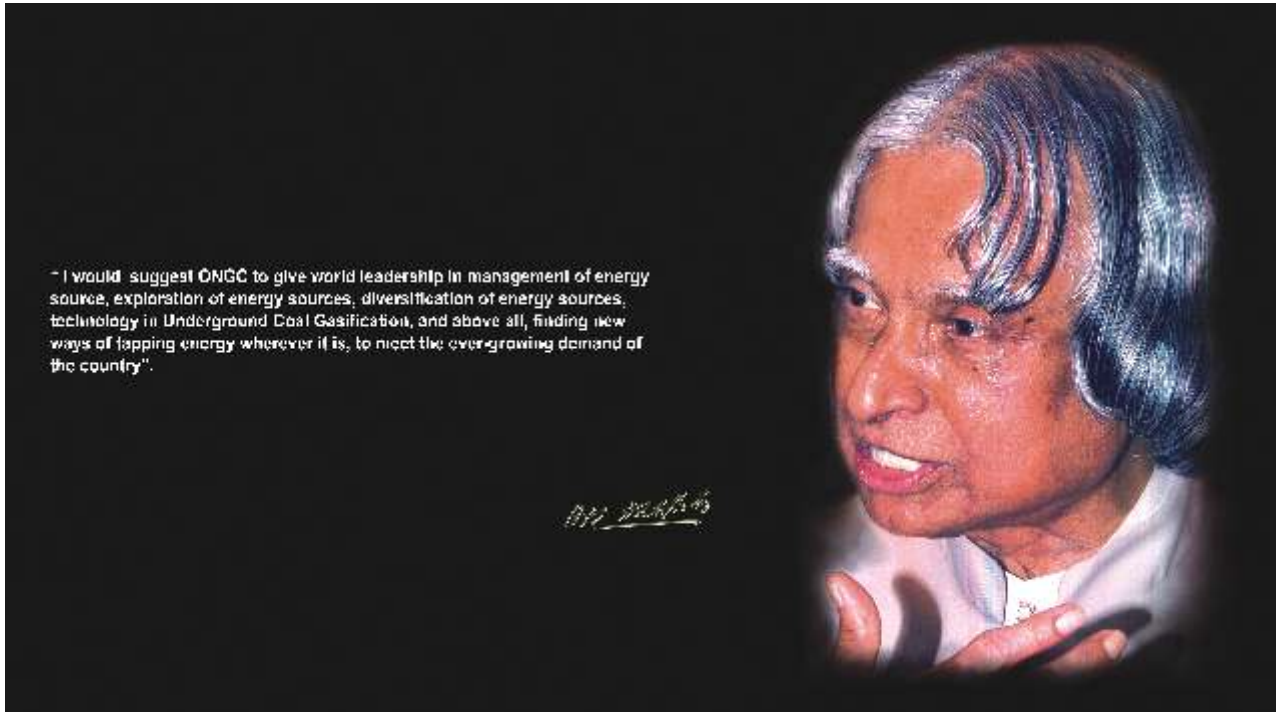
Given the strategic importance of our locations, a well equipped security system has been set in place for offshore and onshore operations. We have implemented smart cards and CCTV monitoring in our offshore locations and processing plants.



People management

We offer a top notch workplace ambience and multiple benefits to our workforce. We have taken several employee retention measures which has garnered more loyal and long-lasting employees' retention in the organization. Please refer to section 'Developing and nurturing our workforce' for more details.

Managing the future of oil and gas - A new vision



An ONGC drilling rig in operation at offshore

Corporate governance

ONGC's philosophy on corporate governance is motivated by a strong emphasis on human values, individual dignity and adherence to honest, ethical and professional conduct. The management and employees of ONGC are committed to the core values of transparency, integrity, honesty and accountability.

Various committees

- Audits & Ethics Committee
- Remuneration Committee
- Shareholders/ Investors' Grievance Committee
- Human Resources Committee
- Project appraisal Committee
- Health, Safety & Environment Committee
- Financial Management Committee

For comprehensive details, please view our annual report available at our website
http://www.ongcindia.com/download/AnnualReports/Annual_Report_200910.pdf

Important Links:

- Corporate Governance - A Description of the composition and the exact tasks of each of the committees can be found in our Corporate Governance Report
http://www.ongcindia.com/download/CorporateGov/Corporate_Governance_Report_2008_09_final_as_crtfd.pdf
- Code of Conduct- http://www.ongcindia.com/investor_centre/code_of_conduct.pdf

ONGC's Board of Directors formulates strategies and policies. The Board of Directors is the highest governance body of ONGC and is headed by Chairman and Managing Director as mandated by the concerned ministry of petroleum and natural gas. The Board of Directors consists of 17 members, namely 7 functional directors in executive positions (including Chairman and Managing director) and 10 non-executive directors. Non-executive directors are nominated by the Government of India or are independent and chosen for their field of expertise and capabilities.

ONGC provides opportunities to its shareholders to voice their concerns or provide recommendations. All our functional directors including the chairman have designated public visiting hours on specific days of the week, during which any member of the public can voice any issue or grievance.

The ONGC "Investor Service Centre", providing information frequently required by investors and analysts is available on our corporate website <http://www.ongcindia.com/investorcenter.asp>. The website provides updates on financial statements, investor related events and presentations, annual reports, dividend information and shareholding pattern, along with our corporate governance report. Existing and potential investors are able to interact with ONGC through this web link for their queries.

A Management discussion cum analysis report (which is part of the Directors' Report) is circulated to all shareholders of ONGC along with the Annual Report.

A core team comprising of senior, experienced officials and headed by the Director (Finance) has been assigned the responsibilities for up-keeping the said link and also to serve as a platform for the shareholders to express their opinions, views and suggestions to understand the influencing factors in their investment decision process.

Besides, the said team is also instrumental in maintaining close liaison and to share information through periodic meets including teleconferencing in India and abroad, regular press meets with investment bankers, research analysts, the media, institutional investors etc. ONGC is committed to take further steps as may be necessary to fulfill the expectations of our stakeholders.

The Annual General Meeting (AGM) of ONGC provides ample opportunity for all attending shareholders to directly interact with the top management of ONGC regarding the functioning of ONGC and suggest measures for performance enhancement. The ONGC AGMs witness lively interaction between the Board of Directors and the shareholders. A patient hearing is given to all shareholders.

ONGC's grievance redressal mechanism takes care of all genuine grievances of the employees. ONGC maintains an intranet site for employees and their suggestions are placed before the concerned functional directors. ONGC has various programmes to encourage participation by employees in the decision making process. All employees are free to e-mail their concerns directly to the functional directors or to the Chairman and Managing Director (CMD).

Avoiding shareholder conflict of interest: There is a process to ensure that conflicts of interests are avoided at the Board of director's level. Pursuant to the provision under Companies Act, 1956, every director would have to disclose the nature of his/her concern at a meeting of Board of Directors and thereby a related party disclosure certificate is to be obtained in this regard.

Process for determining the qualifications and expertise of the members of ONGC Board

ONGC being a Public Sector, all the directors are nominated by the Government of India. For the selection of the functional directors and CMD, the vacancies are notified in advance and the candidates are interviewed by the Public Enterprise Selection Board. Their appointment is approved by the Appointments Committee of the Cabinet (ACC) of the Government of India.

For appointment of Non-executive directors, the Department of Public Enterprises forms a search committee and the appointment is made by the ACC from amongst the shortlisted candidates. The nominee directors are appointed by the Government of India based on the advice of the administrative Ministries. The independent directors are usually distinguished peers in their own right chosen from the field of management, industry, academics. These directors head and are the members of board sub committees according to their qualification and experience background.

Assessing the performance of Board

Functional Directors of ONGC are evaluated by the Ministry of Petroleum and Natural gas (MoPNG), as per their contract with the MoPNG. Non-executive directors are not formally assessed; however, the Government of India has appointed two nominees (each one additional secretary of MoPNG and additional secretary of Ministry of Finance) who attend the Board meetings and thus indirectly review the performance of the Non-executive directors.

All key executive of ONGC sign performance contracts with the respective directors, including well defined Key Performance Indicators (KPIs) and Key Result Areas (KRAs).

Linkage between compensation for members of the ONGC Board and the organization's triple bottom line performance

The compensation and the performance related pay of the functional directors and CMD are linked to the performance of the company against the parameters fixed in the Memorandum of Understanding executed with the Ministry of Petroleum & Natural Gas. Corporate social responsibility (CSR) and health, safety and environment (HSE) are also included in these parameters. Independent Directors are paid sitting fees for the meetings of the Board and committees attended by them. The Government Nominees on the Board are not paid any fees or remuneration.

The ONGC Code of Conduct which was adopted by the Board ensures that there is no conflict of personal interests. The Code of Conduct can be downloaded from our website http://www.ongcindia.com/investor_centre/code_of_conduct.pdf. The directors and senior management are also committed towards regulatory compliances and to prevent the wasteful use of natural resources and minimize any hazardous impacts of the development, production, use and disposal of any of its products and services detrimental to the ecological environment.

Management of economic, environmental, and social performance, by ONGC Board

Our commitment to be world class includes the commitment to safety, health, environment and enrichment of community life. For every financial year, ONGC signs an MOU with the Ministry of Petroleum and Natural Gas on various parameters of performance in the economic, social and environmental areas. The performance of the company is reviewed periodically on the achievement of MOU which is being approved by the Directors before formally being signed by our Chairman and Managing Director. Board Members receive a status report on economic, environmental and social compliance before the board meetings for review, comments and suggestions. The Board Members' feedback is considered for decision making by the ONGC top management. The ONGC HSE committee, which meets 2-3 times a year, sends their minutes of meeting to the ONGC Board. Chief HSE regularly reports to the Board on important HSE issues.



Our leadership formalizing policy on greening the vendor chain

Precautionary approach: Our operations emphasize risk management and abundant caution in our E&P operational activities. We do not take lack of scientific uncertainty as a reason for delaying action undertake risk assessment, risk mitigation and actions for safe operations, that would minimize the impact on environment.

For example, we understand the concerns of climate change and despite the regulatory and scientific uncertainty, have initiated voluntary mitigation plans, with initiatives to work on a low carbon growth trajectory. Similarly, for our offshore operations, we conduct environmental survey and monitoring of areas surrounding our operational activities, once in two years in order to understand potential impacts on environment and biodiversity. We take into account residual impact if any and design necessary mitigation action plans.

Commitment to external initiatives

We are a founder member of the United Nations Global Compact organization in India, and our Chairman and Managing Director has been the President of the UN Global Compact Network in India since 2003. Our latest "Communication on Progress" can be downloaded from http://www.ongcindia.com/download/COP_GlobalCompact/Global_compact_COP.pdf. Further, we have been participating in the Carbon Disclosure Project (CDP) since 2007. We are also an active member of following industry and related associations

- a) Petrotech Society
- b) Confederation of Indian Industries (CII)
- c) Petroleum Federation of India (PetroFed)
- d) Standing Conference on Public Enterprises (SCOPE)
- e) Federation of Indian Chambers of Commerce and Industry (FICCI)
- g) Associated Chambers of Commerce (ASSOCHAM)

Our research and training institutes

Imparting knowledge for operational excellence

Our research institutes undertake applied research in key areas of exploration, drilling, reservoir management, production technology, ocean engineering, safety and environment protection, whereas the training institutes enable continuous learning and development of our employees.

Research institutes

Institute of Drilling Technology (IDT), Dehradun

- Drilling technology
- Drilling fluid engineering
- Cementation engineering
- Well control school

Institute of Oil and Gas Production Technology (IOGPT), Mumbai

- Production engineering
- Facility engineering
- Well engineering and stimulation

Institute of Engineering and Ocean Technology (IEOT), Mumbai

- Risk and reliability engineering
- Geotechnical engineering
- Gas hydrates and advanced composite materials
- Materials and corrosion engineering
- Structural engineering

Keshava Deva Malaviya Institute of Petroleum Exploration (KDMIPE), Dehradun

- Basin modeling- Hydrocarbon resource appraisal
- Prospects generation
- Research in Geological and geo-chemistry

Geodata Processing and Interpretation Centre (GEOPIC), Dehradun

- Seismic data processing and interpretation

Institute of Reservoir Studies (IRS), Ahmedabad

- Oil and gas field development planning
- Enhanced Oil Recovery (EOR) studies
- Improved Oil Recovery (IOR) studies

ONGC Energy Centre , New Delhi

- Holistic research on alternate sources of energy

Institute of Biotechnology and Geo-tectonics Studies (INBIGS), Jorhat

- Microbial studies for enhanced production
- Microbial treatment of oil spills

Centre for Excellence for Well logging Technology (CEWELL), Vadodara

- Technology hub for logging service



Training institutes

ONGC Academy, Dehradun

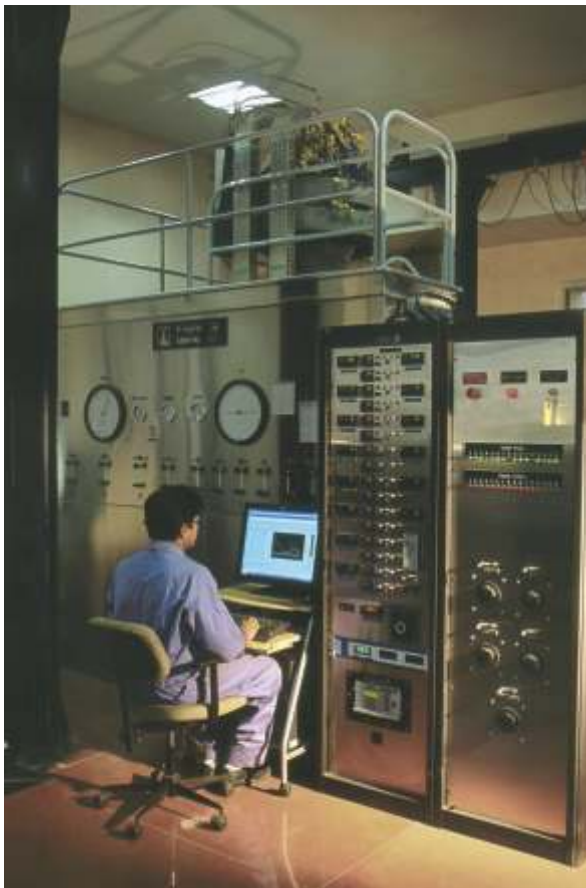
- Induction Training
- Functional Training
- Management / Quality Management Development
- Qualification upgradation
- International Accreditation

School of Maintenance Practices (SMP), Vadodara

- Certified training courses in maintenance of oil field equipment

Institute of Petroleum Safety, Health and Environment Management (IPSHEM), Goa

- Safety, Health & Environment training programs
- Occupational health studies
- Environmental audit programs
- Disaster management and survivor at sea trainings



Case study in R&D

Research on deep seated gas: KDMIPE has been working on studying and identifying the deep gas prospects in different basins. Based on the standard criteria laid down by the USGS (US geological survey), USA a detailed project work was undertaken to interpret, analyze and evaluate the potential of deep gas in the Tankari low of Cambay Basin, Gujarat. For instance, the findings of this project estimated that nearly 200 sq km at a depth of 3000 m encompassing Cambay shale and upload section up to 5000 m is charged with deep gas. Similar projects are under way for other basins, for example the Krishna Godavari and Cauvery Basins in southern India.

In August, 2009, we launched our first ultra-deep sea oil exploration in the Kerala-Konkan basin. We are targeting to deliver India's first deepwater oil and gas production by 2012 from our unique remote controlled "Smart" wells.

Keshava Deva Malaviya Institute of Petroleum Exploration (KDMIPE) - Our research laboratory in the field of oil and gas exploration were brought together under the umbrella of KDMIPE, on 19th December 1981, as our apex research institute. This institute has since been serving our objective to foster applied, basic and fundamental research continuum in the field of oil and gas exploration. We have been continuously developing the academia-industry strategic alliances in the form of research and development collaboration with various national and international universities and institutes in order to explore both conventional and non-conventional energy opportunities. This institute is the nodal agency for multidisciplinary synergistic basin scale and domain specific research in exploration.

Current Important Research Areas of KDMIPE:

- 1) Microbial conversion of residual oil to methane-The oil exploration industry manages to recover only a fraction of residual oil after secondary recovery. Instead of using energy-intensive methods of extraction, it may be possible to use the natural microorganisms that feed on underground hydrocarbons to convert residual oil to natural gas, which is easier to extract and is a greener source of fuel. We are currently assessing the feasibility of this option in our oil wells and studies have been carried out in the reporting period.
- 2) Research initiatives to tap non-conventional energy sources as well as induced synthetic.
- 3) Upgradation of exploration, seismic methods such as induction of synthetic aperture radar (SAR), sea bed logging (SBL), and other contemporary processing and interpretation software on application tools.

Geodata Processing & Interpretation Centre (GEOPIC)

Geodata Processing & Interpretation Centre (GEOPIC) was established in 1987 at Dehradun with the specific mandate of providing solutions to complex E&P problems by integrating seismic with other geo-scientific data. This institute processes marine seismic data for in-house as well as Indian & foreign basins. This institute has managed a success rate of over 53% for exploratory wells in the last five years.

Institute of Reservoir Studies (IRS)

The Institute of Reservoir Studies was established at Ahmedabad in 1978 with the specific objective to conduct applied research for development of reservoir engineering tools; techniques & technologies to maximize / optimize recoveries from oil & gas fields. This institute has emerged as a premier institution providing complete reservoir engineering services to both in-house as well as external agencies. Since its inception, this institute has contributed effectively in the development of new concepts and innovative techniques besides adopting state-of-art technology for optimal exploitation of our oil and gas fields.

Institute of Biotechnology and Geo-tectonics Studies (INBIGS)

Founded in 1989 at Jorhat, Assam the INBIGS has the objective of promoting research in application of biotechnology. The areas of petroleum biotechnology research include geo-microbial prospecting, enhanced oil recovery from reservoirs, prevention of paraffin deposition on oil well tubing and environment protection by bioremediation of oily waste.

Institute of Engineering and Ocean Technology (IEOT)

The Institute of Engineering and Ocean Technology (IEOT) was set up in 1983 and provides technical expertise in the specialized areas of risk and reliability engineering, geotechnical engineering, materials & corrosion engineering, structural engineering specifically for our offshore installations. It is also functioning as the nodal agency for research in the area of gas hydrates.

Centre for Excellence in Well Logging Technology (CEWELL)

CEWELL was set up to effectively leverage logging technology in providing integrated solutions for our E&P. CEWELL uses log data extensively in combination with other geo-scientific and related information to help improve productivity from our fields.

Institute of Drilling Technology (IDT)

Established in 1978, IDT today is globally acknowledged as one of the premier R&D institutes in the field of drilling, mud engineering, cementation and cementing materials. IDT imparts training in drilling technology, well control and crisis management for our drilling engineers as well as for those of petroleum companies in the Middle East and South East Asia.

Institute of Oil & Gas Production Technology (IOGPT)

Established in 1984 with assistance from United Nations Development Program (UNDP) and Asian Development Bank (ADB), IOGPT provides a strong research and development base for enhancement of oil and gas production from our fields. IOGPT is the first Institute in the country to provide an integrated support to the entire spectrum of oil and gas production that begins with the well bore and ends at the consumer point. Over the years, this institute has developed expertise in the areas of oil and gas production, well engineering, process facilities, storage and transportation, corrosion studies and others.

New energy opportunities

ONGC has taken structured initiatives to tap alternate and unconventional energy sources like wind, solar, coal bed methane (CBM), underground coal gasification (UCG), gas hydrates and shale gas. "ONGC Energy Centre Trust" has been set up for holistic research in non-conventional energy sources.

Coal Bed Methane – Currently we are operating in 5 CBM blocks. CBM production from one of our pilot project at Parbatpur, Jharia commenced from January 2010. This is one of the new energy sources which hold future potential as a viable and clean source of energy.

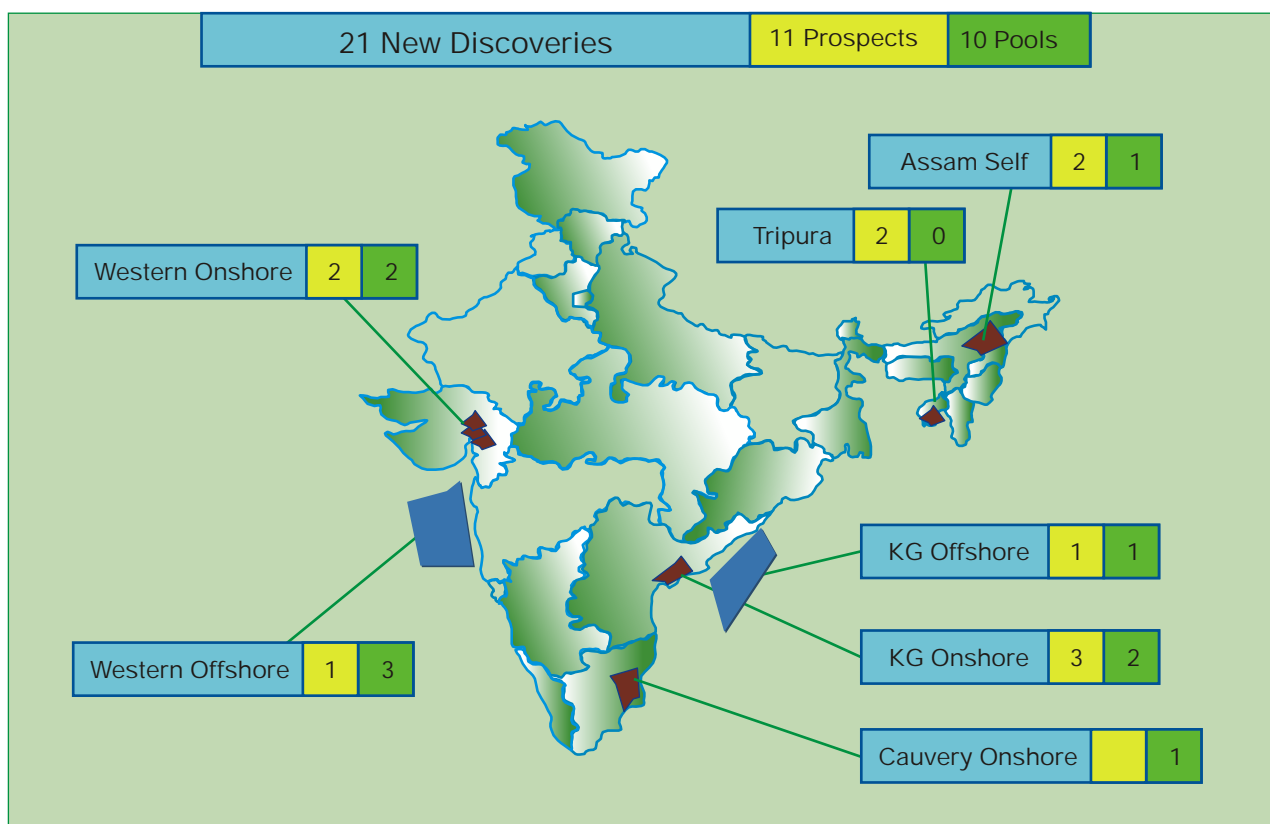
Underground Coal Gasification - We have initiated pilot projects in coal gasification with an objective to promote clean coal technologies. Given the abundant reserves of coal and lignite in the country, Coal gasification is being taken up as a major new thrust by us. After extensive study of 14 such prospective sites, the site at Vatsan in the State of Gujarat has been selected for first pilot UCG station. The environmental clearance for the same was obtained in February 2010.

ONGC Energy Centre Trust - ONGC Energy Center desires to harness science and technology to meet the national energy needs of tomorrow in a clean and sustainable manner. The centre is constantly scanning advances in the alternate energy sources world-over with the view of their suitability for Indian conditions as well as the scope for research and development in the field. Presently the focus is on holistic research in the non-conventional energy sources such as fuel cells, solar and uranium.



ONGC CBM activities at Bokaro

Our economic performance



Financials	2007-08	2008-09	2009-10
Total Income from Operations (Turnover)	615,426	650,494	619,832
Total Operating Expenses	106,823	123,812	126,293
Total Expenses on employees	60,484	47,396	57,191
Interest payments	590	1,190	686
Contribution to the exchequer (Payments to Government)	300,200	280,496	280,983
Net Profit	167,016	161,263	167,676
ONGC India Total Retained earnings	86,940	81,187	85,477
Dividends to shareholders	68,444	68,444	70,583
Economic Value Added (EVA)	21.70%	17.22%	22.12%

All figures in INR Million

Health, safety and environmental care in our business



ONGC operation amidst tranquil greenery

Health, safety and environment (HSE) are integral to our business and ethical values. The HSE committee is one of the seven sub-committees that assist the board. The terms of reference of this sub-committee include review of policy, processes and systems on Safety, Health & Environment and Ecology aspects. An overarching goal guiding our operations is the pursuit of being less resource intensive, while striving to enhance production. This goal helps to frame our environmental processes and practices. The environmental practices are centered around minimal use of resources (water, energy) with focus on reuse, reduction and mitigating environmental impacts.

We are committed to a clean environment and keen on paving the way for improved performance. Hence, are always on the lookout for improving upon our performance, while In evaluating new practices, we examine not just technologies, but also techniques aimed at minimizing and eliminating detrimental HSE impacts. All installations are certified against ISO14001, OSHAS 18001 & ISO 9001. 39 of our installations are also certified under International Safety Rating System (ISRS) and Uran asset has achieved an ISRS level '7' certification. These systems not only provide a structure for addressing HSE issues proactively but also augment operational practices.

We have an internal audit System to ensure compliance on HSE issues. The HSE Policy reflects the management commitment to enhance quality and responsiveness. Safety Audits, QHSE Surveillance Audits and Special Audits by external agencies are periodically carried out to ensure the punctilious improvement in environmental performance.

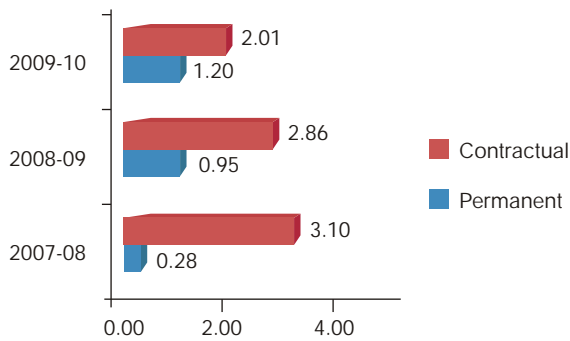
Our approach to occupational health

For us, occupational health goes beyond just diagnosis of specific occupational diseases and their treatment. Our horizon expands to promotion of health, prevention of illnesses, early diagnosis and rehabilitation.

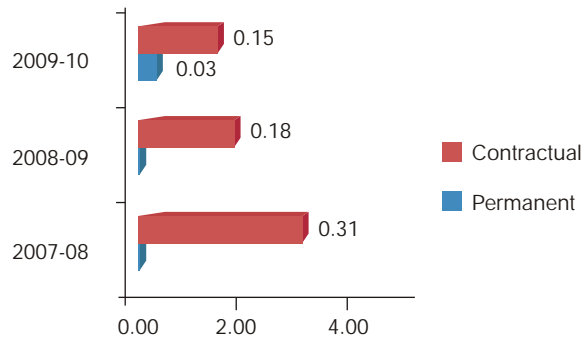
We have occupational health specialists manning dedicated occupational health centres at all our operational bases. This dedicated occupational health structure attempts to map the occupational health hazards of our employees, design necessary administrative and engineering control measures to ensure the correct human resource deployment and maintenance of a healthy workforce. Several IT enabled initiatives have been taken up in the reporting period to prepare comprehensive occupational health database of our employees.

We realize that loss incident's resulting in injuries and fatalities to our workmen and those belonging to our contractors are one of the most challenging material issues. To better understand the plethora of causes responsible for these loss incidents, we have since the past two years aggressively increased awareness across the organization to report all injury causing incidents including first aid injuries.

To contain the increase in contractual fatalities, we are taking steps to strengthen contract management, work supervision including educating contractual personnel on work safety through tool box talks and ensuring work appropriate medical fitness for them.



Incidents involving injuries per million hours worked



Fatalities per million hours worked

Effective FY2009-10 as advised by Oil Industry Safety Directorate, we have started following the metrics of Fatal Accident Rate (FAR), Lost Time Injury Frequency Rate (LTIF) and Total Recordable Injury Rate (TRIR).

	Permanent	Contractual	Total
FAR	3.37	12.78	8.54
LTIF	0.40	0.56	0.49
TRIR	0.52	0.74	0.64

Managing and reducing our environmental impacts - preventing oil spills

To prevent spills, scheduled regular maintenance of pipelines, storage tanks and containment structures is carried out. Regular patrolling of the trunk lines and flow lines is undertaken by the special protection force of state police, CISF and our own security. For our onshore assets, frequent interactions are held with villagers to educate them about the loss and safety hazards caused due to pilferage and leakages, helping us to prevent oil spills.

Regular coordination meetings, onshore and offshore security meets are held with district authorities, Navy, Coast Guard, Coastal police, Central Industrial Security Force and state police department to identify and strengthen the weak areas with regard to pilferage of oil from pipelines, which are a major source of oil spills. We also conduct mock drills and participate in National Oil Spill Disaster Contingency Plan meeting (NOSDCP), organized by the Coast Guard and Oil Industry Safety Directorate (OISD).

Periodic oil spill risk assessments are carried out to prepare appropriate oil spill contingency plans. These plans help us to develop the necessary oil spill response capabilities. We have developed an in-house oil spill response capability for spills, up to 700 tonnes for our offshore operations. For spills of larger magnitude as approved by NOSDCP, we depend on Indian coast guard infrastructure. As a further proactive step we have also taken membership of Oil Spill Response Limited (OSRL) United Kingdom for combating large volume spills.

Spills are monitored by our dedicated HSE personnel at each location and reported whenever there is an occurrence. During the reporting period, there were no major spills. Minor spills due to minor incidents or pilferage are promptly attended locally.

Our efforts in effective waste management

We ensure compliance to pollution prevention and control laws for all our facilities. Exploratory drilling operation produces a variety of wastes and emissions. Principal wastes include drilling mud and cuttings, produced water, well completion and stimulation fluids and production testing wastes. By volume and weight, the drilling mud, cutting and produced water comprise the largest proportion of waste and effluent generated.

We have explored the opportunities for minimizing these wastes and achieved success by reusing, recycling and responsibly disposing treated effluent, in compliance with the statutory requirements. For instance the average concentration of oil in the produced water, at most of our installations, is well within the stipulated limits set by local pollution control boards. Moreover, we have also been successful in reducing the drilling mud waste at some of our operational facilities.

Drill Cutting Reuse: During the reporting period, we have undertaken a research project to study the feasibility of applying drill cuttings in construction of "approach roads" to operational sites. The findings of the study is expected to ameliorating the problem of disposal of drill cuttings in secured landfills which is cost intensive and occupies scarce land resources.

Waste-to-Energy: During the reporting period, we have commissioned a project, in which, organic waste will be collected from our residential colony at Noida, Uttar Pradesh and digested anaerobically to produce biogas. This biogas will be utilized for cooking. Consequently, the load on municipal solid waste sites will be minimized and clean energy will be derived out of waste.

Assam Asset's green initiative –pit sludge disposal and simultaneous oil recovery from sludge
Oil bearing sludge was present in many pits and lagoons in various fields of the Assam asset. These were left over after operational, drilling and production testing activities over the years. This oil bearing sludge contains an appreciable quantity of recoverable crude oil. We identified a patented technology from Balmer Lawrie, a public sector undertaking, for the environmental friendly disposal and oil recovery. The cumulative net oil gain to the asset was to the tune of 1300 cubic meters and many pits and lagoons have now been emptied of oil bearing sludge.

Bioremediation: an innovative treatment technology

We have adopted bioremediation to treat oily wastes and tank bottom sludge. Bioremediation of contaminated sites has been in practice since 2000. We have completed treatment of cumulative 117018.20 metric tons of oily sludge through this technology. We have formed a joint venture with The Energy Resources Institute (TERI) to form ONGC-TERI Biotechnology Limited (OBTL), to take up all bioremediation projects.



Environmental Treatment of operational effluents before disposal

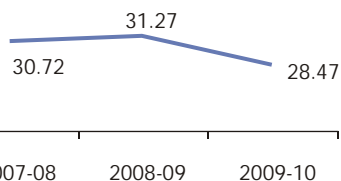
Managing our water footprint

With this reporting initiative, we have commenced a process of understanding our water use, waste water generation and better managing our water footprint. We plan to develop a reliable management system that would be linked to unit level environmental management systems and would allow the quantification of key environmental metrics. In future reporting periods, we plan to provide a comprehensive outlook on our strategic and operational focus on these issues.

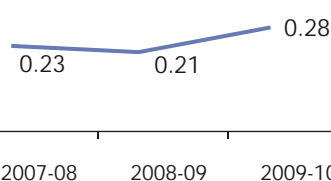
A significant quantity of treated effluent is used for injection into the oil and gas reservoir for maintaining reservoir pressure and enhancing productivity. The wastewater at drill sites is collected in waste pits and treated, recycled and reused for various purposes during drilling. Effluent treatment plants (ETP) have been installed at production installations and mobile ETPs are operating at drill sites. The recycling of wastewater results in savings of considerable quantity of fresh water. However, we are in the process of formulating a water management and monitoring framework which would enable us to capture and report data related to waste water generation, treatment and discharge. We duly comply with the various state and central pollution control board stipulations on payment of water duties as well as restrict our effluent load within the prescribed limits and were not assessed any fines or penalties on account of violation of environmental laws and regulations.

During the reporting year, we commenced 'rain water harvesting' in all our residential complexes across the country. As a policy decision, we have made it mandatory to implement the system of 'Rain Water Harvesting' in all our future projects, including new constructions. In order to conserve water, the effluent generated during production of oil and gas and drilling of wells is treated and recycled or reused for various purposes. We would also bring in a water management policy in two years with our enhanced understanding of water usage, waste water generation and possibilities of water conservation, both within our operational areas as well as outside.

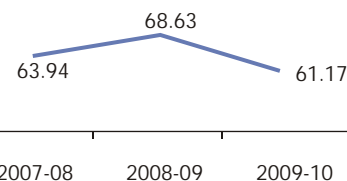
Freshwater usage in Onshore locations (Billion Litres)



Freshwater usage in Offshore locations (Billion Litres)



Seawater usage in Offshore locations (Billion Litres)



EN8 – Fresh water usage in onshore locations (Billion Litres)	2007	2008	2009
Ground water sources	12.10	12.39	12.24
Municipal sources	5.16	5.03	3.92
Surface sources	13.46	13.85	12.31
Total	30.72	31.27	28.47

EN8 – Fresh water usage in offshore locations (Billion Litres)	2007	2008	2009
Drill water supplied from Nhava base to offshore installations	0.16	0.13	0.19
Potable water supplied from Nhava base to offshore installations	0.07	0.08	0.09
Total	0.23	0.21	0.28

EN8 – Sea water usage in offshore locations (Billion Litres)	2007	2008	2009
Sea water for injection in wells	63.74	68.43	60.97
Sea water desalination (for potable and drill water use)	0.2	0.2	0.2
Total	63.94	68.63	61.17

Managing ambient air emissions

Exploration and production activities result in generation of various air pollutants. All possible care is taken across the locations to keep the concentration of these pollutants well within the stipulated standards. Ambient air quality monitoring is carried out at all production installations for predicting the impact of air emissions on ambient air quality due to flaring and other operational activities involving fossil fuel combustion. Monitoring is carried out at installation through approved agencies at regular intervals to check compliance with the statutory requirements. Mobile vans regularly monitor ambient air quality at Uran, Hazira and Gandhar. Third party stack monitoring is being done at our major installations.

Sustainable development and carbon management



ONGC's fugitive emission study at Heera Platform: A collaborative effort with USEPA

We are a pioneering organization in India in adopting a corporate policy on Climate Change and sustainable development. A dedicated carbon management group at the corporate level ensures the implementation of this policy. Our long term vision on carbon management is the progressive attainment of carbon neutrality through a mix of technical initiatives and other strategies.

We are concentrating our efforts in the following areas:

- Developing green house gas (GHG) inventory, accounting and information system, developing GHG mitigation programmes and identifying projects.
- Carbon disclosure as a part of voluntary initiatives.
- Mitigation of climate change and business opportunity thereof.
- Monitoring the registered and under development clean development mechanism (CDM) projects.

During the reporting period, we have registered our fifth and sixth CDM projects. The six registered CDM projects account for the total estimated emission reduction of 0.21 million certified emission reductions per annum. Several CDM projects in the areas of gas flaring reduction, green buildings (energy efficiency), renewable, new technologies and projects under fugitive emissions are under development. We are also developing a comprehensive trading policy for carbon credits.

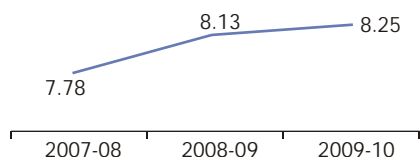
Our registered CDM projects

Sl. No.	Project	Location	UNFCCC Reference No.	CER/annum	Registration date
1	Waste heat recovery from Process Gas Compressors (PGCs), Mumbai high south (offshore platform), ONGC	Mumbai high south (offshore platform) Mumbai High	814	5,320	05th Feb 2007
2	Up-gradation of Gas Turbine 1 (GT 1) and Gas Turbine 2 (GT 2) at co-generation plant of Hazira Gas Processing Complex (HGPC), ONGC	Gujarat	847	7,802	01st Mar 2007
3	Flare gas recovery project at Uran plant, ONGC	Uran, Maharashtra	1220	97,740	14th Dec 2007
4	Flare gas recovery project at Hazira Gas Processing Complex (HGPC), Hazira plant, ONGC	Hazira, Gujarat	1354	8,793	16th May 2008
5	Amine Circulation Pumps Energy Efficiency at Hazira, ONGC	Hazira, Gujarat	2348	4,043	23rd Sep 2009
6	51 MW wind power project at Surajbari, Gujarat	Surajbari, Gujarat	2856	85,762	01st Mar 2010
	Total			209,460	

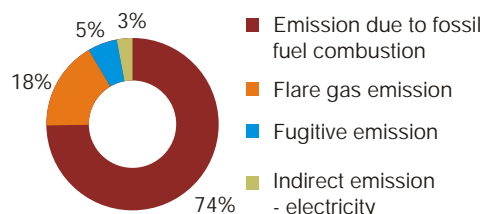
(Million tons of carbon dioxide equivalent)	2007	2008	2009
Direct emission from fossil fuel consumption			
Natural gas	4.66	4.78	5.16
High speed Diesel	0.82	0.88	0.96
Aviation fuel	7x 10 [^] (-4)	4 x 10 [^] (-4)	4 x 10 [^] (-4)
Emission from flaring	1.619	1.820	1.471
Fugitive Emissions*	0.429	0.429	0.429
Indirect emission from electricity	0.24	0.22	0.24
Total green house gas emission	7.78	8.13	8.25

*Measured as a part of Methane to Markets study in 7 of ONGC installations

Total green house gas emission (Million tons of CO₂e)



Green house gas emission - by type



EN3-Direct energy consumption (TeraJoules)	2007	2008	2009	EN4* - Indirect energy consumption (MwH)	2007	2008	2009
Natural gas	83128	85205	91890	Electricity purchased from grid	307048	272133	305595
High speed diesel	11111	11920	12965				
Aviation fuel	9	5	3				
Total direct energy consumption	94248	97130	104858				

EN4*- The only source of indirect energy in ONGC is electricity consumption. Electricity consumption is monitored in respective units and is the basis for payment to electricity service provider. We also conduct periodic energy audits to monitor the electricity consumption and suggest improvement measures to each location.

Replacement of old inefficient engines by new upgraded engines

We have undertaken a corporate drive to replace around 300 existing inefficient Caterpillar and Cummins engines with new generation CAT 3512 B and KTA 50 G Cummins engines. This energy efficiency drive required a capital investment of more than INR 2.5 billion. The estimated fuel saving are around 28 liters of HSD per hour per engine. In the reporting period we have replaced approx. 100 engines saving approx 12 million liters of HSD. Once we replace all the 300 engines the drive would result in saving more than 30 million liters of HSD annually.

GHG accounting: First step in our journey towards carbon neutrality

We have initiated corporate wide greenhouse gas accounting starting with a pilot GHG accounting covering nine representative installations. The pilot has been completed during the reporting period. We would be rolling this exercise across relevant installations. We are targeting ISO 14064 implementation at all our operational facilities, creating a GHG inventory, to benchmark our operational emissions with the industry's best practices and reduce GHG emissions. The greenhouse gas emissions inventory has been estimated in accordance with the 'GHG Protocol' and covered scope 1 & 2. We have also used the API guidance for classifying the emission sources. The green house gas emissions in our operations from different sources is mainly from fossil fuel sources as used for combustion, power generation or transportation of own vehicles. Another component is emissions on account of flaring at producing fields due to operational and safety reasons. Due to various initiatives adopted for flare gas recovery, the emission from the flaring has reduced notably during this reporting period. This also had an impact in reducing our total and specific green house gas emissions. We have taken a corporate decision to undertake carbon emissions disclosure through our sustainability report and to participate in the Carbon Disclosure Project (CDP). We have joined the CDP and would continue to provide public disclosures on our GHG inventory.

Initiatives towards mitigation of fugitive methane emission -Methane to Market (M2M)

The Methane to Markets partnership is an international initiative that advances cost-effective, near-term methane recovery and use as a clean energy source. The goal of the partnership is to reduce global methane emissions in order to strengthen energy security through fugitive methane utilization, improve air quality, improve operational safety, and reduce emissions of greenhouse gases. We are the first non US based state owned company to join such programme.

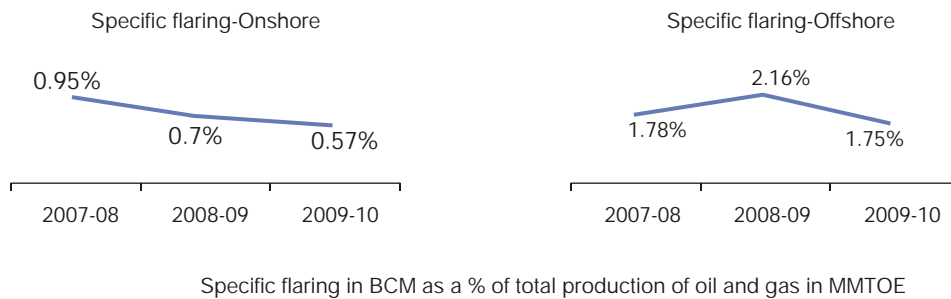
Our immediate benefit from the M2M initiatives was the recovery of 3.2 million cubic meters of fugitive methane through the implementation of direct inspection and maintenance practices in 2008-09 and 4.72 million cubic meters in 2009-10 from 7 key installations. Appropriate technological interventions at Uran and Ahmedabad assets have been planned to arrest around 20800 cubic meters per day of fugitive emissions from tank vents at Uran and an estimated 6000 cubic meters per day at Ahmedabad. During the reporting period, we have also installed low pressure compressors at Neelam and Heera process complexes which would help recover about 62000 cubic meters of gas flared every day at each of these process complexes. Other plans underway are implementing of technical interventions at Uran plant, Heera Platform and at Kallol CTF complex by December 2010 and mapping and measuring fugitive emission from all relevant production installations by December 2011. We have also started the procurement process for necessary equipment and the setting up of a dedicated leak detection and measurement team.

Flare Reduction: Targeting the Zero-flare

We are committed to achieving zero flaring. There has been a significant reduction in gas flaring since 1991-92. We have reduced our flaring from a level of 20% of gas produced in 1991-92 to a level of 3.19% of gas produced in the year 2009-10. A number of initiatives have been taken up to further reduce the gas flaring to a minimum technical level, particularly concentrating on low-pressure gas recovery and marketing gas from isolated areas.

Key initiatives implemented in the reporting period:

- Reducing the gas flared at Mumbai High (Our largest producing asset) - gas flaring from this asset has reduced due to the commissioning of associated compressor at a constituent offshore platform in July '09 and the improved availability of compression facilities.
- Gas compression capacity at another offshore asset (Neelam and Heera) was also enhanced by 20%. Installation of low pressure compressors at these assets have led to an increased gas recovery of about 62000 cubic meters a day at each complex. This will help to reduce the flaring of very low (0.2 kg/cm²) pressure gas by March 2011 by a significant extent.



Carbon Capture and Sequestration (CCS) for EOR: a future step

We are undertaking an ambitious project, where the carbon dioxide generated during the processing of the "sour gas" at our Hazira gas processing plant would be captured and transported to the nearby Ankleshwar oil fields and injected at the depleted reservoir as a part of our enhancing oil recovery (EOR) scheme. The project envisages reducing carbon dioxide emissions by 0.6 million cubic meters (approximately 400,000 tons of carbon dioxide annually). As part of carbon capture and reuse initiative, we are also actively considering the recovery and disposal of the flue gas from in-situ combustion at our onshore asset Mehsana, in Gujarat.

Case Study: Biodiversity management

1: Mangrove plantation in Gandhar area:

We have taken up a project for mangrove plantation and education-awareness programme in the Gulf of Cambay-Gandhar. This project is being implemented in collaboration with the Bombay Natural History Society (BNHS), Mumbai. We have placed a special emphasis on educating school children and community by implementing innovative programmes. About 50 schools in the proximity of mangrove area were identified for imparting required training needs. We, in association with partners, prepared and distributed educational materials like brochures, posters and pamphlets in local and national languages (Hindi, Gujarati, Marathi and English). We also organized various awareness programs which eventually contributed to project success. The number of total plantation has far exceeded the target by more than 200%. At the end of reporting period, total standing plantation achieved was 1178250 as against the target of 500000 covering 120 hectares of land.

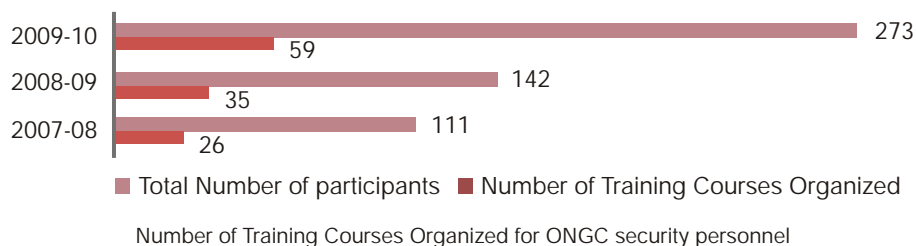
2: Ringal plantation in Himalayan ecosystem:

We have planted 375500 Ringal (Hill Bamboo) in 135 hectares as against the target of 0.3 million in 120 hectare in select areas of upper Himalayan region in partnership with Uttaranchal Bamboo and Fiber Development Board (UBFDB). Ringal bamboo is a fast growing, carbon dioxide sequestering species of bamboo, indigenous to the Uttarakhand region. The Ringal provides sustenance to rare and endangered Himalayan fauna such as musk deer. Being a flexible and strong bamboo, it also serves the needs of tribal and local communities for various handmade articles.

Security of our installations

Our offshore installations are provided security cover jointly by the Indian Air force, the Indian Navy and the Indian Coast Guard. Our onshore installations are provided security by a mix of state police force, Central Industrial Security Force (CISF), home guards and our department security. In the three states, Assam, Tripura and Gujarat, we have signed a memorandum of understanding with the respective state governments to raise and deploy a full battalion of dedicated state armed police for the protection of our establishments, operations, personnel and assets.

The existing security arrangements of our establishments are reviewed regularly by the security head and at times by our CMD. Security of select sensitive installations are also periodically reviewed by the intelligence bureau and their recommendations are implemented in a timely manner. In addition, every two years, our own senior security executives are sent to select installations for internal review and their security recommendations are also implemented.



Safety training in organization and beyond

Developing and nurturing our workforce



We strive to offer a best in class workplace and benefits for our workforce

In order to achieve our strategic objectives, it is crucial to attract and retain sufficient and competent employees. Our HR mission is the creation of a value and knowledge based organization. We promote learning, innovation and team work through transparency and an "open door" work culture. Employee motivation, satisfaction and training are an integral part of our key performance indicators for all our work centers. Our policies and practices help to create a workplace where employee well being and opportunities for career growth go hand in hand. We offer an employee benefits, such as free medical benefits for self and dependants, subsidized housing and loans for house building, and assistance for education for self and dependants.

Our reward and recognition schemes, grievance handling scheme and suggestion scheme promote fair treatment and enhance employee motivation. Since 2008, we have introduced regular HR audits, which have resulted in a greater understanding of the employees' perception of our HR strategies, structure and systems.

We have 32826 employees as on 1st April 2010. About 29% of the workforce is located in the western region, whereas 22% are in Mumbai region, 21% in the eastern region, 10% in the southern, 6% in central and 11% at our New Delhi headquarters. We recruit employees with diverse background that includes representatives from scheduled caste, scheduled tribe, other backward caste, people from minority sections of the society as well as those who are specially abled.



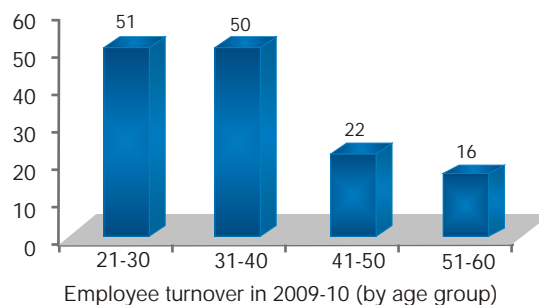
Salutations to the tricolour - wherever ONGCians work



Chairman and Managing Director addressing a fresh batch of graduate trainees

Employee turnover

In 2009-10, we had a turnover of 139 employees (representing a 0.42% turnover rate) who had either superannuated or resigned (out of these 139 employees there were 2 women employees). We carried out a comprehensive man power planning exercise, and are taking appropriate steps to ensure proper employee development and positive engagement to further reduce this turnover rate. As a step in this direction, we have recently launched an initiative to bring back previously separated employees.



Case Study : "Anubandhan"- Our employee engagement survey

Our regular employee engagement survey, "Anubandhan", focuses on assessing the current level of employee engagement. We believe that employee engagement is an important competitive factor and vital to control attrition. All these initiatives, as well as performance against KPI's, are monitored by Director (HR), who is a member of the Board. Director (HR) is also the senior most decision maker in all employment and HR related matters.

- An overwhelming 7000+ responses were received. This consisted of 21% of total employees in our company.
- The positive engagement drivers which emerged from this survey were "approachability of seniors", "satisfaction with perks" and "companionship".
- Personal development, training and learning and compensation were highlighted as improvement areas.



A small time for recreation



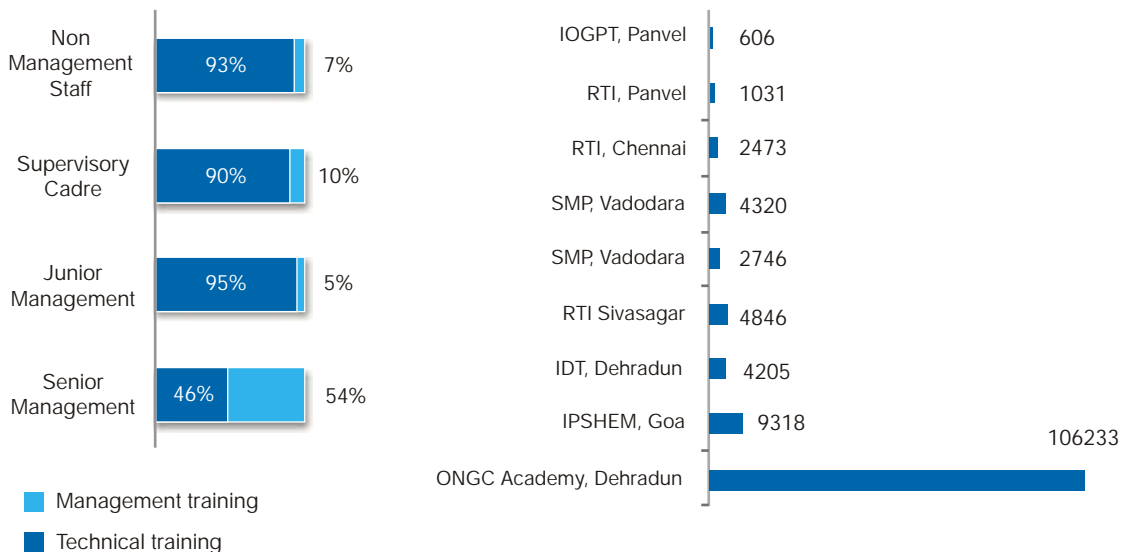
Training and live demonstration on workplace safety

Training and education

We allocate high priority to train our employees. We consider this a key requirement for the achievement of our corporate vision in a sustainable manner. Knowledgeable and experienced employees are our biggest asset. Our world-class training institutes, and collaborations with external knowledge providers in India and abroad, ensure that necessary skills are imparted to our employees. For our non-executive workforce, we have established 7 regional training institutes to conduct the necessary training programmes.

For effective training need identification, the HR planners of various disciplines interact with employees and present their recommendations to the ONGC academy and other training institutes. Our training institutes also request key executives to conduct their own surveys to identify suitable training modules.

The training institutes regularly analyses the effectiveness of training programmes and comments from participants. An average of 4 man days of training was imparted to our employee in the reporting period.



Total mandays of technical & management training provided by different ONGC training institutes in 2009-10

Training institutes

Institute of Petroleum Safety, Health and Management (IPSHEM), Goa

Established in 1989, the Institute of Petroleum Safety, Health and Environment Management (IPSHEM) were established with the objective of promoting standards of safety, health and environment in petroleum sector in India. The Institute is committed to upgrade and develop human resources with a view to minimize the overall risk to human life, damage to property, process and the environment.

The main functions of the Institute are Training, Research and Development, Consultancy Services, Data bank and Information services and serving in an advisory capacity in evolving standards and procedures. The Institute offers training courses in Basic & Advanced Safety and Environment Management, Fire Safety, Offshore Survival & Safety and Coxswain Boat Handling etc.

ONGC Academy, Dehradun

Established in 1982, this institute serves as the apex nodal institute for promotion of HR development and training activities initiatives of our organization. The Academy, imparts training in all dimensions - Technical as well as Managerial, relevant to upstream Petroleum Industry.

The Academy is an ISO certified training institute which also serves to impart custom designed training courses for petroleum companies in other countries. The course for our employees cover the complete spectrum of training programmes like geology, geophysics, geochemistry, well logging, reservoir, drilling, production, engineering, ICT, finance, industrial relations, HR and management.

School of Maintenance Practices (SMP)

Established in 2003, our School of Maintenance Practices (SMP), is a unique concept in Petroleum Industry which aims to offer comprehensive development of maintenance engineers under "One single window". This institute offers certified training programs and competency assurance trainings to enhance the skill sets of engineers engaged in operation and maintenance of oil field equipment such as diesel engines, transmissions, instrumentation panels and control systems, switch gears, motors, AC-SCRs, turbines, vibration analysis. These courses help to achieve reduced down time and increased availability of equipment, enhanced trouble shooting capability of maintenance personnel in order to reduce dependency on OEM and increased life cycle of equipment.



ONGC Academy: A holistic training institute

Training needs assessment and performance

Broad based and specialized training programmes have been designed to cater to the training needs of different hierarchical levels and disciplines. Every year, the training calendar and curricula are updated and revised based on feedback received from the trainees, and inputs received from the work-centers after conducting an extensive training need identification exercise. The yearly training calendar is approved by Executive Committee.

We introduced the 'Unnati Prayas Scheme' through which non executive employees are sponsored to attend full time degree courses leading to graduation in engineering disciplines. Through the implementation of the presidential directives and government instructions, we ensure that employees from the weaker section of society (such as scheduled castes and scheduled tribe) are provided better opportunities for employment and all round development.

A special internal training course for superannuating employees is provided by ONGC Academy that aims to provide necessary skills to cope with a post retirement life. Our employees, who have superannuated, receive superannuation benefits in the form of a monthly pension. There are also instances of our employees being recruited for their services as advisors in several departments after their superannuation.

Diversity and equal opportunity

We are an equal opportunity employer. Being a public sector undertaking, our policies and practices include special provisions for persons from weaker sections of society. We have a dedicated cell to oversee the implementation of policy directives and overall well being of employees from the weaker section. As per government directives, we reserve a certain quota of jobs for specially abled employees.

All individuals are accorded equal opportunities to develop their potential skills and competencies commensurate to the relevance of their job portfolios. We have a non-tolerance approach to discrimination at work on the basis of their sex, race, and color of skin, social origin, religion, caste or political opinions.

We stress on gender equality and strict compliance to applicable social laws relating to employment and equal remuneration. For harbingering a healthy environment for women, we have developed a specific policy to deal with sexual harassment at the workplace. We have also opened Women Development Forums in all regions and work centers. These forums address the welfare of women employees, improvement in their working conditions, training and development and grievance redressal. We currently have 6.1% women employees.



We respect human rights

Procurement of products and services

Our general terms and conditions of doing business with suppliers and contractor explicitly include a commitment from the supplier or contractor to uphold human rights under Indian laws and regulation. Our contractors have to ensure compliance with various applicable labor issues addressing the issues such as minimum wages, equal remuneration and prohibition of forced labour.

Workplace

We understand our responsibility to uphold human rights at the workplace. Our operations in India are consistent with the fundamental rights, legal principles as enshrined by the Constitution of India and the relevant labor laws. Our HR policies have evolved with the changing legal and business requirements and the aspirations of our people. These policies have a provision for a tiered grievance redressal mechanism which is used to resolve issues related to work environment and company policy violations.

To ensure equal rights to everyone who contributes to the organizational growth, we ensure that contractor's workers are paid above the state mandated minimum wages and ensure compliance to applicable social security laws for our permanent and contractual workforce.

In the past, we had introduced a trust administered 'Sahyog Yojana' scheme with a corpus of INR 100 million to meet specific needs of workers who are engaged through contractors in our operations. Under this scheme, specific financial grants are released by the trust for meeting expenses related to higher education of children of such contract labor, medical expenses related to high cost surgeries and marriage of their children.

We also carry out environmental and social impact assessments before any major project is undertaken. Social and human indicators are part of this assessment as required by the Ministry of Environment and Forest in India. Human rights is also covered under the Factory's and Mining Acts and since compliance to national laws is a basic requirement, this is adhered to.



Positive employee relations

Our policy and practice on bipartite negotiations is an important tool for sustained positive employee relations. We engage in constructive dialogue with the recognized trade unions on matters related to any changes in employee policies and organizational structure. In our organization, collective bargaining is carried out at 3 levels:

- A structured consultative process at the apex level.
- A consultative processes at a regional level for performance management and organizational recruitment processes.
- A corporate level stakeholder consultation with stakeholders such as ministry representatives, employees, and management on policy level issues such as pay revision, change in recruitment and promotion policy, laying of new policy for employee welfare and others.

All non executive employees and executive employees in the junior and middle management are covered by collective bargaining agreements. Our executive level employees are represented by the Association of Scientific and Technical Officers (ASTO) and non executive employees are represented by recognized Union. Our management holds regular meetings with ASTO and Union. Local ASTO office bearers and union office bearers also have meetings at a local level to resolve local issues. Our Chief - Employee Relations is responsible for ensuring good employee relations for the corporate as a whole.

There has been no loss of workdays during 2009-10 on account of any labor dispute and complete freedom of association and collective bargaining is maintained. Also no incidents of discrimination have been reported in the reporting period.

As a responsible organisation, we have been following all the laws of the land in our operations including non employment of child labor. The minimum age of recruitment at any level in our organization is eighteen years, and this policy automatically eliminates the chance of such occurrence in our operations.

In case of job contracts, we do not control contract employment, however the scope of work and terms and conditions agreed with the contractors for the job specifies compliance by the contractor with applicable labour laws. We also carry out spot checks on work conditions in contract jobs to ascertain the adherence to our specified terms and conditions.

As an allied step, we would continually align ourselves to the national policies on education, and implement CSR project activities in providing opportunities for schooling and educational development of children.

Sound relationship between employees is imperative for an organization's growth. We realize the necessity of building a free and honest work relationship, and therefore stand committed not to resort to any form of forced or compulsory labour.

All our employees have an employment contract and their performance is governed against a well defined process. Moreover, in case of contract workers or job contract, the scope of work and terms and conditions agreed with the contractors specifically mentions about following all labour laws and other relevant laws of the land by the contractor in executing the work and his employment conditions related to employing labour.

Preventive vigilance

Corruption is a vice that corrodes the society and needs to be eliminated from the roots. In the same breath, we are dedicated to the cause of eradicating any form of corruption in our organisation. In case any corruption incidents are reported or brought to notice, they are dealt with in a speedy, effective and fair manner. Our commitment is reinforced in our anti-corruption policy, gift policy and whistle blower policy.

Our vigilance function is led by Chief Vigilance Officer (CVO). The management is empowered through structured procedures to take necessary corrective actions in case of any occurrence of procedural lapses or act to remove any ambiguity or obsolesce in existing rules and procedures. Our CVO meets board members every quarter to discuss vigilance related issues. We have taken several initiatives towards the vigilance system improvement and streamlining of business procedures towards greater transparency.

Key highlights

- e-procurement: This includes internet based activities for purchases of goods or services above Rs. 100 Crores, whereby the names of bidders are not known till the end of the process.
- e-payment: Barring a few vendors, the majority of payments are done through secure electronic transfer.
- Invoice Monitoring System: During the reporting period, we implemented an invoice monitoring system, for timely tracking and payment of our vendor invoices.
- Tenders on website: All our tenders above INR 0.5 million are floated through our tender website enhancing information transparency to all prospective bidders.
- Integrity Pact adoption: We are the first company in India to adopt the Integrity Pact, a tool developed by Transparency International in 2005. This applies to all major procurement contracts.

Actions to build up sustainable Supplier Relationship Management and Customer Relationship Management
We are strengthening our relationship with our suppliers and customers through the following initiatives:

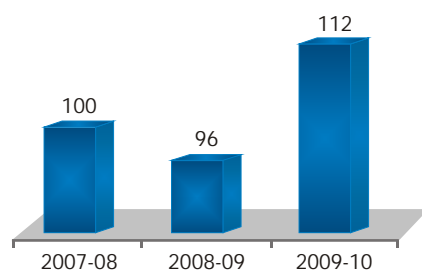
- Interactive conference to share the perception and views of the service providers.
- Simplification of processes/ systems bottle neck.
- Treat vendor as business partners.

We have made all our procurement terms and conditions transparent to our bidders through a dedicated website for ONGC tenders. We strictly follow all governmental as well as Central Vigilance Commission (CVC) guidelines. They have ventured into e-procurement and e-auction. Adding more transparency in our business dealings, we are the first public sector undertaking unit to adopt the "Integrity Pact" tool of transparency international in our tenders.

Training and awareness on vigilance aspects

Training is an important element of any system as it builds internal awareness and capacity necessary to prevent incidents of corruption. We have a structured training program on ONGC code of conduct which defines ethical behavior in official and personal duties. All employees have to undertake this training and abide the code. Moreover specialized trainings are imparted to vigilance officers to increase effectiveness, and vigilance sensitization workshops are held for all executives. We also have a whistle blower policy in place whose awareness is created through a mix of online and offline media (in-house).

Each year, a "Vigilance Week" is organized whereby we invite guest speakers on the subject and conduct activities for awareness on vigilance aspects.



Training on anti-corruption policies and procedure
(in mandays for vigilance officers)

Public policy

We engage with other members of Indian hydrocarbon industry in creating a platform for scientists, technologists, planners and policy makers, management experts and entrepreneurs and to solicit their views in order to catalyze a realization for substantial global energy security through industry bodies.

Product responsibility

We operate in a specific part of oil and gas value chain i.e. exploration and production of crude oil, natural gas and manufacture of value added products. Our exploration and production facilities and operations are having environment management systems, quality management systems, occupational health and safety management systems, which are certified against latest version of international standards covering the health and safety impacts in our operations.

The storage, distribution and supply of petroleum goods are regulated by means of well defined laws and requiring environmental and safety compliance. We are constantly endeavoring to reduce the life cycle impacts of our products and operations through initiatives in energy efficiency, technology upgradation, material substitution, de-carbonization. Our networks of research and development institutes have been instrumental in providing us research support in adopting newer and environmental friendly technologies.

We have a well defined feedback mechanism to get comments from our customers (mid stream and downstream oil and gas companies or end users for some value added products) and incorporate them in our production methods. The Director in charge of marketing is Director (Offshore), who is also responsible for offshore production and operation of processing plants. The feedback including that on health and safety as received from our marketing department is incorporated as part of the production and maintenance related work procedures. In this way, we strive achieve customer satisfaction. There were no non-compliances with relevant laws and regulation related product responsibility in the reporting period.

Diversification/ new products/ new markets and services:

We have undertaken structured initiatives in line with the business strategies, i.e. value-multiplier integration projects like – refinery, LNG, petrochemicals, and power, SEZ and others, to have presence in the entire hydrocarbon value chain.

Marketing communication

Almost all our products are marketed to oil marketing companies such as Indian Oil Corporation, Bharat Petroleum Corporation, Hindustan Petroleum Corporation and others. Our nature of products and our business model do not require us to go for product advertising. Our marketing communication is limited to marketing of "ONGC" as a corporate brand, which also is in accordance with voluntary codes such as Advertising Standards Council of India. Product quality is monitored at the Asset and Plant Manager's level and by the corporate marketing department.



Black gold in transit



ONGC refinery at Tatipaka

Our responsibility to society - our way of corporate social responsibility

Corporate social responsibility

Corporate Social Responsibility is embodied in the foundational spirit, operational practices and corporate ethos of Indian Public Sector Enterprise's (PSE's). As a public sector enterprise, we have a long and cherished tradition of commendable initiatives, institutionalized programmes and practices of Corporate Social Responsibility. These initiatives have played a laudable role in the development of several underdeveloped regions of the country. In the earlier days these activities as part of Socio-Economic Development Programmes were generally undertaken to satisfy the needs of the immediate community around our work centres, mostly in the areas of education, civic infrastructure, health-care, entrepreneurship, water management and disaster relief.

Beginning 2009, we have expanded our CSR coverage to twelve focus areas to include a broad spectrum of social issues and developmental needs where our well designed CSR interventions will significantly help improve the community's quality of life.

Moving away from philanthropy to project-based, stakeholder oriented approach, and impact assessment

Our CSR activities have are shifting from philanthropy and are now essentially guided by our new project based approach to CSR, and also based on the guidelines issued by the Department of Public Enterprises and Ministry of Corporate Affairs of the Government of India. We have moved to a project based accountability approach to monitor CSR projects and assess their effectiveness. It is also planned to carry out impact measurement of our community initiatives beginning 2010-11. We also undertake environmental and social impact assessment as per laws and regulations of the land during our investment decisions, just before start of operations and during operations (<http://www.ongcindia.com/hse.asp>). Stakeholder engagement with local community representatives helps us understand their expectations from us and provides inputs to our CSR project approach. This engagement and listening to the community, district administration, and government agencies marks the needs assessment necessary for CSR projects.

Improving the lives and livelihood of the community



Helping the disadvantaged

Local community benefits

Local community is the one which is benefited most as a result of our operations in the region. It generates employment and livelihood generation opportunities, which in turn improves the overall economy of the region and the living standards of the community. Our operations provide the necessary boost required for the industrial growth of the region. The requirement of the physical inputs for our operations results in setting of ancillary industries and vendors network, generating economic potential. Oil and gas production ushers an era of growth, many core sector industries like power, fertilizer and transport, thrive as a natural consequence of the oil and gas availability. Apart from this, specific grants-in-aid, donations, financial assistance etc help in building schools, medical care and other physical infrastructure for social needs.



ONGC engages to help create livelihoods and nurture lives

Current CSR focus

Effective FY 2009-10, our Board of Directors has decided to allocate 2% of the net profit of previous fiscal as our CSR budget. In FY 2009-10, we invested INR 2688 million as part of our community initiatives. We envisage an investment of approximately INR 3200 millions in FY 2010-11. We have also defined 12 focus areas for our CSR projects which are linked to community development context in which we operate.

In order to manage the CSR budget in line with the stakeholder oriented approach, we have established and strengthened the organizational structure, roles and responsibilities, resourcing including manpower and monitoring and measurement systems.

Our Chief, corporate social responsibility is the senior most officers responsible for CSR. At the work-centre locations, the Head-HR/ER is responsible for CSR programmes and is assisted by a full-time CSR coordinator.

Key achievements:

Education including vocational courses

We have provided support for education to 1000 girl children from marginalized sections of the society. In keeping with the increased employment potential of the times, we have set up of five computer training institutes to provide skill based training to unemployed youth. We have also launched a CSR project to provide educational support to 1000 Hemophilia afflicted children.

Healthcare

Over the next five years, we contemplate providing comprehensive healthcare support through 20 Mobile Medicare Units to two Lakhs elderly persons across the country. We have promoted a novel campaign to nurture environmental movement amongst school children of three Kendriya Vidyalaya's. We are working to preserve four heritage archaeological monuments in the state of Assam

Entrepreneurship (self help and livelihood generation) schemes

We have successfully partnered with our stakeholders in various projects all across India to unleash the entrepreneurial spirit of India. These include Sericulture based handloom weaving in Assam, initiative to convert thatched houses into Pucca (permanent structure) houses in Nagapattinam District in Tamil Nadu, establishing a coir industry through self help groups in various districts of Tamil Nadu, Rickshaw Bank Project (a micro finance initiative) and Project "Yuva Samridhi" for promotion of self help groups.

Water management

In order to utilize our vast understanding of the geological basins of the country in solving the problem of fresh water scarcity in arid regions, we launched a corporate initiative called "Project Saraswati" in 2005. The project aims to find deeper, unexploited groundwater resources in drought prone areas of India and has elicited encouraging results. The first well Saraswati -1 drilled 6 kilometers away from Jaisalmer has located a reservoir of usable fresh water. The project is in progress to bring water to the people in drought prone areas.

The challenges ahead

The rapid and accelerated change in the approach to CSR and the significant increased budget has thrown up numerous challenges. We are mindful of the uneven development pattern across the country that requires careful planning and analysis in designing a CSR project in the local context. We are aware of the complex social and environment issues that require working with all the stakeholders. As we step up the programs, we are faced with acute shortage of capacity in the local communities, NGOs and implementation partners.

Improving the lives and livelihood of the community

We are charting a new road-map for socio-economic development of the communities where we operate. We work on a three tier system for effective management of CSR and take up projects in our 12 focus areas.

- Projects at the corporate level.

These projects are undertaken on a pan India scale and coordinated by the Corporate CSR group. The funds from centralized budget for CSR at the corporate level are used for these projects.

- Projects at the assets and work centre level.

FPR (First Person Responsible) for CSR activities at Assets, Basins and Plants undertakes the identification, implementation and monitoring of these projects in and around our operational areas. Funds allocated to work-centre for CSR activities are used for the purpose.

- National level CSR programme (sponsored) financial assistance, aid and sponsorship and others.

To meet the urgent / short term aspirations of our stakeholders, we sponsor certain programs of national importance.

Our CSR focus areas

1. Education including vocational courses.
2. Health Care.
3. Entrepreneurship (self help and livelihood generation) schemes.
4. Infrastructure support near our operational areas.
5. Environment protection, ecological conservation, promotion.
6. Protection of heritage sites, UNESCO heritage monuments etc.
7. Promotion of artisans, craftsman, musicians, artists etc. for preservation of heritage, art and culture.
8. Women’s empowerment, girl child development, gender sensitive projects.
9. Promoting sports/sports persons; supporting agencies promoting sports/sports persons.
10. Water management including ground water recharge.
11. Initiatives for physically and mentally challenged.
12. Sponsorship of seminars, conferences, workshops etc.



ONGC families marching to promote AIDS awareness



ONGC engages to help create livelihoods and nurture lives

Our water management: CSR initiatives



Project Saraswati- Our unique endeavor to rediscover the lost river Saraswati and help find sustainable water solution

Case Study: Swajaldhara - water management in Andhra Pradesh

Water is our life line and ironically also the main source of disease and destruction in the society. Coastal India is generally infested with contaminated water causing water borne diseases. It is no different situation in Andhra Coastal area particularly Konaseema, where we operate. A source of clean water is a real social need for these villages.

We provided support to the identified villages by constructing 20 hand pumps in the village making the water safe for domestic use to a large extent. This illustrates our commitment of providing clean and safe water as a priority under our CSR activities.

Case study: ONGC movement "PURA"

Envisioned by the former Hon'ble President of India, Shri A P J Abdul Kalam, we have made an effort to integrate our CSR activities targeting vocational education, hygiene and development of self-employment mechanism through PURA (Providing Urban Amenities in Rural Areas). PURA is a multi agency initiative comprising of the non-Government organization, banks and the industry.

PURA involves identification of rural clusters with growth potential and creating 4 types of connectivity for them:

- (i) Physical connectivity in the form road, transportation and power connectivity.
- (ii) Electronic connectivity in the form of reliable telecom, internet and IT services.
- (iii) Knowledge connectivity in the form of good educational and training institutions.
- (iv) Economic connectivity to enable farmers and others to get the best price for their produce.



Fulfilling the dream of Dr. Abdul Kalam – ONGC PURA at Tripura

We nurture
sports in
India



Our performance

Three-year performance data

Financial Year (1st April-31st March)		2007	2008	2009
Safety				
	Unit			
Fatalities-employees	Nos	0	0	2
Fatalities-contractors	Nos	15	9	9
Hours worked-employees	Million hours	70.75	70.85	71.61
Hours worked-contractors	Million hours	49.01	49.01	62.04
Man Days Lost-employees	Mandays	570	381	362
Incidents involving injuries-employees	Nos/Million hours worked	0.28	0.95	1.20
Incidents involving injuries-contractors	Nos/Million hours worked	3.10	2.86	2.01
Energy, Water & Environment				
Natural gas (NG)	Terra joules	83128	85205	91890
High speed diesel (HSD)	Terra joules	11111	11920	12965
Aviation fuel (ATF)	Terra joules	9	5	3
Electricity purchased from grid	MwH	307048	272133	305595
Total Offshore flaring	MMSCM	585.94	710.48	574.46
Total Onshore flaring	MMSCM	125.55	89.17	72.17
Total flaring in ONGC	MMSCM	711.49	799.65	646.63
Electricity - Indirect emission	Million tCO ₂ e	0.24	0.22	0.24
Fossil fuel - Direct emission	Million tCO ₂ e	7.54	7.91	8.01
Total greenhouse gas (GHG) in ONGC	Million tCO ₂ e	7.78	8.13	8.25
Fresh water (Ground water sources)	Billion litres	12.10	12.39	12.24
Fresh water (Municipal sources)	Billion litres	5.16	5.03	3.92
Fresh water (Surface sources)	Billion litres	13.46	13.85	12.31
Total fresh water usage in onshore locations	Billion litres	30.72	31.27	28.47
Potable water supplied from Nhava base to offshore installations	Billion litres	0.07	0.08	0.09
Drill water supplied from Nhava base to offshore installations	Billion litres	0.16	0.13	0.20
Total fresh water usage in offshore locations	Billion litres	0.23	0.21	0.28
Total fresh water usage in ONGC	Billion litres	30.95	31.48	28.75
Sea water for injection in wells	Billion litres	63.74	68.43	60.97
Sea water desalination (for potable and drill water use)	Billion litres	0.20	0.20	0.20
Total sea water usage in ONGC	Billion litres	63.94	68.63	61.17
Environmental expenditure	INR Million	2900	3770	4376.5
People				
Number of employees	Nos.	32996	33035	32826
Turnover of employees	Nos.	363	280	139
Benefits to employees-including salaries, benefits and others	INR Million	60484	47396	57191
Performance				
Crude oil production	MMT	25.94	25.37	24.62
Natural gas production	MMSCM	22333.9	22486.1	23108.9
<i>*All other value added product sales to be referred to Annual Report</i>				
Community investments	INR Million	1695.40	1690.40	2688
Economic Value Added (EVA)	%	21.70	17.22	22.12
<i>*All other economic figures to be referred to Annual Report</i>				

External assurance



ASSURANCE STATEMENT

Det Norske Veritas AS (DNV) has been commissioned by the management of Oil and Natural Gas Corporation Limited (ONGC) to carry out an assurance engagement on the company's 2009-10 Sustainability Report (the Report) in its printed format against the Global Reporting Initiative (GRI) 2006 Sustainability Reporting Guidelines Version 3.0 (G3) and AccountAbility's AA1000 Assurance Standard 2008 (AA1000AS 2008).

The intended users of this assurance statement are the readers of the ONGC 2009-2010 Sustainability Report. The Management of ONGC is responsible for all information provided in the Report as well as the processes for collecting, analyzing and reporting that information. DNV's responsibility regarding this verification is to ONGC only, in accordance with scope of work carried out. DNV disclaims any liability or responsibility to a third party for decisions, whether investment or otherwise, based on this Assurance Statement.

Scope of Assurance

The scope of work agreed upon with ONGC included the following:

- Evaluation of the disclosed information in the Report, the systems and the processes ONGC has in place for adherence to the three Accountability Principles (Inclusivity, Materiality and Responsiveness) as required for a Type 1, moderate level of assurance, in accordance with AA1000AS 2008.
- Evaluation of the additional principles of Completeness and Neutrality, as set out in DNV's Protocol for Verification of Sustainability Reporting.
- The boundary of the Report as stated in page 2 of the Report.

Limitations: The work was carried out at the ONGC office in New Delhi and did not involve any site visits. No external stakeholders were interviewed as part of this assurance engagement. DNV has not verified the accuracy and reliability of quantitative data and sustainability performance information stated in the Report.

Verification Methodology

Our assurance engagement was planned and carried out in July – August 2010 in accordance with the DNV Protocol for Verification of Sustainability Reporting (VeriSustain)¹. As part of the verification we have challenged the sustainability-related statements/claims made in the Report and assessed the underlying systems and processes for adherence against the Account Ability Principles. For example, we have:

- Conducted desktop review of ONGC's sustainability systems, processes and outputs, and other relevant information and documentation made available to us by ONGC as requested by DNV such as minutes of meetings, study reports, agreements etc.
- Conducted interviews with the core team involved in preparing the Report and key decision-makers of ONGC including the Chariman and Managing Director, Director of Onshore operations, Director of Finance and the head of the Carbon Management Group and Corporate Social Responsibility.
- Performed sample-based reviews of the mechanisms for implementing the company's policies, as described in the report, and for determining material issues to be included in the Report.
- Reviewed the outputs of stakeholder meetings specifically undertaken for the purpose of the sustainability reporting exercise.

DNV states its independence and impartiality with regards to this assurance engagement. DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV maintains complete impartiality towards people interviewed during the assignment.

*www.dnv.com/services/assessment/corporate_responsibility/services_solutions/sustainabilityreporting/order/



DNV is a global provider of sustainability services, with qualified environmental and social assurance specialists working in over 100 countries. This assurance engagement was conducted by qualified VeriSustain assessors from India.

Conclusions

In our opinion, the Report is an appropriate representation of the ONGC's sustainability-related policies and management systems. We have evaluated the Report's adherence to the following principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement'.

AA1000AS (2008) principles

Inclusivity: Needs Improvement. ONGC has engaged with selected stakeholders during the year through various channels described in the Report. Also specific meetings have been undertaken for the purpose of the sustainability reporting exercise. But a formal commitment to be accountable to all relevant stakeholders and a defined and documented on-going engagement process needs to be established.

Materiality: Acceptable. The Report content determination process has not missed out any significant, known material issues/topics, but the process should be validated with more specific inputs for each division and location to bring out material issues that reflect short, medium and long term impacts.

Responsiveness: Needs improvement. We consider that the company has responded to most material issues and to its stakeholders through its policies, management systems and processes. However, this can be improved by strengthening the monitoring and goal setting process to cover more appropriate performance indicators.

Additional principles

Completeness: Acceptable. The reporting boundary is limited (Page 2) and does not cover the entirety of ONGC. But within the reporting boundary defined by ONGC, we do not believe that the Report omits relevant information that would influence stakeholder assessments or decisions.

Neutrality: Acceptable. The Report covers sustainability issues, in a balanced manner, in terms of content and tone. Limitations are fairly presented with commitments to future improvement.

Recommendations

In addition to the improvement opportunities stated as part of the above conclusions, DNV recommends that ONGC:

- Include environmental and social aspects as part of its stated strategic goals.
- Improve the monitoring and reporting of environment parameters, such as water discharge and hazardous waste from across the organisation.
- Implement a systematic quality assurance procedure for data management which will help improve the reporting process.
- Continue to improve awareness of sustainability across the organisation.

For Det Norske Veritas AS

Santhosh Jayaram
Lead Verifier
Head Sustainability and Business Excellence Services,
South Asia, Det Norske Veritas AS

Nili Safavi
Assurance Engagement Reviewer
Det Norske Veritas AS
London, UK

New Delhi, August 31, 2010



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Glossary of terms

- Condensates: Liquid hydrocarbons produced with natural gas, separated by cooling and other means. Development: Following discovery, drilling and related activities necessary to begin production of oil or natural gas.
- Enhanced Recovery: Techniques used to increase or prolong production from oil and natural gas fields.
- Exploration: Searching for oil and/or natural gas, including topographical surveys, geologic studies, geophysical surveys, seismic surveys and drilling wells.
- Integrated Petroleum Company: A company engaged in all aspects of the industry from exploration and production of crude oil and natural gas (upstream) to refining, marketing and transportation products (downstream).
- Liquefied Natural Gas (LNG): Gas that is liquefied under extremely cold temperatures and high pressure to facilitate storage or transportation in specially designed vessels.
- Liquefied Petroleum Gas (LPG): Light gases, such as butane and propane that can be maintained as liquids while under pressure.
- Oil Equivalent Gas (OEG): The volume of natural gas that can be burnt to give the same amount of heat as a barrel of oil (6,000 cubic feet of gas equals one barrel of oil).
- Reserves: Oil and Natural Gas contained in underground rock formations called reservoirs.
- Proved reserves are the estimated quantities that geologic and engineering data demonstrate can be produced with reasonable certainty from known reservoirs under existing economic and operating conditions. Reserve estimates change as additional information becomes available.
- Recoverable reserves are those that can be produced using all known primary and enhanced recovery methods.
- Work-Over: Remedial work to the equipment within a well, the well pipe work or relating to attempts to increase the rate of flow.
- IOR/EOR: Improved Oil Recovery/ Enhanced Oil recovery.
- 3P: Proved plus Probable plus Possible.

Report feedback

We seek to develop and improve on our reporting process and welcome your feedback on this report. This would provide valuable inputs to our future reporting exercises.

Feedback on this Report

Mr. Ashok B. Chakraborty,
Group General Manager,
Chief, Carbon Management Group &
Chief, Corporate Social Responsibility

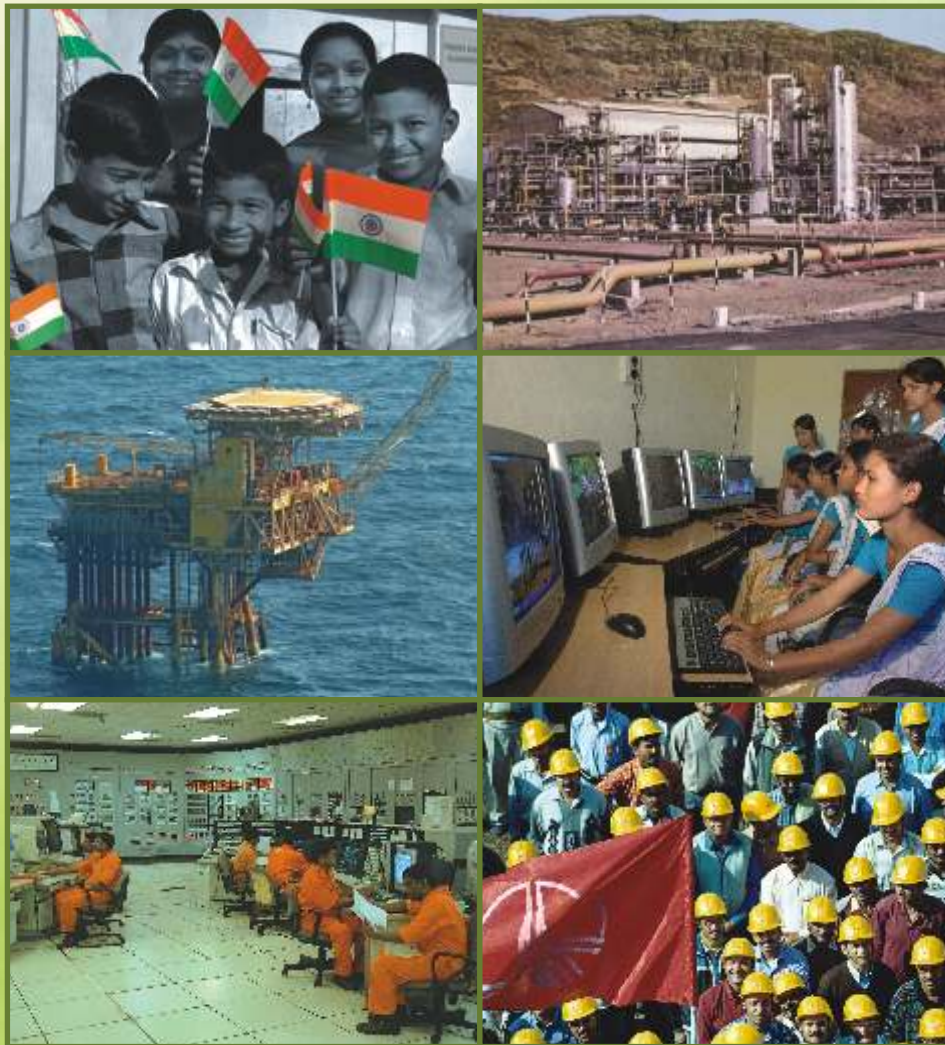
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Report Application Levels

		2002 In Accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared					✓		
	Third Party Checked			Report Externally Assured				Report Externally Assured
Optional	GRI Checked			Report Externally Assured		Report Externally Assured		Report Externally Assured



A Million Barrels.....A Billion Smiles....



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