



CAIRN INDIA GROUP

CORPORATE RESPONSIBILITY MANAGEMENT SYSTEM (CR-MS)

AN OVERVIEW

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AMENDMENTS SHEET

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1 INTRODUCTION

The Cairn India Limited Board has approved the implementation of a comprehensive Business Risk Management System that defines the processes through which Cairn India Limited (CIL) seeks to systematically identify, analyse, assess, treat and monitor all of the business risks faced by the company.

Corporate responsibility (or CR) encompasses health, safety, environment, security and corporate social responsibility issues which are integral parts of these business risks in that, as well as the obvious potential for loss of life, damage to the environment and disruption to society, such CR risks can materially impact:

- Profitability: For example, accidents can result in damage to or loss of operational facilities, downtime of operational plant or drilling rig;
- Future opportunities: For example, a poor reputation, particularly in the environmental and corporate social responsibility fields may result in difficulty in acquiring licences and joint venture partners, and in obtaining the funding to develop them;
- Share Price: For example with the growth of ethical investments, a poor reputation particularly in the environmental and corporate social responsibility fields can potentially impact share price growth.

The Cairn India Board has approved the review, update and realignment of the Corporate Responsibility Management System (CR-MS).

The previous HSE Management System was prepared in 2002. Since then we have introduced a number of related corporate responsibility initiatives, including Security Principles and Standards, the Human Rights Handbook, Stakeholder Management Guidelines, amongst others. These documents had been bolted on to the system and the structure had, as a consequence, become hard to follow and utilise. Cairn India Limited has also arranged a financial facility from the International Finance Corporation (IFC) and has subsequently committed to meeting IFC performance standards.

The purpose of this document is to specify how Cairn India manages CR issues within its Group activities, in order to deliver the commitments specified in the CIL HSE, Security and CSR Policy statements and Guiding Principles, and aims in particular to:

- Provide a high level overview of the way we manage CR;
- Define Board, Executives, Directors, Group Functional and General Managers CR responsibilities;
- Define the CIL CR Performance Standards which must always be complied with;
- Assist General Managers to translate the high-level HSE, Security and CSR Policies into practice by developing a "local" CR Management System suitable for their operating environment.

Once this document has been formally signed off and issued, the Head of Quality, Health, Safety, Security, Risk & Assurance and the GM Environment & CSR will provide appropriate training, support and guidance in its implementation.

2 RESPONSIBILITIES

The **Cairn India Board** has a collective role in providing formal and public CR leadership throughout the Cairn India organisation (for example by ensuring that all Board decisions reflect the HSE, Security and CSR Policies) and each Board member has an individual role in providing CR leadership in their own areas of responsibility.

The **Chief Executive** has ultimate responsibility for CR within the company. This responsibility is delegated as follows:

- The **Chief Operating Officer** is responsible for providing independent assurance to the Board that the HSE, Security and CSR Policies and the associated Group CR Management System is fit for purpose and that they are being appropriately implemented throughout the company.
- **Directors and Functional Managers** are responsible for providing CR leadership in their own organisations, implementing programmes to satisfy the HSE, Security and CSR Policies and managing programmes to assure compliance.
- **The Head of Quality, Health, Safety, Security, Risk & Assurance** and the GM Environment & CSR are responsible for:
 - Developing, implementing and continuously improving policies and systems pertaining to CR and risk management, which are appropriate to Cairn India;
 - Providing support, guidance and training to the rest of the organisation to facilitate implementation of the Cairn India CR Management System;
 - Advising the Cairn India Executive Committee (ExCo), Directors, Functional and General Managers on the setting of annual CR performance targets;
 - Monitoring CR performance against these targets and benchmarking CR performance against peers;
 - Managing an agreed programme of CR audits and reviews to confirm compliance with Policies and Standards;
 - Monitoring CR performance and ensuring that local CR programmes are in line with the delivery of corporate strategy.
 - Driving continuous improvement in CR performance through, for example, transfer of lessons learnt between Assets;
 - Acting as Cairn India's principle point of contact with third parties with respect to CR issues.
- **Director Operations** is responsible for:
 - Complying with all relevant regulatory and legislative CR requirements;
 - Conducting all operations in accordance with the CR Management System (either through direct application of this Management System or by development of a fit for purpose CR Management System commensurate with local needs and risks);
 - Ensuring that all staff and contractors are aware of the HSE, Security and CSR Policies;

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- Influencing JV Partners to manage their operations in compliance with Cairn India's HSE, Security and CSR Policies;
 - Setting annual CR performance targets with input and advice from the Head of Quality, Health, Safety, Security, Risk & Assurance and the GM Environment & CSR;
 - Fully investigating and applying the lessons learnt from accidents or incidents;
 - Providing feedback to the Head of Quality, Health, Safety Security, Risk & Assurance and the GM Environment & CSR identifying where improvements in CR performance can be made.

All Staff are responsible for:

- Understanding and applying the CIL CR Management System;
- Understanding and fully satisfying their CR roles and responsibilities;
- Learning from incidents and from best practice;
- Providing feedback to the Head of Q,H,S,S Risk & Assurance and the GM Environment & CSR on all CR aspects.

3 APPLICABILITY

The CR-MS is owned and maintained at the Cairn India Group level. The system is applicable to, and should be implemented at all Cairn India sites, operations and activities throughout the world. These include:

- Owned and operated facilities and activities (including majority owned/operated);
- New developments, mergers, acquisitions and businesses planned for divestments; and
- Activities undertaken by contractors on Cairn sites or under Cairn management.
- Activities undertaken by Joint Venture partners on behalf of Cairn.

4 OBJECTIVES

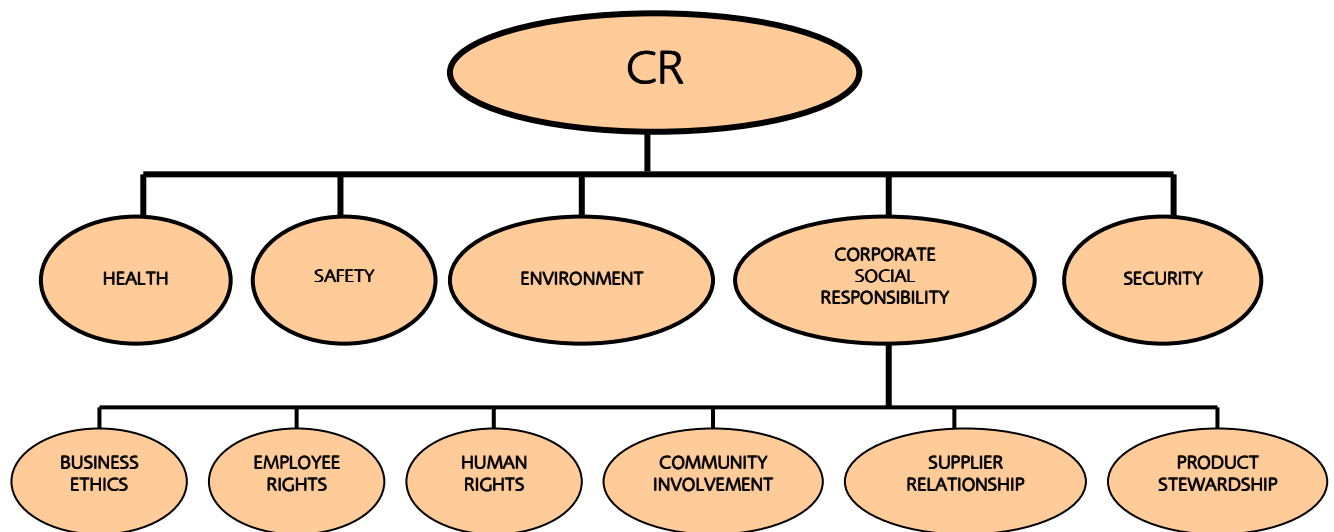
The aims and objectives of the CR Management System are to:

- Support the implementation of the HSE, Security and CSR Policy Statements, and supporting Guiding Principles. Elements covered are shown in Figure 4.1;
- Ensure a risk based approach is adopted;
- Provide clear definition of roles and responsibilities;
- Provide a structured approach to the development and implementation of the project level management processes;
- Control processes both at the Group level and within operating subsidiaries;
- Set out and formalise the expectations for implementation of consistent standards across the company and through the different stages of projects;
- Provide clear and auditable criteria against which CR performance can be assessed (and reported to stakeholders);
- Stimulate high levels of "ownership" throughout the organisation;
- Promote "empowerment" and not discourage innovation;
- Provide a basis for continual improvement; and
- Fulfil the corporate governance aspects of CR.

Effective management of CR is a prime responsibility for all management and staff and this document is written to provide transparent, systematic, consistent, practical, effective and auditable applications throughout all of our activities, from Group level, through to all subsidiary companies (both operational and non-operational).

The goal is for Cairn India to assure itself and other stakeholders, such as investors, loan providers (e.g. IFC), regulators, partners, licensing authorities and insurers, that all operations are reflective of good industry CR practice and is able to comply with Company Policy and legislation through a process of self-regulation and control. The emphasis is placed on an approach which is **objective setting** (establishing what to do and then doing it), **proactive** (taking action before and not after the event) and **risk based** (measures should be taken which are necessary and cost effective to reduce risk to acceptable levels, at which the cost of further risk reduction is disproportionate to the benefit gained).

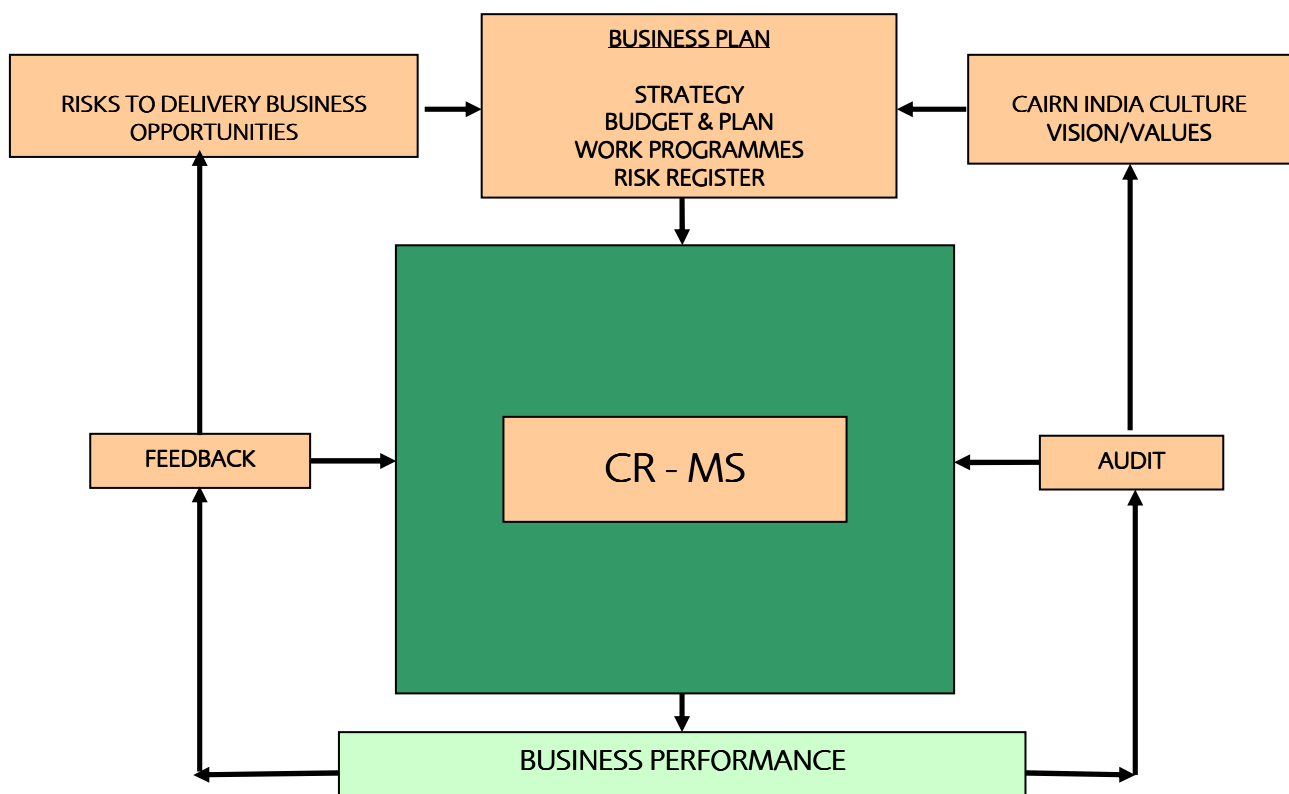
FIGURE 4 1: COMPONENTS OF CR MANAGEMENT SYSTEM



5 CR Governance

The CR Management System is an integral and auditable part of Cairn India's Business Management System (BMS). The BMS defines how Cairn aims to deliver business performance through implementing the Corporate Strategy and Annual Work Programme and Budget, while managing and controlling identified risks associated with our business activities. The BMS Framework as applied to CR is shown schematically in Figure 5.1 and the CR-MS is described in Section 6.

FIGURE 5.1: BUSINESS MANAGEMENT SYSTEM FRAMEWORK



6 CR Management System Structure

The structure of the revised CR-MS follows the Plan, Do, Check, Act (PDCA) model, incorporating 'gated stages' to reflect the dynamic nature of Cairn Energy projects. The System Framework is represented graphically in Figure .6.1

Policies are statements of intent issued by the ExCo endorsed by the Cairn Board, which establish the principles by which the Company will be managed. Conformance with these Policies is mandatory across the Cairn India Group. **Guiding Principles** describe Cairn India's fundamental values and approach to HSE, security and CSR management and set out the appropriate international codes, standards or conventions to which the Company aspires.

Nine '**Core Management Processes**' form the mechanism through which CR management process commitments set out in the policies are implemented. They have been developed following the principles set out in the PDCA model. The Core Management Processes detail the management actions necessary across all phases of a project life cycle. All of these processes require generic action across all stages in the life cycle, whilst some require additional specific processes/ actions to be completed at specific stages of the life cycle.

The intent behind each of the nine Core Management Processes is summarised in Table 6.1, together with a brief description where stage specific, or 'gated' process requirements may exist. The Core Management Processes are described in more detail in section 7 of this document.

In addition to the Core Management Processes there are '**Gated Processes**' which detail processes or actions associated with specific stages of a project lifecycle. These reflect the dynamic nature of the projects that Cairn India operates. Five project activities (Exploration, Development, Capital Value Project, Production and Decommissioning) have been identified and these have been defined by six gated stages. A project must pass through a formal 'Approval Process' (gate) when moving from one stage in the life cycle to another. The Approval Process is a Management Review requirement specific to the stage through which the project is passing. Project access through the 'gate' can be declined if all the necessary Core Management Process, Stage Specific Process and/ or supporting Guiding Principles commitments have not been met. The gated process requirements and the approval process are described in detail in the supporting document 'Procedure for Managing CR during Gated Processes' Document Number CIL/HSE/08/000491

'**Guidance, Implementation and Tools**' are the procedures, guidelines and tools that facilitate implementation of the Core Management Processes and Gated Processes in order to meet the requirements laid out in Cairn Energy PLC's Policies and Guiding Principles.

Cairn India's existing guidance, and future guidance that may be required, are shown in Appendix 5.

The hierarchy of CR-MS documentation is shown in Appendix 6.

For information, the elements of the international environmental management standard have been mapped against the CR-MS and this is shown in Appendix 7.

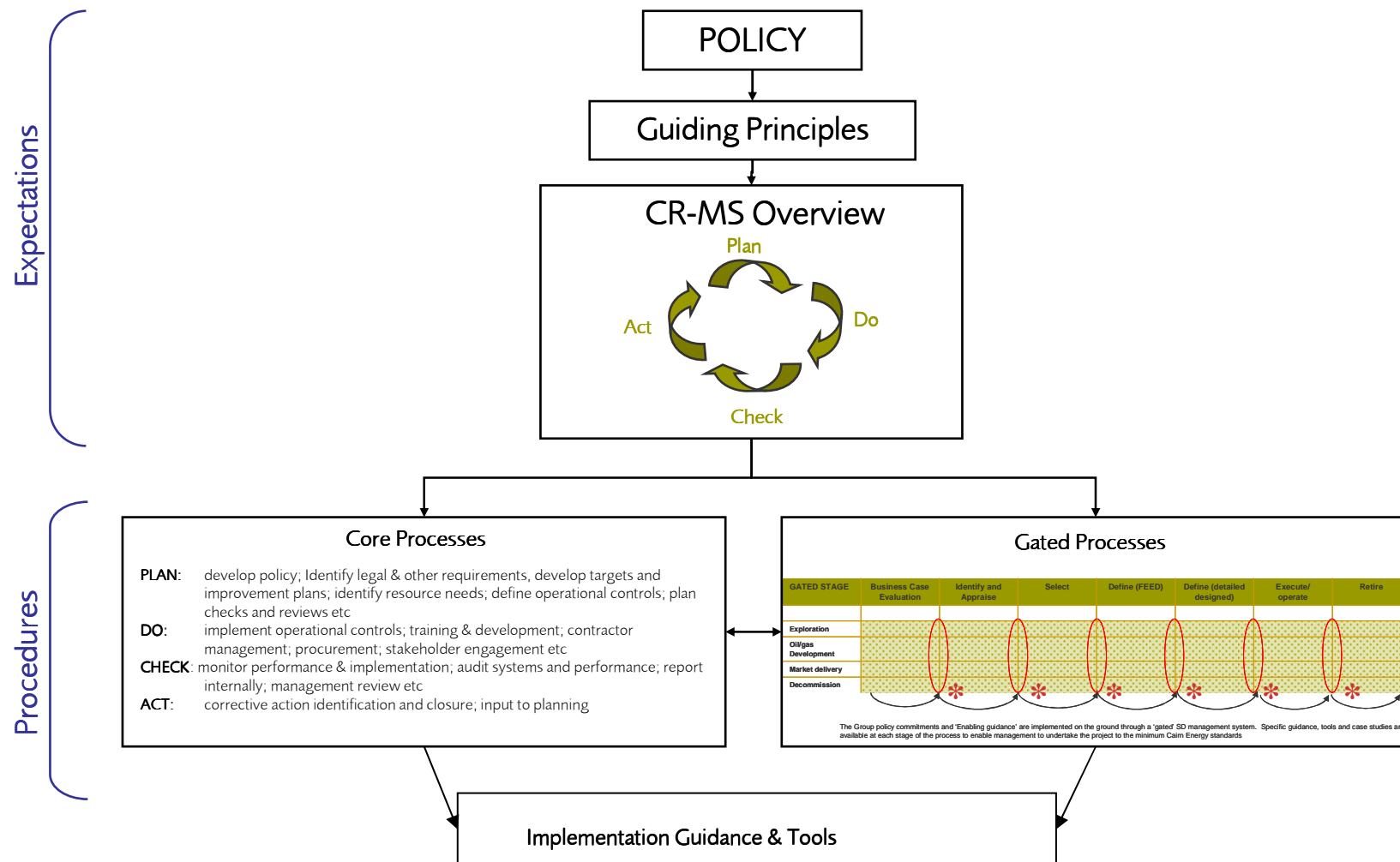


FIGURE 6.1: SYSTEM FRAMEWORK

Table 6.1 Core Management Processes.

Core Management Processes	Summary of Core Management Process	How the Core Process Links to the Gated Procedure
Leadership and Commitment	Process for establishing top level commitment, responsibilities and clear roles for CR management at all levels of the company.	Cairn India's processes for establishing and implementing leadership and commitment apply to all stages of the lifecycle.
Policy and Strategic Objectives	Process for establishing CR policy, objectives and targets, integrating these in the overall business planning process and implementing them throughout the organisation for the purpose of continual improvement.	Cairn India's CR policies, objectives and targets apply across the entire business, to all stages of the lifecycle (although some policies, objectives or targets might be specific to particular stages). Sanction to move to the next stage of the gated process is conditional on CR plans delivering compliance with Cairn India policy.
Organisation, Resources and Documentation.	Process for ensuring that all employees and contractors are: aware of the CR issues relevant to their activities; competent to perform these activities; and receive training in CR issues, as appropriate to their job function. It also requires that all relevant CR-MS information is identifiable, controlled, readily available and securely stored.	Personnel implementing the gated procedure must have the requisite competencies and skills to fulfil their role, as defined in the core management process and gated procedure. The core management process enables sufficient and effective organisational structure and resource allocation to enable full implementation of the gated procedure. Gate specific requirements include contractor management and supply chain requirements.
CR Risk Management	Process for identifying, assessing and managing CR risks. In addition, the standard also applies to planned and unplanned changes to operations, processes, personnel, including acquisitions/ mergers/ Joint Ventures.	Risk management is a fundamental requirement of the gated procedure. There are gate specific requirements for the identification, assessment and management of risks at specific stages in the life cycle. Sanction to move to the next stage of the gated process is conditional on the CR risks being identified, assessed and managed to acceptable levels.
Communication, Consultation and Involvement	Process for effective, transparent and open communication and consultation with stakeholders associated with Cairn India's activities, and encouraging stakeholders to participate in and contribute to CR improvement initiatives. Includes external reporting.	Stakeholder consultation is a fundamental requirement of the gated procedure. There are gate specific requirements for the identification of stakeholders and consultation at specific stages in the life cycle. Sanction to move to the next stage of the gated process is conditional on the effectiveness of stakeholder consultation.
Planning and Procedures	Process for planning and implementing appropriate control measures for the effective management of CR risks.	There are gate specific requirements for the development of management plans for the full scope of CR issues. Sanction to move to the next stage of the gated process is conditional on the existence of adequate management plans specifying operational controls and procedures.
Compliance and Regulations	Process for identifying, interpreting and implementing legal requirements, including ensuring that they are understood by personnel and tracking future requirements. All legal requirements to be accessible, documented and maintained.	Legal compliance and compliance with other applicable requirements (such as international standards) is a fundamental requirement of the gated procedure. There are gate specific requirements for the identification and implementation of legal requirements. Sanction to move to the next stage of the gated process is conditional on achieving full compliance with laws and regulations.

Implementation and Monitoring,	Process for implementing CR controls and monitoring performance against standards and targets, and reporting of results. This includes tracking performance at all levels on an ongoing basis through performance indicators, monitoring progress against objectives and targets, internal reporting such as KPIs, incidents and non-compliances, and enabling corrective or remedial actions where needed.	Monitoring is a requirement of particular stages of the gated process, including monitoring of key performance indicators and compliance with applicable requirements. CR management plans that are developed at relevant stages must be implemented in order to meet the requirements of the gated procedure.
Auditing and Management Review	Process for ensuring all levels of the company are meeting the requirements of the management system. This includes reviewing CR policies, performance and systems to ensure their continuing implementation and effectiveness and to ensure that it remains relevant to the Company. Also, ensuring all levels of the company are meeting the requirements of the management system.	Management review takes place at each gate and requires approval by the ExCo of the proposed decision put forward by the gatekeeper to go to next stage/put on hold/kill.

* Gated requirements are described in detail in the Procedure for 'Managing CR During Gated Processes' and the accompanying deliverables registers for each activity (exploration, development, construction or other project, production and decommissioning).

7 CORE MANAGEMENT PROCESSES

The Cairn India Group CR Management System includes nine management processes as described in Section 6 of this document. Each of these management processes is described in this section.

For each Core Management Process a Group CR Performance Standard is defined and procedures that describe how these standards can be met are identified. The Group CR Performance Standards are descriptions of required attainment, established by Group Functional Management. Compliance with Standards shall meet the intent of the Cairn Policies.

The procedures that describe how the Group CR Performance standards can be met are listed in table 7.1

Table 7.1 CR-MS Procedures, Guidelines & Tools

Reference	Title
B1	HSE Plans and Performance Targets
C1	HSE, CSR and Security Competence and Training
C2	Contractor and Procurement HSE Management
D1	HSE, Security and CSR Risk Management
D2	Guidelines for Stakeholder Management
E1	HSE, Security and CSR Working Practices
E2	Management of Social Impacts
E3	Management of Change
E4	Contingency Planning
E5	Security Guidelines
E6	Human Rights Handbook
G1	Incident Reporting and Investigation
H1	HSE, Security and CSR Audits and Reviews

These procedures describe recommended practice to meet Group Policy, Guiding Principles and Performance Standards. As such the procedures are not mandatory but deviations from procedures must be agreed by the CR Manager and gatekeeper where a gated process is involved

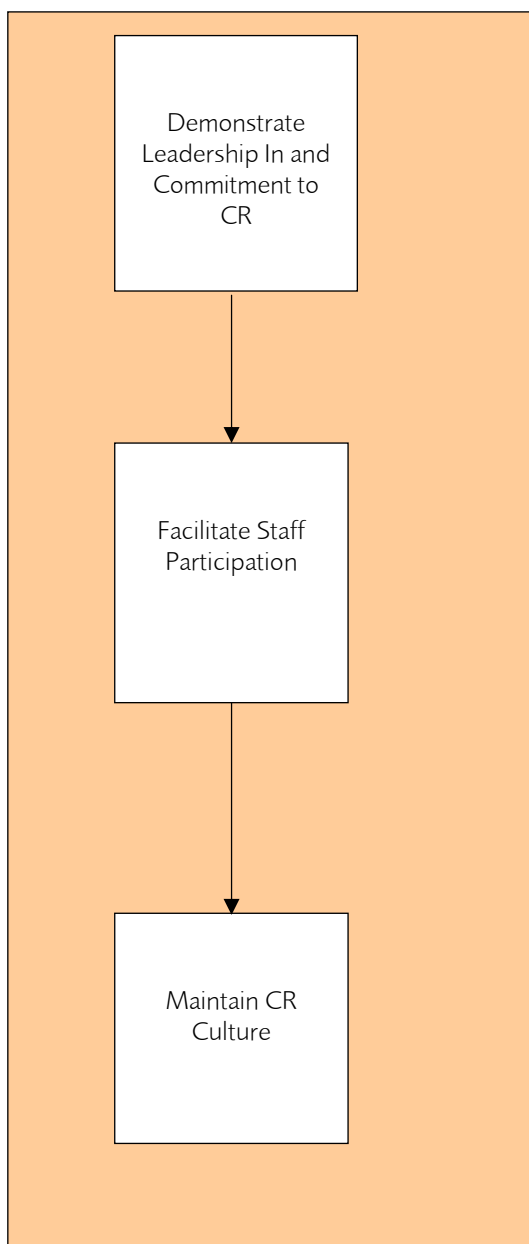
Leadership & Commitment

GROUP CR PERFORMANCE STANDARD

All Management levels will visibly demonstrate leadership and commitment to the HSE, Security and CSR Policies and Group CR Management System through:

- Providing adequate resources (such as their own support, time or Company funds) for the development, implementation and maintenance of the Group CR Management System;
- Ensuring that all business decisions reflect Cairn's CR intentions as articulated in the HSE, Security and CSR Policies;
- Supporting local actions taken to protect CR;
- Facilitating initiatives to improve CR performance.

PROCEDURES



The Main Board, Chief Executive, ExCo Directors, Functional Managers and General Managers must provide leadership in, and demonstrate commitment to CR. Such commitment can be demonstrated by, for example:

- Allocating necessary resources;
- Providing appropriate training;
- Ensuring that all staff and contractors are aware of the Cairn India HSE, Security and CSR Policies;
- Being visibly and actively involved in CR activities and reviews (e.g. HSE Management Committees);
- Setting a personal HSE example in day-to-day work;
- Putting CR matters high on the agenda of meetings, from the Board downwards;
- Actively supporting CR initiatives.

ExCo, Directors, Heads of Departments, Functional and General Managers will encourage staff suggestions for measures to improve CR performance, openly seeking their views and energetically pursuing appropriate suggestions for improvement. They will also provide support for local actions taken to protect CR.

ExCo, Directors, Heads of Departments, Functional and General Managers will promote a culture conducive to good CR performance through for example:

- Open and supportive reporting to foster a belief in Cairn's will to improve its CR performance;
- Awareness, understanding and acceptance of their own individual CR responsibilities.

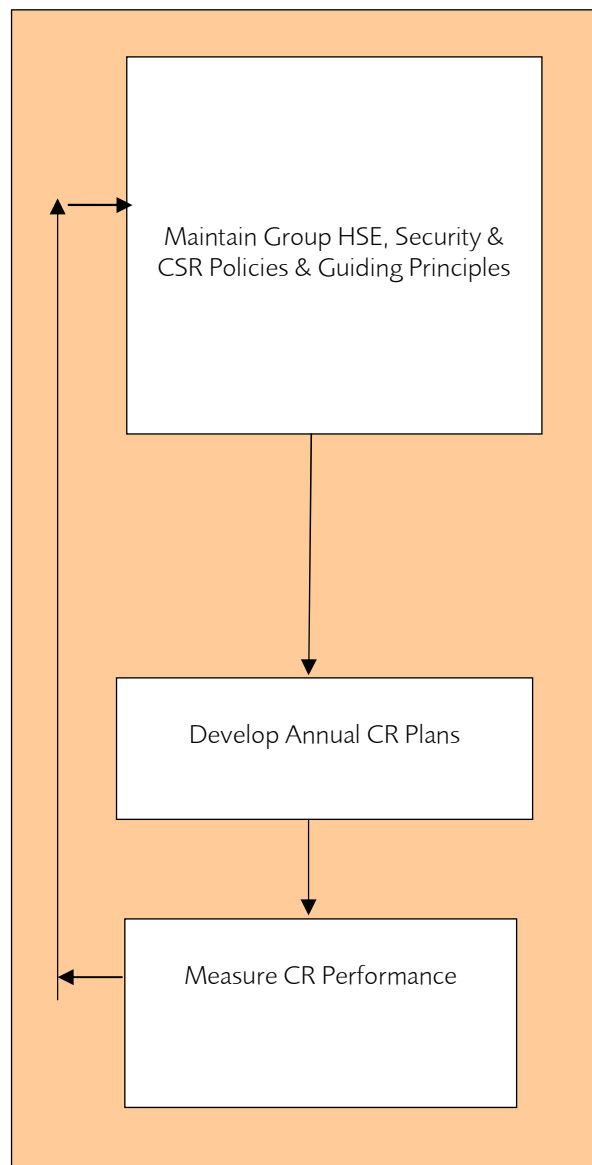
Policy & Strategic Objectives

GROUP CR PERFORMANCE STANDARD

HSE, Security and CSR Policies and Guiding Principles will be defined and documented to ensure that they are:

- Consistent with, and have equal importance with, all other business policies and objectives;
- Relevant to Cairn India's activities and their effects on HSE, security and CSR;
- Implemented and maintained at all organisational levels;
- Communicated to all staff;
- Regularly reviewed to ensure that they continue to reflect industry best practice, operational and business requirements, stakeholder views and relevant CR threats;
- Used to drive the derivation of Annual CR Plans.

PROCEDURES



The Board is responsible for endorsing the HSE, Security and CSR Policies and Guiding Principles ensuring that resources are available to implement them. HSE, Security and CSR Policies will be signed by the Chief Executive to reflect this endorsement

Directors, Heads of Department, Functional and General Managers are responsible for ensuring that all staff and contractors are aware of, and comply with, the HSE, Security and CSR Policies and Guiding Principles. The Head of Q,H,S,S Risk & Assurance is responsible for:

- Ensuring that the HSE, Security and CSR Policies and Guiding Principles are freely available to all staff and stakeholders;
- Ensuring that, on an annual basis, a review is conducted to assure the adequacy of the existing HSE, Security and CSR Policies and Guiding Principles. This review should consider: Cairn India strategic business objectives; Short and long term operational plans; Operational risks; Relevant legislation; Staff (and all stakeholder) expectations; Industry best practice.

The Directors with support from the Head of Q,H,S,S Risk & Assurance, the GM Environment & CSR and other Functional Managers, will develop Annual CR Plans that provide measurable annual objectives and targets through which the effectiveness with which the Group HSE, Security and CSR Policies and Guiding Principles are being satisfied can be monitored. **(see Procedure B1)**

The Head of Q,H,S,S Risk & Assurance and the GM Environment & CSR are responsible for measuring CR achieved performance against agreed performance targets and reporting this performance to the Board. **(see Procedure B1)**

Organisation, Resources & Documentation

GROUP CR PERFORMANCE STANDARD

A fit for purpose, appropriately resourced CR organisation will be a continuous goal, which;

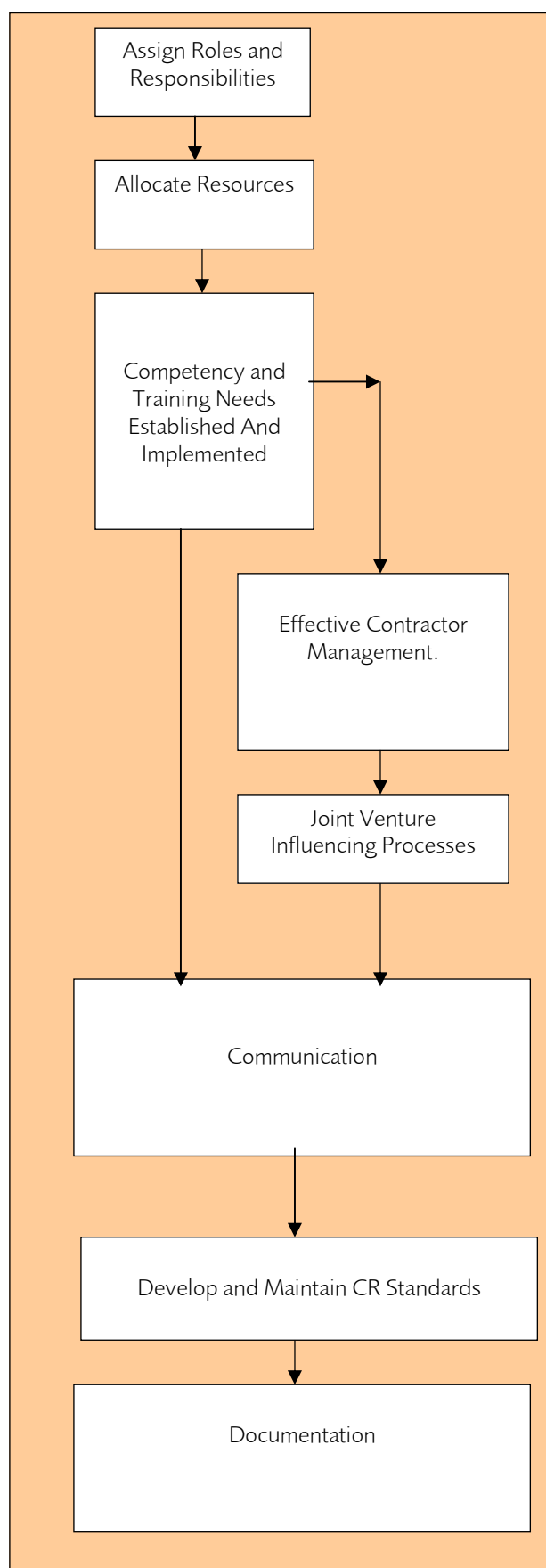
- Is consistent with operational risks;
- Emphasises that successful CR control is a line responsibility;
- Requires the active participation of all levels of management and supervision;
- Ensures that all relevant management and staff are aware of their clearly defined CR roles and responsibilities and appropriate training is provided, where necessary;
- Is adequate and appropriate for current and future planned work programmes;
- Maintains an appropriate mix between staff and contractors consistent with the planned work programmes;
- Actively manages / influences contractors and Joint Venture (JV) partners;
- Promotes fit for purpose CR competence levels (for both staff and contractors) in line with the Cairn competency framework;

Cairn India will actively promote awareness and understanding of the importance of managing CR issues through:

- Communications between management, staff, contractors and suppliers;
- Actively seeking feedback to drive continuous CR improvement.

Appropriate use will be made of Information Management Technology to maximise the effectiveness and efficiency of CR information management and control. CR documentation will be fit for purpose and:

- Appropriately controlled and formally managed by an appointed representative;
- Accessible;
- Periodically reviewed and updated.

PROCEDURES

ExCo, Directors, Heads of Departments, Functional and General Managers with support from the Head of Q,H,S,S Risk & Assurance and the GM Environment & CSR are responsible for providing fit for purpose CR roles, responsibilities and organisations which are consistent with operational risks.

ExCo, Directors, Heads of Departments, Functional and General Managers are accountable for allocating sufficient resources (through an appropriate mix of internal and external support) to effectively implement their CR Management System.

Competency is assured through:

- Identifying competency requirements in CR critical roles;
- Assessing personnel competencies;
- Implementing & monitoring the effectiveness of training to assure competency.

Heads of Departments, Functional and General Managers are accountable for ensuring that their staff are equipped with the appropriate CR skills and knowledge to effectively undertake their work through initial induction and tailored training programmes to meet the requirements of the Cairn India competency framework.

(see Procedure C1)

Heads of Departments and General Managers are accountable for ensuring that their contractors operate in a way consistent with the requirements of the CR Management System. Contractor CR performance should be monitored and reviewed at a frequency and depth consistent with the CR risks posed by the Contractor. CSR issues in the Supply Chain should be identified and managed. **(see Procedure C2)**

Heads of Departments and General Managers are responsible for establishing processes to monitor the CR performance of joint venture operations where Cairn is a non operator and, where relevant, to maximise the Cairn's influence on the venture's CR management.

Heads of Departments and General Managers are accountable for ensuring that staff, contractors and partners are aware of the importance Cairn India places on HSE, Security and CSR issues and of the relevance of the CR Management System. Internal communications will typically be through: management meetings at which CR performance will be tabled; task related meetings providing the opportunity to discuss CR issues in advance of undertaking particular tasks; and CR Committee meetings held routinely at operational locations to promote CR programmes. The Head of Q,H,S,S Risk & Assurance is responsible for managing the feedback from these CR Committees to the Board.

The Head of Q,H,S,S Risk & Assurance is responsible for developing and maintaining relevant CR standards. These will be realistic, achievable and, whenever possible, quantified.

The Head of Q,H,S,S Risk & Assurance will maintain controlled documentation for the CR Management System. Heads of Departments and General Managers are responsible for maintaining controlled documentation of, for example: the results of risk assessments and evaluations; action plans to address any corrective actions; audit results; relevant contractor records; procedures and work instructions for key tasks; etc.

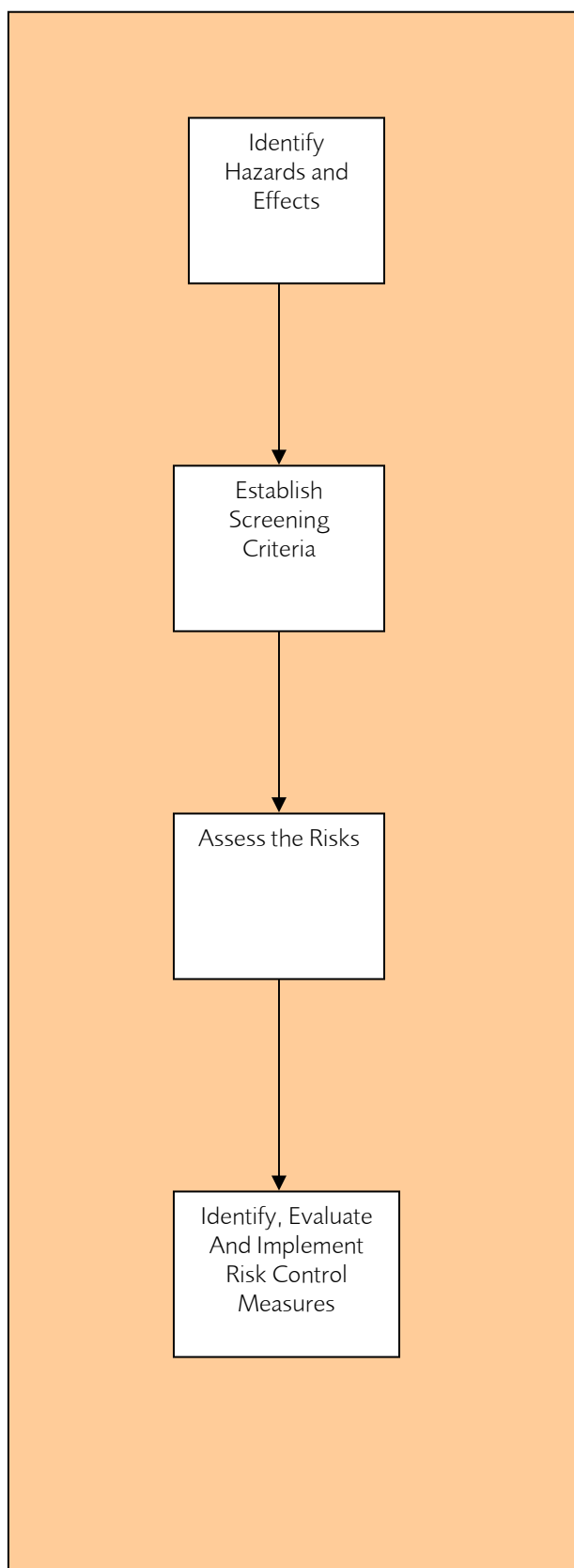
CR Risk Management

GROUP CR PERFORMANCE STANDARD

A CR management process will be defined and implemented, consistent with the Cairn India Business Risk Management process, to:

- Seek to identify all the hazards, effects, threats and opportunities associated with Cairn India activities which have the potential to adversely impact CR and / or operational performance or to result in loss of business opportunity (e.g. through CR reputation loss, etc);
- Agree pre determined acceptability criteria;
- Formally assess these risks against these pre determined acceptability criteria
- Where relevant, implement additional risk management controls to ensure that these acceptability criteria are met.

PROCEDURES



The Head of Q,H,S,S Risk & Assurance is responsible for maintaining procedures to systematically identify the CR, hazards and effects that may arise from all Cairn India operations. The process will be carried out through the whole life cycle, starting from business case evaluation and finishing with close-out as relevant. **(See Procedure D1).**

The ExCo, Directors, Heads of Departments, Functional and General Managers are responsible to implement these procedures, involving relevant staff at all levels.

The Head of Q,H,S,S Risk & Assurance is responsible for establishing screening criteria and methodologies against which the risks can be assessed. **(See Procedure D1)** Examples could include:

- Managing safety and security risks to "As Low as Reasonably Practical" (ALARP) levels, the level at which further risk reduction would be physically impractical or involve costs which are disproportionate to the benefit gained;
- Following the intent of the UK Safety Case Regulations outside the UK;
- Following the intent of ISO 14001 for environmental controls.

Risk is defined as the product of the likelihood of the hazard occurring and the severity of the consequences if it did occur. The Chief Executive Officer responsible for assessing the risks to people, environment, the assets and the company. These risk assessments will be fit for purpose and appropriately documented. **(See Procedure D1)**

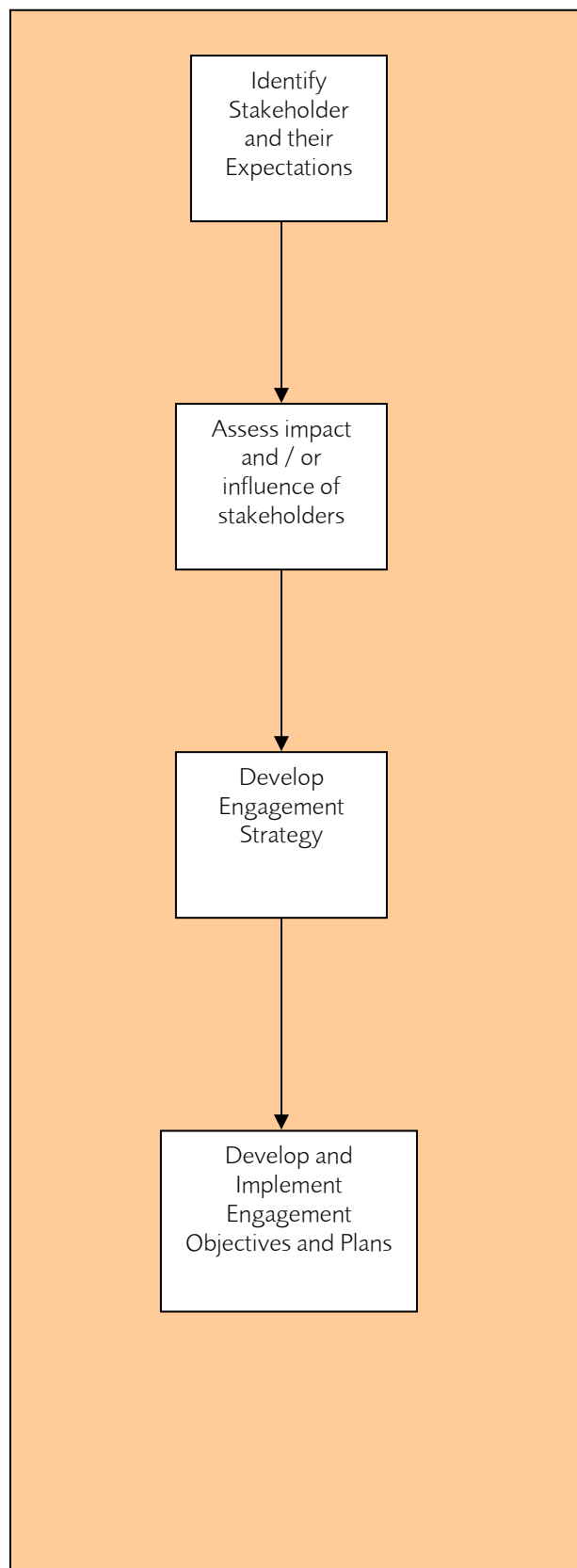
Risk control measures include both those to eliminate or prevent incidents and those to control and mitigate the consequences of an incident or hazard occurring. Wherever possible and practicable, precedence must be given to elimination and prevention above control and mitigation. Control and mitigation measures include: permit to work; health monitoring; use of non-oil based drilling muds. The Chief Executive Officer is responsible to select, evaluate and implement such measures to ensure that the operation

Consultation, Communication and Involvement

GROUP CR PERFORMANCE STANDARD

A CR management process will be defined and implemented, consistent with the Business Risk Management process, to:

- Seek to identify all stakeholders that may be impacted by or have an influence Cairn India activities;
- Inform risk management processes through the identification and management of the expectations of stakeholders impacted by and with influence over Cairn India activities;
- Develop stakeholder engagement strategies for all activities;

PROCEDURES

The Head of Q,H,S,S, Risk & Assurance is responsible for maintaining procedures to systematically identify stakeholders and their expectations associated with all Cairn operations.

The impact and / or influence of all stakeholders will be assessed with respect to all Cairn activities and assessment of stakeholder expectations will inform the risk management process. The process will be carried out through the whole life cycle, starting from business case evaluation and finishing with close-out as relevant. **(See Procedure D2).**

Control measures are required to manage the risks and opportunities presented by stakeholder expectations. This will be done by establishing a stakeholder engagement strategy **(See Procedure D2)**. The output of this stakeholder engagement strategy will be used to inform and improve the development and implementation of risk control measures.

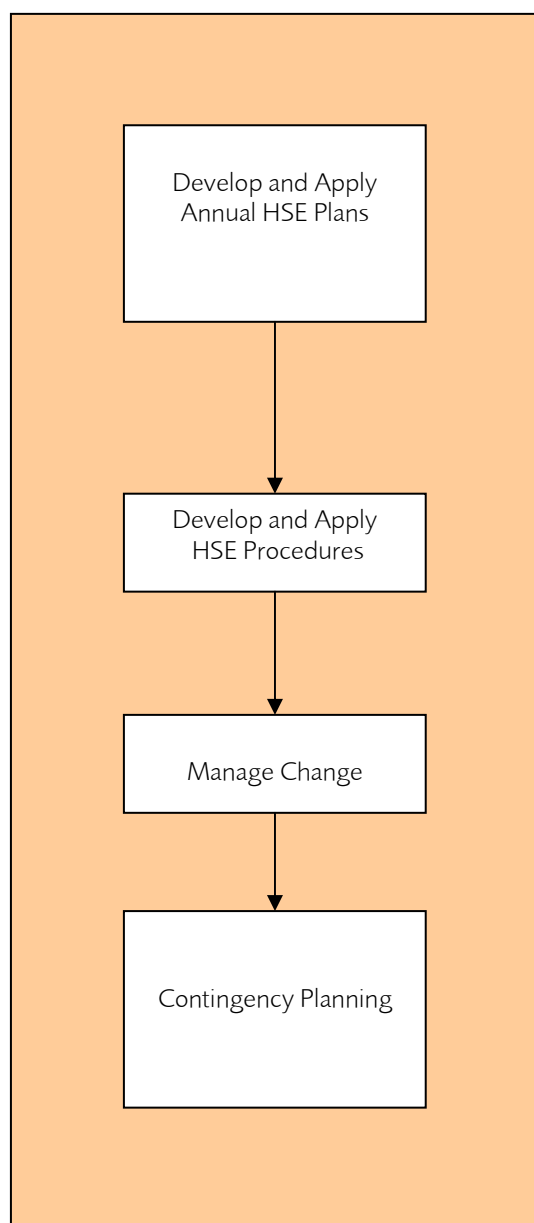
Planning & Procedures

GROUP CR PERFORMANCE STANDARD

Formal plans and procedures for achieving HSE, Security & CSR objectives, risk reduction measures, performance improvements, management of change and preparedness for emergencies will be developed, implemented and maintained. CR Plans will be updated and reported against on an annual basis. These plans and procedures will aim to:

- Protect the health and safety of everybody involved with, or who could be affected by, Cairn activities;
- Conserve resources by: the efficient use of energy and water; the reduction of emissions and discharges; the prevention, where practical, of unnecessary wastes; recycling;
- Meet our social responsibilities to our workforce and to the communities who could be affected by Cairn activities.

PROCEDURES



The Head of Q,H,S,S, Risk & Assurance and the GM Environment & CSR will develop an annual Cairn India HSE Plan to demonstrate how the company HSE, Security and CSR Policies and Guiding Principles and objectives will be met during the delivery of the Corporate Strategy and Annual Work Programme & Budget. The Annual CR Plan will set specific targets and objectives that:

- Demonstrate continuous performance improvement;
- Safeguard the integrity of assets;
- Takes due cognisance of business and stakeholder expectations;
- Address known operational and management change.

The ExCo, Directors, Heads of Departments, Functional and General Managers will develop and apply specific plans for their own operations that are reflective of and supportive of this Group CR Plan.

The Chief Operating Officer will, with the assistance of Directors, Heads of Departments and Functional Managers, develop and apply procedures to ensure that all CR critical facilities and equipment are designed, operated and maintained to approved practices and standards (as far as possible, existing industry standards and codes of practice should be referenced). An example is the application of documented and controlled systems of work for the definition and management of all critical activities and tasks (e.g. permits to work, procedures, work instructions, etc). (see **Procedures E1/E2**) Procedures should also be established to protect the security of personnel and assets (see **Procedure E5**).

Social risks may require the management of dilemmas involving human rights. Cairn India aims to consider such dilemmas with a rights aware approach. This approach identifies the human rights that may be at issue in or around our activities, aims to determine where primary responsibility for the right lies and determines action appropriate to Cairn India's position. (see **Procedure E6**).

The Chief Operating Officer will implement a procedure for planning and controlling change, both permanent and temporary, in people, plant, processes and procedures to avoid adverse HSE consequences. (see **Procedure E3**)

The Head of Q,H,S,S, Risk & Assurance and the GM Environment & CSR, Heads of Departments, Functional and General Managers will develop, document and maintain plans for the management of and recovery from all foreseeable emergencies. Where relevant these plans will be developed in association with and involve external authorities. (For requirements for these plans see **Procedure E4**).

Compliance & Regulations

GROUP CR PERFORMANCE STANDARD

All operations shall seek to:

- Identify applicable laws, regulations, standards and recognised codes of practice which should be complied with;
- Get permits in place before any operational activity starts;
- Meet conditions attached to the permits and satisfy all reporting requirements.

PROCEDURES

Identify all regulations, standards, licenses, permits and recognised codes of practice which are applicable to the



For all such legislative requirements draw up and implement a Compliance Matrix



Obtain all permits, etc defined in the Compliance Matrix



Maintain the Compliance Matrix current

The Chief Executive Officer is responsible for identifying all regulations, standards, licenses, permits and recognised codes of practice that are applicable to the continued operation of their Asset(s). Where any of these do not fully reflect Cairn India's HSE, Security and CSR Policies, the COO should attempt to influence partners and stakeholders to adopt more appropriate standards.

The Chief Executive Officer is responsible for compiling the Compliance Matrix that will identify parameters such as:

- Who within Cairn is responsible for obtaining the permit & ensuring compliance with regulation, etc;
- Which external bodies are responsible for issuing permits & ensuring compliance with regulation etc;
- What needs to be done to obtain the permit & ensure compliance with regulation, etc;
- Likely timescale to obtain the permit, etc;
- Lifetime of permit, etc.

The Chief Executive Officer is responsible for implementing the work plan defined by the Compliance Matrix to obtain all permits, etc in a timely manner.

The Chief Executive Officer must maintain the Compliance Matrix current and ensure that it continues to reflect relevant operational and planning changes.

Operational Compliance

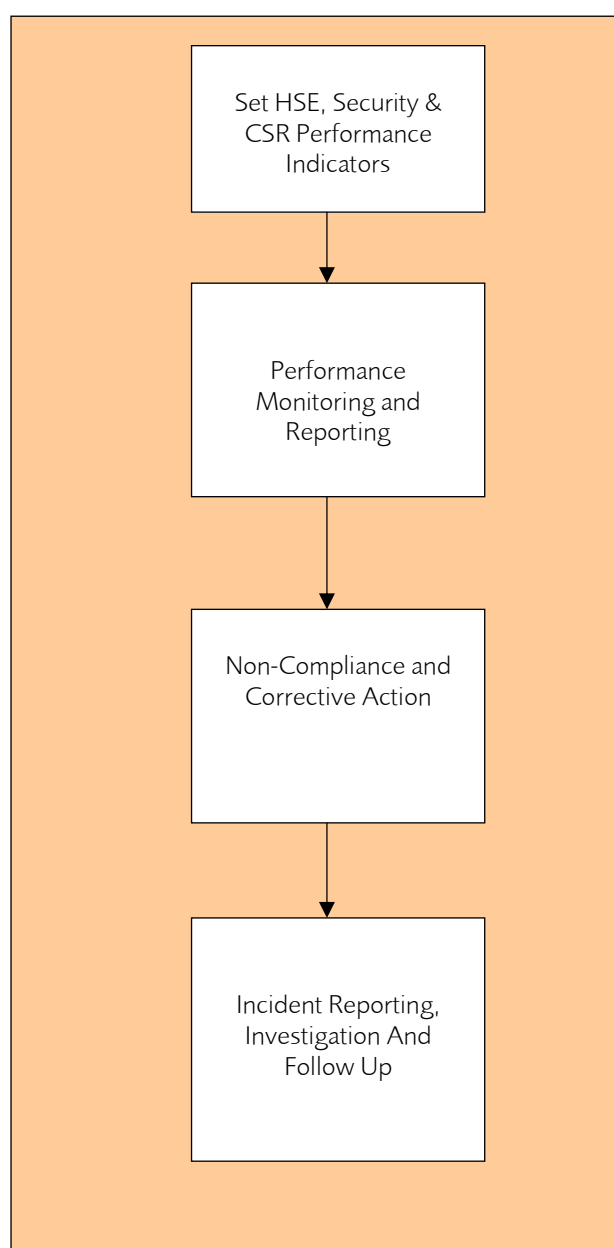
Implementation & Monitoring

GROUP CR PERFORMANCE STANDARD

The implementation and effectiveness of the CR Management System will be assessed and continuous improvement in CR performance facilitated through:

- Identifying and documenting CR performance indicators;
- Establishing and maintaining active CR performance monitoring programmes;
- Reporting and investigating all incidents which affected or may have affected CR performance;
- Documenting lessons learned.

PROCEDURE



The Head of Q,H,S,S, Risk & Assurance will maintain procedures for the derivation of HSE, security and CSR performance indicators. The Chief Executive Officer, with advice and guidance from the Head of H,S,S, Risk & Assurance, is responsible for setting performance indicators for the operations. **(see Procedure B1)**

The Head of Q,H,S,S, Risk & Assurance and the GM Environment & CSR will maintain procedures for proactive and reactive monitoring of relevant aspects of HSE, security & CSR performance. Such monitoring may be informal and continuous or formal and discrete. Proactive monitoring includes: near miss reporting, periodic inspection and testing of facilities; periodic examination of documented procedures / work instructions / audit trails; observation of work practices; performance profiling against defined criteria such as CR incident statistics; etc. Reactive monitoring includes incident reporting (see below)

The Chief Executive Officer is responsible for implementing monitoring and reporting programmes

The Chief Executive Officer should ensure that non-compliances (which may result from failures in the CR Management System, plant or equipment, company practices or human error) are dealt with. All significant non-compliances will be investigated, the underlying causes identified and reported, and corrective actions planned to:

- Limit any adverse CR effect;
- Restore compliance and prevent recurrence.

The Chief Executive Officer will report, document and investigate all incidents (including near misses) in a manner compliant with all relevant legislation. Statutory reporting of incidents to regulatory bodies will be carried out promptly and correctly. As a minimum, incidents will be investigated to address **(see Procedure G1)**:

- Immediate and underlying or root causes;
- Appropriate action to correct the situation;
- Requirements for statutory reports.

Follow up will be conducted to ensure that corrective actions

Auditing & Review

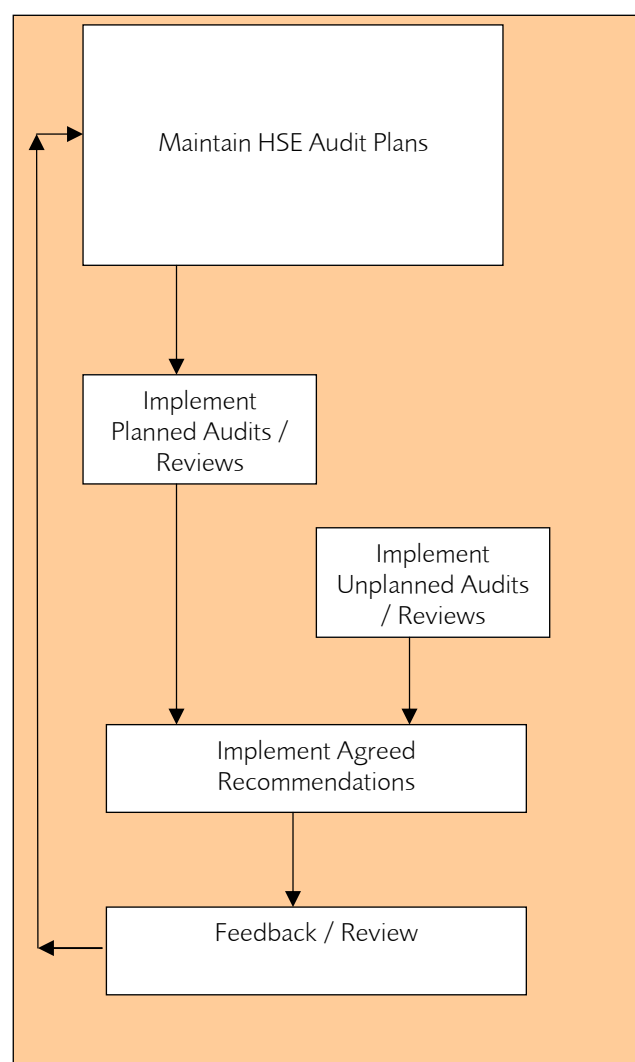
GROUP CR PERFORMANCE STANDARD

Audits and reviews of activity will be planned, implemented and documented as a normal part of the business, at key stages throughout the project lifecycle from design through fabrication and installation to operation and abandonment. They will:

- Provide assurance of compliance, or if not identify shortcomings, to all relevant Cairn India Policies & Standards;
- Provide assurance of compliance, or if not identify shortcomings, to all relevant legislative requirements;
- Confirm that activities conform to planned arrangements and are being implemented correctly;
- Provide positive technical challenge and recommend corrective action where appropriate;
- Identify and share areas of best practice to drive continuous performance improvements.

All audits will be included on an audit plan which is annually updated and, as far as practical, will interface with all other audit activity to maximise value to the company.

PROCEDURES



The Chief Executive Officer, in liaison with the Head of Internal Audit and the Head of Q,H,S,S, Risk & Assurance, will produce Annual CR audit plans for the areas of responsibility. The plans will be reflective of: Asset business risks; financial exposures; current and planned future operational exposures; strategic business risks; stakeholder expectations and be tied into key stages of the project life cycle.

Head of Internal Audit supported by the Head of Q,H,S,S, Risk & Assurance, will coordinate these plans and, as far as practical, will attempt to integrate the plans with other Cairn India audit activities to maximise audit value and minimise any disruption to the Asset. **(see Procedure H1)**

The Chief Executive Officer will ensure that all gated projects define a plan of gated reviews with competent gatekeepers appointed. **(see CR-MS Procedure for Gated Processes)**

Directors, Heads of Departments, Functional and General Managers are responsible for the effective conduct of planned and ad hoc unplanned audits and reviews including detailed investigations / reviews when controls fail.

At the request of the Chief Executive, and when a material HSE risk arises, the Head of Q,H,S,S, Risk & Assurance may initiate ad hoc audits.

Relevant Management are responsible for ensuring that agreed audit recommendations are implemented to drive continuous improvement.

Feedback from all audits and reviews will be analysed to update plans and to monitor the implementation of agreed targets.

Appendix 1: Health, Safety and Environment (HSE) Policy



HEALTH, SAFETY & ENVIRONMENT (HSE) POLICY

Cairn India is committed to protecting the health and safety of everybody involved with our activities, the people who come into contact with our operations and the health and sustainability of the environments in which we operate. We aspire to high standards of practice through a process of continual improvement and the adoption of international codes and standards where practicable.

To meet this commitment we will implement management systems in our operations that accord with the requirements of our health, safety and environmental standards and strive to:

- Ensure that our operations comply with applicable health, safety and environmental laws and regulations
- Implement controls to protect all personnel involved in our activities, to prevent pollution and to protect biodiversity
- Provide health, safety and environmental training to our employees and actively promote awareness of health, safety and environmental issues
- Ensure that contractors are aware of our policies and standards and where necessary, work with our contractors to raise their standards to meet them
- Foster a culture where accidents, incidents and near misses are reported and investigated and the lessons learned are shared throughout the organisation
- Implement a strategy for the conservation and sustainable use of biodiversity, based on the principle of 'no net loss'
- Monitor our performance and conduct regular audits to ensure our controls are effective and that our health, safety and environmental aspirations are being achieved
- Set objectives and targets for improving health, safety and environmental performance and monitor and report openly on our performance
- Ensure that a high priority is placed on emergency preparedness and contingency planning, and regularly tested, so that any incidents can be responded to in a timely and effective manner
- Work with Government and regulatory bodies in the formulation or improvement of laws, policies, regulations and procedures aimed at protecting health, safety and the environment
- Consult with and respond to the concerns of other stakeholders on our health, safety and environmental performance, including biodiversity

Responsibility for compliance with Cairn's HSE Policy and standards lies with the Chief Executive, Directors, Managers and their staff.

Rahul Dhir
Executive Officer

Effective Date: April 2007

Appendix 2: Security Policy



SECURITY POLICY

Cairn India HSE Policy commits the Company to protecting the health and safety of everybody involved with our activities and the people who come into contact with our operations. To achieve this, Cairn will seek to provide a secure working environment and adopt appropriate international standards to protect employees and contractors, physical assets and operations against risks of injury, loss, damage or impairment from criminal, hostile or malicious acts.

To meet this commitment we will strive to:

- Regularly monitor and assess the security status of those places where we do business and the security risks associated with our operations
- Implement a management system in our operations that accord with the requirements of our security standards and ensure necessary controls are in place to address the identified security risks
- Provide security training to employees, as appropriate, and actively promote awareness of security matters
- Maintain and regularly test contingency and emergency response procedures to ensure potential security incidents are effectively dealt with
- Report and investigate all incidents that have occurred due to any lapse in security

Responsibility for compliance with Cairn's Security Policy and standards lies with the Chief Executive, The Chief Operating Officer, Directors and Managers and their staff. It is also the responsibility of each individual to be aware of the risks to personal safety and security and to take measures commensurate with the environment in which they are living, working and travelling.

Rahul Dhir
Chief Executive Officer

Effective Date: April 2007

Appendix 3: Corporate Social Responsibility (CSR) Policy



CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

Cairn India is committed to maintaining the highest standards of corporate social responsibility in its business activities. To meet this commitment we will seek to respect the rule of law, adopt appropriate international standards, implement management systems, and will strive to:

Business Ethics

- Behave with honesty and integrity in all our activities and relationships with others
- Maintain internal controls adequate to guide and ensure standards are met

Employees

- Respect the rights and dignity of every employee and treat them fairly and without discrimination.
- Encourage team working and the sharing of knowledge throughout the organisation
- Recognise employees' individual and team contribution and reward them appropriately

Local Communities

- Respect the different cultures and rights of individuals and indigenous peoples in all countries in which we operate
- Assist in the development of local community programmes where we operate, in consultation with local government, public and other appropriate stakeholders

Human Rights

- Identify and assess human rights risks within our sphere of influence and activities
- Provide direction and training to enable employees to positively address human rights within our sphere of influence and activities

Suppliers

- Seek to be honest and fair in our relationships with suppliers and contractors
- Encourage suppliers and contractors to abide by our standards

Responsibility for compliance with Cairn's CSR policy and standards lies with the Chief Executive, Directors, Managers and their staff.

Rahul Dhir
Chief Executive Officer

Effective Date: April 2007

Appendix 4: Cairn India Vision and Values

➤ CAIRN INDIA VISION

Pioneering Energy – Enriching Lives

➤ PIONEERING SPIRIT

Innovative thinking and a "Can do attitude"

- Demonstrates self belief and confidence in new areas
- Experiments without fear of failure
- Provides leadership and drive to meet challenges
- Is passionate and outperforms on commitments

➤ TEAMWORK

Working together towards common objectives

- Puts collective goal ahead of individual interest
- Asks for and gives help willingly
- Listens and respects other's opinion
- Shares information proactively

➤ RESPECT

Care for people and environment

- Demonstrates empathy towards others
- Understands diversity and is sensitive to different cultures
- Committed to health, safety and security in our operations
- Cares for the community and environment

➤ OWNERSHIP

Committed and accountable for our actions

- Responsible for our own and team's actions
- Takes personal accountability for delivery
- Goes beyond one's role to deliver on commitments
- Manages resources of the organisation effectively

➤ Appendix 5: Cairn CR Guidance & Tools

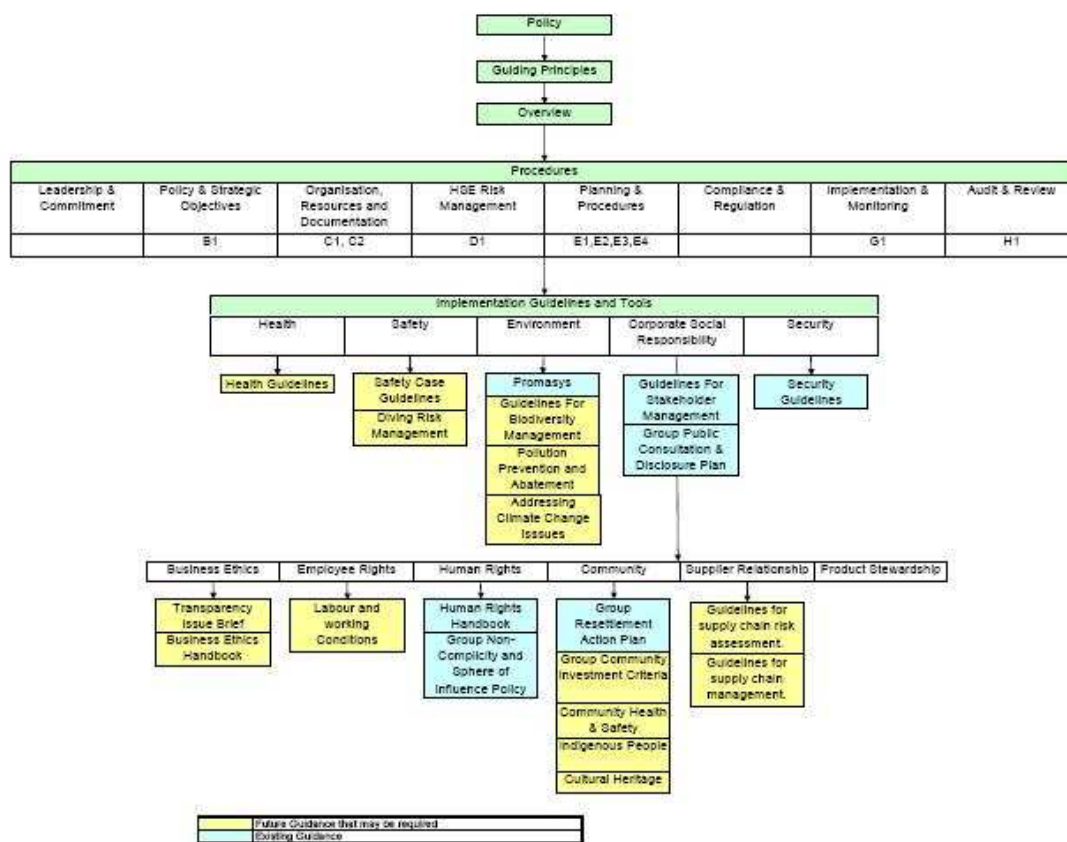
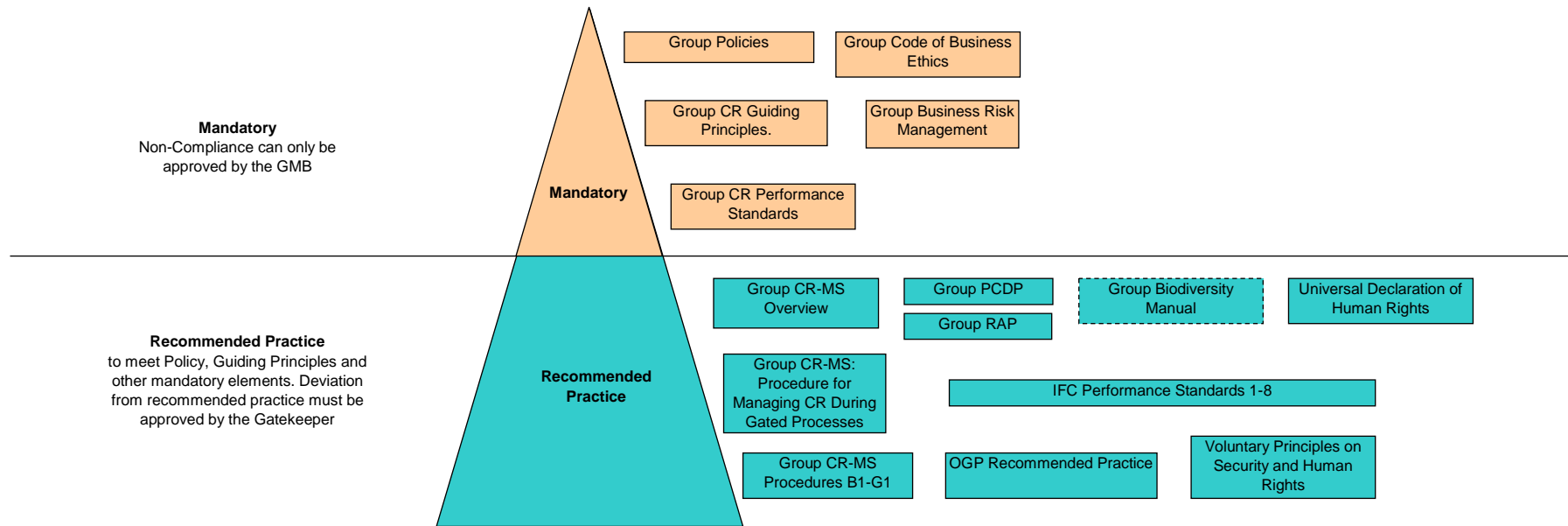


Figure 1 The Current HSE, Security and CSR Management System and gaps that have already been identified.

Appendix 6: Hierarchy of CR-MS Documentation



Appendix 7: Elements of ISO14000 Mapped against the CR-MS

