

ENVIRONMENTAL & SOCIAL MANAGEMENT AUDIT REPORT



W2E : Delhi shows the way

With more than 2000 TPD[1] of Municipal Solid Waste (MSW) of city being dumped daily at Ghazipur dumpsite (covers an area of 29 hectares), the site has exceeded its limit long ago (operational since 1984). The dumpsite has an average height of 25 metres and over 5 million tons of garbage is accumulated. Around 1.4 million liters of toxic leachate runoff gets generated per day and flows into the Yamuna

In this context, the Waste to Energy (WtE) plant at Ghazipur dumpsite is a path breaking initiative. The WtE plant set up by IL&FS Environment on a Public Private Partnership (PPP) framework for the East Delhi Municipal Corporation (EDMC) provides a scientific solution to address the current dumping of waste at Ghazipur. The plant processes 2000 TPD of MSW and generates 12 MW of Green Power. The elaborate pre-processing facility at plant prepares waste to ensure a high calorific value of over 3000 Kcal/Kg for the Refuse Derived Fuel (RDF). This will be India's first WtE plant compliant to Euro norms for emissions along with the highest standards of pollution control measures. The plant will mitigate 8.2 million tons of Greenhouse Gases (GHG) over the life of the project,

thus combating global warming. With numerous environmental and health benefits to the society, the plant will also help in saving scarce land resources (about 260 acres of land values at over 20 billion over the life of the project). Moreover, the reduced incidence of other diseases (malaria, dengue, filariasis, gastrointestinal etc) would be the additional societal benefits. Swachh Bharat is inextricably linked to Swasth Bharat!

As a part of mainstreaming social and environmental concerns of the project, 'GULMEHER', a social initiative is supported by IL&FS to skill and create alternative livelihoods for ragpicking families, helping them with functional literacy and financial inclusion. The Waste to Energy project, Ghazipur will provide a replicable model for rehabilitating rag pickers across dumpsites in the Country.



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Independent Assurance Statement

THE BOARD OF DIRECTORS

INFRASTRUCTURE LEASING & FINANCIAL SERVICES LIMITED

- (1) Ernst & Young LLP ("EY") has been appointed by Infrastructure Leasing & Financial Services Limited ("IL&FS" or "the Company") to provide an independent assurance of the implementation of the Environmental and Social Policy Framework (ESPF) for the Financial Year ending March 31, 2016.
- (2) The enunciation and implementation of the Policy as aforesaid and the related operational procedures are the responsibility of the Management of IL&FS.
- (3) Our scope of work required us to review the conformance with the ESPF in IL&FS and IL&FS Group companies during FY 2015-16 where it has been implemented ie, IL&FS Investment Managers Limited (IIML); IL&FS Transportation Networks Limited (ITNL); IL&FS Maritime Infrastructure Company Limited (IMICL); IL&FS Water Limited (IWL); IL&FS Environmental Infrastructure and Services Limited (IEISL); IL&FS Energy Development Company Limited (IEDCL); IL&FS Township & Urban Assets Limited (ITUAL); IL&FS Cluster Development Initiative Limited (ICDI); IL&FS Renewable Energy Limited (IREL).
- (4) The assurance engagement was planned and performed in accordance with International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000). Our evidence - gathering procedures were designed to obtain a 'limited' level of assurance (as set out in ISAE 3000).
- (5) The performance of our engagement involved following key steps:
 - We have carried out a desk review of ESPF documents of IL&FS and nine IL&FS Group companies and interviews at the corporate office in Mumbai with key members of each Company who are responsible for the implementation of ESPF.
 - A sample of 15%-20% of project portfolio of each Company was reviewed to assess the implementation of ESPF. Our assessment was based on review of compliance of project related to ESPF documentation for FY 2016 with the requirements prescribed in the ESPF manual. Our review did not involve site visits to project locations for physical verification of ESPF related systems.
- (6) Our key observations are as follows:
 - The ESPF framework consists of procedures, which direct IL&FS Management to carry out Environmental and Social (E&S) risk assessment of projects, and accordingly prioritize actions for E&S risk management including action related to compliance with all relevant national E&S policies, laws and regulations.
 - The ESPF manuals, at the Group and Company level, have been periodically updated to address findings from external and internal audits.
 - IL&FS maintains and periodically updates documentation related to monitoring of risk reduction controls, risk ratings of projects under ESPF framework, and lists of projects covered under the ESPF. However, the Company is planning to further improve the documentation related to these aspects.
- (7) Based on our assessment and according to the documents, explanations provided to us and records made available to us during the review, no material exception has come to our notice that causes us to believe that IL&FS has not demonstrated conformity with its ESPF.

For Ernst & Young LLP

Chaitanya Kalia

Partner

17 May 2016



Paradip Refinery Water Project
Odisha

Infrastructure Leasing and Financial Services Limited was awarded the project in September 2009 to implement a 100 MLD bulk water supply project for IOCL's refinery at Paradip, Odisha on Build Own Operate and Transfer (BOOT) basis with 25 years of O&M. IL&FS has developed the Water Supply project through a Special Purpose Vehicle, IL&F Paradip Refinery Water Limited (IPRWL).

The project consists of intake facilities at Cuttack, transmission pipeline of nearly 100 kms and treatment and storage facilities at Paradip. The project cost is Rs. 950 crores and is operational since June 1, 2014

