



VOLUME II: ESPF OPERATIONAL MANUAL

**Environmental and Social
Policy Framework**



**Infrastructure Leasing &
Financial Services Limited**

Infrastructure Leasing & Financial Services Limited

IL&FS Environmental and Social Policy Framework

VOLUME II: 2018 - 19

ESPF OPERATIONAL MANUAL

ESPF Document Revision No.: ESPF/IL&FS/Rev/2017/09

#	Section / Clause Revised	Revision Date	Brief description of revision and reason for change
1	Section V (B) Cl # 7	03.05.2018	Site Inspection by CSC for High risk rated projects
2	Section II(C) CL #10	03.05.2018	Escalation matrix for non-submission of Master list to CSC
Previous Revisions: ESPF/IL&FS/Rev/2017/09			
1	Section 1 (B) Cl # 7	12/05 2017	Transfer of risk monitoring from ESPF to IMS is reverted back to ESPF. Risk monitoring frequency reduced to once a year after IMS is established
2	Section IV	12/05/2017	Training and awareness generation made subject to intensity of business activity
3	Section V Point # 3	12/05/2017	Intensity of corporate review reduced for High and Moderate risk rated PTAs and site visit made subject to management approval
4	Table 4	12/05/2017	Sr no. 15 & 16 added to provide additional options for spatial examination of E&S risk
All subsequent revisions will be captured in this revision page			
Previous Revisions: ESPF/IL&FS/Rev/2016/08			
1.	Section I. B	05-05-2016	Point 7 updated to bring clarity on communication to CSC with respect to projects handed over to EHS and OHSAS system
2.	Section V	05-05-2016	Point 1 updated to bring clarity on periodicity of corporate review
3.	Section V. B	05-05-2016	Point 7 updated to bring clarity on communication to CSC with respect to projects handed over to EHS and OHSAS system
4.	Annexure 1. Point 10.	05-05-2016	ESPF Form I - Environmental and Social Risk Assessment for Projects: <ul style="list-style-type: none"> - Within E&S Sensitivities section, point xiv. added: Water stress index - Within Risk Assessment section, 'Remarks' column re-labeled to 'Remarks/ Details/ Justification to be given'

5.	Annexure Point 13.	1.	05-05-2016	Table 4: Environmental Sensitivities and Sources of Information for India: Point 12 added for Water stress index
6.	Annexure Point 14.	1.	05-05-2016	Text updated to remove the conflicting terminology for updating the status of RRCs that are closed in Form II
7.	Annexure 4		05-05-2016	<p>Risk Assessment and Monitoring:</p> <ul style="list-style-type: none"> - Previous column titled “Investment size” replaced with two columns: one column on “Total Project/ Investment Size (Rs. Mn)” and another on “Group Company’s Investment size (Rs. Mn)” - Additional columns added: “Litigation pertaining to E&S issues”, “Incident of Social Unrest” - Column on “Remarks” re-worded: “Other Remarks (‘Live’/ ‘On Hold’) <p>Additional notes added:</p> <ul style="list-style-type: none"> - “Master database must clearly mention the reason for P/T/A excluded from the scope of ESPF or on Hold” <p>“P/T/A that are cancelled/ closed/ completed are to be maintained in a separate tab”</p>
Previous Revisions: ESPF/IL&FS/Rev/2015/ 07				
1.	Relevant Sections		22-09-2015	Replaced “Audit Committee” with “Risk Committee”
2.	Section I.		16-04-2015	Updated text on Institutional Structure and Road Map for implementation of ESPF for better clarity
3.	Section III		16-04-2015	Updated text on ‘key steps’ for establishing ESPF in the Company for better clarity
4.	Section IV		16-04-2014	Updated text for better clarity
5.	Section V		16-04-2015	Office based system review, Site inspection and External Audit- Added additional clause for closure of Form III and IIIA
6.	Annexure 4		16-04-2015	Updated Risk Assessment and Monitoring tab of the master database
7.	Annexure 5		16-04-2015	Annexure 5 added: Format for ESPF Audit Committee Report (Half-yearly)
8.	Annexure 1 (9)		16-04-2015	Added a note on integration of EMS/ OHSAS with ESPF
9.	Annexure 1 (13)		16-04-2015	Updated Table 4 for ‘sources’

10.	Annexure 1 (13)	16-04-2015	Updated point d) for clause on sending all High risk rated Project Form I to CSC for review
11.	Annexure 1 (19)	16-04-2015	Box 7 – Added note on optionality for Annexure N
Previous Revisions: ESPF/IL&FS/Rev/2014/ 06			
1.	Entire Document	10-02-2014	<p>The IL&FS ESPF Volume II has been renamed as ‘ESPF Operational Manual’</p> <p>The modules of Volume II revision No. 4 have been reorganized in this Manual. The strategy for implementation of ESPF at IL&FS has been modified wherein ESPF will be implemented in select Group Companies. Hence the Manual provides the procedure for establishment of ESPF at Group Companies and procedures to be implemented by IL&FS Corporate Sustainability Cell.</p>
2.	Section II (10)	24-06-2014	<p>The Master list will include all P/T/A assignments irrespective of ESPF applied to the same. The master list will not include P/T/A assignments that are completed/ cancelled/ exited, etc.</p> <p>The email communication containing the master list shall be sent to the CEO of the Group Company, in addition to the CSC.</p>
3.	Section V (2)	24-06-2014	<p>Scope of the Corporate Review (Metric)</p> <p>CSC shall co-opt reviewers from IL&FS Group companies other than the Company being reviewed, while conducting reviews</p>
4.	Annexure 1 (3)	24-06-2014	ESPF application to project SPVs such as GIFT City, IPPLC, etc.
5.	Annexure 1 (9)	24-06-2014	ESPF for Group companies where Environmental Management System (EMS) and Occupational Hazard and Safety Analysis System (OHSAS) has been established

Abbreviations

CRZ	Coastal Regulation Zone
CSC	Corporate Sustainability Cell
DPR	Detailed Project Report
EC	Environmental Clearance
EIA	Environmental Impact Assessment
EHS	Environment, Health & Safety
ESPF	Environmental and Social Policy Framework
E&S	Environmental and Social
IFC	International finance Corporation
MoEF	Ministry of Environment and Forests
MRM	Management Review Meeting
P/T/A	Project/ Transaction/ Advisory
RRC	Risk Reduction Controls
ToR	Terms of Reference
UNEP FI	United Nations Environment Program Finance Initiative

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I. Strategy for Implementation of ESPF at IL&FS

1. The Board of Infrastructure Leasing and Financial Services (IL&FS) Limited approved the Environmental and Social Policy Framework (ESPF) on May 5, 2008. As per the approved Policy, the framework is applicable to IL&FS, its subsidiaries and associate companies
2. The ESPF will be implemented by IL&FS by establishing and enabling operationalization of the system at its group companies in a phased manner. IL&FS has a number of subsidiaries and associate companies. **The ESPF will be implemented gradually in direct joint ventures, direct associates and direct subsidiaries**

A. Institutional Structure

3. For overall guidance, advice and coordination for implementation of ESPF, a Corporate Sustainability Cell (CSC) has been instituted at IL&FS Corporate. The CSC is responsible for knowledge management, communication and outreach, facilitating risk rating, common training (and workshops) related to environmental and social topics, corporate review and compliance monitoring of ESPF at IL&FS
4. The specific functions of CSC in implementation of ESPF are as follows:
 - a) Communicate the requirements for establishment of ESPF in the Group Companies
 - b) Assist the Group Companies in customization and establishment of ESPF
 - c) Conduct periodic corporate review of ESPF implementation
 - d) Facilitate training sessions for capacity building
 - e) Coordinate the conduct of external audit
 - f) Assist the Group Company in any matter related to Environmental initiatives of the IL&FS Group and ESPF implementation

B. Road Map for Implementation of ESPF

5. The framework has been established and being implemented in eleven entities of IL&FS Group since April 2009 to March 2014 as shown in **Table 1**

Table 1: List of Group Companies with ESPF

Group Company	Date of Board Approval
i. IL&FS Investment Managers Ltd (IIML)	April 2010
ii. IL&FS Cluster Development Initiative (ICDI)	September 2010
iii. IL&FS Maritime Infrastructure Company Ltd. (IMICL)	November 2010

Group Company	Date of Board Approval
iv. IL&FS Infrastructure Development Corporation Ltd. (IIDC)	November 2010
v. IL&FS Transportation Networks Ltd. (ITNL)	April 2011
vi. IL&FS Water Ltd. (IWL)	August 2011
vii. IL&FS Energy Development Company Ltd. (IEDCL)	November 2011
viii. IL&FS Environmental Infrastructure & Services Ltd. (IEISL restructured from Ecosmart)	November 2011
ix. IL&FS Financial Services (IFIN)	April 2012
x. IL&FS Renewable Energy Limited (IREL)	August 2013
xi. IL&FS Township and Urban Assets Limited (ITUAL)	January 2014

6. The road map for implementation of ESPF is to establish and implement ESPF at a various group companies as approved by senior management of IL&FS
7. All projects where IL&FS Limited or any entity of IL&FS Group has ownership of more than 50% will gradually get their site operations certified for Environmental Management System (EMS) ISO 14001 and Occupational Hazard and Safety Aspects System (OHSAS) 18001 certification. Once the project site is certified for both these standards, frequency of ESPF monitoring will reduce to once a year. All outstanding RRCs will be closed on priority by the project manager. However, where ISO certification is at Company level, monitoring frequency of one stage lower risk rating will be applicable subject to minimum one monitoring every year. For example, in case of High risk rated project in company level ISO certification, risk monitoring frequency will be reduced from 3 monthly to 6 monthly. ESFP manuals of Group Companies that have adopted the EMS/ OHSAS system will make necessary changes to reduce monitoring frequency.

Reporting on the following factors will continue for all such projects, irrespective of whether there are any pending RRCs. These need to be reported every three months viz. in the last fortnight of May, August, November and February.

- Accidents
- Litigations on E&S aspects
- Social unrest

Format of reporting will be specified in respective Group Company ESPF manuals

8. Those companies who already have EMS/ OHSAS certification being practiced, ESPF will be useful for them during project development phase or bid submission phase for better understanding of E&S risks involved in the project

C. Communication

9. The CSC will communicate the decision regarding Group companies to establish ESPF taken in consultation with the senior management to the respective Group Company and assist them in establishing and customizing the framework to their business operations

D. Integration of ESPF in Business Processes

10. IL&FS is Core Investment Company (CIC). IL&FS Group has subsidiaries, associate companies and joint venture companies in which IL&FS Limited invests. All Group companies need to take an approval of the top management of IL&FS for all policy matters, entry into new businesses and new investments. In order to facilitate factoring in of E&S risk in the decision of the top management, there will be a section in the approval documentation that captures following features:

- (a) E&S Risk rating i.e. High/ Moderate/ Low
- (b) Particular criteria that resulted in the particular risk rating allotted to the P/T/A as the case may be
- (c) List of Risk Reduction Controls

II. E&S Risk Identification and Management Process

1. An E&S Risk Identification and Management process has been developed to implement the IL&FS Environmental and Social (E&S) Policy and Principles. The process comprises of three components as described in the subsequent subsections

A. Determination of E&S Risk Rating

2. The process for assigning risk rating involves reviewing the Project/ Transaction/ Advisory service (P/T/A), understanding the environmental and social impacts, assessing exposure and liabilities related to environmental and social non-compliance
3. Based on such assessment, a P/T/A will be assigned any one of the following E&S Risk Ratings:
 - (i) **L**; i.e. the P/T/A poses **low** E&S risk and can be addressed through good practices
 - (ii) **M**; i.e. the P/T/A poses **moderate** E&S risk which can be prevented and/or mitigated by execution of appropriate controls and good practices as guided by the ESPF

- (iii) **H**; i.e. the P/T/A poses **high** E&S risk requiring application of more involved controls with good practices followed by close monitoring
4. Risk in ESPF, is interpreted as the extent of obligations to be fulfilled / due diligence to be conducted, the absence of which could lead to liabilities or adverse impacts for the company such as legal / scope unfulfilled, monetary and/or reputational damage
 5. A risk rating methodology will be developed by each Group Company based on the some common principles which are outlined in **Annexure 1, sub-section 5**

B. Application of E&S Risk Reduction Controls

6. Depending on the E&S risks identified in the P/T/A, the Group Company will undertake certain responsibilities towards managing the identified E&S risks and their impacts. This will be made possible through application of appropriate E&S Risk Reduction Controls (RRCs)
7. The contributing criteria to the E&S risk rating will indicate the E&S risks in the P/T/A. For these risks, control measures will be devised and applied to the project. The application of RRCs will be conducted by review of environmental, health & safety and legal compliance; conducting E&S studies; incorporating relevant E&S aspects in detailed project reports; and insertion of covenants to this effect in contract agreements drawn. An illustration of E&S risk reduction controls for specific risks identified in the P/T/A is provided in **Annexure 1, sub-section 7**

C. Monitoring E&S Risks

8. By monitoring E&S risk, the Group Company will ensure that its E&S Risk Reduction Controls for each proposed P/T/A continue to remain effective and safeguard the Company against perceived E&S risks throughout its tenure. The E&S risk monitoring periodicity and format for recording monitoring status is provided in **Annexure 1, sub-sections 8, 11 and 12**
9. The above process will be integrated with the business process of the Group Company. The process will be applied to P/T/A as per boundary of ESPF applicability specified in the ESPF document of the Group Company where ESPF will be established
10. ESPF coordinator of each Group company shall maintain Master Database of all live P/T/A assignments of the Company. **The master list in the excel file format will include all P/T/A assignments irrespective of ESPF applied to the same.** The master list will not include P/T/A assignments that are completed/ cancelled/ exited, etc. The same may be maintained in a separate tab. This master list should contain relevant features of the P/T/A. Updated Master database will be sent to CSC by the ESPF coordinator in the first fortnight

of every quarter. This email communication containing the master list must also be sent to the CEO of the Group Company.

In the event if the master list is not received by CSC within the stipulated time a reminder will be sent to the ESPF Coordinator with a copy marked to the CEO of the respective company. Even after that there is no response from the ESPF Coordinator for 15 days the same will be brought to the notice of a member of the Management Board.

Format of the Master Database is provided in **Annexure 4**

III. Establishment of ESPF in Group Companies

1. After receiving communication from CSC regarding establishment of ESPF, the Group Company would need to assign a point of contact from their team to coordinate the tasks on ESPF. The point of contact would function as the ESPF Coordinator for E&S Policy Framework and represent the Group Company for ESPF related activities. Some Group Companies may choose to identify more than one ESPF Coordinators depending upon functional exigencies
2. The CSC will communicate and assist the process of establishing ESPF in the Company as per the procedure provided in **Annexure 1**. The key steps are:
 - a) Awareness session(s) on the structure of ESPF
 - b) Discussions with ESPF Coordinator/s to understand the business workflows of the Company
 - c) Establishing the relevance of ESPF to the Company's business
 - d) Formulating E&S Policy for the Group Company on the lines of IL&FS E&S Policy
 - e) Integration of ESPF with the Company's business workflows
 - f) Development of E&S risk rating criteria for the Company's business verticals
 - g) Pilot application of risk rating criteria to ongoing engagements
 - h) Facilitate preparation of operational framework for implementation of ESPF at the Company
 - i) Facilitate preparation of ESPF document for the company
3. The Group Company will place the Company specific ESPF document before their Board and obtain approval for the E&S Policy. The ESPF will be applicable to all projects/ transactions/ advisory services of the Company from the date of approval. ESPF will be applied to engagements ongoing at the time of approval on a case to case basis

IV. Training and Awareness Generation

1. The CSC will conduct Training Need Analysis (TNA) survey periodically as required. This activity will be subject to the number of new projects being initiated. This TNA will primarily identify training needs of the new entrants to ESPF. Training will be conducted/ arranged by CSC on select topics from time to time. E&S Cell at Group Company will arrange/conduct training for its projects/ transaction managers and other key employees as required for effective implementation of ESPF
2. A workshop will be organized periodically subject to the management approval by the CSC for all the E&S Coordinators of Group Companies. This workshop will be a platform for the Group Company representatives to share their experiences of implementing ESPF. The CSC will introduce new areas of focus where relevant

V. Corporate Review and External Audit

1. Implementation of the Environmental and Social Policy and Framework (ESPF) is carried out as approved by the respective board of different Group Companies, monitoring mechanism comprising of Corporate Review and External Audit is described in this section. However, the frequency of Corporate Review for each Group Company as well as getting third party audit conducted at a Group Company is subject to number of live projects or transactions. On case to case basis, in such cases, top management of IL&FS Group may grant suitable exemptions or relaxations in the monitoring process
2. The CSC will conduct Corporate Review twice a year. The review will comprise of two components – office based system review and site inspections (where applicable)
3. Depending on the risk rating of P/T/A, Corporate Review will be conducted for a maximum number of P/T/A s as per the scheme given in the following metrics:

	HIGH	MODERATE	LOW
PROJECTS	Form I should be sent to CSC for review. 100% Corporate Review with Site Visits* at least once a year	Corporate Review of 100% cases once a year - 50% cases at every Corporate Review	Corporate Review of 25% cases selected at random twice a year
TRANSACTIONS	Corporate Review of 100% cases once a year - 50% cases at every Corporate Review	Corporate Review of 25% cases selected at random twice a year	Corporate Review of 25% cases selected at random in a year
ADVISORY	Corporate Review of 25% cases selected at random once a year	Corporate Review of 25% cases selected at random once a year	Only reported in quarterly Master List updates. Not monitored by CSC

*Site Visits subject to approval of management

4. Based on the above scheme, while conducting office based system review as well as site visits, CSC shall co-opt reviewers from IL&FS Group companies other than the Company being reviewed

A. Office Based System Review

5. The scope of office based system review will be as follows:
 - a) Assessment of ESPF Coordinators on their awareness of E&S issues relevant to their business. For example answers to questions on understanding of the company ESPF document and its application will be reviewed
 - b) Interview with key project/ transaction managers to check their awareness and knowledge of application of ESPF related to their function. For example answers to questions about business canvas, E&S compliance status, other E&S concerns, mapping between the two and how ESPF system addresses to safeguard risk will be reviewed
 - c) Random sampling of projects/ transactions/ advisory services and checking of documents / records as evidence where ESPF has been applied. Coverage of projects for corporate review could be upto 100% as depicted in the illustration in point 2 above
 - d) Review of requirements with respect to previous reviews/audits and measures taken by the Company to close the observations and findings
6. The findings and observations of the Corporate Review will be recorded by the Reviewer in **ESPF Form III** attached in **Annexure 2**. The findings of the Corporate Review should be closed within 4 weeks of the finalization of Review Report. The updated Form III will be shared with CSC. The same will be discussed by the respective Group Company coordinator with the CEO of the Group Company and placed forth the Risk Committee of the Group Company in immediate next meeting of the Risk Committee. Additionally, a snapshot of all live P/T/A and details of High rated P/T/A will also be provided to the Risk Committee. Annexure 5 provides an indicative format to be followed by Group Companies which can be suitably modified to suit styling of other reports furnished to the audit/ risk committee as long as the contents of the report cover the stipulated points

B. Site inspection

7. As part of Corporate Review, site inspections of projects rated 'High' for E&S risk, will be conducted by CSC team. Ideal frequency of the site visits should be twice a year during construction phase and once a year during operation phase of a project. There could be reasons as stated below due to which above said desired level of monitoring may not be achieved.

- a. Projects where no construction work is happening at site but project has not been declared to be on hold by the project manager due to contractual or administrative reasons. ESPF Coordinators should indicate such cases in the master list
- b. Projects where over 95% of the construction work has been completed and project is awaiting permission to start handing over to operations team. ESPF Coordinators should indicate such cases in the master list
- c. Projects where all RRCs specified in Form 1 for construction phase have been closed would be accorded lower priority for site visit as identified risks would have been managed while closing RRCs

If it is decided not to conduct site inspections for some sites for aforesaid reasons, CSC should obtain deviation in site inspection plan from the top management of IL&FS and document the same. High rated projects which are under construction, every year should be given priority over projects already in operation and other activities of CSC. Site inspection will focus on how ESPF has been extended to the project site. The documentation and measures taken for implementation of legal requirements; and environmental, health and safety procedures will be reviewed. The Reviewer will prepare a site review report in **ESPF Form IIIA** attached in **Annexure 3** and **send it to the ESPF coordinator. Form IIIA will then be updated for action taken/planned details by the Group Company and sent to CSC within 4 weeks. Where Group companies have site inspection formats customized to their project types, those formats would be used by the CSC. In such case format given in Annexure 3 may not be used**

8. Exception to point no 7 above is that, sites where there is an ongoing litigation on E&S aspects, or ongoing social unrest or a fatal accident has taken place in the preceding 12 months. Social Unrest refers to 'an agitation against the project/ project SPV/ IL&FS or any of its subsidiary/ associate companies by more than 10 people gathering in one place. It could be a peaceful protest or sloganeering or any other form of protest'

C. Conduct of External Audit

9. The External Audits will be organized by the CSC and conducted by a third party agency on an annual basis before the close of the financial year. The External Auditor will provide an Assurance Statement on implementation of ESPF at IL&FS. The CSC will issue terms of reference (ToR) for the External Audit to prospective agencies. The scope of External Audit will include the review of :
 - a) System Documents at the Corporate and select Group Companies
 - b) Process of establishing ESPF at Group Companies and its management

- c) Implementation of the operational process of environmental and social risk assessment and monitoring in lieu of the business workflows for Group Companies where ESPF is established
 - d) Conduct of activities defined under the framework such as training, corporate review, management review meeting and document updates
10. The auditors appointed will have specialization in the field of Environmental Impact Assessment and have a good understanding of national environmental and social policy, laws and regulations. The auditors will also be familiar with requirements of Social Impact Assessment; and E&S safeguards of Multilateral Development Banks and Equator Principles
11. Findings of the External Audit and report of corrective action taken/planned should be closed within 4 weeks of the finalization of Audit Report.

VI. Management Review

1. The IL&FS top management (one of the Members of the Management Board) will review the ESPF at least once in a year, to ensure its continuing suitability, adequacy and effectiveness. The process of doing so is termed as “Management Review”
2. The Management Review will address the possible need for changes to Policy, Principles, and other elements of the ESPF, in the light of the Audit results, changing circumstances and IL&FS’s commitments stated in the E&S Policy
3. The review process will ensure that the necessary information is collected to allow the management to carry out this evaluation. The CSC will be responsible for the collection of information in this regard and its presentation to the Top Management.
4. Interaction between the Top Management of IL&FS with CEOs of the Group companies will constitute a part of the management review process
5. Interaction between the Top Management of IL&FS with the ESPF Coordinators of various Group Companies will constitute a part of the management review process
6. Typically, the Management Review will consider:
 - a) Action Taken Report on findings of previous audit cycle
 - b) Results from Reviews / Audits for the current audit cycle and action proposed by CSC
 - c) The continuing suitability, adequacy and effectiveness of the ESPF in relation to changing conditions and available information

- d) The status of any non-conformances, and urgency for corrective and preventive actions which can be sanctioned by the Board alone
- e) Concerns relating to the ESPF among relevant stakeholders

VII. Updating the ESPF Document

1. The ESPF volumes will be updated to reflect the measures planned for closing Corporate Review and external audit findings/ observations, and lessons learnt at planned intervals, to ensure continuing suitability, adequacy and effectiveness. The updates to the Policy, Principles and Operational Procedure will also be effected in the light of external changes such as the national laws and regulations and lender's requirements or a need to update internal principles and procedures
2. The responsibility for updates will lie with the CSC. The revisions in the Corporate documentation will be communicated by CSC to the Group Companies where ESPF has been established for updating their respective documents

ANNEXURES

Annexure 1: Procedure for Establishing ESPF in IL&FS Group Companies

Annexure 2: ESPF Form III - Findings of Corporate Review

Annexure 3: ESPF Form IIIA - Format for Project Site Review Report

Annexure 4: ESPF Form V - Master Database on Status Implementation of ESPF

Annexure 1: Procedure for Establishing ESPF in IL&FS Group Companies

1. Establishment of Company E&S Cell

For establishment and implementation of ESPF in the Group Company, E&S Coordinator/s will have to be appointed by the Company Management. A record (such as a memo or an email) should be maintained in the ESPF system, to evidence this appointment

The Coordinator(s) will represent the Company E&S Cell for ESPF related activities. Number of coordinators should be decided by the CEO of the Group Companies on the basis of the nature, scale and geographical spread of the company's business verticals. Hierarchical level of the senior most ESPF Coordinator should not be lower than Associate Vice President (AVP)

Companies should shortlist coordinators from in-house staff having awareness about the company's business verticals as well as a reasonable organizational history. Person(s) having access to project / investment managers of the company and enjoying a good rapport with the company staff should be preferred for ESPF coordination. Background on environmental and social aspects of infrastructure business, is an advantage but not a requirement as the ESPF has in-house training and capacity building.

IL&FS has initiated an HR practice of allocating certain percentage for ESPF coordinators as a Key Result Area (KRA) for their performance. This is intended to incentivize the ESPF coordinators and also empower them to carry out their duties effectively

The role of the E&S Cell will be as follows:

- i. Act as the Company's focal point for all ESPF activities
- ii. Coordinate with Project Managers and various teams for effective implementation and monitoring of the ESPF
- iii. Coordinate Corporate Reviews, site inspections and annual external audits
- iv. Identify training needs for the year and coordinate training for the Company staff
- v. Update the ESPF document based on operational experience and based on Corporate Volume updates
- vi. Prepare a Master database on the status of implementation of ESPF as per CSC requirements
- vii. Present findings of Corporate Review to the Risk Committee and external audit to the Board of Directors for appraisal. Any deviation from this prescribed practice should be done in consultation with the CSC

2. Establishing the Relevance of ESPF to Company Business

To establish the relevance of ESPF to the Group Company, their business operations, and sectors in which they are involved will be analyzed. The E&S risks stemming from legal requirements applicable to the projects; E&S impacts specific to the sector; and Company's

stake in the projects will determine relevance of ESPF. Depending on the scope of business, nature of services and the point of entry of the company in projects or transactions, the extent of E&S impacts and responsibilities relevant to the company, would differ

The type and severity of E&S issues could depend on project siting related E&S sensitivities, construction and operational related impacts, resource consumption intensities, waste generation potential, technological / processes, climate change applicability, land acquisition, loss of livelihood, social nuisance, etc. to list a few

For instance, the relevance of ESPF to IL&FS Maritime is illustrated in **Box 1**

Box 1: Illustration of Relevance of ESPF to IL&FS Maritime

The maritime sector involves working in the coastal areas which is vulnerable to environmental as well as social concerns. The coastal zone is regulated under a host of environmental regulations and requires clearance from the Central/State Coastal Zone Management Authority, Environmental Clearance and Forest Clearance. For Instance,

- (a) All Major and Minor Ports require Environmental Clearance from the State or Centre based on cargo handling capacity of the port
- (b) Projects at Major Ports follow a bidding process with the necessary Environmental Clearance from the relevant Department obtained by the respective Port Trusts; however IMICL would remain responsible for implementation of the Environmental Management Plan (EMP) and conditions specified in the clearances granted

In case of Greenfield Minor Port projects, detailed studies are most often to be carried out and risks are to be assessed by IMICL. The project locations could be sited in environmentally and socially sensitive areas. Minor Ports would also involve land procurement through negotiations. The social acceptability of these projects plays a vital role in their success. The livelihood of populations along the coast also primarily depends on the quality and activities around the coastal and near-coastal waters

Ports are also vulnerable to emergent environmental issues like climate change and sea level rise and they would have to be planned to prevent delays and increased downtime due to winds and rain at the project locations

If funding for the project is being sought from banks that adhere to an environmental and social policy such as multi-lateral development banks (MDBs) like World Bank/ Asian Development Bank or Equator Principle Financing Institutions (EPFI), additional requirements on environment, occupational health & safety and social (EHSS) issues would need to be conformed

The tenure of maritime projects is long term and attracting liabilities on environment, health, safety and social issues could indirectly create a risk as they could increase the payback period and damage the company image should such liabilities result in delay or closure of projects

3. Structure of the Framework

The ESPF comprises of the following key components as shown in **Figure 1**



Figure 1: Structure of Environmental and Social Policy Framework

The IL&FS E&S Policy and E&S Principles will need to be customized based on Group Company nature of Business. Refer *Sub-sections 4 for policy statement & 5 of this Annexure* for the method of customization. Guiding E&S Principles should be adopted by all Group companies without any customization. However, additional principles can be added as appropriate

The **E&S Risk Identification and Management process** enables application of the IL&FS Environmental and Social (E&S) Policy and Principles. The process comprises of three components – (a) assigning E&S risk rating; (b) application of E&S risk reduction controls; and c) monitoring

This process will be applied to each P/T/A in the Group Company where ESPF will be established. Refer *Sub-sections 6, 7 and 8 of this Annexure* for details of the process. Application of the risk assessment process will be recorded in ESPF Form I (refer *Sub-section 10 of this Annexure*) and monitoring will be conducted in ESPF Form II (refer *Sub-section 11 of this Annexure*). Guidance for conducting risk assessment is provided in *Sub-section 13 of this Annexure* and guidance for monitoring in *Sub-section 14 of this Annexure*

In case of ESPF application to project SPVs such as GIFT City, IPPLC, etc. this process will be modified as required from case to case basis in consultation with CSC

A Master Database format **ESPF Form V** will need to be maintained by the Group Company of all the P/T/A assignments live as of the date of each update. This Master list will indicate P/T/A to which the risk identification and management framework of ESPF has been applied. By the first fortnight of every quarter, this Master database should be sent by ESPF Coordinators through their respective CEOs to the CSC. The format for the Master database is provided in **Annexure 4**

The E&S Risk Identification and Management process will need to be mapped to the business workflow of the Group Company. Refer *Sub-section 9 of this Annexure* for illustration of the mapping process

The Group Company ESPF Coordinators and the Project Managers/ teams will need to be **trained** for implementation of the framework. Refer *Sub-section 15 of this Annexure* for details. **Corporate Review** will be conducted periodically by the CSC. Refer *Sub-section 16 of this Annexure* for details

A **Management Review** of the framework and its implementation will need to be conducted periodically. Refer *Sub-section 17 of this Annexure* for scope of the Management Review. The framework document of the Group Company will need to be **up dated periodically** based on internal and external triggers. Refer *Sub-section 18 of this Annexure* for details

The framework includes various formats which are generated in the process of ESPF application. The formats and their purpose are listed below:

ESPF Form I - Environmental and Social Risk Assessment (refer Sub-section 10 of this Annexure)

ESPF Form II - Environmental and Social Action Planning and Monitoring (refer Sub-section 11 of this Annexure)

ESPF Form III - Findings of Corporate Review (refer Annexure 2)

ESPF Form IIIA - Format for Project Site Review Report (*Not applicable to Transactions and Advisory services*) (refer Annexure 3)

ESPF Form IV - Training Record (refer Sub-section 15 of this Annexure)

ESPF Form V - Master Database on Status Implementation of ESPF (refer Annexure 4)

Each of the above formats will involve files to be created by various persons such as P/T/A manager, ESPF Coordinator, external consultant and CSC (CSC will only review) in case of High risk rating projects. Once the form is finalized, ESPF coordinator shall maintain final version of each file. If these documents are maintained in print, final version will be signed by the ESPF Coordinator with date. If the documents are maintained in electronic format, each final file will be named in the following manner: **'Final Form X short project name Date.abc'**

Any deviation from the prescribed format of the forms required by the Group Companies should be done in consultation with the CSC

4. Customization of IL&FS E&S Policy for the Company

The IL&FS E&S Policy will be customized to reflect applicability to the nature of Company business and incorporate Company mission statement (if any)

In the process of customization the spirit of IL&FS Corporate Policy should not be compromised. An illustration of E&S Policy is shown in **Box 2**

Box 2: Illustration of Customization of E&S Policy

Opening statement of IL&FS E&S Policy:

Infrastructure Leasing & Financial Services (IL&FS) Limited is driven by its mission to develop, implement, operate, finance and participate in infrastructure projects through Public Private Partnerships, as well as to provide value-added financial services

Customization of Policy Statement to IL&FS Energy's Mission Statement:

IL&FS Energy Development Company Limited (IEDCL) is driven by its vision to catalyze reliable and environmentally friendly power at an affordable cost by participating in development, implementation, operation and financing of energy sector projects.

The remaining parts of both policies are the same

5. Customization of IL&FS E&S Principles for the Company

The E&S Principles comprise of Guiding Principles; Operational Principles; and Engagement Principles

The **Guiding Principles** of ESPF are non-negotiable and apply to all the Group Companies where ESPF has been established. These remain the same across all Group Companies

The **Operational Principle** is flexible and adaptable. The manner of their application will be commensurate with the nature of the activities of the Group Company, its services, and the locations and conditions in and under which it operates. This Principle provides guidance to the Group Company, its subsidiaries and associate companies, in project execution and in implementing ESPF. It is intended to provide appropriate focus on E&S aspects in P/T/A

The role of a Group Company in a P/T/A will define applicability of the Operational Principle. For Example – For a project executing Company, they are in a position to 'ensure' fulfillment of requirements of the Principle. For a Company investing or lending to a Project, they can 'check and influence' the Investee Company or Borrower to fulfill requirements of the Principle. Whereas for a Company providing advisory services for a project, their role is limited to 'communicating' the requirements of the Principle. Accordingly the opening statements of the Operational Principle will be modified corresponding to their role

The **Engagement Principle** is applicable to P/T/A where the Group Company does not have majority control. The Principle serves to further the Group Company's aspiration to inspire and encourage all stakeholders, including partners and co-investors towards continual improvement in their areas of operation. This Principle will remain unchanged across IL&FS group Companies

6. Developing E&S Risk Rating Criteria

The process for assigning risk rating involves reviewing the Project/ Transaction/ Advisory service (P/T/A), understanding the environmental and social impacts, assessing exposure and liabilities related to environmental and social non-compliance

Based on such assessment, a P/T/A will be assigned any one of the following E&S Risk Ratings:

- (i) **L**; i.e. the P/T/A poses **low** E&S risk and can be addressed through good practices
- (ii) **M**; i.e. the P/T/A poses **moderate** E&S risk which can be prevented and/or mitigated by execution of appropriate controls and good practices as guided by the ESPF
- (iii) **H**; i.e. the P/T/A poses **high** E&S risk requiring application of more involved controls (field visits) with good practices followed by close monitoring

Risk in ESPF, is interpreted as the extent of obligations to be fulfilled / due diligence to be conducted, the absence of which could lead to liabilities or adverse impacts for the company in the form of legal / scope unfulfilled, monetary and/or reputational damage

A risk rating methodology will be developed by each Group Company based on the some common principles such as to address key legal requirements; major location specific environmental and social sensitivities; major sector specific E&S impacts; nature of business; and scope of services. The risk rating criteria may vary for different business verticals within the Company

The criteria will comprise of questions that will help in identifying the E&S risks and their responses as 'Yes' or 'No' or 'Maybe' and the criteria for classification of risks as 'High' or 'Moderate' or 'Low'. Where the risk rating criteria is a combination of two or more sets of criteria, combinatorial rules will be defined to arrive at the final E&S risk rating for the P/T/A

In case of projects and transactions involving project finance, projects may get held up due to various reasons not attributable to Environmental or Social causes. Group companies while mapping their business process should take cognizance of these eventualities and introduce procedure for (a) temporary suspension of ESPF activity (b) re-activation of ESPF activities as the project revives

A set of common E&S risk rating criteria for infrastructure projects irrespective of sector are given in **Table 2**. These could be further customized to meet Company specific requirements. These set of criteria are applicable to infrastructure project execution, advisory and investment

Table 2: Common E&S Risk Rating Criteria

#	E&S Risk Rating Criteria	Yes/ No/ Maybe	Rationale for assigning E&S Risk Rating	Remarks
1.	Is the proposed project included in the Schedule of Environmental Impact Assessment Notification 2006?		<p>If 'Yes' And Project <u>Category is A</u> then E&S risk rating is 'High'</p> <p>If 'Yes' And Project <u>Category is B1</u>, then E&S risk rating is 'Moderate'</p> <p>If 'Yes' And Project <u>Category is B2</u>, then E&S risk rating is 'Low'</p> <p>If 'No', then E&S risk rating is 'Low'</p>	<p>Projects of specified size/ capacities require environmental clearance as per the Schedule in the EIA Notification. The clearance is granted with some conditions that have to be fulfilled by the project proponent. In case it is found that there have been serious violations of the clearance granted, the same could be suspended/ revoked by the MoEF/ State Authority.</p> <p>Though projects categorized as B1 would have to go through the complete EIA process, the number of conditions attached would be lesser and hence a 'Moderate' risk rating has been assigned. Category B2 projects do not require an EIA and hence is risk rated 'Low'</p>
2.	Does the proposed project or any associated activity lie in the Coastal Regulation Zone?		<p>If 'Yes' and located in CRZ I or IV, then E&S risk rating is 'High'</p> <p>If 'Yes' and located in CRZ II or III, then E&S risk rating is 'Moderate'</p> <p>If 'No', then E&S risk rating is 'Low'</p>	<p>Certain activities are prohibited within the CRZ, while other permissible activities are regulated under the CRZ Notification, 2011. A clearance is required from the Coastal Zone Management Authority at National/ State level for establishing projects/ activities in the CRZ.</p>
3.	Does the proposed project traverse through or within 10 km buffer of National Parks, Wildlife Sanctuaries, Biosphere Reserves?		<p>If 'Yes', then E&S risk rating is 'High'</p> <p>If 'No', then E&S risk rating is 'Low'</p>	<p>For projects traversing through or within 10 km buffer (called 'ecofragile' area) National Parks or Wildlife Sanctuaries or Biosphere Reserves, clearance has to be obtained from National Board for Wildlife.</p>
4.	Does the proposed project traverse through or within 10 km proximity of Eco-Sensitive Zones (ESZ) notified by MoEF?		<p>If 'Yes', and within ESZ then E&S risk rating is 'High'</p> <p>If 'Yes', and located in 10 km proximity then E&S risk rating is 'Moderate'</p> <p>If 'No', then E&S risk rating is 'Low'</p>	<p>For projects traversing through Eco-Sensitive Zones, clearances from respective authorities as per the particular ESZ notification are required and hence rated 'High'.</p>
5.	Does the proposed project require		<p>If 'Yes', then E&S risk rating is 'Moderate'</p> <p>If 'No', then 'Low'</p>	<p>For diversion of Reserve/ Protected Forest land for non-forest purpose, Forest Clearance has to be obtained from State Department of Forest or MoEF depending on area of land.</p>

#	E&S Risk Rating Criteria	Yes/ No/ Maybe	Rationale for assigning E&S Risk Rating	Remarks
	diversion of Reserve/ Protected Forest land?			The Forest Clearance is given in two stages i.e. Stage I and Stage II.
6.	Does the proposed project traverse through Scheduled Areas or affect livelihoods of tribals?		If 'Yes', then E&S risk rating is 'High'	Projects passing through Scheduled Areas or affecting tribal livelihoods have to obtain consent from the Gram Sabha of each village and share project benefits for tribal development. Obtaining their consent is a long drawn process and requires employment of social development specialists and hence 'High' risk rating has been assigned.
7.	Does the proposed project or any associated activity/component invoke the provisions of Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Rehabilitation Act (LARR)?		If 'Yes' and cause involuntary displacement of people or affect livelihood, then risk rating "High" If No then risk rating is "Low"	In cases, where, proposed projects are of public purpose and cause involuntary displacement or affect livelihood of people and invoke the use the LARR. These projects have a greater social risk and may affect the project development cycle. The Group Company would have to conduct due diligence to safeguard their interests and conduct a SIA as required under the Act. The compensation and resettlement and rehabilitation would have to be done as per the Act. In private projects where land is bought through bilateral negotiations, may yet affect the livelihood of people. Depending on the State, land area limits, the resettlement and rehabilitation would need to be undertaken as per the provisions of the Act.
8.	Is the proposed project located in close proximity to archaeological sites?		If 'Yes' and within 100m, then E&S risk rating is 'High' If 'Yes' and within 1km then E&S risk rating is 'Moderate' If 'No', then E&S risk rating is 'Low'	100m around an archaeological site is considered a prohibited zone and permission from the Archaeological Survey of India or from State Archaeology Department/Office will be required, hence, a 'High' risk rating has been assigned. And if within proximity of 1 km considered 'Moderate'
9.	Is the proposed project located in an area susceptible to natural hazards (earthquake-seismic zones: IV & V, history of floods, cyclones, other natural hazards)?		If 'Yes', then E&S risk rating is 'High' If 'No', then E&S risk rating is 'Low'	For proposed project located in areas susceptible to natural hazards, onsite emergency/ disaster management plans have to be prepared. Also project design has to take into consideration risks and damage due to inundation. For certain project types, it would be necessary to avoid such locations.
10.	Has funding for the project, in part or whole been sought from EPFI/ MDB/ other		If 'Yes', then E&S risk rating is 'Moderate'	Multilateral Development Banks (MDBs), Equator Principle Financial Institutions (EPFIs) and other financial institutions with E&S safeguards pose requirements beyond

#	E&S Risk Rating Criteria	Yes/ No/ Maybe	Rationale for assigning E&S Risk Rating	Remarks
	lenders with E&S safeguards?			Indian legal system; hence a Moderate rating has been assigned.
11.	Have any litigations concerning E&S issues been filed on the company or its contractor's?		<p>If 'Yes' then E&S risk rating is will be 'High' or 'Moderate' on case to case basis.</p> <p>If 'No' then E&S risk rating is 'Low'</p>	<p>Litigations may lead to project delays and hence, details of the same need to be sort along with orders if passed by the Court or the NGT.</p> <p>Litigation on E&S aspects should be checked through web search on the project or verified from the National Green Tribunal (NGT) Website.</p>

Risk Assignment for "Maybe" option should be conservative.

An illustration of risk rating criteria developed for IL&FS Private Equity for Growth Capital is given in **Box 3**. The criteria illustrates the combinatorial criteria aspect of the risk rating

Box 3: Illustration of Risk Rating Criteria of IL&FS Private Equity for Growth Capital

No.	Criteria	(Yes/ No)	E&S Risk Rating Assigned
1.	Investment amount as percentage of fund size:		
	a) <10%	Yes	Low
	b) 10-15%	Yes	Moderate
	c) >15%	Yes	High
2.	IIML's stake in the company/ project:		
	a) <26%	Yes	Low
	b) 26-50%	Yes	Moderate
	c) >50%	Yes	High
3.	Is the Investee Company compliant with the applicable national environmental policies, laws and regulations?	Yes	Low
		No	Moderate or High
	a) <u>Minor*</u> non-compliance	Yes	Moderate
	b) <u>Major**</u> non-compliance	Yes	High
4.	Is the Investee Company involved in one of the listed 17 heavily polluting industrial sectors or hazardous processes or waste management?	No	Low
	a) engaged in 17 heavily polluting industrial sectors or hazardous processes	Yes	High
	b) engaged in municipal solid waste management	Yes	Moderate
5.		Yes	Low

Has the Investee Company demonstrated its commitment towards continual improvement through systems such as Environmental Management System (EMS)? (ISO 14001 or OHSAS 18001 or equivalent)	No	Moderate
6. Have any litigations concerning E&S issues been filed on the company or its contractor's?		If 'Yes' then E&S risk rating is will be 'High' or 'Moderate' on case to case basis.
Conditions for E&S Risk Rating		
7. The <u>highest risk rating</u> derived by <u>applying criteria 1 to 6</u> shall be the E&S risk rating for the transaction, <u>except for the condition given in criteria 8</u>		
8. If E&S risk rating derived for answers to <u>criteria from 3 to 6</u> is 'Low' <u>And</u> answers to <u>criteria 1 or 2</u> are 'Moderate' or 'High', then E&S risk rating shall be lowered or maintained at 'Moderate' (to enable half yearly monitoring and capture E&S risks posed at a later date)		
* Examples of minor non-compliance could include small penalties levied on the industry, a show cause notice for a non-compliance that can be easily mitigated without large investment		
**Examples of major non-compliance could include closure notice from State Pollution Control Board, Commencement of construction without obtaining Environmental Clearance, operations without a Consent to Operate		

7. Devising E&S Risk Reduction Controls

Depending on the E&S risks identified in the P/T/A, the Group Company will undertake certain responsibilities towards managing the identified E&S risks and their impacts. This will be made possible through application of appropriate E&S risk reduction controls

The contributing criteria to the E&S risk rating will indicate the E&S risks in the P/T/A. For these risks control measures will be devised and applied to the project. For each E&S risk rating criteria, E&S risk reduction controls will be provided in the ESPF document. These controls are intended to eliminate / reduce the E&S risk and help the company to comply with applicable legal requirements of a P/T/A. The controls are developed based on role and scope of the Company in the P/T/A; and the stage at which the Company has entered the P/T/A. Accordingly the controls may require direct action by the company or a downstream allocation of responsibility to partners, contractors or suppliers

Where the Company is involved in project execution and/or have a major/ large stake in the project, they will 'ensure' that necessary requirements are fulfilled. Where the Company is engaged in providing advisory services, the Company will 'communicate' the requirements identified as part of the risk assessment process to the Client. Where the Company has invested or provided loan to the project, the Company will 'check' with the Borrower/ Investee Company whether the requirements are being fulfilled

For risks related to legal requirements, the RRCs will specify the type of clearance/ consent/ approval/ permit required and the regulatory body issuing the same and the stage of the project at which they should be obtained. Also key requirements that should be fulfilled by the project will be identified

For sector specific risks, controls will be devised by referring to recognized external sources such as EIA Sectoral Manuals by MoEF; IFC EHS Sector Guidelines; Environmental and Social Risk briefings by UNEP FI

An illustration of E&S risk reduction controls developed for IL&FS Maritime (Project execution Company) is provided in **Box 4**. Sample risk reduction controls for IL&FS Water in their advisory project is provided in **Box 5**

The risk reduction controls will be implemented by review of environmental, health & safety legal compliance; conducting E&S studies; incorporating relevant E&S aspects in detailed project reports; and insertion of covenants to this effect in contract agreements drawn

Box 4: Illustration of Risk Reduction Controls for IL&FS Maritime

#	Project Context/ E&S Risk	E&S Risk Reduction Control for projects located <u>within India</u>
1.	Require Environmental Clearance, Categorized as Category 'A' or 'B' under EIA Notification, 2006	<p><u>A. If project is located within a Major Port:</u></p> <p>a) Review a copy of the Environmental Clearance obtained for the project by the Port Trust and understand liabilities arising from the 'Special Conditions' of the EC before signing the Concession Agreement, on award of contract to IMICL. Internalize the cost of implementation of EC conditions as applicable</p> <p><u>B. If IMICL is responsible for obtaining Environmental Clearance:</u></p> <p>a) Hire environmental consultants with required NABET¹ accreditation for the relevant sector.</p> <p>b) Refer terms of reference for EIA issued to environmental consultants and proposals received to IL&FS Corporate Sustainability Cell for comments.</p> <p>c) Refer EIA report to IL&FS Corporate Sustainability Cell for comments</p> <p>d) Upon receipt of the Environmental Clearance (EC), review and understand liabilities arising from the 'Special</p>

¹ NABET – National Accreditation Board for Education and Training

		<p>Conditions' of the EC. Internalize the cost of implementation of EC conditions as applicable</p> <p><u>C. E&S Risk Reduction controls applicable to both scenarios, 'A' & 'B'</u></p> <ul style="list-style-type: none"> a) Include the cost of implementing the EMP in project costing. b) Incorporate the measures given in the Environmental Clearance for planning and design stage in the DPR/ engineering drawings. c) Ensure implementation of clearance conditions during project construction and operation and conduct periodic monitoring for the same. d) Refer to the E&S Impacts for ports, oil terminals given in this Annexure B under item IV & V e) Refer to the IL&FS EMP Manual for Construction phase to outline procedure for implementation of mitigation measures to be included in Construction Contracts.
2.	Project located in CRZ	<p><i>For projects falling within the purview of the EIA Notification, 2006, the Environmental Clearance includes recommendations from State/ National Coastal Zone Management Authority.</i></p> <p>A. <u>If IMICL is responsible for obtaining Clearances and the project does not require Environmental Clearance under EIA Notification:</u></p> <ul style="list-style-type: none"> a) Obtain clearance from State Coastal Zone Management Authority (SCZMA) b) Implement the recommendations of the SCZMA as applicable during design, construction and operation of the project. <p>B. <u>For all projects located in the CRZ</u></p> <ul style="list-style-type: none"> a) If the project is located in proximity to CRZ I, incorporate measures during design, implement measures during construction & operation to prevent damage to the protected resource. b) During construction and operation, take measures to prevent occurrence of prohibited activities in the CRZ like drawl of ground water, altering sand dunes/ hills and mining of sand/ rocks.

Box 5: Illustration of Risk Reduction Controls for IL&FS Water

S.N.	Project Context/ E&S Risk	E&S Risk Reduction Controls
1	Does the proposed project traverse through or within 10 km buffer of National Parks, Wildlife Sanctuaries, Biosphere Reserves?	<ol style="list-style-type: none"> 1. Communicate to the Client to - <ul style="list-style-type: none"> • Obtain approval from National Board for Wildlife if project is located in proximity to protected areas. • Follow the conditions put forward by the Board 2. If is responsible for the project, then <ul style="list-style-type: none"> • Identify an alternative location, if possible • If not, then prepare the submittal for Approval from the National Board for Wildlife • Follow and implement the conditions put forward by the Board 3. If & when the Approval is taken, review it for the following <u>For DPR preparation</u> <ul style="list-style-type: none"> • Incorporate the conditions given in the Approval in the DPR as applicable during construction and operation. • Include the cost of implementing these conditions in project costing. <u>For Tender documentation</u> <ul style="list-style-type: none"> • Attach the conditions of the Approval as Annexure to Contractor's Agreement specifying in the Agreement that all the conditions as specified in the Approval shall be complied with. 4. If the scope includes PMC/ Project Implementation, shall <ul style="list-style-type: none"> • Ensure implementation of the conditions as given in the Approval from the Board. • Conduct periodic monitoring to ensure all the above mentioned conditions are complied with during project construction and operation.
3	Does the proposed project traverse through or within 10 km proximity of Eco-sensitive Zones (ESZ) notified by MoEF?	<ol style="list-style-type: none"> 1. Communicate to the Client to - <ul style="list-style-type: none"> • Obtain approval from respective Eco-Sensitive Zone Authority if project is located in and /or in proximity to Eco-sensitive zones notified by MoEF. • Follow the conditions put forward by the Authority 2. If is responsible for the project, then <ul style="list-style-type: none"> • Identify an alternative location, if possible • If not, then prepare the submittal for Approval from the respective Eco-Sensitive Zone Authority

		<ul style="list-style-type: none"> Follow and implement the conditions put forward by the Authority <p>3. If and when the Approval is taken, review it for the following</p> <p><u>For DPR preparation</u></p> <ul style="list-style-type: none"> Incorporate the conditions given in the Approval in the DPR as applicable during construction and operation. Include the cost of implementing these conditions in project costing. <p><u>For Tender documentation</u></p> <ul style="list-style-type: none"> Attach the conditions of the Approval as Annexure to Contractor's Agreement specifying in the Agreement that all the conditions as specified in the Approval shall be complied with. <p>4. If the scope includes PMC/ Project Implementation, shall</p> <ul style="list-style-type: none"> Ensure implementation of the conditions as given in the Approval from the Authority. Conduct periodic monitoring to ensure all the above mentioned conditions are complied with during project construction and operation.
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8. Monitoring E&S Risks

By monitoring E&S risk, the Group Company will ensure that its E&S risk reduction controls for each proposed P/T/A continue to remain effective and safeguard the Company against perceived E&S risks throughout its tenure

The monitoring periodicity as shown in **Table 3** below, will be defined based on risk rating derived for the P/T/A

Table 3: Monitoring Periodicity

Assigned E&S Risk Rating	Monitoring Periodicity in the Project Cycle		
	Project Development	Construction	Operation & Maintenance
H	Once in 6 months or as project documents/ studies	Once in 3 months	Once in 3 months

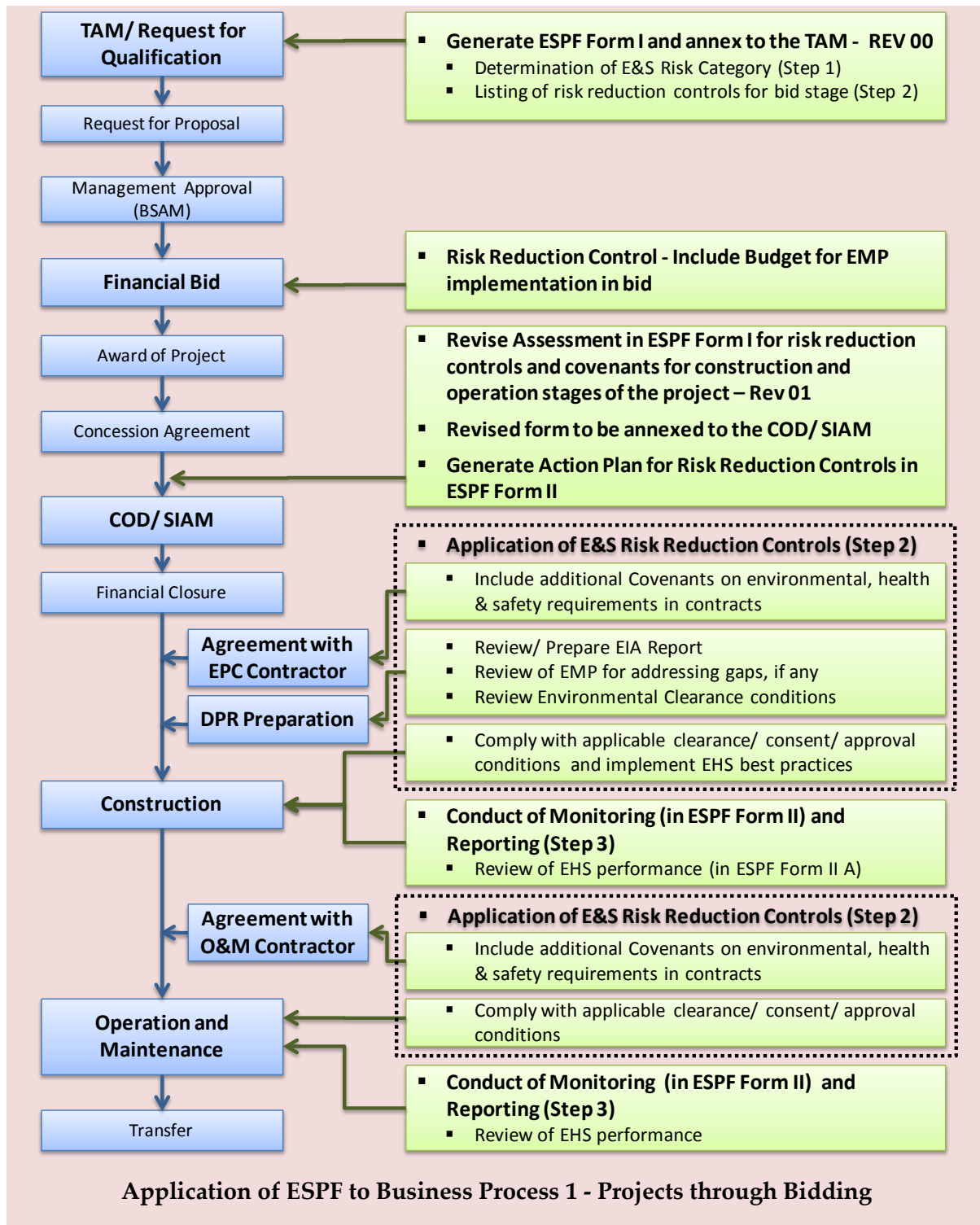
M	are completed, whichever is lesser	Once in 6 months	Once in 6 months
L	Once in 12 months	Once in 12 months	Once in 12 months

The monitoring of E&S risks will be recorded in **ESPF Form II** provided in **Sub-section 11 of this Annexure**. Additionally for project execution companies, progress on E&S activities during construction phase will be reported from the project site on a quarterly basis in **ESPF Form IIA** provided in **Sub-section 12 of this Annexure**. Frequency of monitoring will be reduced to once in 12 months for projects certified for ISO14001 and OHSAS 18001

9. Integration of ESPF with Company Business Workflows

The E&S Risk Identification and Management process will be integrated with the company business workflow which presents the internal approvals and project cycle. An illustration of integration for IL&FS Maritime is provided in **Box 6**. The business workflow seen in the illustration below will change from one Company to the other based on the type of the assignment (P/T/A) their internal processes

Box 6: Illustration of Integration of ESPF with Company Business Workflows



All those Group companies where Environmental Management System (EMS) and Occupational Hazard and Safety Analysis System (OHSAS) has been established, ESPF will be designed on case to case basis in such a way that once the EMS and OHSAS systems are in place for respective sites, ESPF will be integrated with these systems and ESPF monitoring will be discontinued. This will be achieved on case to case basis in consultation with CSC

10. ESPF Form I for Recording Results of E&S Risk Assessment

The application of the E&S Risk Identification and Management process will be captured in ESPF Form I. The form comprises of two parts:

- A. Project Information
- B. Preliminary Environmental and Social Assessment

Part A of the Form Varies for Project Companies, Transaction Companies and Advisory Companies. In Part B (4) insert the applicable risk rating criteria and note results of the same. **The ESPF Form I for Project Companies is provided below. Subsequently Part A portion of Transaction and Advisory Companies are provided.**

(1) ESPF Form I - Environmental and Social Risk Assessment for Projects		
Form No: ESPF/(company)/(year)/(no.)	Revision No.: 00	Date: (DD/MM/YY)
	Revision No.: 01	Date:
	Revision No.: 02	Date:
	Revision No.: 03	Date:
A. Project Information		
Project Title:	Project start date: DD/MM/YY Date of Bidding: Date of Award: Start date of Construction:	
Location, State, Country: (latitude & longitude)	Client :	
Responsible officer at IMICL:	Period of engagement: (months/years) Total: _____ years Construction: _____ years _____ months Operation : _____ years _____ months	
Project Organizational Structure: Project Proponent: Concessionaire: EPC Contractor		
Short Project Description: (project scale, type, status/stage, scope, components etc.)		
Mention whether IL&FS / IFIN / IIML or any other IL&FS company is investing?		
B. Preliminary Environmental and Social Assessment		
1. Land Acquisition		
i. Ownership ii. Type of land iii. Status of land acquisition iv. Dependence of livelihood on land acquired		

v. Any other related information				
2. Location Features				
i. Coordinates: ii. Other locational details (Spatial extent, alignment, area, length, proximity to important features/ locations etc.) iii. Please attach a map or Google Earth file of the project as annexure				
3. E&S Sensitivities				
#	E&S Sensitivities	Details		
i.	Notified Protected Areas (National Parks/ Wildlife Sanctuaries, Eco-Sensitive Zones, Biosphere Reserves, Ramsar Sites, Mangrove forests, etc.)			
ii.	Important Bird Sites			
iii.	Coastal Regulation Zone			
iv.	Scheduled Areas			
v.	State and/or International borders			
vi.	Hazard Prone Areas (Floods, earthquakes, wind/cyclones,)			
vii.	Critically polluted areas			
viii.	Landuse			
ix.	Archeological Survey of India (ASI) site			
x.	Socio-Cultural- Economic activities (religious/heritage/ cultural sites, tourist interests, etc.)			
xi.	Any litigations concerning E&S issues			
xii.	Any other sensitivity w.r.t project activities, sector and the location			
xiii.	Identify the tentative number of villages/towns where displacement may be caused through spatial analysis.			
xiv.	Water stress index (Ref: Aqueduct Water Risk tool, WRI: http://bit.ly/1SToFDz)			
xv.	Any other sensitivity w.r.t. project activities, sector and the location			
4. Risk Assessment				
#	E&S Risk Rating Criteria	Yes/ No/ Maybe	Risk Rating (H/ M/ L)	Remarks/ Details/ Justification to be given

	The E&S Risk Rating for the Project	by Project Manager		
		by Group Company E&S Cell		
5. Risk Reduction Controls (RRC)				
#	RRC			Remarks
	(Write the RRCs here)			
5a.	Covenants based on RRC (wherever applicable)			
6. Monitoring Periodicity				
i. a	At Planning Stage			
ii. b	At Construction Stage			
iii. c	At Operation Stage			
C. Document Management				
Prepared by:		Reviewed By:		
Name:		Name:		
Project Manager		E& S Coordinator		
Date:		Date:		

(2) Part A – Transaction Information for Financing Companies		
Investee Company/ Borrower:		
Responsible officer at Company:	Transaction start date: DD/MM/YY (to be filled after Investment Agreement)	
Brief information on Investee Company/ Borrower:		
Company stake in the transaction Absolute amount: Stake in the company: Percentage of fund size:	OR	Company stake in the transaction Absolute amount: Percentage of Company net worth:
Any other engagement of other IL&FS group of companies (e.g. on advisory/debt/ execution):		

(3) Part A - Project Information for Advisory Companies	
Advisory Service Title:	Start date: DD/MM/YY

Responsible officer at Company:	Client :
Short project description (for which Advisory is being provided):	
Current Status of the Project:	
Scope (in bullet points) of advisory service : (e.g. to project development, technical and financial close)	
Mention whether any other IL&FS company is involved including financing:	

11. ESPF Form II for Monitoring E&S Risks

Monitoring of E&S risks for P/T/A is conducted in ESPF Form II designed for the purpose as shown below

In case if the Form II is maintained in various different earlier versions of the Format, latest version of Form II should conform with the current format given in this document

ESPF Form II - Environmental and Social Risks Action Planning and Monitoring							
Title			Revision No.		Scheduled Date of Monitoring:		
No.	ESPF/Company/(P/T/A)/No.	Risk Rating:			Date of Actual Monitoring:		
					Progress of Project:		
ACTION PLAN					MONITORING		
Sr.No	Risk Reduction Controls (RRC)	Actions to be Taken for Implementation of RRC	Primary Responsibility	Time Line (Project Cycle)	Status RRC/ Actions	Corrective Action (if Pending)	Remarks
1							
2							
3							
4							
5							
6							
7							
8							
Add rows to insert new E&S risk reduction controls, with date					Monitored by: (Project Manager)		
					Reviewed by: (E&S Coordinator)		
					This Section will be as added as additional Columns to the right as per the monitoring		

12. ESPF Form IIA – Quarterly Reporting from Project Site during Construction

The ESPF Form IIA will be used by the Project site team to report to the Group Company on status of activities linked to E&S risks. This format is applicable only to project execution companies.

ESPF Form IIA - Quarterly Reporting from Project Site during Construction						
Project Title:					Project ID:	
Project Site Manager:					Date of Monitoring:	
#	Category	#	Item	Yes (✓)	No (✓)	Specific details / reasons
1.	Regulatory Requirements	1.	Does the project site have all valid clearances/ approvals / permits/ licenses including those to be obtained by the EPC Contractor?			
		2.	Are the conditions specified in clearances/ approvals / permits being complied with at site?			
		3.	Have any show cause notices been issued by regulatory authorities for non-conformance to host country/ local regulations?			
2.	Environment	4.	Are appropriate measures taken to reduce fugitive dust emissions?			
		5.	Is the ambient air quality at site monitored as per host country regulations?			
		6.	Is the noise level at site periodically monitored as per host country regulations?			
		7.	Have corrective measures been taken to reduce the noise levels at site?			
		8.	Are all wastes generated at site being safely disposed and in conformance to host country/ local regulations (like construction spoil, excess excavated material, waste oil, oil soaked cotton etc.)?			

#	Category	#	Item	Yes (✓)	No (✓)	Specific details / reasons
3.	Occupational Health and Safety	9.	Do the diesel generator sets deployed at site have noise enclosures and appropriate stack height as per host country regulations?			
		10.	Has the diesel generator sets stack emission been monitored periodically?			
		11.	Are measures being implemented to optimize water consumption during construction?			
		12.	Is the labour camp provided with amenities like ventilated living spaces; drinking water; sanitation facilities; fuel for cooking/ common cooking facility/canteen; waste collection and disposal system; crèche (if female workers employed); and medical facility?			
		13.	Are all construction equipments and vehicles deployed at site regularly inspected for proper working condition of all safety devices (like reversing horn, backlights etc.)?			
		14.	Have any major incidents or fatalities occurred at site requiring absence of work for more than days specified in host country regulations?			
		15.	Has incident investigation been conducted and necessary actions taken to prevent such incidents?			
		16.	Is a work permit system in operation at site for carrying out hot works, work at height and work in confined spaces?			
		17.	Are all the construction equipment/ vehicles operators trained for defensive driving and have appropriate heavy vehicle driving license?			
		18.	Do all construction equipments deployed at site have valid fitness certificates?			
		19.	Are all workers at site provided personnel protective equipments appropriate to their job?			

#	Category	#	Item	Yes (✓)	No (✓)	Specific details / reasons
		20.	Are all workers trained in use of safe practices to prevent/reduce incidents w.r.t. their job work?			
4.	Emergency preparedness and Response	21.	Have measures been taken to deploy necessary infrastructure (like fire extinguishers based on nature of fire, ambulance etc.) to handle emergencies (manmade and natural)?			
		22.	Have the workers and supervisors at site been trained to handle various emergencies (like fire, natural hazards like cyclone etc.) at site?			
		23.	Are mock drills conducted at site to test the functioning of the emergency response plan?			
5.	Public Health and Safety	24.	Have any grievances been lodged by the neighboring community due to ongoing construction activities?			
		25.	Is the traffic on roads adjacent to the site affected due to project construction managed appropriately to avoid jams, accidents and inconvenience to other commuters?			
6.	Institutional Capacity	26.	Is a team on EHS deployed at site adequate in number with defined roles and responsibilities, competent commensurate to the nature of work?			
		27.	Have health & safety supervisors been deployed at site?			
		28.	Have the workers and supervisors at site been trained to handle various emergencies (like fire, natural hazards like cyclone etc.) at site?			

13. Guidance Procedure for E&S Risk Assessment of a Project in ESPF Form I

The application of E&S Risk Identification and Management process to each P/T/A involves the procedure described in the subsequent subsections. Use **ESPF Form I** for recording the results of the E&S risk assessment

a) Identifying E&S Sensitivities Linked to the Project

Study the nature, scale and location of the project along with the scope of the Company's services including environmental and social responsibilities. Details on period of engagement; organizational structure; the point of entry of the Company into the P/T/A should also be noted. Further details such as involvement of any IL&FS group companies and investment/stake of the Company in the P/T/A should also be noted. Fill this information in the various fields given under Section A: Project Information of the ESPF Form I.

Conduct a spatial analysis of the project location using a tool such as IL&FS Geodatabase. The Geodatabase is a web-based tool which consists of a host of environmental and socio-economic information across various geographies of India. Alternatively a desk review of the project can also be conducted using freeware tools like Google Earth, Spatial Agent by the World Bank Group, Bhuvan web site by the National Remote Sensing Agency of India, or Wikimapia to study the project location and its surrounding area. Check the following sources of information to identify the environmental and social sensitivities linked to the project in India given in **Table 4**. For projects located outside India, check the environmental and social aspects listed in the above table on the website of Ministry of Environment or its equivalent. Check for regulations regarding EIA/ CRZ/ tribals/ forests.

Table 4: Environmental Sensitivities and Sources of Information for India

Sensitivities	Source of Information
1. Notified Protected Areas (National Parks/ Wildlife Sanctuaries, Eco-Sensitive Zones, Biosphere Reserves, Ramsar Sites, Mangrove forests, etc.)	Notified Protected areas can be accessed from the websites : http://www.moef.nic.in/downloads/public-information/protected-area-network.pdf
2. Important Bird Sites	www.birdlife.org/datazone/site or look for similar sites
3. Coastal Regulation Zone	Coastal Regulation Zone guidelines can be accessed from http://moef.nic.in/assets/so19e.pdf Updated legislations can be found on http://envfor.nic.in/rules-regulations/crz-notifications
4. Scheduled Areas	Scheduled areas can be found at http://tribal.nic.in/Content/StatewiseListofScheduleAreasProfiles.aspx

Sensitivities	Source of Information
5. State and/or International borders	Check project overlay on State Map
6. Hazard Prone Areas (Floods, earthquakes, wind/cyclones, landslides)	Hazard prone areas can be accessed from http://www.bmtpc.org/topics.aspx?mid=56&Mid1=178
7. Critically polluted areas	CPA sites can be accessed from: http://cpcb.nic.in/faq1.php
8. Landuse	Landuse can be studied from Google earth or Wikimapia. In case of land acquisition by the IL&FS entity, please consult CSC
9. Archeological Survey of India (ASI) site	(i) World Heritage Sites http://asi.nic.in/asi_monu_whs.asp (ii) List of Protected Monuments (State-wise) http://asi.nic.in/asi_protected_monu_list.asp (iii) Excavations http://asi.nic.in/asi_excavations.asp
10. Socio-Cultural- Economic activities (religious/heritage/ cultural sites, tourist interests, etc.)	Census and web search
11. Any litigations concerning E&S issues	National Green Tribunal website http://www.greentribunal.gov.in/ and Google search on client and project site.
12. Water stress index	Aqueduct Water Risk tool, WRI: http://bit.ly/1SToFDz
13. Any other sensitivity w.r.t project activities, sector and the location	Identify as applicable such as proximity to mines etc.
14. Identify the tentative number of villages/towns where displacement may be caused through spatial analysis.	Use Geodatabase or Google Earth or Bhuvan or Spatial Agent or Wikimapia
15. Bhuvan is software application which allows users to explore a 2D/3D representation of the surface of the Earth. The browser is specifically tailored to view India, offering the highest resolution in this region and providing content in four local languages	http://bhuvan.nrsc.gov.in/gis/thematic/index.php
16. Many of the development challenges and solutions require professionals to visualize data in a spatial perspective. World Bank Group	https://olc.worldbank.org/about-olc/spatial-agent-world-data-your-fingertips

Sensitivities	Source of Information
is presenting a new paradigm for easy and intuitive access to development data— highlighting public-domain online data services from sources around the world	

b) Deriving the E&S Risk Rating

Derive the risk rating for the project using the criteria developed for the Company. The risk rating criteria may refer to location in CRZ, EIA Notification or other regulations. Refer to these regulations while answering the queries.

The risk rating identified by applying the criteria may be elevated in case some project sensitivity based on nature, scale, location is identified that is not part of the criteria; siting reasons for the same. Similarly the risk rating may also be lowered.

Use the IL&FS Environmental, Health & Safety, Social legal checklist to identify details of regulations applicable to the project located in India.

c) Identifying E&S Risk Reduction Controls (RRCs)

Refer to the relevant section of the Company ESPF document for E&S risk reduction controls on E&S risks identified through the criteria. For E&S sensitivities identified in the project beyond the risk rating criteria, devise suitable measures to avoid or mitigate the risk. Additionally significant impacts that are to be avoided/ tracked/mitigated during project design, construction and operation should also be identified.

Refer to the IL&FS EMP Manual for Construction to identify detailed procedures for implementation of environmental management measures at site. The procedures could be communicated to Contractors.

Where risk reduction controls require implementation by contractors, include those as covenants in contractual agreements.

d) Defining Monitoring Periodicity

Monitoring periodicity will be defined for the P/T/A depending upon the E&s risk rating derived and the stage of the project in the project cycle as shown in Table 2 in sub-section 8

Form I for High risk rated projects is to be sent to CSC for review for both new projects as well as any revision in the ongoing High risk rated projects. If required, CSC review comments are to be discussed by ESPF coordinator with CSC. Accordingly, comments are to be incorporated in the Final Form I.

Form I is to be finalized by the ESPF coordinator.

14. Guidance Procedure for Monitoring E&S Risk Reduction Controls in Form II

The process of conducting monitoring is described in the subsequent subsections. Project/ Investment Manager should be responsible to fill up Form II as per applicable monitoring periodicity. All RRCs identified in Form I will be included in the Form II excel file. RRCs that are closed will continue to exist on the excel file with comment indicating that the RRC is closed/ completed/ executed/ etc. as applicable, with reference to supporting documentation, if any.

Based on applicability of periodicity, monitoring in Form II will be conducted in the 15 days preceding the following prescribed due dates:

1. Every 3 months: May 31, August 31, November 30 and February 28
2. Every 6 months: August 31 and February 28
3. Every 12 months: February 28

a) Tasks to be carried out immediately after completing project assessment in ESPF Form I if project is awarded / go ahead is obtained

List the risk reduction controls specified in ESPF Form I as separate rows in Column 2 of ESPF Form II. Specify the following for each risk reduction control:

- (i) actions to be taken for implementation of the RRC
- (ii) name of the person primarily responsible for implementing the risk reduction control
- (iii) timeline with respect to the project cycle i.e. development/ construction/ operation, where the specified risk reduction control will be applicable

b) Tasks to be carried out during Monitoring of the Project as per the periodicity

Obtain information on the stage of project at the time of monitoring. Identify risk reduction controls listed in ESPF Form II applicable at that stage and the previous stages. Identify whether the risk reduction control has been executed based on the current stage of the project. If the risk reduction control has been executed, that RRC will continue to exist on the excel file with comment indicating that the RRC is closed/ completed/ executed/ etc. as applicable, with reference to supporting documentation, if any. If the risk reduction control has not been executed, inquire about the cause and list it in the Remarks column. Identify the corrective action/ next steps required for execution of the risk reduction control, where applicable.

Identify any new risks and specify risk reduction controls for the same, which were not identified at the time of risk assessment in ESPF Form I.

While monitoring a project for the second or third time and during all subsequent instances based on the periodicity, check whether the corrective actions and new risk reduction controls that were recommended during previous monitoring have been executed. Check whether the E&S risk rating needs to be elevated or lowered

c) Guidance for Elevation or Lowering of E&S Risk Rating during Monitoring

Once the E&S risk rating has been assigned to a project (implementation or finance) in the planning stage, it may be revisited during construction or operation phase.

The E&S risk rating may be elevated under any of the following conditions:

- (i) Consecutive defaults on implementation of E&S risk reduction controls (identified through monitoring or reports from external sources such as media or legal authorities)
- (ii) Observations coming to light that have a substantial impact on potential E&S risks and additional implications (involving monetary or reputation risk for the company).

The E&S risk rating may be lowered when; a review of the project in the operation phase shows that all legal and administrative requirements on the E&S front have been fulfilled and regular project activities do not demand more frequent monitoring. Any elevation or lowering of the risk rating should be done with prior intimation/ consent of the CSC

15. Conducting Training of Company Personnel

The E&S Coordinators will organize training programs for capacity building on ESPF as and when required on case to case basis. Depending upon the level of business activity, number of infrastructure projects and financial transactions, if several training programs are offered a training calendar will be prepared which will outline the training topics, duration, frequency, target audience and name of trainer. This calendar should be developed based on a training needs assessment as relevant to the business of the company, E&S issues and requirements of their ESPF

The training programs will include dissemination of the procedures for conducting E&S risk assessment by the Project/ Investment Managers; and monitoring of risks. Various complementary and allied topics on E&S aspects as relevant, will also be included for capacity building of the team. The training records will be maintained in **ESPF Form IV** provided below. Records will be maintained by ESPF coordinators for all E&S related trainings, regardless of who organizes it.

The E&S Coordinators will participate in the Corporate ESPF Workshop conducted by CSC preferably annually subject to management approval, wherein the Group Company will share

their experiences on implementation of ESPF. It will also be a platform for CSC to introduce emerging topics in the area of E&S management which the Company may need to focus on in future

ESPF Form IV - Training Record		
Company Name:		
Venue:		Date:
Time	Topic	Trainer
#	List of Participants	Signature
Key Feedback Received during Training:		

16. Conducting Corporate Review

The E&S Coordinators will organize Corporate Review on a periodic basis. The review will comprise of two components – office based system review and site inspections (where applicable)

a) Office Based System Review

The scope of office based system review will be as follows:

- (i) Assessment of ESPF Coordinators on their awareness of E&S issues relevant to their business. For example answers to questions on understanding of the company ESPF document and its application will be reviewed
- (ii) Interview with key project managers (minimum 4) to check their awareness and knowledge of application of ESPF related to their function. For example answers to

questions about business canvas, E&S concerns, mapping between the two and how ESPF system addresses to safeguard risk will be reviewed

- (iii) Random sampling of projects/ transactions/ advisory (should cover at least 50% of the active P/T/As) services and checking of documents / records as evidence where ESPF has been applied
- (iv) Review of requirements with respect to previous reviews/audits and measures taken by the Company to close the observations and findings

The findings and observations of the Corporate Review will be recorded by the Reviewer in **ESPF Form III** attached in **Annexure 2**

b) Site inspection

As part of Corporate Review site inspections of select projects may be conducted for group companies engaged in project execution. The projects in construction or operation and maintenance phases will be reviewed. The site inspection will focus on how ESPF has been extended to the project site. The documentation and measures taken for implementation of legal requirements; and environmental, health and safety procedures will be reviewed. The Reviewer will prepare a site review report in **ESPF Form IIIA** attached in **Annexure 3**

17. Conducting Management Review Meeting

The Company Top Management will review the ESPF at least once in a year, to ensure its continuing suitability, adequacy and effectiveness. The process of doing so is termed as “Management Review”.

The Management Review will address the possible need for changes to Policy, Principles, and other elements of the ESPF, in the light of the Audit results, changing circumstances and IL&FS’s commitments stated in the E&S Policy

The review process will ensure that the necessary information is collected to allow the management to carry out this evaluation. The ESPF Coordinators will be responsible for the collection of information in this regard and its presentation to the Top Management. The minutes of the Management review Meeting will be formally noted.

Typically, the Management Review will consider:

- (i) Minutes of the previous Management Review Meeting and proposed actions therein
- (ii) Results from Reviews / Audits
- (iii) The continuing suitability, adequacy and effectiveness of the ESPF in relation to changing conditions and available information

- (iv) The status of any non-conformances, and urgency for corrective and preventive actions which can be sanctioned by the Board alone
- (v) Concerns relating to the ESPF among relevant stakeholders

18. Updating the ESPF Document

The ESPF manual will be updated to reflect the material measures planned for closing Corporate Review and external audit findings/ observations, and lessons learnt at planned intervals, to ensure continuing suitability, adequacy and effectiveness. The updates to the Policy, Principles and Operational Procedure will also be affected in the light of external changes such as the national laws and regulations and lender's requirements or a need to update internal principles and procedures.

The responsibility for updates will lie with the E&S Coordinators. The revisions in the Corporate documentation communicated by CSC will also be taken into account while revising the Company ESPF document. ESPF documents should be referred to CSC with changes in the track mode for review before finalization.

All revisions to the ESPF should be recorded in the system to preserve the history and reasons for the change. Frequency of update may vary among the Group Companies subject to the materiality of the issue demanding such a change to the business sector of the Group Companies

19. Preparation of ESPF Document

The above processes should be compiled and included in the Company ESPF document. The contents for Company ESPF document should be as provided in **Box 7**

Box 7: Table of Contents for Group Company ESPF Document

Revision Page [ESPF Document Revision No.: ESPF/*Company Abbreviation*/Rev/Year/ No.]

- I. ENVIRONMENTAL AND SOCIAL POLICY AND PRINCIPLES OF IL&FS**
 - A. Background of ESPF
 - B. Process for Adaption of ESPF at Subsidiary Companies
- II. THE [GROUP COMPANY] ESPF**
 - A. Business Canvas of [*Group Company*]
 - B. Relevance of ESPF to [*Group Company*]
- III. ENVIRONMENTAL AND SOCIAL POLICY FOR [GROUP COMPANY]**
 - A. [*Group Company*] E&S Policy Statement
- IV. [GROUP COMPANY] ESPF PRINCIPLES**
 - A. Guiding Principles

- B. Operational Principle
- C. Engagement Principle

V. E&S RISK IDENTIFICATION AND MANAGEMENT PROCESS

- A. Step 1 – Determine E&S Rating
- B. Step 2 – Apply E&S Risk Reduction Controls
- C. Step 3 – Monitor E&S Risk

VI. INSTITUTIONAL ARRANGEMENT

- A. Composition of the E&S Cell
- B. Role of IL&FS Corporate Sustainability Cell
- C. Role of [Group Company] E&S Cell
- D. Role of Project Manager and/or Bidding Team or other Company Stakeholders

VII. OPERATIONALIZATION OF ESPF

- A. Mapping ESPF Steps to [Group Company] Business Cycle
- B. Integration of ESPF into workflow of [Group Company]
- C. Operational Mechanism
- D. Training and Capacity Building
- E. Corporate Review and External Audit

VIII. DOCUMENT CONTROL

- A. Information Management
- B. Updates and Document Control

Annexure A: Environmental and Social Risk Rating

Annexure B: E&S Risk Reduction Controls

Annexure C: Environmental and Social Monitoring Periodicity

Annexure D: ESPF Form I - Environmental and Social Risk Assessment

Annexure E: ESPF Form II - Environmental and Social Action Planning and Monitoring

Annexure F: Guidance Procedure for E&S Risk Assessment of a Project in ESPF Form I

Annexure G: Guidance Procedure for Monitoring E&S Risk Reduction Controls in ESPF Form II

Annexure H: Scope of Corporate Review

Annexure I: ESPF Form III - Findings of Corporate Review

Annexure J: ESPF Form IV - Training Record

Annexure K: ESPF Form V - Master Database on Status Implementation of ESPF

Annexure L: ESPF Form IIA - Quarterly Reporting from Project Site during Construction

Annexure M: ESPF Form IIIA - Format for Project Site Review Report

Annexure N: E&S Compliance Certificate from Project/Transaction Manager**

History of Revisions in Company ESPF Document

**** Annexure 'N' will be optional - applicable only in those companies where compliance certification format has been adopted by the company until it is mandatorily made applicable to all companies**

Annexure 2: ESPF Form III - Findings of Corporate Review

ESPF Form III: Corporate Review Format											
Company Name:					Date:						
Sr. No	Observations/ Findings	Category Finding or Observation	Application of Observations/ Findings	Root Cause Analysis	Corrective Action Planned with time schedule	Responsibility	Action Taken		Status of Observation/ Finding		If Pending, provide reason
							Action	Date	Status	Date	
1											
2											
3											
4											
5											
6											
IL&FS Corporate Sustainability Cell Corporate Reviewer:					Company E&S Coordinator/s:						
Signature:					Signature:						

Annexure 3: ESPF Form IIIA - Format for Project Site Review Report

ESPF Form IIIA - Project Site Review Report						
IL&FS Company:		Project Title:				
Project ID:		Date of Review:		E&S Risk Rating:		
Business Vertical:		Project Site Manager:		Reviewer:		
A.	Name & Designation of Persons Interviewed:					
B.	The following list of legal documents were reviewed and found to be in order:					
C.	The following list of system documents were reviewed and found to be in order:					
D.	The following EHSS measures implementation were reviewed and found to be in order:					
E.	Findings/ Observations	Corrective and Preventive Action Plan				
	a) In Legal Documents	Corrective & Preventive Actions Recommended	Responsibility	Planned Timeline	Action Taken	Date of Closing
	b) In System Documents	Corrective & Preventive Actions Recommended	Responsibility	Planned Timeline	Action Taken	Date of Closing
	c) In Implementation of EHSS Measures	Corrective & Preventive Actions Recommended	Responsibility	Planned Timeline	Action Taken	Date of Closing
F.	Recommendation on elevation/ lowering/ maintaining E&S Risk Rating:					

Annexure 4: ESPF Form V - Master Database on Status Implementation of ESPF

The format for master database will be provided by CSC. It will be maintained in MS Excel and comprises of records of (i) E&S risk identification and management process to P/T/A; (ii) record of trainings conducted; (iii) status of Corporate Review findings; and (iv) status of external audit findings.

Note:

- Master database must clearly mention the reason for P/T/A excluded from the scope of ESPF or on Hold.
- P/T/A that are cancelled/ closed/ completed are to be maintained in a separate tab

1. Risk Assessment and Monitoring

Project/ Transaction ID	Project/ Transaction Title	Name of the Counterpart/ Client/Partner /Investee	Company scope in the project (Project/ Transaction/ Advisory)	Total Project/ Investment size (Rs. Mn)	Group Company's Investment size (Rs. Mn)	Project Manager	Location	Bid Date	Date of E&S Risk Assessment in ESPF Form I	E&S Risk Rating (Current)	Revision(s) in ESPF Form I			Monitoring Periodicity (months)	Award Date	Monitoring Date(s)		Cognizable Safety Events (in nos.) (N/A for Advisory)			(N/A for Advisory)		Other Remarks ('Live' / 'On Hold')
											Date	Rev No	Revised Risk Rating, if any. With date			Scheduled	Actual	Date	Major Incidents	Fatalities	Specify Affected Party (workers/ employees /public)	Litigation pertaining to E&S issues	

2. Training

Date	Location	Topic(s)	Trainer(s)	No. of Participants	Business Vertical

3. Corporate Review

Date	Location	Reviewer(s)	No. of Findings		No. of Observations		No. of Findings/ Observations Closed before next Review	No. of Findings/ Observations Pending before next Review
			System	Implementation	System	Implementation		

4. External Audit

Date	Location	No. of Observations		No. of Findings/ Observations Closed before next Review	No. of Findings/ Observations Pending before next Review
		System	Implementation		

Annexure 5: Format for ESPF Risk Committee Report (Half-yearly)

(Following sections to be a part of the report as bare minimum)

- I. Snapshot of (Number of) Live projects/ transactions/ advisory assignments where ESPF is being applied (Live P/T/A will also include those 'on hold')

	High	Moderate	Low
Projects			
Transactions			
Advisory			

- II. Details of High rated Projects/ Transactions/ Advisory assignments – for which there are observations/ findings

P/T/A	P/ T/ A Name	Criteria which triggered 'High' rating	Observation/ Finding on the P/T/A
		1) 2) 3)	

III. Status of most recent corporate review findings and observations

Date of most recent corporate review:

Sr. No.	Observation/ Finding	Corrective action taken/ planned with details

IV. Specific points for Risk Committee Review (if any)

Copy to: Corporate Sustainability Cell