

Executive Summary



Executive Summary of Annual External Audit of Environment, Health, Safety and Social (EHSS) and SEMS Implementation for OIT Road Assets under InvIT

Prepared for:
Oriental InfraTrust

23 Dec 2024

Quality information

Prepared by



Mr. Mithilesh Singh
Sr. Consultant

Checked by



Dr. Sanjoy Maji
Associate

Verified by



Mr. Bhupesh Mohapatra
Director – Business
Development

Approved by



Mr. Bhupesh Mohapatra
Director – Business Development

Revision History

| Revision | Revision date | Details | Authorized | Name | Position |
|----------|------------------|-------------------------------|------------|-----------------------|---------------------------------|
| 00 | 23 December 2024 | Executive Summary of All SPVs | Yes | Mr. Bhupesh Mohapatra | Director – Business Development |

Distribution List

| # Hard Copies | PDF Required | Association / Company Name |
|---------------|--------------|----------------------------|
| N | Y | Oriental InfraTrust (OIT) |

Prepared for:

Oriental InfraTrust
Until No. 307A, Third Floor
Worldmark 2, Aerocity
New Delhi – 110037, India

Prepared by:

AECOM India Private Limited
9th Floor
Infinity
Tower-C
DLF Cybercity Phase 2
Gurgaon 122002
Haryana
India

CIN: U74210HR2008FTC038183

T: +91 124 4830100
aecom.com

© 2021 AECOM India Private Limited. All Rights Reserved.

This document has been prepared by AECOM India Private Limited (“AECOM”) for sole use of our client (the “Client”) in accordance with generally accepted consultancy principles, the budget for fees and the terms of reference agreed between AECOM and the Client. Any information provided by third parties and referred to herein has not been checked or verified by AECOM, unless otherwise expressly stated in the document. No third party may rely upon this document without the prior and express written agreement of AECOM.

LIMITATION AND DISCLAIMER

Professional judgements expressed herein are based on facts and information provided by OIT and SPVs under InvIT. Wherever AECOM has not been able to make a judgement or assess any process, it has highlighted that as an information gap and suggested a way forward. AECOM shall not be held responsible for conditions or consequences arising from relevant facts that were concealed, withheld, or not fully disclosed by the company representatives, contractors, lenders and other relevant stakeholder engaged during the time of the audit.

AECOM is not engaged in consulting or reporting for the purpose of advertising, sales promotion, or endorsement of any client interests, including raising investment capital, recommending investment decisions, or other publicity purposes. Client acknowledges this report has been prepared for their exclusive use and agrees that AECOM reports or correspondence will not be used or reproduced in full or in part for such purposes and may not be used or relied upon in any prospectus or offering circular. The client also agrees that none of its advertising, sales promotion, or other publicity matter containing information obtained from this assessment and report will mention or imply the name of AECOM.

Nothing contained in this report shall be construed as a warranty or affirmation by AECOM that the site and property described in the report are suitable collateral for any loan or that acquisition of such property by any lender through foreclosure proceedings or otherwise will not expose the lender to potential environmental or social liability.

This report has been prepared by AECOM for the benefit of its client. AECOM's client may release the information to third parties, who may use and rely upon the information at their discretion. However, any use of or reliance upon the information by any party shall be solely at the risk of such party and without legal recourse against AECOM, its parent, its subsidiaries and affiliates; or their respective employees, officers, or directors; regardless of whether the action in which recovery of damages is sought is based upon contract, tort (including the sole, concurrent, or other negligence and strict liability of AECOM), statute, or otherwise.

However, any use of or reliance upon the information by any party shall be solely at the risk of such party and without legal recourse against AECOM, its parent, its subsidiaries and affiliates; or their respective employees, officers, or directors; regardless of whether the action in which recovery of damages is sought is based upon contract, tort (including the sole, concurrent, or other negligence and strict liability of AECOM), statute, or otherwise. This information shall not be used or relied upon by a party that does not agree to be bound by the above statement.

BACKGROUND

The Oriental Structural Engineers Private Limited (OSEPL), as the Sponsor, along with key investors, has formed an Infrastructure Investment Trust (InvIT), which focuses on investing in various operational road assets across India. The InvIT, known as Oriental InfraTrust (OIT), acquires the operational road assets in India. The assets are currently being operated by Special Purpose Vehicles (SPV) that are subsidiaries of the sponsor. The list¹ of road assets managed under OIT are:

- (i) Oriental Nagpur Betul Highway Limited (ONBHL),
- (ii) Oriental Nagpur Bypass Construction Private Limited (ONBCPL),
- (iii) Oriental Pathways Indore Private Limited (OPIPL),
- (iv) Etawah Chakeri (Kanpur) Highway Private Limited (ECKHPL),
- (v) Oriental Hungund Hospet Highway Private limited (OHHHPL).
- (vi) Biaora to Dewas Highways Private Limited (BDHPL)

OIT accepted an Environment and Social Management System (ESMS) which incorporated relevant provisions aligned to IFC's Performance Standards² (PS) 2012 and started implementing it since 2019.

The Oriental InfraTrust (OIT) has engaged AECOM India Private Limited (hereinafter referred to as "AECOM") to undertake an external Environment, Health, Safety and Social (EHSS) compliance and ESMS implementation audit for FY 2023-24. The Audit covered OIT and its portfolio of six (06) operational road assets in the States of Maharashtra, Uttar Pradesh, Madhya Pradesh and Karnataka. The Audit was conducted covering applicable E&S regulatory requirements in India (including state and local bodies regulations), International Finance Corporation (IFC) Performance Standards, 2012 and the World Bank EHS Guidelines on Roads and Highways, and OIT's E&S Policy and ESMS provisions.

FUNCTIONING OF INVIT'S E&S POLICY AND ENVIRONMENT AND SOCIAL RISK MANAGEMENT SYSTEM

In order to manage E&S risks during the new investment (or acquisition) process and throughout the asset lifecycle, InvIT accepted an E&S Policy which included an initial Action Plan (Schedule-I to E&S Policy) to set up an ESMS, create internal capability for implementing Environment and Social Action Plans (ESAPs) prepared for the initial portfolio of 6 road assets. The action items of Schedule-I required to prepare an Environmental and Social Management System (ESMS), which is applicable to IM, PM and all subsidiary companies (SPV) and obtain approval from the OIT Board, which was obtained on 31 August 2019.

Of the 10 items under Schedule 1 of EHSS Policy, seven (07) action items are successfully closed till date and the remaining three (03) action items remains partial compliant and their implementation in under progress. The compliance status of these 10 items are provided below.

Table 1: Action Items Captured in Schedule 1 of EHSS Policy

| Sl. No. | Description | Compliance Status |
|---------|--|-----------------------------|
| 1. | Develop an SEMS applicable to the Trust (only relevant to its business with the Trust's Operations and Project Entities' operations) and Project Entities in compliance with Performance Standards for asset acquisition and operation and maintenance of assets. | Complied |
| 2. | All Project Entities will develop and implement SEMS procedures that are aligned with GIIP, including applicable and relevant WBG EHS Guidelines and SEMS of the Trust. The SEMS will specifically cover (but not limited to): emission and energy efficiency norms; recycling and reuse of material in resurfacing; management of emissions and discharges to air, water and soil; fugitive dust suppression; management of hazardous materials and wastes; storm water runoff and drainage management; monitoring of ambient air quality and noise levels, particularly at sensitive receptors; minimization of noise impact on nearby communities; collection, treatment and disposal of wastes and wastewater; collection, segregation and sale of recyclable solid waste; composting of organic waste; hazardous material management; use of pesticides and herbicides; management of pest, weed and right of way maintenance; overall housekeeping; periodic road safety audits; security personnel procedures; Emergency Response Plan & an automated information system like Highway Traffic Management System; and Encroachment prevention and removal procedure. The Investment Manager, on behalf of the Trust will contractually require and ensure that its contractors also adhere to the EHSS practices of each Project Entity. | Complied |
| 3. | Create EHSS capacity as under: (i) Investment Manager and Project Manager to employ one fulltime senior level environmental specialist and one senior level social specialist; (ii) For oversight and management of EHSS issues at each Project Entity level, employ sufficient number of qualified EHSS specialist in consultation with MBSS unit holders who will be shared resources for the project entities; and For Etawah- Chakeri (Kanpur) Highway Private Limited, hire a qualified social specialist. | Complied |
| 4. | The Investment Manager, on behalf of the Trust to ensure that Project Manager implements E&S corrective action plan for each road as included in the ESDD report carried out by third party consultant in April 2018. | Complied |
| 5. | EHSS Compliance review of SEMS implementation at Investment Manager, Project Manager and each Project Entity level and disclose review findings on Trust's website. | Partial Compliant (ongoing) |
| 6. | Upgraded human resources policies and procedures to meet the Performance Standards provisions of the MBFS Unitholders and the lenders to the Trust (until such lender is the International Finance Corporation), more specifically, it should include: i. Policies on non- employment of adolescent & child at work, equal opportunity and non-discrimination, and prevention of forced labour; ii. Code of conduct for staff and workers to prevent gender-based violence and child abuse; and iii. Employee grievance mechanism for both staff and contract workers of the Project Entities. The above upgraded human resources manual will be applicable to Investment Manager, Project Manager and all Project Entities. The Trust will, through the Project Manager and each Project Entity, ensure that all contractors and subcontractors have a formal grievance mechanism accessible to all workers and subcontractor workers. | Complied |
| 7. | For Etawah- Chakeri (Kanpur) Highway Private Limited and any other future road that has residual land acquisition, the Trust will, through Project Manager and Project Entities: i. Appoint third party consultants for undertaking social impact assessment and livelihood restoration plan preparation by June 30, 2019; ii. Undertake social impact assessment and prepare detailed livelihood restoration plan including budget estimate by December 31, 2019; iii. Appoint implementation partner for livelihood restoration plan implementation by November 30, 2019; iv. Complete implementation of livelihood restoration plan and retroactive gap closure within 2.5 years of livelihood restoration plan preparation; and v. Livelihood restoration plan completion audit within 2.5 years of livelihood restoration plan implementation. | Partial Compliant (ongoing) |
| 8. | Develop and implement a detailed stakeholder analysis and engagement plan along with information disclosure plan and community grievance mechanism at each Project Entity (for seed assets as well as all future assets that the Trust will acquire, before such acquisition is made) | Partial Compliant (ongoing) |
| 9. | Develop a biodiversity action plan ("BAP") to include: rationale for delivering net gains, offset financial and implementation feasibility including gap analysis against GIIP for offsets, independent scientific support for proposed road mitigation, and a biodiversity monitoring and evaluation plan ("BMEP"); and Based on the monitoring results, and as part of the commitments under the BAP, implement additional adaptive management and conservation actions in consultation and collaboration with Nagpur Forest Department and NTCA. | Complied |
| 10. | Develop a framework for FPIC determination as part of SEMS which will be applicable to all roads with impacts on indigenous peoples and FPIC triggers. From among the seed assets, the framework should be applied to the projects undertaken by the Nagpur- Betul Project Entity and Oriental Pathways (Indore) Private Limited for all future acquisition of land in areas with tribal population prior to start of any future land acquisition. | Complied |

The ESMS provides a management framework for assessment of the potential impacts (direct or indirect) from the asset operations and associated mitigation measures to avoid risks, and wherever avoidance is not possible, either eliminating risks or reducing them to a considerable extent. The ESMS captures aspects with respect to the following.

- E&S Screening
- Pre-acquisition Environment and Social Due Diligence
- Development of ESAP
- Supplementary Environment and Social Impact Assessment (if required)
- Post Investment Integration
- Monitoring of Road Asset
- Disclosure and reporting

As part of InvIT's requirement, the OIT has created a HSE team who have relevant experience and capabilities at both Corporate HO and SPV level and takes care of EHSS implementation, organize regular training Programmes for employees and contractors, EHS events and other activities. The OIT undertakes periodical internal and external monitoring and review of road assets.

Summary of Assessment

Based on the review of documents and discussion with IM and PM, it is understood that the both IM and PM have put adequate effort to integrate E&S requirements into its business processes. The salient points on its current E&S practices are:

- To handle E&S risks, the IM and PM have appointed adequate technical and experienced staff at both corporate and site level.
- Starting from beginning in last three years, both IM and PM have gained handful experience of managing E&S issues.
- The process of appointment of internal or external third-party agencies have been streamlined with respect to screening of new roads (completed for Biaora-Dewas Highways Pvt Ltd and under identification for two new roads).
- Reporting and submission of Annual E&S Performance Report to MBFS unit holders.
- Both IM and PM have developed procedure and maintain documents, formats, and imparted trainings to staff at HO and at SPVs on work specific trainings.
- The current E&S practices can be improved by streamlining processes, aligning the ESMS manual and by adopting better checks and balances between IM and PM.

A. Findings on Compliance with ESMS Manual Provisions and Implementation

The following findings are presented with respect to Compliance against ESMS Manual Provisions and Implementation.

Table 2: Compliance with ESMS Manual Provisions and Implementation

| Road Projects | E&S Achievements and implementation done by SPVs | ESMS Implementation under progress |
|--|--|---|
| <ul style="list-style-type: none"> • Biaora to Dewas Highways Private Limited (BDHPL) | <ul style="list-style-type: none"> • The key action items which has been complied and closed are: obtaining various E&S approvals, preparing ESMS for IM, PM and SPV, development of specific management plans with respect to carriageway solid waste management plan, including construction waste; oil/ chemical spill contingency plan; storm water management plan; avenue plantation and management plan, obtaining various E&S approvals, Half yearly EHS reporting to NHA, Internal Grievance Redressal Mechanism, Water and wastewater management, Road safety awareness, installation of missing road safety signages at many locations (such as near habitations) and median openings and disposal of garbage and carcasses, introduction of alien species, Awareness program on prevention of STD/HIV/AIDS. | <ul style="list-style-type: none"> • The ongoing ESAP action item which are of importance include preparation of ESIA-ESMP report, SEP, GMP, TDP/CDP, impact assessment on ST population along the Project Road, providing PPEs to all workers |

| Road Projects | E&S Achievements and implementation done by SPVs | ESMS Implementation under progress |
|--|--|---|
| Etawah Chakeri (Kanpur) Highway Private Limited (ECKHPL) | <ul style="list-style-type: none"> The key action items which have been complied with and closed are: development of various systems and procedures including an E&S Legal Register, obtaining legal permits/consents, include confidentiality in Grievance Redressal Mechanism of HR manual, development of whistle-blower Policy in HR manual, completion of land acquisition, preparedness for emergency response and environmental monitoring and maintenance of the Project road | <ul style="list-style-type: none"> Maintaining the compliance with respect to project consents, providing training to staff, contractors staffs on ESMS, resolving grievance and adhering the redressal mechanism as stipulated for the Project, implementation of social impact assessment and livelihood support plan as per the timeframe and management of limited environmental impacts with respect to air and water emissions, waste management, traffic management, which can be readily addressed with mitigation measures. |
| Oriental Hungund Hospet Highway Private limited: (OHHHPL) | <ul style="list-style-type: none"> The key action items which has been complied and closed are: obtaining CTO, authorization under Hazardous and other wastes, development of specific management plans with respect to Carriageway solid waste management plan, including construction waste; oil/ chemical spill contingency plan; storm water management plan; avenue and median Plantation and management plan, removal of wastes on the road, practice of stopping waste burning, closing of authorized median openings and removal of speed breaker, rectification of damaged crash barrier/ signboards and maintenance of median plantation and obtaining relevant permissions from Groundwater Directorate for groundwater extraction from borewells for domestic use. | <ul style="list-style-type: none"> The key compliances are maintaining compliance with respect to project consents, providing training to staff, contractors staff on ESMS, resolving grievance and adhering the redressal mechanism as stipulated for the Project, and management of limited environmental impacts with respect to air and water emissions, waste management, traffic management. |
| Oriental Nagpur Bypass Construction Private Limited (ONBCPL) | <ul style="list-style-type: none"> The key action items which has been complied and closed are: development of various systems and procedures including an E&S Legal Register, obtaining legal permits/consents, including confidentiality in Grievance Redressal Mechanism of HR manual, development of whistle-blower Policy in HR manual, completion of land acquisition, preparedness for emergency response and environmental monitoring and maintenance of the Project road. | <ul style="list-style-type: none"> The key items in this category are information disclosure plan, stakeholder activities calendar, stakeholder engagement records in appropriate format |
| Oriental Nagpur Betul Highway Limited (ONBHL) | <ul style="list-style-type: none"> The key action items which have been complied and closed are: development of various systems and procedures including an E&S Legal Register, obtaining consents, include confidentiality in Grievance Redressal Mechanism of HR manual, development of whistle-blower Policy in HR manual, completion of land acquisition, preparedness for emergency response and environmental monitoring and maintenance of the Project road. | <ul style="list-style-type: none"> The key compliances are maintaining compliance with respect to project consents, providing training to staff, contractors staff on ESMS, resolving grievance and adhering the redressal mechanism as stipulated for the Project, as per the timeframe, management of limited environmental impacts with respect to air and water emissions, waste management, traffic management. |
| Oriental Pathways Indore Private Limited (OPIPL) | <ul style="list-style-type: none"> The key action items which has been complied and closed are: obtaining various E&S approvals, preparing ESMS for IM, PM and SPV, development of specific management plans with respect to carriageway solid waste management plan, including construction waste; oil/ chemical spill contingency plan; storm water management plan; avenue and median Plantation and management plan, appointment of dedicated EHS personnel, establish monitoring and review procedures for effective supervision of EHS implementation, preparation and submission of annual EHS performance report, maintaining grievance redressal mechanism to all workers at site, waste management practice by adopting different colour coded drums, cleaning of the road side and median, maintaining records of hazardous waste. | <ul style="list-style-type: none"> The key compliances are maintaining compliance with respect to project consents, providing training to staff, contractors staff on ESMS, resolving grievance and adhering the redressal mechanism as stipulated for the Project. OIT has engaged third-party consultant to assess impacts of Project on STs. |

B. Findings on ESAP Compliance at SPVs

The following findings are presented with respect to ESAP Compliance.

- ESAP for all SPVs have 204 action items (88 main findings further sub categorized into 204 action items), out of which 193 action items are successfully closed till date, 11 action items are partially complied or in progress and there is no E&S action items under category is 'yet to start'.
- The key action items which has been complied and closed are: obtaining regulatory approvals, development of ESMS and specific management plans with respect to carriageway solid waste management plan, including construction waste; oil/ chemical spill contingency plan; storm water management plan; avenue and median plantation and management plan, removal of wastes on the road, closing of authorized median openings and removal of speed breaker, rectification of damaged crash barrier/ signboards and maintenance of median plantation. The following table shows the summary of ESAP Action items for all road assets.

Table 3: Summary of ESAP Action Items for all SPVs

| SPVs | Major Points in ESAP | Total Action Points | Complied | Partially Complied | Yet to Start |
|--------------|----------------------|---------------------|------------|--------------------|--------------|
| ECKHPL | 11 | 47 | 45 | 2 | 0 |
| OHHHPL | 11 | 11 | 11 | 0 | 0 |
| ONBCPL | 11 | 52 | 51 | 1 | 0 |
| ONBHL | 10 | 49 | 48 | 1 | 0 |
| OPIPL | 16 | 16 | 16 | 0 | 0 |
| BDHPL | 29 | 29 | 22 | 7 | 0 |
| Total | 88 | 204 | 193 | 11 | 0 |

- The ongoing ESAP action items which would remain relevant for the entire duration of the concession period were assessed and the level of compliance was found satisfactory. The key compliances are: maintenance of stakeholder engagement and grievance mechanism plan, providing training to staff, contractors staffs on ESMS, resolving grievance and adhering the redressal mechanism as stipulated for the Project, implementation of social impact assessment, undertake awareness program for community and, management of limited environmental impacts with respect to air and water emissions, waste management, traffic management, which can be readily addressed with mitigation measures.
- The partially complied and delayed action items are assessed to have low and medium risk. The reasons for delayed action items were mainly because of streamlining the system at corporate level, finalization of ESIA-ESMP & security management plan, updation of stakeholder engagement plan (SEP) & Grievance Management Plan (GMP) by third party consultant, appointment of site level EHS specialist at asset level. The ongoing action items and revised timelines for the partially complied and delayed action items are expected to bring the project to full compliance status in the next external audit cycle.
- There are no action items pending that are under yet to start for different SPVs.

