



**Srei Infrastructure Finance Ltd.**  
**Registered Office:**  
**'Viswakarma',**  
**86C, Topsia Road(S)**  
**Kolkata – 700 046**

**Tel +91 33 22850112-15, 61607734**  
**Fax +91 33 2285 8501/7542**

**Website: [www.srei.com](http://www.srei.com)**  
**Email: [corporate@srei.com](mailto:corporate@srei.com)**

# **ESMS Policy Manual**

<b>Title</b>	<b>ESMS Policy Manual</b>
<b>Version</b>	<b>2.0</b>
<b>Date of issue</b>	<b>14.03.2016</b>

## **CONTENTS**

### **1 Preamble**

- 1.1 Target Group
- 1.2 Objective
- 1.3 Contents
  - 1.3.1 Distribution and Maintenance
  - 1.3.2 Availability
  - 1.3.3 Updating
- 1.4 Definitions & Acronyms

### **2 ESMS Documentation**

- 2.1 General
  - 2.1.1 Document Levels
  - 2.1.2 Document types

### **3 Environmental and Social Policy of Srei**

### **4 Procedures and Guidelines**

- 4.1 Assessment of E&S Risks for new projects
  - 4.1.1 Procedures to screen projects
  - 4.1.2 Environmental & Social Risk Categorization of projects
  - 4.1.3 Due Diligence to evaluate E&S Risks
  - 4.1.4 Decision to proceed with loan approval and Documentation
- 4.2 Assessment of E&S Risks for existing projects
- 4.3 Monitoring and Record Keeping
  - 4.3.1 Monitoring
  - 4.3.2 Record Keeping
- 4.4 ESMS review and Continuous Improvement
- 4.5 External & Internal Reporting
- 4.6 Roles and Responsibilities
- 4.7 Budget, Training and Senior Management Approval

### **5 The use of ESMS**

### **6 Appendices**

# 1 Preamble

Srei Infrastructure Finance Ltd. (Srei) is a leading Indian Non-Banking Financial Institution (NBFI), providing holistic solutions in infrastructure space for financing infrastructure projects and infrastructure development as well as financing infrastructure equipment across sectors. In 1989, Srei started operations and identified infrastructure as the core sector. In 1992, it was listed on all major Stock Exchanges and in 2005, Srei became the first Indian NBFI to be in the listed on the London Stock Exchange. In 2011, Srei was accorded 'Infrastructure Finance Company'(IFC) and 'Public Finance Company' status. In 2012, it had received Certificate of Registration for Mutual Fund(Infrastructure Debt Fund) from SEBI. In 2014, it had received Certificate of Authorisation from RBI to set up, own and operate White Label ATMs.

Srei recognizes Environmental and Social Risk Management as serious issues that require systems to monitor and control in line with legal requirements in the sector. Srei is committed to promoting the use of appropriate Environmental and Social Management System (ESMS) in order to improve the management of the environmental and social implications of its portfolio.

This document puts down a framework to facilitate the implementation of appropriate Environmental and Social Management System (ESMS) in Srei with the prime objective of reducing Environmental and Social impacts of its portfolio. The ESMS policy of Srei is presented in Chapter-3 The ESMS is integrated within the overall credit risk management framework of Srei.

This document will be periodically revised to incorporate necessary changes required due to changing of business requirements and or changes in Environmental and Social legal requirements of Srei's clients in India.

## 1.1 Target Group

This document applies to Srei Infrastructure Finance Limited herein after referred to as Srei. The document also applies to the relevant Srei staff.

## 1.2 Objective

Srei is committed to promoting the use of appropriate Environmental and Social Management System (ESMS) in order to improve the management of the environmental and social implications of its portfolio.

The objective of this document is to facilitate and promote:

- Proper implementation and institutionalization of ESMS
- Identification and mitigation of E&S risks involved in Project Finance
- Fulfillment of E&S legal and multilateral lender's requirements
- Measuring, monitoring, reviewing and reporting E&S risks of the portfolio

## **1.3 Contents**

The ESMS manual delineates Srei's ESMS policy and the procedures to achieve environmental and social aspirations reflected in the E&S policy.

The key elements of ESMS Manual are as follows:

- Environmental and Social Policy Statement
- Project Risk Assessment Procedures and Guidelines
- Monitoring and Record Keeping
- ESMS Review and Continuous Improvement
- External & Internal Reporting
- Roles and Responsibilities
- Budget, Training and Senior Management Approval

### **1.3.1 Distribution and Maintenance**

### **1.3.2 Availability**

This document is accessible on the Srei intranet. A hard copy is available with all the relevant department heads.

It is the E&S Manager's responsibility to keep departmental staff informed of changes to this document.

This manual is version controlled and would be reviewed from time to time. The latest version would be made available.

All latest version hard copies will be marked as controlled copy in green. All earlier versions, if available to anybody, must be marked as uncontrolled copy in Red.

### **1.3.3 Updating:**

The E&S Manager is responsible for preparing and updating the ESMS Manual periodically in consultation with the concerned members of the CC. The recommended changes if any should be placed and discussed in Management review meeting. Once agreed upon, the changes to the document will require an approval of CC before final corrections to the Manual.

## **1.4 Definitions & Acronyms**

Srei – Srei Infrastructure Finance Limited  
ESMS – Environmental and Social Management System  
E&S – Environmental and Social

RRA – Rapid Risk Assessment  
CRA – Client Risk Assessment  
SA – Sustainability Assessment  
ESIA – Environmental and Social Impact Assessment  
EIA – Environmental Impact Assessment  
DD – Due Diligence  
DAR – Detailed Appraisal Report  
CC-Central Credit & Investment Committee  
IFC – International Finance Corporation  
IFC-PS – IFC Performance Standards  
IEE – Initial Environmental Examination  
IFI – International Financial Institutions  
COO – Chief Operating Officer  
ESMS-CRP – Environmental & Social Management System – Corporate Rollout Programme

## **2 ESMS Documentation**

### **2.1 General**

The following sets out the framework for all E&S related documents within Srei.

#### **2.1.1 Document Levels**

A distinction is made between two levels of E&S documents:

- ESMS Policy Manual – Policy Statement, Manual and Procedures.
- ESMS Policy Manual – Appendices – Checklists, Appendices, Reference documents, Tools and Guidelines. These describe the use or structure of the specific ESMS elements.

#### **2.1.2 Document Types**

A further distinction is made between the two E&S document types:

- Management System documents
- Project specific client documents, that apply to a specific project

## **3 Environmental and Social Policy Statement of Srei**

### **Srei Environmental and Social Policy Statement**

1. Srei recognizes the importance of managing environmental and social issues throughout its financial business, while investing in multi-sectoral infrastructure projects. Srei believes that economic growth and a healthy environment go hand in hand and environmental and social sustainability ranks high among the priorities of its activities. Srei's E&S policy delineates its vision and commitment to sustainable development and how

- this would be driven through its core business processes and lays the foundation of the environmental and social management system (ESMS) that is put in practice.
2. Apart from financial Due Diligence (DD), Srei performs an environmental and social DD of all projects and loan proposals considered for financing. These reviews allow Srei to decide whether or not to finance a project/loan proposal. Srei assesses the environmental and social aspects of the loan application and aims to ensure that all the projects it finances are environmentally and socially sound and are operated in compliance with applicable IFC-PS (as benchmark for high risk category A projects), national E&S laws and regulations as well as in a manner consistent with the requirements of Srei's applied standards. Srei has developed its own exclusion criteria for not investing in certain activities and in projects with egregious, wide-scale or irreversible adverse impacts.
  3. Srei has adopted a set of standards, that its clients are expected to meet, covering key areas of environmental and social impacts and issues. These standards have been drawn from Environmental, Social and Legal requirements for projects in India, Srei believes that compliance with these standards on an ongoing basis would provide coverage of most key issues delineated in International Performance Standards such as the IFC Performance Standards. Srei expects its clients to assess and manage the environmental and social issues associated with their projects so that projects meet Srei requirements.
  4. Srei defines the term "environment" to include both ecological (such as physical and biological) aspects and related social aspects (such as worker protection and community issues). Specifically, for the purposes of this Policy, environmental considerations include: Pollution (Air, Water, Land, Noise), land use, groundwater reservoir degradation and its contamination, waste generation and disposal, natural resource depletion, energy use and its efficiency, Impacts on Ozone layer and its depletion, deforestation, habitat and biodiversity. "Social" considerations encompass Occupational Health and Safety, working conditions, social infrastructure, child labour, gender issues, discrimination, Indigenous People's Rights and cultural heritage, Rehabilitation and Resettlement, sustainable livelihoods and community development.
  5. The Policy Manual outlines how Srei will put into practice its commitment to promote environmental and social sustainability by :
    - a. mainstreaming environmental and social considerations into all Srei business activities so that environmental and social risks are evaluated and mitigated in the portfolio - the E&S risk management

- framework and procedure is integrated with the overall Credit Approval process at Srei.
- b. ensuring that managing the economic, environmental and social aspects of a project in a manner consistent with applicable laws and regulations is the responsibility of Srei's clients
  - c. accordingly ensuring that performance requirements are met by its clients against Srei standards and requirements
  - d. delineating respective roles and responsibilities in line with the Policy and
  - e. setting strategic goals to promote projects with high environmental and social benefits.
6. Srei's role is: (i) to conduct E&S risk assessment and due diligence for its portfolio; (ii) to develop appropriate action plans as needed to mitigate adverse social and environmental impacts consistent with Srei's standards; (iii) to monitor the projects' compliance with its environmental and social covenants and (iv) to identify projects that provide environmental or social benefits such as in renewable energy, energy efficiency, water and wastewater sectors etc.
  7. Srei would ensure environmental and social appraisal and monitoring processes that the projects it finances:
    - a. are socially and environmentally sustainable and
    - b. applicable regulatory requirements are met
  8. Srei is strongly committed to the principles of corporate transparency, accountability and stakeholder engagement.
  9. Srei would periodically provide information about the performance on environmental and social issues to its key stakeholders such as financiers in prescribed formats.
  10. Through its ESMS activities, Srei will seek to provide capacity-building programmes to enhance the projects it finances, such as, by distributing E&S impact and sustainable business practices and corporate responsibility related education material. Internally Srei would build the necessary capacity for consideration and management of environmental and social issues in its loan portfolio. Srei has already started an E&S Capacity Development Programme called ESMS-CRP on mandatory basis for its new clients and new projects from FY2015 onwards. Purpose of this programme is to address business risks related to various E&S issues in line with national E&S rules, IFC-PS and different IFI requirements. Under this programme Srei prepares a GAP analysis report, Sector Specific E&S Policy Framework, ESHS Trainings and mock audit

of ESHS status of financed projects or facilities post implementation of ESMS-CRP. The cost of the project is borne by the clients.

11. In its internal operations, Srei will pursue practices in environmental management (including energy and resource efficiency, waste reduction and recycling) and human resources management (such as equal opportunity, work/life balance, health and safety). Srei will seek to work with promoters and developers who follow similarly high environmental and social standards.
12. Srei is committed to minimizing the environmental and social impacts of their financial operations and aim to achieve continual improvement in their management of these issues. The policy is publicly available in Srei's website.

## **4 Procedures and Guidelines**

The basis for the ESMS and the procedures adopted is drawn from the Environmental & Social Policy of Srei.

At the core of Srei's ESMS lies the systematic management of E&S risks through the loan and investment appraisal and management processes. The E&S risk management framework is integrated in Srei's overall organizational structure, planning activities, responsibilities, practices, procedures, processes and resources.

Srei's ESMS approach engages clients on identified risks and allows clients to address their E&S issues and improve performance to meet Srei's standards and E&S commitments.

The E&S procedures and guidelines provide a clear step-by-step guidance for the application of the E&S Policy and identify the relevant functions and individuals involved in the implementation and governance of the Policy.

The ESMS Procedures are made up of six distinct components for the management of E&S risks that emerge in the project financing cycle. Each component represents a critical step of Srei's integrated ESMS approach in their overall credit decision. These components are:

1. Project Screening (For all new and existing projects)
  - E&S Risk Assessment
  - E&S Risk Categorization of projects/loan proposals
  - Due Diligence to evaluate E&S Risks
  - Loan Decision and Documentation
2. Monitoring and Record Keeping

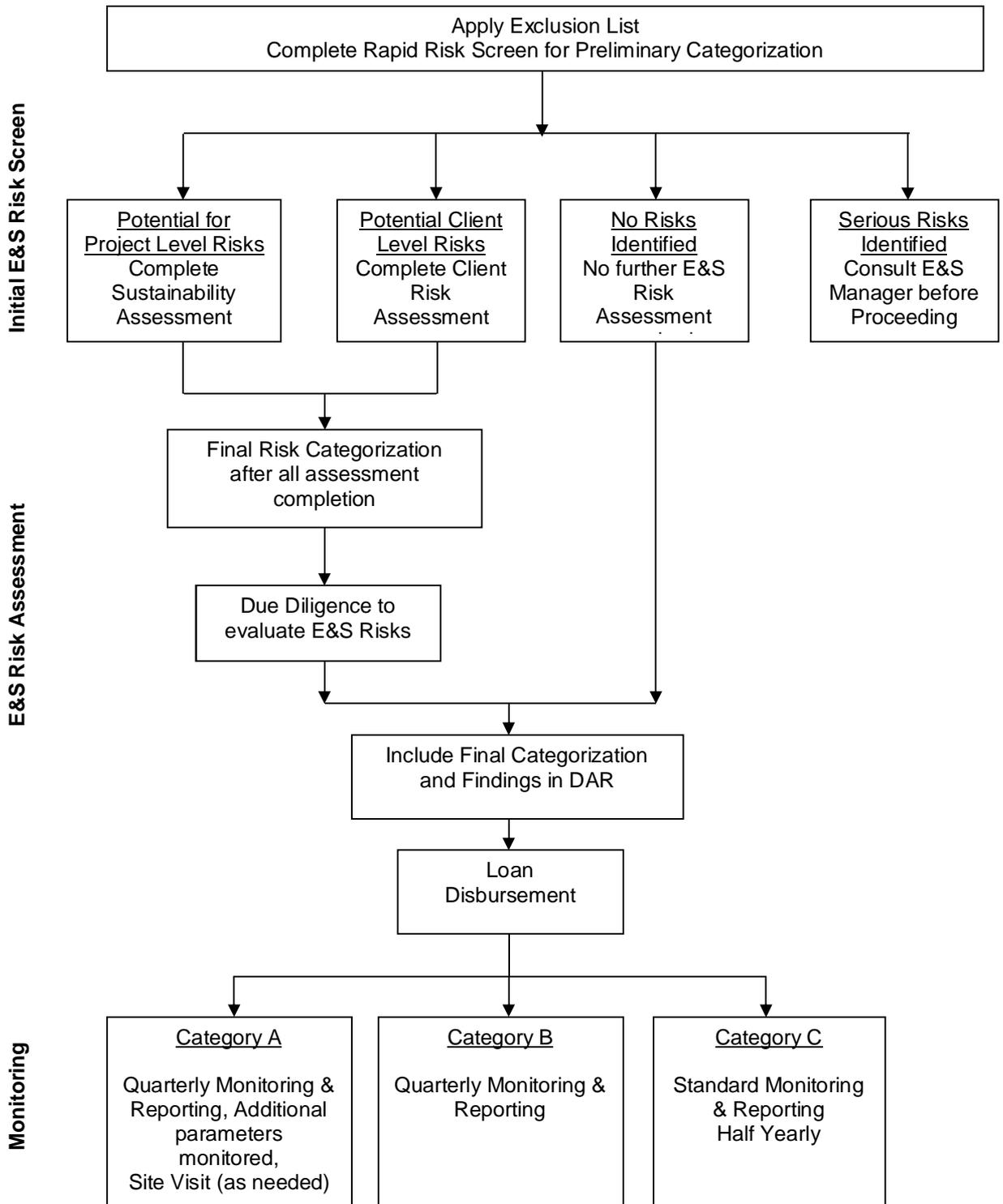
3. Adoption of ESMS-CRP for Srei's new clients and new projects to mitigate/minimize business risk out of E&S issues and to gain third party control
4. ESMS Review and Continuous Improvement
5. External & Internal Reporting
6. Roles and Responsibilities
7. Budget, Training and Senior Management Approval

#### **4.1 Assessment of E&S Risks for new projects**

This procedure outlines the steps to assess environmental and social risks and identify mitigation measures and actions, where deemed necessary, for a project loan, so that the project operates in compliance with the applicable E&S laws and regulations in India.

The ESMS procedure for a new project financing are made up of the distinct components of Project Screening, Risk Assessment, Due Diligence, and finally the decision to proceed with or withdraw from a loan approval. This is followed by project performance monitoring and reporting. These distinct components encompass the entire credit/investment cycle and form a critical part of the integrated ESMS approach followed at Srei.

**The following flow diagram delineates the E&S Process Flow. Appendix A delineates how this E&S framework is integrated within Srei's Credit Approval process.**



#### 4.1.1 Initial Client and Transaction Screening

The screening process begins with the identification of a potential new client or financing opportunity.

As part of its existing initial prospecting stage, the E&S Manager of the Project Finance Department will conduct an initial screening to identify initial risk alerts. This initial screening is done on the basis of the information received from the client through a Standard E&S Assessment Checklist (**Refer Appendix-D, Project Screening and E&S Gaps Assessment Checklist**).

The initial client or transaction screening begins with the Sustainable Finance Toolkit Rapid Risk Assessment (RRA). The aim of this initial screening is to ensure the client or transaction does not fall within Srei's list of excluded activities (**Refer Appendix-A, Srei Exclusion List that includes the FMO exclusion list**). Depending on the type of transaction and sector, the initial screening process may also ask whether certain permits are in place in order for the project to proceed. In the case of an Exclusion List activity or failure to comply with required permits, the user is informed to notify the E&S Manager and to not proceed with further E&S due diligence. If the E&S manager determines that the project is not in compliance with Srei's policies and procedures, the transaction will not be considered for financing, and the client should be notified accordingly.

For prospective new clients where E&S alert risks are not identified, further screening is required to assess the potential for other E&S risks at the project and/or client level. The outcome generated by the Rapid Risk Assessment will direct users towards further due diligence through the Sustainability Assessment or Client Risk Assessment Tools, both housed within the Sustainable Finance Toolkit. In instances where the nature of the transaction does not require E&S due diligence, the client application proceeds through the regular acceptance procedures<sup>1</sup>.

#### 4.1.2 E&S Risk Assessment and Categorization

In the next step, an E&S Risk Assessment is conducted to evaluate the level of risk associated at the project and/or client level. This involves a detailed assessment of the technical aspects of the project, including information on the project site, environmental issues, community interactions, social issues and labour issues and is carried out in accordance with the IFC Performance Standards. As part of the overall risk assessment, project compliance with applicable national laws on environment, health, and safety will need to be checked and verified. This is independent to the tools within the Sustainable Finance Toolkit.

---

<sup>1</sup> Regular acceptance procedures refer to Srei's existing process of overall screening of prospective business relationships for commercial viability, risk and compliance with the regulatory environment and own financial investment policies.

For all project finance transactions, or corporate finance transactions with known use of funds, the Sustainability Assessment (SA) tool within the E&S toolkit is used. The tool provides an analysis of E&S issues based on location, sector, activities and/or impacts, and client performance.

The projects are categorized by the environmental and social risk levels based on the industry sector criteria, proximity to environmentally sensitive areas, potentially irreversible impacts and extent of social and environmental issues (see below for a definition of Categories A, B, and C). Projects which have multiple Category B risks may warrant a higher degree of care or a Category A classification when those risks arise from a number of different issues which, in combination, may increase the potential impact of the project. Such project may be classified as beyond the standard level of Category A or B risk, and are assigned a Category E. For such projects a sustainability specialist should be consulted in the event of uncertainty.

For all corporate finance transactions where the use of funds is unknown, the Client Risk Assessment (CRA) is used to assess a client's commitment, capacity, and track record in managing E&S risks. The CRA will generate an assessment of Low, Moderate or High.

**Table summarizing Category classification:**

<b>Category</b>	<b>Description</b>
A	Projects likely to have significant adverse environmental / social / both impacts that are irreversible, diverse or unprecedented.
B	Projects having potential adverse environmental / social / both impacts which are less adverse than those of Category-A projects.
C	Projects likely to have minimal or no adverse environmental and social impacts.
E	Projects which have multiple Category B risks or a Category A classification when those risks arise from a number of different issues.

Based on the outcome of the risk categorization, the Toolkit generates specific conditions and recommendations for the E&S team to determine future actions. These are aligned to Srei's internal policies and approval procedures.

For projects having 'High Risk' with categorization as 'A' or 'B', further E&S due diligence may/may not be required with the aid of appropriate E&S Consultants and/or scoping visits. The Sustainability Assessment will provide a number of recommended actions based on the Categorization and issues identified. Category 'C' projects are deemed to have low impacts and are taken up by Srei's E&S team to resolve any E&S issues and proceed through the remainder of the

credit risk process. The E&S risk categorization and decision support matrix, presented in the table below would be used to proceed with the next course of action.

A description of the Initial E&S Screening procedure is enclosed in Appendix-B (***Refer Appendix-B: Overview of Initial E&S Screening using Sustainable Finance Toolkit***).

**E&S Risk Categorization and decision support Matrix:**

Category as per Sustainability Tool	Accept with Mitigation	Accept / Reject with Management decision	Do Not Accept
<b>A</b>	<ul style="list-style-type: none"> <li>- Meets all IFC- PS</li> <li>- Environmental and Social clearances available</li> <li>- Action plan including mitigation and monitoring</li> <li>- Mostly in industrial zones</li> <li>- Compliance with National E&amp;S laws</li> <li>- Independent Consultant might be consulted on an as-needed basis</li> </ul>	<ul style="list-style-type: none"> <li>- Meets IFC-PS with mitigation and corrective action</li> <li>- No Environmental Clearance or R&amp;R yet</li> <li>- The project is located in a highly polluted area or eco-sensitive zone</li> <li>- Environmental and Social Issues significant and large area/ population involved (e.g. Dam)</li> <li>- External Due Diligence needed</li> </ul>	<ul style="list-style-type: none"> <li>- Exclusion list (screening criteria)</li> <li>- Media report of environmental, governance or human rights violation (screening criteria)</li> <li>- Large Bio-diversity loss may be a consequence of the project</li> </ul>
<b>B</b>	<ul style="list-style-type: none"> <li>- IEE required</li> <li>- Action plan including mitigation and monitoring based on compliance with national laws</li> </ul>	<ul style="list-style-type: none"> <li>- Further due diligence may be needed if preliminary checklist fails</li> <li>- EIA/Site Audit/Hazard assessment may be needed if risks remain unresolved</li> <li>- External Due Diligence may be needed</li> </ul>	
<b>C</b>	<ul style="list-style-type: none"> <li>- Monitoring compliance</li> </ul>		

**4.1.3 Due Diligence expected for Project and/or Client Risk**

For project finance transactions and other asset specific financing, a thorough level of due diligence is expected, especially for those classified as Category A or B. Srei would review the assessment reports and recommendations of third party consultants where they have been used. Additional checks for Category A and B projects should include:

- Review of all category A projects in compliance with IFC- PS
- Review of all project permits and check for compliance with all applicable local, provincial/departmental and national laws and IFC-PS (for high risk projects) on environment, health, and safety

- Review of the projects Environmental & Social Impact Assessment (ESIA)
- Site visit and the completion of a comprehensive site visit checklist
- Review of the independent consultant reports where applicable

Where the transaction involves an unknown use of proceeds (e.g. Corporate Finance: Non-specific Asset, Export Finance, or Private Equity) due diligence conducted can involve site visits (with or without help of external consultants as is the requirement), client engagement on E&S issues and stakeholder engagement where deemed appropriate and necessary. The E&S Assessment reports and recommendations will be noted and considered in the credit decision process.

#### **4.1.4 Decision to proceed with loan approval and Documentation**

A decision on whether to proceed with the project is reached on the basis of multiple sources of information for which the E&S risk issues are identified and overall project/transaction Categorization is one such criteria.

Where risks are identified, appropriate risk mitigation measures would be delineated in consultation with the client. As part of the risk mitigation measure of the perceived E&S risks, an Action Plan will be formulated and the same to be reviewed during ongoing monitoring process of that particular project. The Action Plan would clearly delineate all the risk mitigating actions to be taken within a reasonable timeframe, including periodic monitoring and reporting and the persons responsible for the execution of the actions. Where relevant, potential mitigation measures are identified to be included in the loan documentation.

These decision and recommendations are included as part of the credit approval process in the DAR.

Where mitigation measure commitments are required in order to meet the E&S standards, these are communicated to the prospective client and appropriately formalized in the loan covenants in addition to the Standard E&S clauses already included in the Term Sheet (**Refer Appendix-O , Standard E&S Covenants**).

Srei may also choose to decline a relationship or transaction where the E&S issues are egregious or where the client repeatedly fails to improve its E&S performance and meet ESMS standards. In this case, the client relationship is referred to the CC for discussion and decision making.

## **4.2 Assessment of E&S Risks for existing projects**

This procedure describes the E&S risk identification procedure for Srei's existing portfolio. The steps here describe the E&S Risk identification process for those projects which will provide opportunities for improvement of the E&S performance.

- **Review of existing clients on E&S Risks** – Time to time review of E&S performance and E&S monitoring. Based on the review and monitoring, latest E&S risk categorization would be checked using RRA, CA and SA tools of the Sustainable Finance toolkit.

## 4.3 Monitoring and Record Keeping

### 4.3.1 Monitoring

The environmental and social performance of all projects will be monitored on a periodic basis to ensure on-going compliance with the applicable requirements.

For ongoing projects, Srei requires its clients to submit periodic Monitoring Reports on its environmental and social performance, as per a standard format (**Refer Appendix-E, Post approval Project performance monitoring and gap assessment Checklist**). For a particular project, the reporting format can be customized to include additional parameters which are essential to be reported specific to that project.

The project Monitoring framework adopted at Srei in accordance with the identified level of risk is mapped below:

Project Category	Monitoring with Standard Format	Monitoring with additional parameters	Monitoring with Site Visit	Reporting	Frequency of Monitoring & Reporting
High Risk – Category A	√	√	√ (optional)	√	Half Yearly
Medium Risk – Category B	√	√ (as needed)	-	√	Half Yearly
Low Risk – Category C	√	-	-	√	Annually

In addition to the standard performance reporting, clients are also requested to report any major incidents and/or accidents instantly. This condition is an explicit requirement in the loan covenants for Category A and B projects.

In addition to monitoring information to track performance, Srei may use spot inspections and audits for certain projects to verify client compliance and progress towards desired outcomes.

Srei will document the progress results and identify any necessary corrective and preventive actions for a particular project. Regular follow-ups and engaging with clients would be carried out to ensure that these corrective and preventive actions are implemented and their effectiveness are measured and reported.

The project performances are also reviewed on the basis of the client's commitments in the Action Plan, where applicable, as reported through the client's monitoring reports. In case of any changed project circumstances resulting in adverse environmental and social impacts, Srei would work with the client to address them and exercise remedies where applicable. The cost implications of these decisions would be borne by the client.

In case of non-compliances, Srei may also choose to engage external consultants to assist in specific projects and ensure that these are corrected within a reasonable timeframe. The cost implications of these decisions would be borne by the client.

#### **4.3.2 Record Keeping**

During the initial screening of projects using the E & S toolkit, reports from the Rapid Risk Assessment (RRA), Sustainability Assessment (SA) and the Client Risk Assessment (CRA) are auto-generated. These reports contain the assessment inputs and outcomes and serves as the document of record to be included as part of the project specific approval documentation.

At a subsequent stage of project screening, all other documents are to be saved related to documentation collected from client, research outputs, due diligence reports, relevant third party assessment reports and other documentation related to Action Plan, covenant terms agreed with clients as mitigation measures prior to undertaking a project for financing are maintained.

#### **4.4 ESMS Review and Continuous Improvement**

The ESMS needs to be reviewed periodically to ensure that it remains relevant and effective over time and incorporates Srei's and its client's evolving needs.

The review involves the following:

- Identifying potential difficulties with operational aspects of ESMS implementation and making changes as necessary;
- Reviewing the scope of ESMS procedures to ensure that emerging social and environmental risks of projects are detected and identified during the due-diligence process;
- Updating ESMS to reflect revisions in applicable IFC-PS and national laws on environment, health, and safety. Srei maintains hard copies of all applicable E&S laws governing its clients in India

#### **4.5 External & Internal Reporting**

Srei will periodically report on project performance and ESMS activities in accordance with their internal obligations and the requirements of the investors.

Srei will report to the external investors on the environmental and social performance on a project basis at a frequency as is the requirement of the investor as per the Standard External Reporting Format (**Refer Appendix-G, Standard Format for Environmental & Social (E&S) Performance Reporting to External Financial Institutions Reporting**). The output from the toolkit would be utilized to provide project specific as well as summarized data on the E&S risk of the portfolio.

In addition, Srei will also report immediately if any project experiences any major accidents or incidents that may potentially receive media attention or invite stakeholder action.

Srei will internally report on periodic project performance as per the Standard Internal Reporting Format (**Refer Appendix-H, Standard Format for Internal Project Performance Reporting**).

The detailed reporting framework to be adopted is outlined in the table below:

Reporting Requirement		External Reporting		Internal Reporting	
		Reporting Scope	Reporting Frequency	Reporting Scope	Reporting Frequency
Project Performance Reporting	High Risk Projects	Standard External Reporting Format	Annually Or As agreed with particular Investor	Standard Reporting Format	Half Yearly
	Medium Risk Projects	Standard External Reporting Format	Annually Or As agreed with particular Investor	Standard Reporting Format	Annually
	Low Risk Projects	Standard External Reporting Format	Annually Or As agreed with particular Investor	Standard Reporting Format	Annually
Reporting Incidents & Accidents	on &	Major accident or incident which has drawn media attention	Whenever such incident occurs	Major accident or incident	Included in Regular Reporting Format

## 4.6 Roles & Responsibilities

Srei's ESMS framework delineates the governance structure within the deal flow with clearly outlined roles and responsibilities that allows for new client and project screening and approval by the appropriate levels of authority commensurate to the level of risk present.

Srei has clearly outlined roles and responsibilities of its Group functions with accountability for the implementation of the key elements of ESMS in its business. Srei's key ESMS functional heads mapped against the Organization Structure is appended as Appendix-P.

Srei will ensure that the international Financial Institutions are notified if and when the current E&S Manager or the current Environmental Coordinator leaves that position, and will provide the name of the new E&S Manager or Coordinator appointed.

The table below outlines the roles and responsibilities of individual functional heads under the purview of ESMS framework:

<b>Roles and Responsibilities</b>			
<b>Sl. No</b>	<b>Responsibility / Functional Head</b>	<b>Key Responsibility Areas</b>	<b>Approval Authority</b>
1	<b>Environmental Co-ordinator / E&amp;S Manager</b>	<ul style="list-style-type: none"> <li>- Set up, implement and revise the ESMS</li> <li>- Communicate ESMS requirements</li> <li>- Assist Business team in Project Risk Assessment using the ESMS framework (ESMS toolkit)</li> <li>- Review of all client specific project documents (EIA reports/ permits/ clearances)</li> <li>- Co-ordination with external consultants for Due Diligence (if required)</li> <li>- Ensure that all loan decisions are supported by appropriate social and environmental reviews</li> <li>- Participate in loan decision-making process</li> <li>- Determine and include environment, health and safety covenants in loan agreements</li> <li>- Monitor and track project performance &amp; reporting (both external &amp; internal)</li> <li>- Reporting compilation (internal &amp; external) on accidents/ incidents and regular reporting on the required frequency</li> <li>- Periodic ESMS review</li> <li>- ESMS training need identification, co-coordinating training &amp; estimating budget</li> </ul>	COO

<b>Roles and Responsibilities</b>			
<b>Sl. No</b>	<b>Responsibility / Functional Head</b>	<b>Key Responsibility Areas</b>	<b>Approval Authority</b>
		<ul style="list-style-type: none"> <li>- Obtain approval and sign-off from Senior Management to ensure that the ESMS meets all necessary criteria</li> <li>- Maintain a file of qualified environmental consultants who can be called upon to assist in conducting environmental reviews.</li> </ul>	
<b>2</b>	<b>Business Development Team</b>	<ul style="list-style-type: none"> <li>- Inclusion of final E &amp; S recommendation in DAR based on E &amp; S Manager feedback</li> </ul>	Regional Business head
<b>3</b>	<b>Project Finance team – Head, Credit &amp; Risk Management</b>	<ul style="list-style-type: none"> <li>- Compilation of recommendations/findings from E&amp;S and Legal Team</li> <li>- Provide compiled DAR to Credit team for loan decision</li> <li>- Periodic ESMS review</li> </ul>	COO Management / CC
<b>4</b>	<b>Legal Team</b>	<ul style="list-style-type: none"> <li>- Review of a project against E&amp;S legal requirements</li> <li>- Separate recommendation to the Credit team</li> <li>- Ensure that all loan agreements contain covenants requiring that projects are in compliance with applicable national laws on environment, health and safety.</li> </ul>	Head - Legal
<b>5</b>	<b>Credit Admin Team</b>	<ul style="list-style-type: none"> <li>- Review of consolidated Risk Summary Reports</li> <li>- Participate in loan decision-making process</li> <li>- Determine and include environment, health and safety covenants in loan agreements</li> <li>- Provide recommendation to CC for final loan decision</li> </ul>	Head – Credit Administration
<b>6</b>	<b>CC</b>	<ul style="list-style-type: none"> <li>- Final Loan Decision</li> <li>- Periodic ESMS Review</li> <li>- ESMS Budget allocation &amp; approval</li> </ul>	All members of CC
<b>7</b>	<b>Credit Monitoring</b>	<ul style="list-style-type: none"> <li>- Auditing the records and ensure proper record keeping of all projects</li> </ul>	Head-Credit Monitoring
<b>8</b>	<b>Treasury</b>	<ul style="list-style-type: none"> <li>- Portfolio Reporting to external Financial Institutions &amp; maintaining client relationship</li> </ul>	Head - Treasury

## **4.7 Budget, Training and Senior Management Approval**

Srei would allocate resources to prepare and distribute ESMS documentation and materials, to train staff on ESMS procedures, and to account for staff time to perform their ESMS responsibilities in their day-to-day duties to ensure effective ESMS implementation across the organization.

Srei would assesses and track the progress and development of employees and skills with regard to ESMS understanding and performance and undertake training need identification exercise at regular periodic intervals in consultation with the employees and the management.

The training gaps are identified, future training needs defined and training programs rolled out.

The entire ESMS, including the budget and training plan, should be reviewed and approved by CC to ensure that it is integrated as part of Srei's overall credit framework.

The relevant checklists and formats are appended as Appendix-F.

## **5 The use of ESMS**

- The ESMS Manual is part of the overall Credit Management System at Srei and is integrated with the Credit Manual adopted for loan appraisal process.
- Toolkit Access – Srei will provide authorization to key E&S functional heads and their authorized representatives to use the Sustainable Finance Toolkit. The toolkit access, user restrictions, client/project data security and all other relevant functions associated with toolkit usage will be governed by the procedures delineated in the Toolkit Manual maintained with the E&S Manager.

**Signature**