

MSETCL

Social and Environmental Policy Statement

1.0 INTRODUCTION/PREAMBLE

MSETCL recognizes that effective management of social and environmental (S&E) impacts associated with its business is critical to success of its projects and operations. S&E impacts expose MSETCL to several risks including: (a) project completion risk (including time and cost over runs); (b) operation risk (including changes to cost structure, conflict with communities, employee morale and productivity, downtime, litigation and compensation); and (c) reputation risk (affected community, employee and other stakeholder activism). MSETCL is exposed to these risks on account of issues pertaining to: ROW/land acquisition and involuntary economic and at times physical displacement; labor working conditions including occupational health and safety; community health and safety; impacts on environment, biodiversity and natural resources (particularly during construction); and emissions and discharges during operation.

To manage such risks, MSETCL has through this Social and Environmental Policy (hereinafter referred to as “S&E Policy” or” the Policy”) document articulated: (a) its commitment to ensure social and environmental sustainability in its projects and operations; and (b) the principles on which MSETCL’s S&E risk management framework will be founded. MSETCL has, in development of its S&E Policy, ensured that it is consistent with the social and environmental sustainability safeguard policies and performance standards adopted by both multilateral lending institutions (The World Bank, International Finance Corporation and Asian Development Bank) and also private financial institutions particularly the Equator Principles Financial Institutions¹ (EPFI).

2.0 SCOPE OF APPLICATION

MSETCL’s Social and Environmental Policy is applicable to all of the Company’s Operations² including: (a) Projects (from concept to commissioning); (b) Operation & Maintenance; and (c) all Corporate Functions.

3.0 THE PRINCIPLES

3.1 MSETCL will ensure full adherence to all applicable social and environmental laws pertaining to its Operations.

3.2 MSETCL will proactively identify and manage all social and environmental risks and impacts associated with its Operations in a manner consistent with: the Social and Environmental Safeguard Policies of The World Bank and The Asian Development Bank; IFC's Performance Standards on Social and Environmental Sustainability; and The Equator Principles.

3.3 MSETCL will: identify and assess social and environment impacts, both adverse and beneficial, in the area of influence of its Operations; avoid, or where avoidance is not possible, minimize, mitigate, or compensate for adverse impacts on workers, affected communities, and the environment.

3.4 In particular, MSETCL will:

3.4.1 improve its social and environment performance through the effective use of management systems;

3.4.2 create safe and healthy working conditions, and protect and promote the health of all workers for whom it is a Principal Employer;

3.4.3 avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from its Operations including measures to abate emissions that contribute to climate change;

3.4.4 avoid or minimize risks to and impacts on the health and safety of the local community from its Operations (on account of both routine and non routine circumstances);

3.4.5 ensure that the safeguarding of personnel and property is carried out in a legitimate manner that avoids or minimizes risks to the community's safety and security;

3.4.6 avoid or at least minimize involuntary resettlement wherever feasible by exploring alternative project designs;

3.4.7 mitigate adverse social and economic impacts from land acquisition or restrictions on affected persons' including informal settlers' use of land by: (i) providing compensation for loss of assets at replacement cost; (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of

affected communities; (iii) improve or at least restore the livelihoods and standards of living of displaced persons; and (iv) improve living conditions among displaced persons through provision of adequate housing with security of tenure at resettlement sites;

3.4.8 protect and conserve biodiversity by avoiding habitat destruction or degradation particularly of natural and critical habitat as also protected areas; and ensure access of communities to natural resources on which their livelihoods depend;

3.4.9 avoid adverse impacts of its Operations on communities of Indigenous Peoples, or when avoidance is not feasible, to minimize, mitigate, or compensate for such impacts , and to provide opportunities for development benefits, in a culturally appropriate manner particularly: (i) ensure that the development process fosters full respect for the dignity, human rights, aspirations, cultures and natural resource-based livelihoods of Indigenous Peoples; (ii) establish and maintain an ongoing relationship with the Indigenous Peoples affected by a the Company's project; (iii) foster good faith negotiation with and informed participation of Indigenous Peoples when projects are to be located on traditional or customary lands under use by the Indigenous Peoples; and (iv) respect and preserve the culture, knowledge and practices of Indigenous Peoples; and

3.4.10 protect cultural heritage from the adverse impacts of its Operations and support its preservation.

3.5 MSETCL will ensure that affected communities are appropriately engaged on issues that affect them through: (a) prior disclosure of relevant information in a timely and culturally appropriate manner; (b) effective and ongoing consultation with affected communities; and (c) implementation of an effective community grievance redress mechanism.

4.0 APPROACH

4.1 This Policy will become effective within 3 months of approval by MSETCL Board of Directors.

4.2 The Policy will be reviewed every 5 years to ensure alignment with contemporary context.

4.3 MSETCL will, within 12 months of the Policy approval by Board, develop and implement detailed Social and Environmental Management System ("S&E Procedures") to ensure full adherence to the Policy.

- 4.4 The S&E Procedures will detail processes including for: (a) Screening and Identification of Risks (from environmental receptors, social receptors and other stakeholders); (b) avoidance of risks (including criteria for alternative routing); (c) mitigation of risk through impact management, implementation of Good International Industry Practices (GIIP) as detailed in The World Bank Group/IFC EHS Guidelines, adequate compensation to affected stakeholders, public consultation and disclosure and grievance redress; (d) monitoring, reporting, evaluation, feedback, management review and corrective action; and (e) responsibility and resource allocation including an organization structure for management of S&E risks;
- 4.5 Till such time S&E Procedures are developed and implemented, MSETCL will develop and implement interim measures to ensure that material social and environmental risks are managed in accordance with the S&E Policy.
- 4.6 MSETCL will develop and implement appropriate training programs to ensure that all employees are aware of the S&E Policy and suitably trained in application of the S&E Procedures.
- 4.7 MSETCL will put in place, a corporate social and environmental cell, which will be responsible for: (a) interpretation of the Policy; (b) oversight of application of the S&E Procedures and compliance with the Policy; (c) enabling the periodic review of the S&E Policy and recommending updates to the Board; and (d) Review and improvement of the S&E Procedures.
- 4.8 For efficient functioning of the social and environmental cell, MSETCL will: staff the cell with appropriately qualified social and environmental professionals; and make available appropriate financial and physical resources.
- 4.9 MSETCL will, to obtain assurance on implementation of the Policy and to continuously improve its effectiveness, implement a quarterly internal and an annual third party audit program.
- 4.10 MSETCL will report both internally and to external stakeholders on its adherence to the S&E Policy.