

Environmental & Social Review Summary **Project# 31549 - Apollo Hosp (India)**

Overview of IFC's Scope of Review:

IFC's review of this investment consisted of appraising technical, environmental, health and safety (EHS) related information of Apollo Hospitals Enterprise Limited ('AHEL' or the 'Company') including EHS policies and procedures at group Level, facility management systems, environment, health and safety (EHS) performance and reports of Apollo Reach Hospitals, construction contract documents, site checklists, waste management authorizations and waste and emissions monitoring data for existing hospitals.

The appraisal also included site visits to AHEL's flagship hospital in Chennai and Apollo Reach Hospital in Karaikudi, and discussions with senior management and the project team in-charge of design and development of Apollo Hospitals.

This is third investment by IFC in AHEL. The Environmental Social Review Summaries (ESRS) for the previous IFC investments are available at:

- "Apollo Equity" (Project #24406) disclosed in July 2005, is available at: <http://www.ifc.org/ifcext/spiwebsite1.nsf/ProjectDisplay/ERS24406>
- "Apollo Loan" (Project #25969) disclosed in April 2009, is available at: <http://www.ifc.org/ifcext/spiwebsite1.nsf/ProjectDisplay/ESRS25969>

This review thus, builds upon the previously disclosed ESRSs and ESAPs, and the information collected during IFC's engagement with AHEL over the past years.

Project Description:

The proposed project by AHEL, which is among the largest integrated healthcare groups in India, involves an investment of upto US\$394 million over the next four years to add about 2,900 beds to its hospital network and for equipment purchases of its existing hospitals ("Project"). The funds will be used to implement AHEL's strategy for growth which includes: (i) expansion in existing facilities that are reaching full capacity; (ii) setting up new facilities in larger cities with growing and unmet demand; and (iii) expanding its network of "Reach" hospitals, which include smaller, simpler facilities in less developed population centers.

Identified Applicable Performance Standards:

IFC's environmental and social due diligence indicates that the investment will have impacts which must be managed in a manner consistent with the following Performance Standards:

- PS1 - Social and Environmental Assessment and Management System;
- PS2 - Labor and Working Conditions;
- PS3 - Pollution Prevention and Abatement; and
- PS4 - Community Health, Safety and Security

The Project sites will be located in urban commercial areas and shall not be located in or near national/provincial/local designated conservation parks. No impacts on biodiversity are expected and hence PS6: Biodiversity Conservation and Sustainable Natural Resource Management does not apply. No indigenous peoples are affected and there are no impacts on any cultural heritage resources as per the environmental assessment. Hence, PS7 – Indigenous Peoples and PS8 – Cultural Heritage do not apply.

As the land required for the Project will be purchased from the government or private owners, on willing buyer, willing seller basis PS5 - land acquisition and involuntary resettlement is not applicable. However, since locations and layouts of future assets are not fully known yet, it is possible that the Project may result in impacts that will have to be managed in a manner consistent with IFC Performance Standards PS5. Hence, a condition of IFC's investment will be that AHEL manages relevant risks and impacts covered in all IFC PSs.

E & S Categorization Rationale:

Key risks and issues related to this project include: adequate social and environmental assessment of the impacts of the Project; the Company's capacity to manage its social, environmental, health and safety performance, and engage with local communities in accordance with local requirements and IFC Performance Standards and EHS Guidelines; assurance of fair, safe and healthy working conditions; management of wastes (particularly biomedical waste) and emissions; impacts of transport infrastructure on nearby communities during construction, life and fire safety management for all public use buildings in accordance with international fire safety codes and impacts of land acquisition as applicable.

The Project will result in a limited number of potentially adverse environmental and social impacts which can be avoided or mitigated by adhering to generally recognized performance standards, guidelines, or design criteria. On this basis, this project is therefore classified as a Category B project according to IFC's Policy on Environmental and Social Sustainability and Performance Standards.

Description of key Environmental and Social Issues and Mitigation:

AHEL has implemented measures to address the environmental and social impacts for its hospitals and has presented plans to address the E&S issues and impacts to ensure that the proposed project will upon implementation of the specific agreed measures, comply with the environmental and social requirements, including: the host country laws and regulations; IFC's Performance Standards; and the relevant World Bank Group (WBG) General and Sector-specific Environmental, Health and Safety (EHS) guidelines (ref. Healthcare facilities). The information about how these potential impacts will be addressed by the Company is summarized in the paragraphs that follow.

PS1: Social and Environmental Assessment and Management Systems:

- Environmental & Social Assessment:

AHEL has developed corporate level policies, design guidelines, operational checklists and management information systems (MIS) to address the EHS related issues and risks such as: human resources

management, life and fire safety of facility, infection control, facility management, performance measurement and continual improvement of Quality and E&HS performance. AHEL has also developed key performance indicators (KPIs) around EHS issues which it regularly monitors across the group.

As a condition of IFC's new investment, AHEL will establish an overarching policy defining the E&S objectives and principles that will guide the Company to achieve sound EHS performance – including compliance with the applicable local laws and regulations and the IFC Performance Standards. Based on this policy AHEL shall define a framework for the E&S assessment and management process for future developments, to assess the applicability of IFC's Performance Standards 5-8, and develop an action plan as necessary.

- Management Systems:

AHEL has developed and demonstrated its expertise in managing hospitals over the years and is recognized for its best practices in the region, which are in line with international standards. AHEL has implemented international certifications such as ISO 9001 at Chennai and Joint Commission International (JCI), for its 7 hospitals including Delhi, Chennai, Hyderabad, Ludhiana, Bangalore, Kolkata and Dhaka. In addition, many hospitals have been accredited by the National Accreditation Board for Hospitals (NABH) and the laboratories by the National Accreditation Board for Laboratories (NABL).

Even for those other hospitals, which are not certified for any such accreditations, AHEL ensures that the requirements of these systems are integrated in the design and operations of all the AHEL hospitals. Corporate level policies, guidelines, checklists and MIS have been developed and implemented for this purpose.

- Organization:

The corporate projects team of around 50 skilled resources, is responsible for the design and development of new hospitals and expansions. A smaller team of this projects team is closely overseeing the project implementation for the Reach hospitals.

- Monitoring & Reporting:

Once the hospitals are operational, each hospital operates rather independently, following the corporate guidelines and standard operational requirements. AHEL has developed a corporate level reporting system for all its hospitals to capture the operational information including that related to EHS issues such as water, energy and waste management.

PS2: Labor and Working Conditions:

AHEL has a total workforce of around 23,000 across all its business lines, with 32% women employees across the ranks.

- Human Resource Policy, Management

AHEL has formal and documented HR policies and practices in place, which are in line with the IFC's PS2 requirements. These cover: terms of employment and working conditions including procedures for hiring, probation, training, performance review, promotion, insurance, salary and compensation,

resignation, lay-off and firing, leave and vacation, and retirement, which are consistent with the national labor laws. Workforce safety and hygiene practices are in accordance with the JCI requirements and thus comply with all the IFS-PS and EHS Guidelines.

- Freedom of Association, Grievance Mechanism

AHEL respects the staff's Freedom of Association, and thus staff unions are active in AHEL's large hospitals. In addition, AHEL has established a formal grievance mechanism for its staff by way of People's Forum. AHEL has implemented other innovative programs such as Apollo's Passion for People (APPLE) which facilitates employee engagement activities and Every Contact Has an Opportunity (ECHO) – which supports doctor's retention programs.

- Training and Human Resources Development

Being a service organization, training, capacity building and professional development of its staff are important priorities for AHEL. A structured program for training and staff development is in place across all its business units and ranks, which also covers elements related of EHS. Senior experienced personnel from established hospitals are located in newer hospitals to ensure effective implementation of corporate standards across different hospitals and grooming of new staff. AHEL has nursing colleges attached to several of its hospitals.

- Contractors /Construction Safety

AHEL has developed design and build pre-requisites for the turnkey contractors, which spell out various requirements for the site operation and construction management. The aspects related to construction labor and occupational health and safety are covered in Conditions of Contract for EPC / Turnkey Projects, which are primarily based on the FIDIC (International Federation of Consulting Engineers) format.

For construction of new hospitals, AHEL works with reputed construction companies in India who have articulated and formalized their own health and safety policies and management systems. Moreover, AHEL has full time dedicated personnel at each new construction site to ensure quality and safety during construction.

PS3: Pollution Prevention and Abatement:

AHEL has documented a compilation of all the statutory requirements related to EHS, to facilitate regulatory compliance across all its facilities. AHEL's facility management system covers areas such as EHS legal compliance, waste management, resource management (water, energy, etc.), infection control, laundry management, air conditioning & circulation, canteen management, spill prevention and control, etc.

- Water and Energy Supply:

Water for all the hospitals is sourced from the local municipal sources. The water quality is tested to ensure that it is potable. AHEL sources electricity for hospitals from the grid. However, diesel generators are provided as back-up in case of grid power cuts. The diesel storage is provided with secondary

containment to avoid the spills getting down the drain. The DG stack height is maintained as per statutory norms.

- Resource Efficiency:

AHEL's design specifications for new hospitals are based on the basic requirements leading to LEED (Leadership in Energy Efficient Design) certification. AHEL plans to install solar water heating system for its future hospitals, supplemented by electrical boilers.

- Emissions and Waste Management:

For its existing hospitals, effluent treatment facilities are available on-site as per the local permit requirements. The pre-treated effluent is discharged to the municipal waste stream where it is further treated. For the upcoming hospitals too, AHEL plans to install packaged sewage treatment plants on-site, for the pre-treatment of the effluent before discharging the sewage to the municipal treatment system. The treated effluent will thus comply with the World Bank Group guidelines.

AHEL has a formal and documented biomedical waste management mechanism in place which provides guidelines to ensure correct handling and disposal of solid and liquid waste and thus prevention of infection and contamination of personnel and equipment. A waste management committee, led by a senior management representative (such as GM Operations), is responsible for the implementation of this mechanism – which comprises of policies, guidelines and documented procedures. As a part of this mechanism, AHEL has developed awareness materials (e.g. posters for waste segregation) and standard documentation (e.g. checklists for waste data collection and reporting).

For its existing hospitals, AHEL sends the biomedical waste to the authorized central biomedical waste treatment facilities as stipulated by local regulations. In case, such an agency is not available in some locations, AHEL sends the waste from such hospitals to the nearest location where such a facility is available.

PS4 – Community Health, Safety and Security:

- Vehicular Traffic

For any healthcare facility, a significant volume of vehicular traffic is expected during construction and operational phases. At the time of site selection and hospital design AHEL assesses the accessibility and the availability of parking space. AHEL's security team facilitates the vehicular movement and parking for the doctors, staff, patients and visitors to ensure minimum inconvenience to the neighboring residents.

- Life and Fire Safety

AHEL has developed standard requirements for fire safety systems design which builds upon the stringent requirements of the Joint Commission International (JCI) and local and international fire safety codes. Regular training and fire drills are conducted to maintain the system.

AHEL has demonstrated a strong life and fire safety performance in all its hospitals for the past 25+ years. During all these years, there have been no incidents/accidents resulting in fatalities or major injuries to the community.

For all the new hospitals and expansions, AHEL develops an Architectural Brief, which spells out basic design requirements such as space and zoning requirements for strategic service lines (medical units, operation theatres, laboratories etc.), support services (engineering, patient services, etc.) and life and fire safety. This brief requires the design for all new hospitals to be in compliance with latest recommendations and requirements of National Accreditation Board for Hospitals (NABH) National Accreditation Board for Laboratories (NABL) and India's National Building Code (NBC) - the requirements of which are materially the same as those of US National Fire Prevention Association (NFPA) code. The brief also spells out basic design principles such as use of natural light; safety and security of patients and hospital resources and compliance with Green Building certification requirements etc. The architectural design for all the new hospitals is done by a panel of architects, all of whom are familiar with all AHEL's own as well as Green Building requirements.

For all the new hospitals being developed under the Project, AHEL will commission a fire safety professional to review the site specific Architectural Brief and confirm that all the LFS-related aspects of design are compatible with an internationally recognized fire and life safety code, as required under the life and fire safety section of the WBG EHS General Guidelines.

Following construction, the fire safety professional shall inspect the newly constructed buildings. AHEL will submit to IFC certifications from this professional that each facility is designed, constructed, and operated in full compliance with local building codes, local fire department regulations, and all LFS aspects of the previously approved Architectural Brief.

On the basis of the above information, and by implementing the Environmental and Social Action Plan the Project will be operated in compliance with IFC's PS and relevant environmental, health and safety guidelines.

Client's Community Engagement:

As per a condition of previous IFC investment, AHEL will set up a mechanism to disclose the relevant information about construction impacts for its new hospitals to the neighboring community. AHEL will also establish a grievance mechanism (including contact information of concerned officials at AHEL) to address the concerns of the nearby community.

AHEL actively engages with the communities through its Corporate Social Responsibility (CSR) related programs covering areas such as pediatric cardiac care for the underprivileged, Telemedicine, Disaster Relief Programs, health aware camps and medical checkup programs.

Local Access of Project Documentation

AHEL will disclose this ESRS and the ESAP at its website: <http://www.apollohospitals.com>, as well as locally at the following address:

Apollo Hospitals Enterprise Limited,

Ali Towers, Ground Floor, 55, Greams Road
Chennai – 600 006

All inquiries and comments may be directed to:

Mr. S. Sukumar
C.E.O. Projects
Apollo Hospitals Enterprise Limited,
Ali Towers, Mezzanine Floor, 55, Greams Road
Chennai – 600 006
Tel: +91-44-28293371 - 75
Fax: +91-44-28293370
Email: jude_t@apollohospitals.com