

WATERHEALTH INDIA PRIVATE LIMITED
SUMMARY REPORT
PROJECT ENVIRONMENT AND SOCIAL RISK MANAGEMENT
February 22, 2009

Project Description

Waterhealth India Private Limited (WIPL or the company), a wholly owned subsidiary of WaterHealth International Inc. (WHI) currently provides distributed water services through its retail outlets or Water Centers (WCs) spread across over 200 villages in the State of Andhra Pradesh in India. Each WC consists of equipment assets supplied by WIPL, which WIPL procures from a set of its approved vendors. WIPL, depending on the projected demand for a WC, typically installs either 65 kiloliters per day capacity (treated water) or 21 kiloliters per day capacity equipments. These assets are community-owned and operated, and provide potable water to the community. Typically, the land is provided by the village panchayat (village level elected local self government institution) or by a donor, who also provide the equity contribution for the WCs. The operations of each WC are entirely sustained through affordable user fees generated from sales of treated water, which includes cost of employment and wages of operators. WIPL in addition to the equipment also provides: technical skills and training to operators; maintenance support for equipment; oversight on adherence to quality system; and assurance on product/water quality.

A typical water center draws water from a village pond, which has been earmarked by the village panchayat for drinking water purposes. The water is pumped from the pond to the WC through buried HDPE pipes. The water treatment and disinfection involves filtration through pressure sand filter, activated carbon filter, cartridge filters of 5 and 1 micron size, activated carbon cartridge filter and UV irradiation (for disinfection). Treated water is stored in stainless steel tanks and dispensed through a tap manifold. Under the Project, WIPL proposes to significantly increase the number of its water centers across several states in India.

Description of key Environmental and Social Issues and Mitigation

An Environmental and Social Assessment was undertaken with reference to IFC's Performance Standards, in the context of a proposed IFC investment in the project. This document draws upon the Environment and Social Review Summary prepared by IFC as part of its appraisal process.

The company has presented plans to address these 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; and IFC's Performance Standards. The information about how these potential impacts will be addressed by the Company is summarized in the paragraphs that follow. Further information is provided in the attached documentation.

1. Social and Environmental Assessment and Management System

WIPL's management proactively addresses social, environmental, occupational health and safety (SEHS) aspects associated with its operations. The company has put in place a quality management system (QMS) which supports ISO 9001:2000 standards. The company has in place an environment, health and safety policy and the standard operating procedures (SOPs) for operation and maintenance (O&M) incorporates safety provisions. WIPL's QMS includes SOPs for: technical services (O&M) including preventive and scheduled maintenance programs; personnel health and hygiene; marketing; procurement; calibration and laboratory/testing; training need analysis and training of employees; periodic monitoring and assessment of product quality and performance; internal audits and implementation of corrective action; reporting to senior management; and management review of the management system. The company will build upon the existing QMS, to expand it into an integrated quality, social, environmental, health and safety management system (IMS), with IFC's Performance Standards appropriately incorporated. The company will develop and implement formal SOPs in accordance with the Performance Standards particularly in the context of: obtaining applicable registrations, permits, consents and authorizations for both WIPL and WC operations; mitigating impacts associated with construction and discharges during operation; and ensuring that vendors

approved for equipment and consumables purchase meet WIPL's social and environmental standards. WIPL will employ in-house one fulltime qualified professional, for oversight of social, environmental, occupational health and safety aspects across all of its operations.

The project, by virtue of its nature, involves extensive community engagement since: community is the owner of each WC; and community is the beneficiary/client group for the WCs. The company and its partners (local NGOs), engage with the community at multiple levels. To obtain initial buy in/motivation of the community for starting a WC project, the company (and its NGO partners) engage with the community leaders and elected local self government institution, the Panchayat. The Panchayat also is often the custodian of village resources and makes available land for setting up of WC besides enabling access to community owned water resources. In view of the fact that local community is also the client group for the WCs, the company is in the process of implementing an extensive education and awareness program to increase the number of households seeking to use the WC's treated water. The company will however also implement a formal procedure to receive and respond to community concerns and grievances. The company will display this community grievance redress procedure in the relevant local language at each WC.

2. *Labor and Working Conditions*

WIPL has employees on its rolls that are engaged by the company directly for O&M/construction; and contract workers have been engaged by the community as operators of the WCs. Typically, there are two operators at each WC of 65 klpd and one operator at WC of 21 klpd capacity. The operators engaged at each WC are usually from the same village. While the operators are engaged by the community (Panchayat), WIPL is involved in their selection and provides intensive training to them including on safety, health and environment, to ensure that the WCs are operated in accordance with WIPL's policies and procedures. The company has HR Policies and procedures, which include those for: recruitment, equal opportunity, non discrimination, training, leaves, grievance redress, retirement/separation, personnel health and hygiene, employee welfare and benefits. HR department is responsible for communicating the HR policies to employees. The terms of employment and working conditions are also communicated through the appointment letter/agreement. WIPL ensures that all of its employees engaged in process/production areas undergo periodic health check up and WIPL will also ensure that its non employee workers/operators engaged in process/production areas undergo periodic health checkup. However, there are opportunities for further improving the HR procedures particularly those pertaining to: employee grievance redress, to ensure confidentiality and non retribution; disciplinary action/procedure; adherence to PS2 provisions as regards non employee workers/contract workers; and ensuring that the approved equipment and consumables vendors are in compliance with Indian labor laws.

- WIPL's technical services (O&M) SOPs include appropriate health and safety requirements. However, availability of personal protective equipment (PPE) at WCs needs to be improved. Further, while material safety data sheet (MSDS) for washing chemical was available, the company will: display these in the local language at the WCs; and ensure that antidotes in case of accidental exposure are readily available at each WC.

- The employees and operators are trained in health and safety aspects of relevance to the operations. The company will as part of the IMS, implement SOPs to ensure that: occupational health and safety in design and construction of WCs meets IFC Performance Standards; and accidents/incidents during construction and operations are recorded, reported, monitored, investigated and corrective action implemented.

3. *Pollution Prevention and Abatement*

- Limited and temporary impact on ambient conditions (air quality and noise) may be expected during construction phase. The company will implement mitigation measures including dust suppression and management of pollution from vehicular and equipment emissions to minimize these impacts. Electricity is sourced from the grid (connection obtained by the village panchayat) and there are no emissions to air during operation stage. The company has implemented a QMS to ensure that the product meets Indian potable water quality standards. The product/treated water is tested every month and results displayed at each WC. Further, the company does more limited strip tests of the water on a daily basis. The company will: review and further strengthen its water quality monitoring protocol; and implement procedures to display the treated water testing/monitoring results in the relevant local language at each WC.

- The company provides water cans to villagers who register to offtake water from the WC. Further, the company has procedures in place to ensure that these cans are periodically cleaned, with a cleaning chemical, to minimize risk of water contamination in the can. Wastewater generated in the process includes: treatment plant back wash water; raw water tank cleaning and settling discharge (after alum addition to raw water); (c) chlorine/hypo based sanitization wash/wastewater; and can and tank washing wastewater. The wastewater at some locations, is treated in a settling tank and the overflow used on WC premises for irrigation/ horticulture. At other locations, the wastewater is discharged through the village drain. The company will undertake a benchmark testing of the wastewater at a few sample locations to assess adherence to IFC Performance Standard requirements, and if required implement appropriate mitigation measures to meet the Performance Standards. The WC's draw water from village ponds or other local water sources that are earmarked for drinking water purposes and with due approvals from the panchayat. Material impact on water resources is not expected on account of the project.

- The company has procedures in place for appropriate handling and storage of the washing agent (a hydrogen peroxide and acetic acid based agent). The company will put in place a procedure, in accordance with Performance Standards, for disposal of used/spent activated carbon, sand and other filter media through authorized entities only. Further, the company will implement measures to ensure that hazardous material (chlorine/hypo, paints, lubricants and oils etc) which are brought to the WC site during construction and operation; and hazardous wastes (used/waste left over paint, paint and oil soaked rags/material, empty oil/paint drums/carbuoys, filters etc.) generated at site (during construction) are: stored under segregation and containment; handled/used with appropriate care and personal protective equipment; and disposed off through entities authorized to handle and dispose hazardous wastes.

Further Information

For more information and any queries and/or comments about the Project may be directed to:

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