



The Dhamra Port Company Limited (DPCL) Due Diligence Report – Summary

PART A: Introduction

▪ Basic Company Information

The Dhamra Port Company Limited (DPCL) is a joint venture of equal shares between Larsen & Toubro and Tata Steel (www.dhamraport.com)

Larsen & Toubro Limited (L&T) is a technology-driven engineering and construction organization and one of the largest companies in India's private sector. It has additional interests in manufacturing, services and Information Technology. The company was founded in Mumbai (Bombay) in 1938 by two Danish engineers, Henning Holck-Larsen and Soren Kristian Toubro. L&T has a global presence with manufacturing facilities in India, China, Oman and Saudi Arabia and a supply network with offices in 10 locations worldwide, including Houston, Milan, Shanghai and Seoul (<http://www.larsentoubro.com/>). It is now a publicly listed company, employing some 31,940 people and with revenues of roughly USD 7.6 billion for the fiscal year end March 31, 2009 (<http://resources.bnet.com/topic/larsen+%2526+toubro+Ltd.html>).

Tata Steel established in 1907, is India's largest private sector steel company, with some 84,000 employees. It ranks among the top ten steel producers in the world with an existing annual crude steel production capacity of 30 Mega Tonnes per Annum (MTPA). The company falls under the banner of the Tata Group. Tata Steel has recently included in its fold NatSteel Holdings, Singapore (2 MTPA), and Millennium Steel (now Tata Steel Thailand) (1.7 MTPA) creating a manufacturing network in eight markets in South East Asia and Pacific rim countries. Through its investments in Corus (over 20 MTPA) Tata Steel has operations in the UK, the Netherlands, Germany, France, Norway and Belgium. Through its joint venture with Tata BlueScope Steel Limited, Tata Steel has also entered the steel building and construction application market (<http://www.tatasteel.com>). The company is publicly listed with revenues for the fiscal year ended March 31, 2009 of roughly USD 32 billion. (<http://money.cnn.com/magazines/fortune/global500/2009/snapshots/11459.html>)

The Port

DPCL has been granted a concession by the Government of Orissa/Government of India, to build and operate a port north of the mouth of river Dhamra in Bhadrak district. The concession period is for 34 years, including a maximum period of 4 years for construction of the port. DPCL is in the process of developing Dhamra Port into a full-fledged all-weather multi-user port.

Situated between Haldia and Paradeep, the port at Dhamra is going to be the deepest port of India with a draught of 18 meters, whose master plan provides for 13 berths, capable of handling more than 80 million MT per annum of dry bulk, liquid bulk, break bulk and containerized cargo.

The Company achieved Financial Closure for Phase-I of the project in February 2007 with the signing of a loan agreement with the consortium of lenders led by Industrial Development Bank of India (IDBI). The construction of Phase-I commenced in March 2007 and the port is expected to be ready for commercial operation by March 2010.

Environmental Issues

The potential environmental impacts of Dhamra port have been the subject of much attention since plans to build the port were announced in the early 1990s. Drawing considerable attention has been the issue of the conservation of olive ridley turtles and their habitat where mass nesting events numbering hundreds of

thousands of female turtles take place, utilizing the offshore waters for mating purposes. More information on this particular aspect could be found in:

1. IUCN Report – Scoping Mission to the Dhamra Port December 2006
http://www.iucn.org/places/asia/assets/dhamraport_report.pdf
2. Biodiversity assessment of Dhamra port site and surrounding areas, Orissa March 2007
<http://www.greenpeace.org/india/press/reports/greenpeace-biodiversity#>
3. IUCN Trip Report – IUCN Dredging Mission to Dhamra, India December 2007
http://cmsdata.iucn.org/downloads/iucn_dredge_mission.pdf
4. IUCN Trip Report – IUCN Lighting Mission to DPCL, March 2008
http://cmsdata.iucn.org/downloads/iucn_lighting_mission_to_dpcl.pdf
5. IUCN Report - Dhamra Consultative Technical Workshop, February 2009
http://cmsdata.iucn.org/downloads/iucn_dhamra_consultative_technical_workshop.pdf
6. IUCN Report - Dhamra Port Status Report, May 2009
http://cmsdata.iucn.org/downloads/iucn_dhamra_status_report_may_2009.pdf
7. Wildlife Institute of India Report submitted to IUCN - Biological and Behavioral Aspects of Olive Ridley Turtles along the Orissa Coast of India – A Bibliographical Review for Identifying Gap Areas of Research, May 2009 http://cmsdata.iucn.org/downloads/olive_ridley_research_gap_wii.pdf

PART B: Basic CSR information

- **General**
- Corporate Governance

DPCL's vision is to become an infrastructural hub of the eastern coast of India by providing the most efficient port facility for industrial and economic development of the region and the country. In its mission statement it gives a commitment to international best practice in efficiency and cost effectiveness while at the same time stating that it will seek to maintain the highest standards of safety, environment friendly practices, work ethics and stakeholder participation.

- Environment

Key steps taken towards the mitigation of the impacts of the port include:

- Plans to implement ISO-14001:2004 based EMS
- Plantation programme along the 62 km rail-road corridor from Bhadrak to Dhamra.
- Building Dolphin type (pier mounted) jetties, without disturbing the natural slope of the sea bed.
- Dredging along a naturally deep alignment.
- Installing modern illumination system in line with the suggestions of the "International Dark Sky Association (IDA)" to avoid illuminating the sky or focusing light towards sea.
- Installing a well designed dust suppression system with atomized water sprinkler to eliminate the dust in transfer chutes, stack yard and wagon loading system.
- The accumulated sprinkled water to be recycled using settlement tanks.

<http://www.dhamraport.com/policy&measures.asp>

DPCL commits publicly to environmental conservation through its corporate environmental policy which states that the company will develop Dhamra as an eco-friendly port. It lists a range of impact mitigation measures on its website. During the IUCN scoping mission in December 2006 the company showed commitment to this policy of environmental mitigation by suggesting that IUCN assist them with:

- Review current studies and synthesize them and if necessary carry out further studies
- Review other contemporary research (such as the WII study) and help harness synergy in various efforts
- Preparing environmental management plan that focuses on turtle conservation but is inclusive of other key environmental issues; and
- Advise what else DPCL could do to mitigate the ports impact on turtles.

During the first phase IUCN has assisted the port with mitigation efforts relevant to lighting and dredging. Following the review of all known information on Olive Ridley turtles of Orissa and conducting a technical consultation amongst stakeholders by IUCN, DPCL is now taking steps towards preparing an environmental management plan for the development and operation of the Dharma Port. See Dhamra Port Status Report, May 2009.

[\[http://cmsdata.iucn.org/downloads/iucn_dhamra_status_report_may_2009.pdf\]](http://cmsdata.iucn.org/downloads/iucn_dhamra_status_report_may_2009.pdf)

- **Community**

DPCL also purports to be committed to the community and states on its website that it aims to:

- Stimulate infrastructure growth of the state, especially, developing the area into an economically bustling zone.
- Develop the port area with top-class residential, water & power supply facilities.
- Enrich people's life in the area/periphery in every possible way.

The company has committed to adopting the SA-8000, the Social Accountability System developed by Social Accountability International (<http://www.sa-intl.org/>) which is promoted as a voluntary, universal standard for companies interested in auditing and certifying labour practices in their facilities and those of their suppliers and vendors. It is designed for independent third party certification.

CSR activities and events so far undertaken by DPCL and listed on their website include:

- Establishment of a Health Centre in Dosinga village which caters to a population of over 50,000 in nine Panchayats in the port project periphery. This is supported by Tata Steel Rural Development Society
- A computer literacy programme has been launched in Dosinga, named as Rural Knowledge Centre. DPCL has tied with FIDR, a partner NGO of Microsoft and Nasscom Foundation in Orissa, for free computer learning to village youth.
- Provision of flood relief to local families in Bhadrak district affected by flash floods in August, 2008
- Yoga training for Dosinga-Dhamra People, particularly for elderly villagers and school children, February 2009
- Sports Promotion: Volleyball challenge, 2008. An annual tournament for local sports clubs and youth associations.
- Youth Camps for personality development and skill improvement of youths living in periphery villages of the port
- DPCL have also partnered with various festivals in the area to promote local art and culture

Larsen & Toubro Limited (L&T)

The Company states on its website that its philosophy on Corporate Governance is built on a rich legacy of fair and transparent governance and disclosure practices. It espouses a commitment to corporate social responsibility. L&T states that "*the mutually interdependent relationship between our businesses and the social milieu in which they exist places corporate social responsibility in a position of crucial significance.*"

On November 30th, 2009 L&T released their second Corporate Sustainability Report. The 1st report from 2008 is available for download from their website and gained recognition from sections of the media as the 4th best report of its kind in India and ranked 17th overall in Asia

(http://www.larsentoubro.com/lntcorporate/common/ui_templates/HtmlContainer.aspx?res=P_CORP_A_AB_T_CUSR). This reports on the companies performance on environmental issues, social responsibility and other areas related to business and financial performance.

Towards 'conserving the nation's resources' they have undertaken various activities such as water conservation initiatives at various plants, energy conservation, use of recycled or renewable materials in place of non-renewable materials, planting of trees on different L&T campuses and investing in clean fuel technology. Five of the companies operating divisions examined by IFC (Cement, E&C, ECC, Heavy Engineering, and EBG) have achieved ISO 9001 certification; four have achieved ISO 14001 certification and three have achieved OHSAS 18001 certification (*World Bank Report, 2003* [<http://www.ifc.org/ifcext/spiwebsite1.nsf/2bc34f011b50ff6e85256a550073ff1c/0a5dce6187cf43dc85256d12006e5156?opendocument>]).

L&T sees itself as a leader in community responsibility. Employees enjoy generous health, education, job training and counselling benefits at all levels of the company's operations. Employee welfare programmes are extended out to communities in and around sites where L&T has its operations. Under the supervision of its Medical and Health Services Department at Powai, L&T sponsors a wide range of public health awareness programs targeting tuberculosis, hepatitis, family planning and HIV/AIDS.

L&T supports an innovative development program in the communities that surround its cement plants. The company's VIKAS – Village Improvement Know-how and Skills – program provides a wide range of assistance in the areas of health, education, infrastructure, and enterprise development.

Tata Steel

Tata and its subsidiaries such as Tata Steel are seen by many as the leaders in corporate social responsibility in India, Asia and the world. The company views itself as a standard setter in this area.

The company is strongly committed to sustainable development and is integrating these principles throughout its core operations. The Tata Code of Conduct stipulates, "A Tata Company shall be committed in all its actions to benefit the economic development of the countries in which it operates and shall not engage in any activity that would adversely affect such objective." Tata Steel has sustainability principles in all its key policies including its HR policy, CSR policy, EOHS policy, and social accountability policy.

Tata Steel is a signatory to the United Nations Global Compact, a member of the Brussels-based International Iron & Steel Institute (IISI) and follows the Global Reporting Initiatives guidelines for Sustainability reporting.

Tata Steel prides itself in its efforts at environment management. Its Steel Works in Jamshedpur, all its mines, collieries and manufacturing divisions in its out locations are certified to ISO-14001. The company reports on its environmental performance in its yearly sustainability reports. (<http://www.tatasteel.com/corporatesustainability/reports.asp#csr>)

Significant achievements by the Company include an improvement in environment and resource conservation, including a reduction in green house gases, raw materials and water consumption. The Company has increased waste re-use and re-cycling. The Company has almost doubled its capital investment in pollution abatement in the last five years.

▪ **Media Analysis**

- **Critique of the Environmental Impact Assessment, May 2007**
<http://www.greenpeace.org/india/press/reports/critique-of-the-environmental>
- **Dhamra Port controversy: dialogue fails, Tatas refuse to suspend**
Various websites reported on the dialogue between an alliance of environmental organisations, Tata Steel and other promoters of the Dhamra Port which hit a dead end on 20 February 2009, after Tata refused to consider any suspension of construction or dredging work at the port. Tata agreed to enter into dialogue with the alliance of environmental organisations following much pressure, including a demonstration outside the Tata Head quarters in Mumbai in August 2008 by Greenpeace activists dressed in turtle suits.
<http://my.buzzcritic.com/style/save-the-tatas/dhamra-port-controversy-dialogue-fails-tatas-refuse-to-suspend-/308719>; <http://marineanimalnews.blogspot.com/2009/05/tata-steel-continues-construction-olive.html>; <http://www.greenpeace.org/india/press/releases/tata-to-talk-turtles>

- **Since April, 2008 Greenpeace India have had an online campaign**, generating over 100,000 letters to Tata Group Chairman, Ratan Tata, asking him to reconsider the Dhamra project.
- The **WWF Nature News**, a weekly newsletter of environment news on the internet for the week ending April 17, 2008 included a link to a report entitled '**Halt Dhamra port work to save turtles**': *Environmentalists have appealed to the Tatas to reconsider their Dhamra Deepwater Port project in Orissa, citing the threat it posed to endangered sea turtles.*
http://www.wwfindia.org/lib/nnew/nature_news_april17.cfm
- **Below the belt? Green group uses Nano to hit Tata on Orissa turtles, 6 April 09**
On March 23 2009, the day of the launch of Tatas Nano car, full-page ads appeared in two international papers with a prominent picture of the 'cheap' car. The ad had nothing to do with Nano - it was a high profile attempt by NGO Greenpeace to get international attention to bear on Olive Ridley turtles. It was one of the costliest campaigns yet mounted.
<http://timesofindia.indiatimes.com/home/environment/flora-fauna/Below-belt-Green-group-uses-Nano-to-hit-Tata-on-Orissa-turtles/articleshow/4363458.cms>
- **The Problem for Olive Ridely Turtles because of Fishing Trawlers**, April 2009
The woes of the Turtles are much older than the port. Somehow not enough importance has been given to the effects of fishing trawlers. The report goes on to say that the presence of DPCL has helped the local communities and also provided support to government initiatives to improve life for all concerned.
<http://www.aamaraodisha.com/post/The-Problem-for-Olive-Ridely-Turtles-because-of-Fishing-Trawlers.aspx>
- **Vulnerable Olive Ridley Turtles find Diverse Support in Orissa, India**
Various media have reported on IUCN's Consultative Technical Workshop on Dhamra Port on 24-25 February 2009 in a fairly positive light.
<http://www.andhranews.net/India/2009/March/3-Vulnerable-Olive-Ridley-92863.asp>;
<http://www.indiaprwire.com/pressrelease/environmental-services/2009030420886.htm>
- Numerous positive reports on community development being carried out by DPCL, for example, **Health Camps in Dosinga**, set up by DPCL was reported in the Statesman News Service, Aamara Odisha's article: **Sensitivity towards Orrisa which requires decisive action** discusses the promise of a port and the ancillary industries being developed in the region is of a brighter future for a lot of people of Orissa. This is a state rich in natural resources but also ravaged by the forces of nature...DPCL is committed to improve the standard of living and enhance the rural infrastructure.
<http://www.thestatesman.net/page.arcview.php?clid=9&id=237888&usrsess=1>;
<http://www.aamaraodisha.com/post/Sensitivity-towards-Orrisa-which-requires-decisive-action!!!!.aspx>
- Indian Ocean Turtle Newsletter No.8 (Sept 2008) in a **Special Theme Section: The Dhamra Port debate – perspectives and lessons**, dedicated solely to the controversy surrounding Dhamra port. http://www.seaturtle.org/iotn/pdfs/issue-8/iotn8_woc.pdf
- **Mass Nesting of Olive Ridley Turtles in 2009-** from March 21 till March 24, 2009 around 1.7lakh turtles nested at Gahirmatha. Some feel this is a sign that dredging activities in the nearby port, away from the nesting area has not affected the migration of these rare species in anyways (1). However, Ashish Fernandes, Oceans Campaigner, Greenpeace India stated that "this episode of mass-nesting cannot be used as a smoke screen by port promoters in projecting that all is fine. It would be dangerous to assume so since this nesting does not mean that the turtles and the adjoining ecologically sensitive areas, including the Bitharkanika National Park are safe .Our concerns, shared by scientists, academics and other conservationists over ongoing dredging operations for construction of the Dhamra Port, and its impacts on the turtles and adjoining areas, remain. In the absence of any credible and comprehensive assessment of dredging and port construction activities on these areas, the significant ecological threat persists (2)"
(1) http://www.eco-dhamra.com/environment/olive-ridely-turtle/mass-nesting-2009.asp?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+EcoDhamra+%28Eco+Dhamra+-+Road+to+Sustainable+Development%29;

(2) http://www.eco-dhamra.com/news-room/press-release.asp?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+EcoDhamra+%28Eco+Dhamra+-+Road+to+Sustainable+Development%29

Consultation with its members

- IUCN's engagement with DPCL has been discussed in detail at meetings of the India National Committee (INC) for IUCN. The majority of members agree that development is inevitable and the sound science provided by IUCN will strengthen mitigation efforts. All project related activities have been placed on the IUCN website to ensure transparency. The INC has reiterated that engagement of IUCN with DPCL would continue as long as the project is operational as per Indian laws and regulations. In February 2009 IUCN organized a technical consultative workshop at Bhubaneswar. This was attended by 70 participants, representing various stakeholder groups (see IUCN Report - Dhamra Consultative Technical Workshop, February 2009).
- IUCN has utilized its expertise base from the Species Survival Commission's Marine Turtle Specialist Group which was involved in both the dredging and lighting missions. IUCN has also commissioned a study to compile all past and ongoing studies on Orissa's Olive Ridley turtles by its member, the Wildlife Institute of India.
- The IUCN team has and continues to consult and share information with its members.
 - Concerned IUCN India members were consulted prior to undertaking the scoping mission to understand the positions taken and the issues involved. The Government of India and the State Government of Orissa were also consulted on the status of clearances of the project. These consultations revealed that while differences of opinion exist, most of these organizations signaled their support for IUCN's engagement with DPCL.
 - A letter was sent by the IUCN India office in 2007 to all 23 IUCN India members outlining IUCN's intentions to engage further with DPCL and inviting further feedback.
 - IUCN intends to request assistance from its members to carry out specific work throughout this project.

PART C: Preliminary Assessment of Commitment to CSR

During Phase I, DPCL has shown commitment to CSR through the various activities already undertaken i.e. installing turtle-excluder devices on their dredgers at high financial-cost to the company, efforts towards designing and installing turtle-friendly lighting, providing better health services to communities living in the periphery of the port area and conducting awareness campaigns amongst local fishermen etc. To ensure these measures continue, it is imperative that IUCN continues to guide the company in the best way forward to attain sustainable, eco-friendly development.

The following observations can be made from this analysis:

- DPCL now publicly reports on its commitment to the environment and CSR in general via its websites: <http://www.dhamraport.com> and <http://www.eco-dhamra.com>.
- Tata Steel and its parent company Tata Group do come across as leaders in CSR and it is clear that they are not only committed to talking about this, but directing their business operations down a road towards sustainable development.
- It is unclear to what extent Tata Steel is influencing the DPCL approach to the port development. Given their advancement in CSR, this is seen as key to a continued, successful IUCN engagement with DPCL.

PART D: Potential Enhancement of IUCN Mission or Programme

The purpose of IUCN's Private Sector Engagement Strategy is to mobilise the private sector and the conservation community to engage with one another, to cultivate long-term partnerships that will deliver conservation results across the region and, at the same time enhance sustainable development.

Long-term objective: Policy makers and business communities actively incorporate environmental concerns into their daily operations and decision-making practices, resulting in sustainable development and conservation practices that can be replicated to other industry sectors both within Asia and to other regions of the world.

▪ **Benefits of engaging**

The DPCL and Dhamra Port Development

IUCN believes in longstanding positive impacts and this project, through an IUCN and DPCL partnership, has the potential to significantly contribute to environmental standards for mega development projects. Areas of collaboration include:

- assistance in the preparation of an effective Environmental Management Plan
- independent scientific advice to advise DPCL on environmental issues
- In the medium and longer term, prospects of using the DPCL commitment and performance for enhancing sector wide standards and leadership in environment with respect to the development of mega projects

Some recommendations arising from this analysis include:

- That continuous feedback be sought and collated from key stakeholders outside DPCL and the government.
 - That IUCN should continue to consulting with its members in India
 - That IUCN continues to maintain a high degree of transparency through access to public knowledge in the work it undertakes with DPCL
- IUCN is committed to managing risks associated with this partnership through transparency, inclusiveness, open communications, ongoing monitoring and external verification.
 - IUCN was invited by Tata to offer advice on this issue and IUCN's approach has been thus far well received by DPCL and the Government of India. Phase 1 of the engagement has revealed that DPCL is open to ideas and keen to mitigate the impact of the ports development and these have been shared publicly through related reports on the DPCL website.
 - To date, DPCL has begun implementing the mitigation measures recommended by IUCN. Additional to these, IUCN has assisted DPCL adopt the following conservation measures:
 - Generate awareness amongst students to protect and conserve turtles
 - Use theatre to spread the message of turtle conservation
 - Create awareness amongst fishermen for "turtle-friendly" trawling to reduce turtle mortality
 - IUCN reserves the right to publicly communicate any issues related to this engagement.
 - With continued engagement with DPCL, IUCN will draw on the expertise and knowledge of its membership. IUCN is calling on its network to assist with gathering necessary scientific information and is also convening forums to gather stakeholder input. Providing information, seeking advice and involving members and key stakeholders in the work, are all seen as positive actions under this engagement. IUCN will have to balance the expectations of its membership, including the Government of India, and the wider conservation community.
 - IUCN in India continues to commit resources to ensuring that an IUCN engagement works and brings useful outcomes not only to the Dhamra port development but to stakeholder engagement and the resolution of environmental debates with better than satisfactory conservation outcomes.

- Both IUCN and DPCL place high priority on engagement with the national and state governments during the development of this port. In order to form longstanding positive Industry-Conservation relationships this will be of utmost importance.
- DPCL is planning its phase 2 expansion. It is important that the EIA is undertaken with scientific rigor, is independent and objective and is carried out within adequate time. It is important that IUCN advises DPCL on this issue.
- DPCL is planning to prepare an environment management plan. It is important that there is complete buy-in on this plan from all segments of DPCL and commitment from a strong environmental team.

IUCN believes in promoting longstanding positive Industry-Conservation relationships. Its private sector vision is that policy makers and business communities actively incorporate environmental concerns into their daily operations and decision-making practices, resulting in sustainable development and conservation practices that can be replicated to other industry sectors both within Asia and to other regions of the world.