



# IDFC GLOBAL COMPACT COMMUNICATION ON PROGRESS

<b>Company Name</b>	IDFC	<b>Date</b>	July 5, 2011
<b>Address</b>	8th Floor, KRM Towers, No 1, Harrington Road, Chetpet, Chennai India 600 031		
		<b>Membership date</b>	October 2003
<b>Country</b>	India	<b>Number of employees</b>	575+
<b>Contact name</b>	Anupam Srivastava		
<b>Contact Position</b>	Group Director - Corporate Social Responsibility	<b>Sector</b>	Financial Services
<b>Contact telephone no.</b>	+91-44-45644000	<b>COP Number</b>	3 <sup>rd</sup> COP - 2011

## **Brief description of nature of business**

IDFC is a knowledge-driven, diversified financial services company with a focus on private sector infrastructure projects in India. The IDFC Group has 3 primary businesses, viz. infrastructure financing, investment banking and asset management. IDFC has been in the Indian infrastructure space for over a decade, and has developed a deep understanding of the various issues and risks involved in private sector and public-private partnership (PPP) infrastructure projects in India. IDFC's core sectors of investment are energy, transportation, telecommunications and industrial & commercial infrastructure.

As on March 31, 2011, IDFC had a consolidated balance sheet size of Rs. 47,554 crore (about US\$10.44 billion<sup>1</sup>), a net worth of Rs 11,248 crore (about US\$2.46 billion) and a capital adequacy ratio (CAR) of 25% (of which Tier I – 22%). In FY11, it earned an Operating Income of Rs. 2,547 crore (about \$559 million) and profits after tax of Rs. 1,282 crore (about \$281 million).

Further details of our business are available at [www.idfc.com](http://www.idfc.com)

## **CEO's Statement of Support**

IDFC recognises the importance of the United Nations Global Compact as a globally-recognised policy framework for sustainable and ethical business practices, and is firmly committed to its principles.

We have always been deeply concerned about the environmental and social impacts of our investment decisions and have had, since our inception in 1997, a separate department staffed by specialists to analyse and mitigate such impacts. Our internal Code of Conduct enjoins our employees to conduct their work with the highest ethical standards. Our Employee Policy Handbook 2010 includes a separate section on the 10 Principles of the Global Compact.

We will strive to ensure the integration of the Principles of the UN Global Compact in all aspects of our operations.

**Managing Director &  
Chief Executive Officer**

**Rajiv B. Lall**

[Signature]

<sup>1</sup> Exchange rate used: Rs.45.56 per US dollar

Existing Information Sources on Corporate Responsibility in IDFC
IDFC does not report externally on its Corporate Responsibility activities (other than on corporate governance related issues which are included in its annual report, available at <a href="http://www.idfc.com">www.idfc.com</a> ).

<b>HUMAN RIGHTS</b>	<b>PRINCIPLE 1: BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS</b>
	<b>PRINCIPLE 2: BUSINESSES SHOULD MAKE SURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES</b>
	<ul style="list-style-type: none"> <li>❖ We are fully committed to respecting and supporting fundamental human rights as envisioned in the Universal Declaration of Human Rights and as enshrined in the Constitution of India.</li> <li>❖ Our HR Policies provide for, support and encourage equal opportunities, good employment practices, professional behaviour and respectful treatment of all employees, open door policy and no tolerance for harassment. They specifically include the following: <ul style="list-style-type: none"> <li>❖ Equal Opportunity &amp; Diversity Policy: We are committed to promoting and valuing diversity in all areas of recruitment, employment, training and promotion. We are committed to ensuring that all our employees can develop to their full potential, irrespective of race, gender, marital status, sexual orientation, disability, age, political opinion, religion and belief, ethnic or national origin.</li> <li>❖ Anti Harassment Policy: We are committed to providing a working environment free from all forms of harassment including sexual harassment or harassment based on race, colour, religion, national origin, age, disability or gender. Complaints of sexual harassment are treated as confidential and the Redressal Committee is headed by a woman with at least half the members being women.</li> <li>❖ Global Compact Principles: Our Employees' Handbook of HR Policies prominently mentions that we are a signatory to the Global Compact and are committed to its principles, which are also listed therein.</li> </ul> </li> <li>❖ Our Environment &amp; Social Policy provides for the assessment and mitigation of the (environmental and) social impact of the projects financed by us including the protection of human rights of contract labour and project affected people (PAPs). Our investment agreements require our investee companies to comply with the laws of the land which include protection of human rights.</li> <li>❖ Code of Responsible Business Conduct for Suppliers has been adopted and is part of the empanelment process for major suppliers</li> </ul> <p><i>Action plan for FY12</i></p> <ul style="list-style-type: none"> <li>❖ Tracking and Reporting of Human Rights violations</li> </ul>
<b>LABOUR</b>	<b>PRINCIPLE 3: BUSINESSES SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING</b>
	<b>PRINCIPLE 4: BUSINESSES SHOULD SUPPORT THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR</b>
	<b>PRINCIPLE 5: BUSINESSES SHOULD SUPPORT THE EFFECTIVE ABOLITION OF CHILD LABOUR</b>
	<b>PRINCIPLE 6: BUSINESSES SHOULD SUPPORT THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION</b>
	<ul style="list-style-type: none"> <li>❖ IDFC being a knowledge-driven organisation employs highly-skilled human resources which typically cannot be classified as labour. IDFC's support services such as data processing, security and house-keeping are outsourced to licensed entities.</li> <li>❖ We are fully committed to respecting and supporting fundamental human rights as envisioned in the Universal Declaration of Human Rights and as enshrined in the Constitution of India and further in the various labour laws of India, which include abolition of child and forced labour.</li> <li>❖ We are fully committed to following non-discriminatory practices in all areas of recruitment, employment, training and promotion. Our Equal Opportunity &amp; Diversity Policy commits us to promoting and valuing diversity in all areas of recruitment, employment, training and promotion, and to ensuring that all our</li> </ul>

employees can develop to their full potential, irrespective of race, gender, marital status, sexual orientation, disability, age, political opinion, religion and belief, ethnic or national origin.

- ❖ We have formulated and are in the process of adopting a Code of Responsible Business Conduct for Major Suppliers which would apply to all our major outsourced services and other suppliers. This Code outlines our expectations on ethical and sustainable business practices from our major suppliers and includes representations & warranties from them on strictly prohibiting and not being complicit in any form of child labour or forced/ compulsory labour.
- ❖ Our Environment & Social Policy provides for the assessment and mitigation of the (environmental and) social impact of the projects financed by us including the protection of human rights of contract or other labour. Our investment agreements require our investee companies to comply with the laws of the land which include prohibition of child and forced labour.
- ❖ Code of Responsible Business Conduct for Suppliers has been adopted and is part of the empanelment process for major suppliers

*Action plan for FY12*

- ❖ Tracking and Reporting of Labour violations

<b>ENVIRONMENT</b>	<p><b>PRINCIPLE 7: BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES</b></p> <p><b>PRINCIPLE 8: BUSINESSES SHOULD UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY</b></p> <p><b>PRINCIPLE 9: BUSINESSES SHOULD ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES</b></p>
	<ul style="list-style-type: none"> <li>❖ We are committed to following a precautionary approach to environmental challenges. As a financial intermediary, we are aware that our indirect impact on the environment through our investment decisions is far greater than our direct impact.</li> <li>❖ Our Environment &amp; Social Policy reflects our deep commitment to the environment. It provides for the assessment and mitigation of the environmental (and social) impact of the projects financed by us, and we have a separate specialist Environment Management &amp; Social Development Group to do this and to work with our clients on risk mitigation.</li> <li>❖ We are among the first Indian financial services company to measure our Carbon footprint. We have measured our footprint for FY11 – the methodology has been independently verified by BSI Management Systems India Ltd. (a subsidiary of the British Standards Institution, UK) and conforms to the ISO 14064-1 standard. This will constitute the baseline and we will initiate actions for subsequent monitoring and reduction.</li> <li>❖ We obtained the US Green Business Council's LEED Gold Certification (Commercial Interiors) for our new registered office in Chennai.</li> <li>❖ Our Central Data Centre, was certified as an "Energy Efficient Data Centre" by TUV Rheinland (India) Pvt. Ltd. and is its first such certification in India.</li> <li>❖ As part of our Internal Environment Policy (IEP), we have adopted a number of practises aimed at resource efficiency and conservation, such as using only fluorescent lights/ CFLs/ LEDs, LCD monitors, Video Conferencing and use of virtual servers in our data centres.</li> </ul> <p>We have formulated and adopted an E-waste Management Policy with the objective of minimizing and disposing of all of IDFC's e-waste in an environmentally responsible manner keeping in mind international best practices and complying with all local laws in this respect</p> <ul style="list-style-type: none"> <li>❖ We are a Signatory Investor to the Carbon Disclosure Project (CDP), as well as a respondent to its annual survey on greenhouse gas (GHG) emissions.</li> <li>❖ We view climate change as a significant risk but also as a major opportunity. We have financed over 1300MW of renewable power capacity and our alternative assets business is one of the largest Private Equity investors in India in clean technologies. We have invested in several clean energy businesses</li> </ul>

such as hydro-electric, wind, cogeneration and biomass power generation, wind turbine manufacture, solar photovoltaic modules manufacture and carbon credit advisory services.

- ❖ We are India's first (and as yet only) signatory to the UN Principles for Responsible Investment (PRI), in the category "Investment Manager", in respect of our asset management businesses (private equity, project equity and fund-of-funds).
- ❖ We have been included as part of the S&P ESG India Index which provides investors with exposure to 50 of the best performing stocks in the Indian market as measured by ESG (Environmental, Social and Corporate Governance) parameters

*Action plan for FY12*

- ❖ Increasing our "green" investments
- ❖ Initiate actions to reduce our Carbon Footprint
- ❖ Implement measurement and tracking of E-waste
- ❖ Implement measures to track and reduce Water Footprint

<b>ANTI-CORRUPTION</b>	<b>PRINCIPLE 10: BUSINESSES SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY</b>
	<ul style="list-style-type: none"> <li>❖ Integrity is a Core Value at IDFC. Our Code of Conduct for Employees mandates that they strictly follow ethical business practices which include confidentiality, compliance with law, acceptance of gifts, and no tolerance for bribery and corruption. The Code also deals with personal values, conflicts of interest, etc.</li> <li>❖ Our investment agreements require our investee companies to comply with the laws of the land which prohibit bribery and extortion. Notwithstanding this, we have modified our standard investment agreements to include specific representations &amp; warranties w.r.t. non-practice of corruption, money laundering or financing of terrorism and compliance with labour laws.</li> <li>❖ We have formulated an Anti Money Laundering and Know Your Customer Policy as part of corporate governance and risk management. We have a comprehensive Code for Prevention of Insider Trading. Our Whistleblower Policy provides for confidential and time-bound consideration of all references, free from fear of retaliation / victimization.</li> <li>❖ We have been included as part of the S&amp;P ESG India Index which provides investors with exposure to 50 of the best performing stocks in the Indian market as measured by ESG (Environmental, Social and Corporate Governance) parameters</li> </ul> <p><i>Action plan for FY12</i></p> <ul style="list-style-type: none"> <li>❖ Tracking and Reporting of Anti-Corruption violations</li> </ul>

<b>How do you intend to make this COP available to your stakeholders?</b>
<ul style="list-style-type: none"> <li>❖ This Communication on Progress will be available on our website at <a href="http://www.idfc.com">www.idfc.com</a> as well as on our intranet for the benefit of our employees.</li> </ul>