



POWER FINANCE CORPORATION LTD.

**COMMUNICATION ON PROGRESS
2010-11**

Power Finance Corporation Ltd.:

PFC was set up in July 1986 as a Financial Institution (FI) dedicated to Power Sector financing and committed to the integrated development of the power and associated sectors. The Corporation was notified as a Public Financial Institution in 1990 under Companies Act, 1956. The Corporation was registered as a Non Banking Financial Company by RBI and has been conferred with the status of Nav-Ratna PSU by Govt. of India on 22nd June, 2007.

PFC is providing large range of Financial Products and Services like Project Term Loan, Lease Financing, Direct Discounting of Bills, Short Term Loan, Consultancy Services etc. for various Power projects in Generation, Transmission, Distribution sector as well as for Renovation & Modernisation of existing power projects

Our Vision:

To be the leading institution in financing for sustainable development of Indian power sector and its linkages with an eye on global operation.

Our Mission:

To become a most preferred Financial Institution in power and financial sectors providing best products and services; promote efficient investments in Power Sector to enable availability of required quality power at minimum costs to consumers; reach out to global financial system for financing power development; act as a catalyst for reforming India's Power Sector; and build human asset and systems for Power sector for tomorrow.

PFC's support in United Nation's Global Compact Programme

Human Rights

- [Principle 1](#): Businesses should support and respect the protection of internationally proclaimed human rights;
- [Principle 2](#): make sure that they are not complicit in human rights abuses.

Assessment, Policy and Goals

PFC benchmarks its practices with the best practices being followed by other Corporates in the world. These policies protect the right of the employees and provide them with the freedom to nurture the spirit of each person in order to create harmony at workplace and society. The Corporation enjoys a cordial relationship with its employees. The Corporation also protects human rights of the people which may be affected by the projects funded by PFC.

Implementation

In the project appraisal guidelines, PFC has ensured for submission of Environment Impact Assessment Report (EIA) from power entities with details of plans for Project Affected People (PAP) and Rehabilitation and Resettlement for them. Based on the rehabilitation and resettlement plan, Environmental clearance is being provided to the power entity.

For the employees of the Corporation, Economic Rehabilitation Scheme is in place which provides monetary benefit and support to an employee in case of his Permanent Total Disablement, and to his family in case of his death, provided the Permanent Total Disablement / death, as the case may be, takes place while the employee is in service of the Corporation.

Measurement of outcomes

PFC appoints a Lender's engineer to ensure the validity of clearances till the project sanction terms is valid. This lender's engineer verifies the status of Rehabilitation and Resettlement plan and submits a report to the concerned Ministry.

We have Grievance redressal mechanism in place to provide an easily accessible machinery for settlement of grievances and to adopt measures in PFC as would ensure expeditious settlement of grievances of employees within the framework of the company's rules and procedures in force from time to time.

Labour

- [Principle 3](#): Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- [Principle 4](#): the elimination of all forms of forced and compulsory labour;
- [Principle 5](#): the effective abolition of child labour;
- [Principle 6](#): the elimination of discrimination in respect of employment and occupation.

Assessment, Policy and Goal

PFC adheres to various laws passed by the Government of India to protect the interest of the working class. The Corporation does not support or have any form of forced or compulsory labour.

Employees of the Corporation are free to form and join Unions or Associations. These bodies provide a platform for collective bargaining and protecting the rights of the employees.

Implementation

As per the recruitment policy of the Corporation, the age of the person at the time of appointment shall not be less than 18 years.

The Corporation has uniform policies for all its employees. No discrimination is being made on the basis of sex, caste, religion, etc.

Measurement of outcomes

As on 31st March 2011, 14.51% among the executives and 31.80% among the non-executives are female employees which come out to be 19.72% of the total workforce.

<i>Muslim</i>	<i>Christian</i>	<i>Jain</i>	<i>Sikh</i>	<i>Hindu</i>
9	9	9	12	326

<i>Ex-servicemen</i>	<i>General</i>	<i>OBC</i>	<i>PWD</i>	<i>SC</i>	<i>ST</i>
1	232	44	7	62	19

Environment

- [Principle 7](#): Businesses should support a precautionary approach to environmental challenges;
- [Principle 8](#): undertake initiatives to promote greater environmental responsibility;

- [Principle 9](#): encourage the development and diffusion of environmentally friendly technologies.

Assessment, Policy and Goals

As PFC is providing a large range of Financial Products and Services for various Power projects in Generation, Transmission, Distribution sector as well as for Renovation & Modernisation of existing power projects, it makes sure to provide financial assistance only to the projects which have received environment clearance from the State/Central Govt.

Implementation

As of March 31, 2011, we have supported a total capacity generation of 1134 MW, extending financial assistance of Rs. 3,300 crores of renewable energy projects including wind, biomass, small hydro and solar with aggregate project cost of Rs. 5,900 crores.

PFC has created a Strategic Business unit (RE&CDM) for handling renewable energy portfolio since August 2008 for giving thrust to focus and accelerate the development of business in Renewable Energy Generation Projects such as Wind, Biomass, Small Hydro, Solar. Since formation of new unit, PFC has supported a capacity of 281 MW extending financial assistance of Rs. 1293 crores to various clients ranging from State Govt. to IPPs. These projects are funded at a rate 0.25% lower than the interest rate for Conventional projects in order to encourage renewable energy projects.

In order to boost the volume of business of renewable energy and to make it an independent set up, a separate subsidiary company for financing & financial services to Renewable Energy named “PFC Green Energy Limited (PFCGEL)” has been incorporated on 30-Mar-2011 & obtained Commencement of Business Certificate on 30-July-2011, thereby providing focused attention on Renewable Energy and progressively assume a leading role. PFC also took the leading role for incorporation of Energy Efficiency Services Limited (EESL), a Joint Venture of PFC, NTPC, REC & PGCIL with an objective of implementing Energy Efficiency Projects.

CORPORATE SOCIAL RESPONSIBILITY

Company has also implemented Corporate Social Responsibility Policy w.e.f. FY 2010-11 which focuses on providing support for environmental up-gradation and energy conservation.

During the year, the Corporation has allocated Rs. 11.89 Crore for CSR initiatives.

- Housing for Flood Affected People in AP State The Company has sanctioned ₹ 5.00 Crore for construction of houses for the flood affected marginalized sections of the population in Andhra Pradesh. AP State Housing Corporation Limited is the implementing agency for the construction of 400 dwelling units.

- Construction of flood protection wall in Phyang Nallah and primary school in Phulung Village: The Corporation has provided assistance of ₹ 3.50 Crore to Ladakh in its process of reconstruction of primary school in Phulung Village & for construction of flood protection wall for environmental protection in Phyang Nallah. PWD is the implementing agency for the project.
- Providing Solar Lighting to 169 villages: The Corporation has sanctioned ₹ 3.38 Crore for providing easy access of electricity to the people in the Disturbed and border areas of the country by distribution of Solar Lanterns. TERI is the implementing agency.
- Workshop on 'Growing Importance of Aromatic & Medicinal Plants': The Corporation has also sponsored 3 days training- cum workshop on 'Growing Importance of Aromatic & Medicinal Plants' at District Anand, Gujarat organized by Fragrance & Flavour Development Centre.

Proposals for the year 2011-12

- Construction of Night shelters: The Corporation will be providing assistance for construction of night shelters to cater to shelter-less pavement dwellers. The night shelters will be provided near Railway station, bus terminals, wholesale/ retail markets, hospitals, etc. The exact location is to be identified keeping in view major work centers and special provisions should be made for homeless, women and children including disabled, orphans and elderly.
- LED Street Lighting: The Corporation will be providing assistance for LED Street Lighting in a Hill Station of Uttarakhand to promote energy efficient lighting in India. Bureau of Energy Efficiency is the implementing agency for the project.
- Mid-day meal vans: Iskcon Food Relief Foundation has started a strategic program to address two of the most pressing problems of India: Hunger & Education. Our Corporation will provide support by distribution of Vans for their Mid-day meal programme.
- Skill development for employability: Skills and knowledge are the driving forces of economic growth and social development for any country. Countries with higher and better levels of skills adjust more effectively to the challenges and opportunities of world of work. Under this project, our Corporation will help in training persons with professional skills and employment guarantee. This will also strengthen the competitiveness of the Country at large.

The Corporation also organizes State-Level painting competition for school children on a regular basis on topics related to energy conservation. This helps in creating awareness among young generation regarding energy saving mechanism. etc.



Since this was the first year for implementation of CSR policy, all the projects are in the initial stage of implementation.

The projects undertaken as CSR initiatives shall be monitored as per any of the following mechanisms:-

- i) Internally by the CSR Unit;*
- ii) Deploying Teams specifically identified for the projects;*
- iii) Deploying an external independent agency identified by the CSR Committee.*

The Monitoring Report shall be submitted to the CSR Committee before release of payment as per conditions as laid down in the MoA.

The progress report of the activities undertaken shall be reported to the various stakeholders on a regular basis as under:

- a) BoD on a Quarterly basis;*
- b) Ministry of Power in the Quarterly Review Meetings;*
- c) Annual Report.*

The information on the activities undertaken by the Corporation on CSR shall also be regularly updated on the Corporation's website for public use.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Assessment, Policy and Goals

*The Corporation has introduced **Anti-Fraud Policy**. This policy applies to any fraud or suspected fraud in the Corporation, involving employees (including contractual employees) as well as shareholders, consultants, vendors, suppliers, service providers, contractors, lenders, borrowers, outside agencies and / or any other parties with a business relationship with the Corporation. This policy helps in promotion of consistent legal and ethical organizational behavior by assigning responsibility for the development of controls, providing guidelines for reporting and conduct of investigations of suspected fraudulent behavior.*

Implementation

Under the policy, a Nodal Officer has been appointed for the purpose of co-ordination of preliminary investigation.

Any fraud that is detected or suspected must be reported immediately to the Nodal Officer who will further investigate it as per the laid down procedure.

Measurement of outcomes

A transparent and independent investigation shall be made for ensuring consistent legal and ethical organizational behavior in the Organization.