



IDFC COMMUNICATION ON PROGRESS



Company Name	IDFC Ltd
Address	Naman Chambers, C-32 G-Block, Bandra Kurla Complex, Bandra (East) Mumbai – 400 051
Country	India
Sector	Financial Services
Membership Date	October 2003
Number of Employees	575
Contact Name	Alok Dayal
Contact Position	Senior Director – Credit & Environment
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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 three 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, 2012, IDFC had a consolidated balance sheet size of Rs. 60,979 crore (about US\$ 11.9 billion^[1]), a net worth of Rs 12,285 crore (about US\$ 2.4 billion) and a capital adequacy ratio (CAR) of 20.8% (of which Tier I – 18.5%). In FY12, it earned an Operating Income of Rs. 2,980 Crore (about \$ 582 million) and profit after tax of Rs. 1,554 crore (about \$ 304 million).

CEO's Statement of Support

IDFC recognizes 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 inception in 1997, a separate Environment Risk Group charged with the task of systematically assessing and incorporating in our decision making the environmental impact of our lending and investing operations. The ten Principles of the Global Compact form part of our Employee Policy Handbook.

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



Rajiv B. Lall
Vice Chairman & Managing Director

Existing Information Sources on Corporate Responsibility in IDFC

IDFC's annual report and corporate website (www.idfc.com) provide details of the existing information sources on corporate responsibility in IDFC.

^[1] Exchange rate used: Rs. 51.16 per US dollar

HUMAN RIGHTS	<p>Principle 1: Businesses Should Support And Respect The Protection Of Internationally Proclaimed Human Rights</p> <p>Principle 2: Businesses Should Make Sure That They Are Not Complicit In Human Rights Abuses</p>
<p>Policies:</p> <ul style="list-style-type: none"> ➤ 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. ➤ Our HR Policies provide for, support and encourage equal opportunities, good employment practices, professional behaviour and respectful treatment of all employees, open door policy for reportees, and no tolerance for harassment. Our HR policies specifically include the following: <ul style="list-style-type: none"> • Equal Opportunity & 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. • 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. • Global Compact Principles: Our Employees' Handbook of HR Policies prominently mentions that we are signatory to the Global Compact and are committed to its principles, which are also listed therein. ➤ 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 labour and project affected people (PAPs). ➤ Code of Responsible Business Conduct for Suppliers has been adopted by us and is part of the empanelment process for major suppliers. <p>Progress:</p> <ul style="list-style-type: none"> ➤ In year 2012, there were no cases of Human Rights violations in the company. ➤ IDFC embarked on the journey to embed I.N.S.P.I.R.E values across the Company and made conscious efforts to instill these values into every aspect of IDFC. Moving further in building the values, IDFC launched its partners programme that is collectively accountable for ensuring that the company as a whole meets its short and medium term as well as strategic objectives. ➤ YSC Inc., an international consulting company, measured IDFC's efforts in embedding its values and building a culturally coherent organisation. In FY 12, IDFC retained position as a top quartile company for its efforts in embedding values and building culturally coherent organisation with the score showing improvement from 4.57 (FY11) to 4.81. 	

- Across the board, all processes and systems have been audited and refined to improve delivery consistency. A key outcome of this effort has been a significant improvement in the cycle time of employee performance management process (completed within first fortnight of new fiscal).
- IDFC initiated intensive coaching interventions at senior most level and IDFC Senior Leaders Programme for key managers. Employees at the mid management level have also been taken through Mid-Management Programme.

LABOUR

Principle 3: Businesses Should Uphold The Freedom Of Association And The Effective Recognition Of The Right To Collective Bargaining
 Principle 4: Businesses Should Support The Elimination Of All Forms Of Forced And Compulsory Labour
 Principle 5: Businesses Should Support The Effective Abolition Of Child Labour
 Principle 6: Businesses Should Support The Elimination Of Discrimination In Respect Of Employment And Occupation

Policies:

- 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.
- 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.
- We are fully committed to following non-discriminatory practices in all areas of recruitment, employment, training and promotion. Our Equal Opportunity & Diversity Policy commits us to promoting and valuing diversity in all areas of recruitment, employment, training and promotion, and 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.
- We have formulated and adopted a Procurement Process Guide which would apply to all our major outsourced services and other suppliers. This guide 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.

Progress:

<ul style="list-style-type: none"> ➤ Central processing unit (CPU) established and all procurement for IDFC is taken care by the CPU strictly adhering to the guidelines on vendor and supplier codes ➤ Emergency awareness handbook covering aspects like health and safety, fire, flood, earthquake among others developed and communicated to all employees ➤ Location wise crisis management teams formed and escalation matrix put in place for the benefit of all the employees ➤ Emergency mock drills carried out by professional agency to deal with any exigencies. Floor marshals identified at each office location to facilitate emergency evacuation. ➤ Employee health is of utmost importance to IDFC and as part of this evolved regular health check-up for its employees. Insurance covers are extended not only to employee but also to the immediate dependents. ➤ For the employee on move, new mobile gadgets across platform were selectively introduced to connect to and work on the IDFC network in a seamless manner ➤ IDFC employees are allowed to work from home once in a fortnight with approval from reporting manager. ➤ No labour rights violation reported during FY 12. 	
ENVIRONMENT	<p>Principle 7: Businesses Should Support A Precautionary Approach To Environmental Challenges</p> <p>Principle 8: Businesses Should Undertake Initiatives To Promote Greater Environmental Responsibility</p> <p>Principle 9: Businesses Should Encourage The Development And Diffusion Of Environmentally Friendly Technologies</p>
<p>Policies</p> <ul style="list-style-type: none"> ➤ 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. ➤ Our Environment & 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 Risk Group to do this and to work with our clients on risk mitigation in projects funded by us. ➤ 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. ➤ 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>Progress:</p>	

- 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.
- We obtained the US Green Business Council's LEED Gold Certification (Commercial Interiors) for our new registered office in Chennai.
- 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.
- In November 2011, Central Data Centre received 'Efficient Enterprise Award' from the CIO magazine for its various initiatives taken for going green.
- We are Signatory Investor to the Carbon Disclosure Project (CDP), as well as a respondent to its annual survey on greenhouse gas (GHG) emissions.
- We view climate change as a significant risk but also as a major opportunity. We have financed over 1750 MW 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 such as hydro-electric, wind, cogeneration and biomass power generation, wind turbine manufacture and solar photovoltaic modules manufacture
- 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
- IDFC Foundation secured role as a Regional Capacity Building Hub for the Ministry of Urban Development (MoUD) Government of India for training elected representatives and municipal officials under the Jawaharlal Nehru National Urban Renewal Mission for cities in three regions of the country. Under this programme, a total of 25 urban local bodies were covered, and 14 programmes for 379 officials were conducted up to March 31, 2012.
- Proper and adequate system of internal controls established to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition, and that the transactions are authorised, recorded and reported correctly. Internal controls are supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures. These controls are designed to ensure that financial and other records are reliable for preparing financial information and other reports, and for maintaining regular accountability of the Company's assets.
- This year we have improved upon the baseline assessment framework (FY11) and increased the scope of our carbon footprint measurement.

		FY 11	FY 12
	Total tCO2e	7,108	10,114*
	Total tCO2e / op income (in ` crore)	2.791	3.394
	Total tCO2e / PAT (in ` crore)	5.544	6.508
<p>* Our carbon footprint estimates for this year provide a more comprehensive assessment including the activities from all our businesses and geographies as well as third party resource use.</p> <p>➤ IDFC Foundation launched 'iCare' programme focused on substantively improving the effectiveness of not for profit entities in the areas of Youth, Inclusion and Environment. More than 10% of the IDFC's professionals got actively engaged through the iCare initiative volunteering their expertise in helping enhance capacity of Masoom and Society for Nutrition, Education and Health Action (SNEHA).</p>			
ANTI-CORRUPTION	Principle 10: Businesses Should Work Against Corruption In All Its Forms, Including Extortion And Bribery		
<p>Policies:</p> <p>➤ 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.</p> <p>➤ 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 & warranties w.r.t. non-practice of corruption, money laundering or financing of terrorism and compliance with labour laws.</p> <p>➤ 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.</p> <p>Progress:</p> <p>➤ Transactions with related parties entered into by IDFC in normal course of business were placed before the Audit Committee.</p> <p>➤ IDFC complied with applicable Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 as amended in preparation of its financial statements.</p> <p>➤ IDFC complied with all the requirements of regulatory authorities. No penalties or strictures were imposed on the company by stock exchanges or SEBI or any statutory authority on any matter related to capital market during the last three years.</p> <p>➤ IDFC instituted a comprehensive Code of Conduct for its Management and staff which advises</p>			

employees on procedures to be followed and disclosures to be made while dealing with the shares of the company and cautions them of the consequences of violation

- 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.
- In year 2012 there were no cases of conflict of interest in the company. There were neither any cases about attempt of bribery nor received any related complaints during the year.

How do you intend to make this COP available to your stakeholders?
This Communication on Progress will be available on our website at www.idfc.com as well as on our intranet for the benefit of our employees.