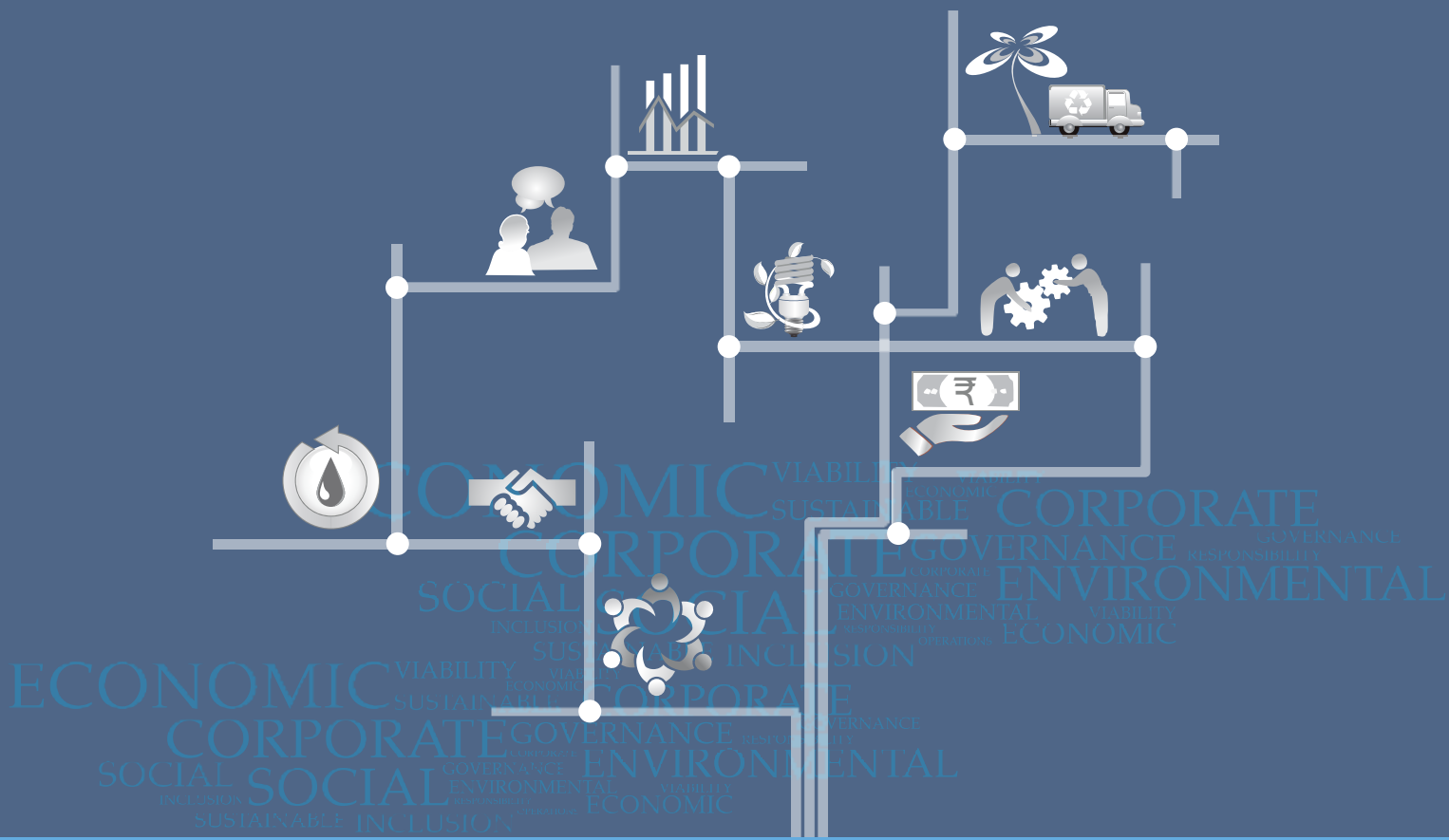
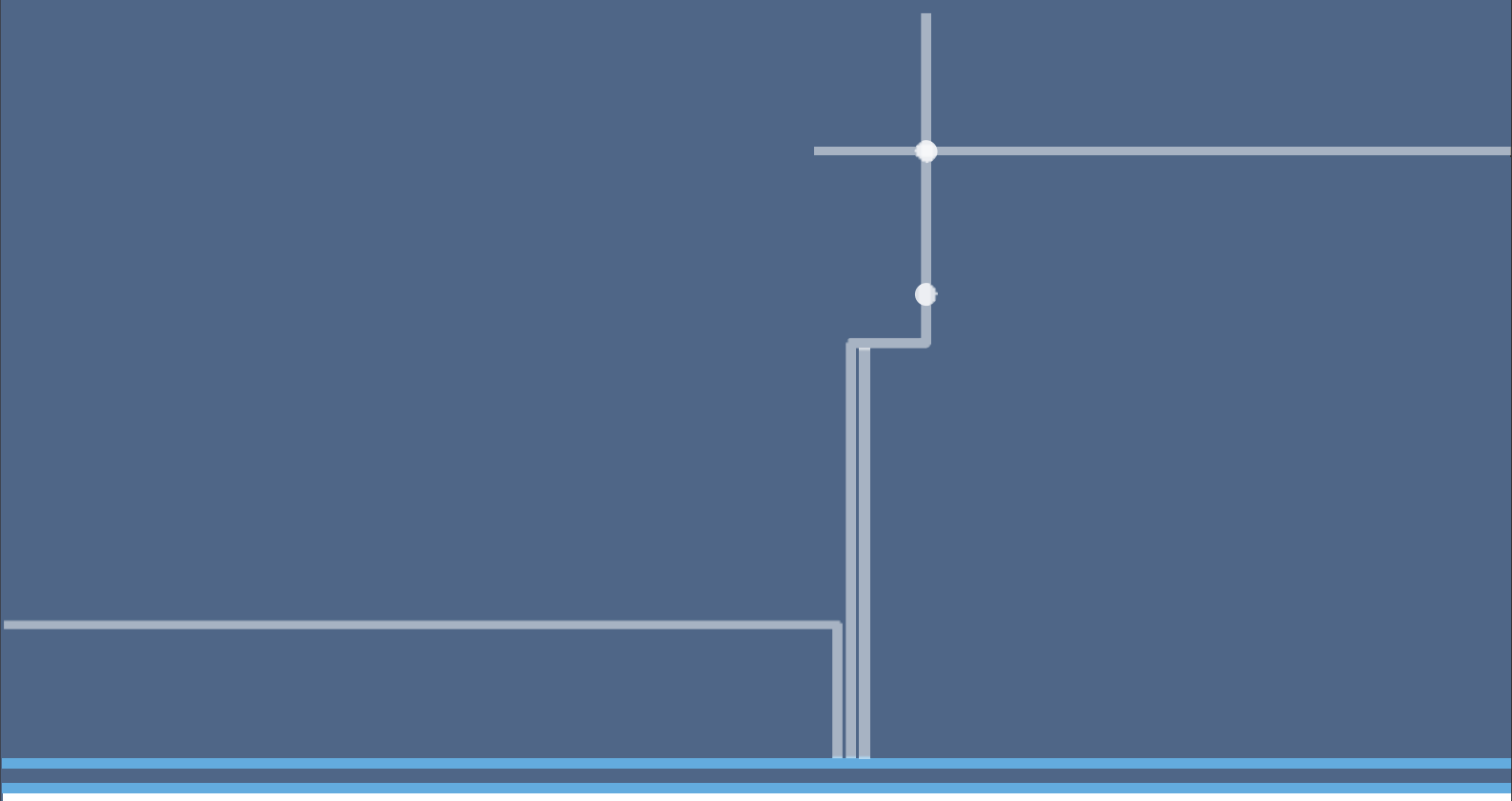


Symbiotic Relationships For A Sustainable Tomorrow

SUSTAINABILITY REPORT 2011-12





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About the report

This Sustainability report, MCX's third, presents its sustainability performance for FY 2011-12. It comprises information on new activities and programmes implemented, as well as the progress made over the previous fiscal in terms of achievements and challenges faced by the Exchange during the reporting period. The scope of this report includes our India operations⁽¹⁾ and excludes all subsidiaries, joint ventures and other operations of Financial Technologies (India) Limited (FTIL), the promoter of MCX and other promoter group companies. However, reference to these entities has been made in the report, wherever relevant.

The report has been developed based on G3.1 guidelines and reporting indicators published by the Global Reporting Initiative (GRI). The Financial Services Sector Supplement of GRI is also included in the scope of the report in order to address specific issues related to this industry. In addition, this report represents MCX's communication of progress (CoP) on the efforts to implement the principles of United Nations Global Compact (UNGC). As a signatory to the Global Compact, we work to align our company's operations and strategies with its ten principles. We have also proactively taken the 'National Voluntary Guidelines on Social, Economic and Environmental Responsibilities of Business' (NVG-SEE) into consideration while preparing this report.

With an aim to improve the transparency and completeness of the report, we enlisted KPMG's professional advisory services to prepare it and engaged Deloitte to provide independent assurance.

Feedback

We welcome your feedback and queries on the report at:
mcxcso@mcxindia.com

⁽¹⁾ Primarily our Exchange Square office in Mumbai owing to our centralised operations structure

SUSTAINABILITY AT MCX

Symbiotic relationships for a sustainable tomorrow

Economic

Economic viability of MCX depends on a healthy and vibrant market base. MCX continues to play a strong role in developing the market through products and processes that enhance access to its trading platform, including a sustained drive for knowledge empowerment of market participants, existing and potential.

Social

Our relationship with stakeholders is based on the trust arising from transparency, efficiency and accountability.

We believe in co-creation of social and business value while taking a long-term view on the inclusive growth of commodity markets and thereby of the Indian economy. The Exchange's business has a significant role to play in democratising commodity value chains, de-risking livelihoods and enhancing entrepreneurship opportunities.

Environmental

MCX is committed to minimising its environmental impacts through efficient use of natural resources, including electricity, which is the key touch point of the Exchange's technology-driven business.

The symbiotic nature of the interdependence between our strategies and actions and key stakeholders of India's commodity market ecosystem defines the sustainability of our business growth.



Message from the MD & CEO Shreekant Javalgekar

Dear Stakeholders,

Moving forward on our sustainability reporting journey, we bring you our third report, which presents our understanding and assessment of the interdependence between our strategies and key stakeholders of the commodity market ecosystem. It is the symbiotic nature of this interdependence that defines the sustainability of our inclusive business growth.

I would first like to reflect on our most significant achievement last year. We became India's first listed exchange in March 2012, with a very successful IPO.

The fact that we chose to get listed reflects our commitment to enhanced shareholder scrutiny, accountability of management and adherence to the highest level of corporate governance. We believe in being transparent—whether it is transparency in trading operations and processes, or in disclosing full information to investors, or in ensuring complete compliance with regulations, or in being accountable in optimising value for shareholders. This is in consonance with our steady efforts right since inception to develop MCX as a best-practices institution in our capacity as a first-level regulator.

The initiative was in line with our intent to provide a platform for participation by small and retail investors, thus including them in our growth journey. FY 2011-12 was a good year for MCX in terms of its financial performance. Its net profit excluding exceptional items increased 71 per cent and total income by 41 per cent. MCX's operational performance was also commendable, with the Exchange becoming the world's third largest⁽²⁾ commodity futures exchange in terms of the number of contracts traded during CY 2011. FinanceAsia (Asia's authoritative source for finance, investment banking, economic and capital markets news) awarded our IPO as the 'Best Mid-cap Equity Deal' in Asia Pacific for 2012.

We believe our market leadership is based on our expertise and performance, as well as sustainability and inclusion in our business model. Stakeholder engagement forms the basis of our innovation for making the commodity trading platform more relevant and accessible to potential and existing market participants. Our efforts are targeted towards adding value to the livelihoods of small traders, small and medium enterprises (SMEs) and the farming community. Our mini contracts that enable such small market participants to hedge their business risks have earned widespread recognition. We have also signed agreements with the Chicago Mercantile Exchange and the London Metal Exchange to reference their prices to help align domestic prices with international benchmarks. This has enabled SMEs use domestic exchanges for risk management in international commodities.

Our flagship social inclusion programme 'Gramin Suvidha Kendra'—a public-private partnership with India Post—which seeks to extend the benefits of transparent prices discovered on the exchange to farmers, continues to grow. We now have 38 centres across the country, linking more than 2800 villages through 575 branch post offices, across 6 states. We are in the process of strengthening the same through cross-sector partnerships and better market linkages with an aim to enable farmers to realise better value at the farm-gate.

⁽²⁾ Derived from the Futures Industry Association (FIA) Annual Volume Survey, released in March 2012



“We chose to become the first listed exchange in the country. We believe that exchanges thrive on the very essence of transparency and accountability towards all stakeholders, and these are the principles on which MCX has been established. MCX has set many benchmarks in risk management, stakeholders’ value and governance standards.”

Shreekant Javalgekar



In line with our corporate vision and mission, we strive for the growth of India's commodity futures market through awareness programmes, articles, reports and updates on a regular basis. This year we conducted 1305 awareness sessions for varied stakeholder groups, including SMEs, in partnership with industry and trade associations, educational institutions, the market regulator - Forward Markets Commission (FMC), and others. We also organised stakeholder meets in association with FMC for commodity value chain participants with an aim to discuss issues and make these markets more participant-friendly.

We have also redefined our research focus, transforming it from policy publications to Research & Strategy. Our thrust is on evidence-based advocacy for a facilitative policy environment by assessing the socio-economic implications of our exchange-traded products. We have been working on studies, either directly, or in association with premier academic and research institutions including National Institute of Science, Technology and Development Studies (NISTADS, CSIR), and Indian Institute of Management (IIM) Calcutta. Examples include impacts of potato and mentha oil futures on farm communities; socio-economic impacts of cardamom futures trading; the importance of institutional participation in Indian commodity exchanges; and hedging efficiency of Indian commodity derivatives exchanges. Findings indicate that MCX performs an important role in efficient price discovery, reduction in spot price volatility and reduction in information asymmetry, leading to the breaking down of certain commodity cartels.

Using its evidence-based advocacy approach, MCX has made representations at various forums on the importance in early passage of the FCRA Amendment Bill 2010 in the Indian Parliament and the need to have a more congenial tax environment for the nation's commodity markets to grow.

I am truly grateful for the enthusiasm and support of the entire team at MCX. Together, we continue to work towards building a more sustainable and inclusive marketplace. Having identified our key sustainability aspects, we have been reporting our performance since 2010. Yet, as this is still a relatively niche trend, we work to continuously strengthen our understanding, measurement and reporting each year.

I present MCX's Sustainability Report for the financial year 2011-12 and look forward to your continued support and valuable inputs.

Shreekant Javalgekar

MD & CEO

ABOUT MCX

The Multi Commodity Exchange of India Ltd (MCX) is a state-of-the-art electronic commodity futures exchange that facilitates nationwide online trading, and clearing and settlement operations of commodity futures transactions. The Exchange provides an effective mechanism for risk management by bringing together various stakeholders with differing objectives and price outlooks. In the process, it also performs the function of price discovery, through which a “fair benchmark price” of a commodity is arrived at. Automation and electronic trading systems established in the Exchange have removed impediments from the price dissemination process, and made trading transparent.

A commodity futures contract (popularly called futures) is a standardised agreement between two parties to buy or sell a commodity of standardised quantity and quality for a price agreed upon today (the futures price) with settlement occurring at a specified future date. Such a contract is traded on a commodity futures exchange.

Businesses that consume commodities or produce them face a probability of suffering from adverse effects of price volatility in commodity markets. They need a mechanism, which enables them to protect their interests under adverse price movements. Hedging is one such most widely used strategies of offsetting price risk that is inherent in a physical market by taking an equal but opposite position in the commodity futures market through contracts such as MCX's futures contracts.

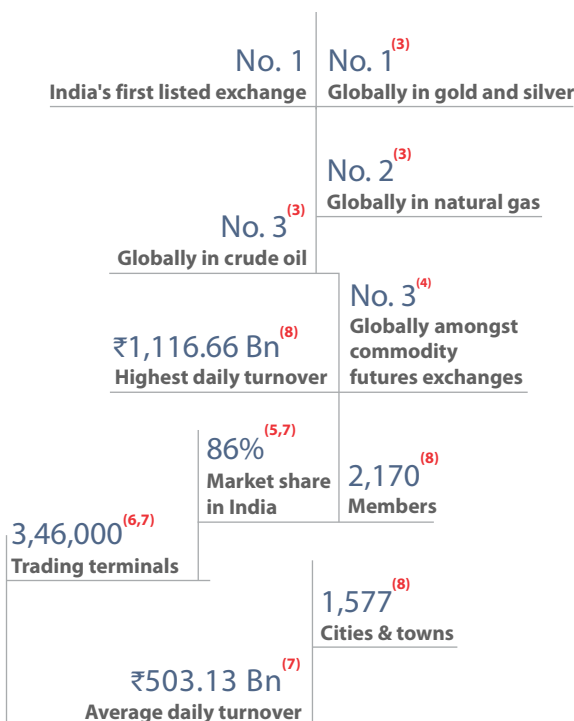
In hedging, buyers who require a commodity at a future date, protect themselves from the risk of a possible price rise, by agreeing to buy the same commodity at a pre-determined price, while sellers who plan to sell a commodity at a future date but fear a potential price fall, agree to sell the same commodity at a pre-determined price.

The Exchange started operations in 2003, and as on March 31, 2012, MCX had a market share of 86 per cent of the Indian commodity futures market. We offer more than 40 commodity futures contracts across various segments such as bullion, ferrous and non-ferrous metals, energy, and a number of agri-commodities, on the Exchange platform.

We strive to be at the forefront of developments in the commodities futures industry. We were the first exchange in India to initiate evening sessions to synchronise our trading hours of with that of global exchanges in London, New York and other major international markets. We were also the first exchange in India to offer futures trading in steel, crude oil and almond. We have introduced indices such as MCXCOMDEX, MCXAgri (agricultural commodities index), MCXEnergy (energy commodities index) and MCXMetal (metal commodities index). We also have three rain indices, namely RAINDEXMUM (Mumbai), RAINDEXIDR (Indore), and RAINDEXJAI (Jaipur), which track the progress of monsoon rains in their respective geographic locations.

We continue to pursue our ambitious growth plans through our effective research and product development, cutting-edge technology platform and ethical business conduct.

KEY FACTS



(3) Source: Data published for CY 2011 on the websites of exchanges and Futures Industry Association (FIA) data | (4) Derived from FIA's Annual Volume Survey, released in March 2012 | (5) Derived from the data maintained by Forward Markets Commission (FMC) | (6) Including Computer to Computer Link (CTCL) and Internet Based Terminals (IBT) | (7) During FY 2011-12 | (8) As of March 31, 2012

Vision

We envision a unified Indian commodity market that is driven by market forces and continually provides a level playfield for all stakeholders ranging from the primary producer to the end-consumer; corrects historical aberrations in the system; leverages technology to achieve exceptional efficiencies and ultimately leads to a common world market. We also envision a brand image for MCX that identifies it as the Exchange of Choice not only by direct participants in the commodity ecosystem but also by the general public.

Mission

MCX shall accomplish the above vision by relentlessly endeavouring to enhance awareness and understanding of exchange-enabled trade in commodity derivatives. The Exchange will continue to minimise the adverse effects of price volatilities; providing commodity ecosystem participants with neutral, secure and transparent trade mechanisms; formulating quality parameters and trade regulations in conjunction with the regulatory authority. Moreover, it will continue to enforce a zero-tolerance policy towards unethical trade practices—attempted or real—by any participant(s); and invest in the all-round development of the commodity ecosystem.

AWARDS WON IN FY 2011-12

Most innovative new contract launch

Won the FOW⁽⁹⁾ (Futures and Options World) award for its Gold Petal futures contract under the most innovative new contract launch

Best Commodity Exchange of the year

Won the Bombay Bullion Association's award at India International Gold Convention, in both 2011 and 2012

Business Superbrand

Selected as one of the Business Superbrands⁽¹⁰⁾ for the year 2011 – 2012

Financial Inclusion

Received the Financial Inclusion Award 2011 from the SKOCH⁽¹¹⁾ Foundation

MCX - India's first listed exchange

FY 2011-12 was a momentous year for us: On March 9, 2012, we created history by becoming India's first listed exchange. The listing has brought us at par with other global exchanges that are listed, such as NASDAQ, NYSE Euronext, ICE, CME Group and SGX. The success of our public issue was a significant milestone, and reflects the trust that stakeholders have in us. The enthusiastic response to the IPO at a time when liquidity was low, interest cost was high and economic sentiment was generally weak, augurs well not only for us but also for the market in general.



(9) Magazine on global derivatives and risk management industry | (10) Business Superbrand is an award instituted by the Brand Council of India
(11) SKOCH Consultancy Services Pvt. Ltd. is a boutique strategy and management consulting firm



Our strategic alliances and investments

Our endeavour has been to establish India as an international hub for commodities trading through our alliances with the world's leading commodity exchanges. We have introduced international best-practices in various aspects of commodity futures trading—product development, monitoring and surveillance methods, market operations and regulations—through these tie-ups. Among our international alliances, we have forged strategic alliances with a number of exchanges such as the London Metal Exchange (LME), CME Group (A CME, CBOT and NYMEX Company), the Shanghai Futures Exchange (SHFE), the Baltic Exchange and the Taiwan Futures Exchange (TAIFEX).



We have also made strategic investments in several related businesses, which we believe are potential revenue growth drivers.

Subsidiaries

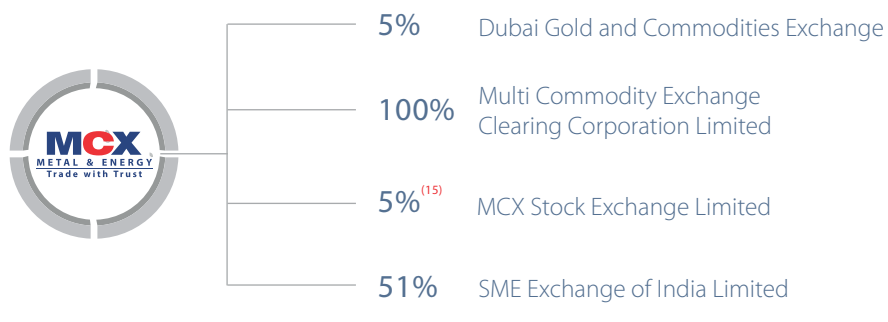
Multi Commodity Exchange Clearing Corporation Limited ⁽¹³⁾

SME Exchange of India Limited ⁽¹⁴⁾

Associate Companies

MCX-SX Clearing Corporation Limited

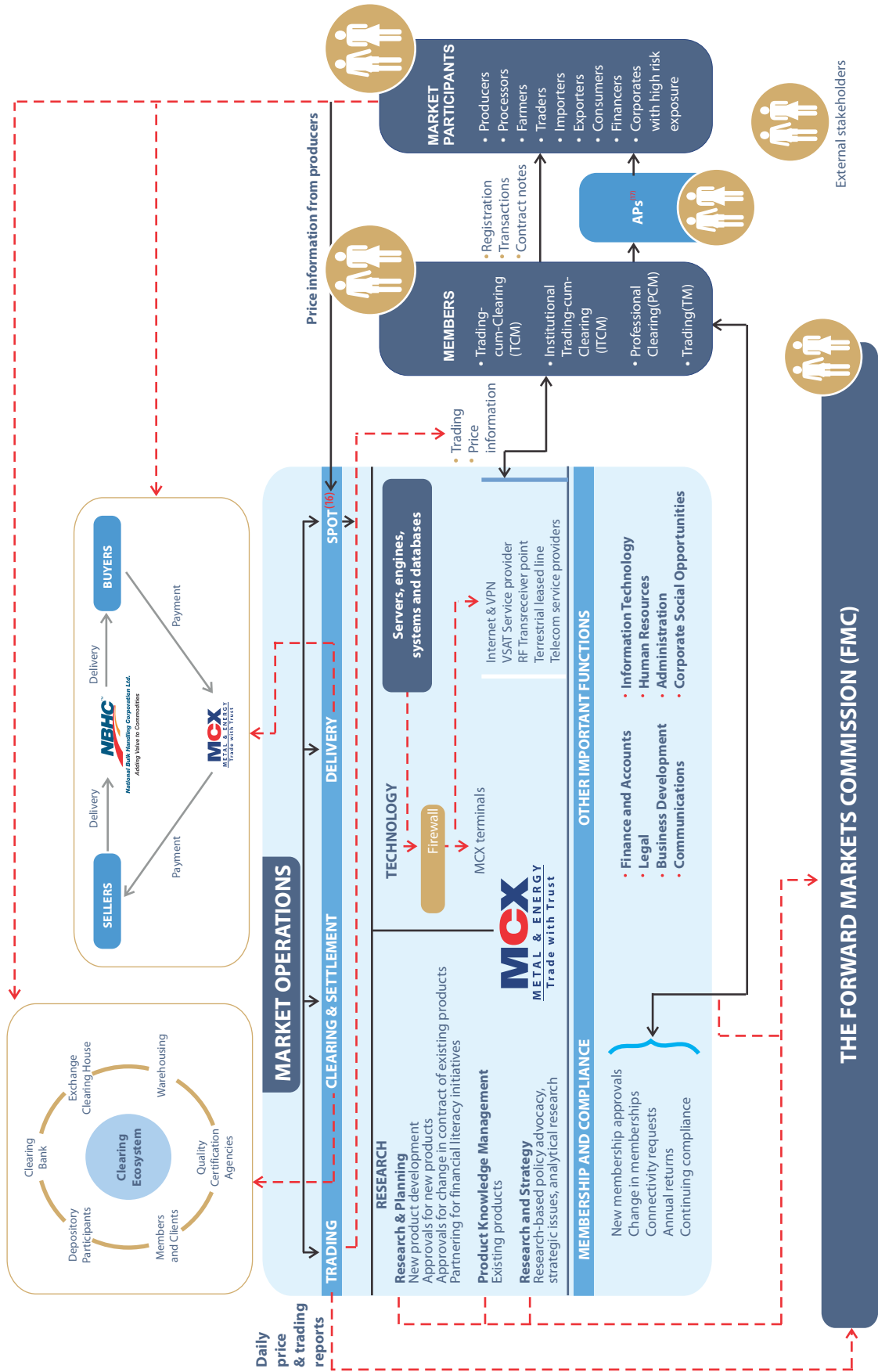
STRATEGIC INVESTMENTS



⁽¹²⁾ As of March 31, 2012 | ⁽¹³⁾ The operations of MCX Clearing Corporation Limited are deferred till the passing of the Forward Contracts (Regulation) Amendment Bill | ⁽¹⁴⁾ SME Exchange of India Limited intends to operate as a stock exchange to enable its members to transact, clear and settle trades in the small and medium enterprises equity and derivative segments. The operations of SME Exchange of India Limited are deferred pending all statutory approvals. | ⁽¹⁵⁾ MCX also holds 634,170,000 warrants issued by MCX Stock Exchange Limited pursuant to the Scheme of reduction of capital implemented by MCX Stock Exchange Limited with the approval of the Bombay High Court by an order dated March 12, 2010.

BIRD'S EYE VIEW OF EXCHANGE OPERATIONS

This diagram provides a snapshot of the major functions of MCX and the most common ways in which we interact with our key external stakeholders.

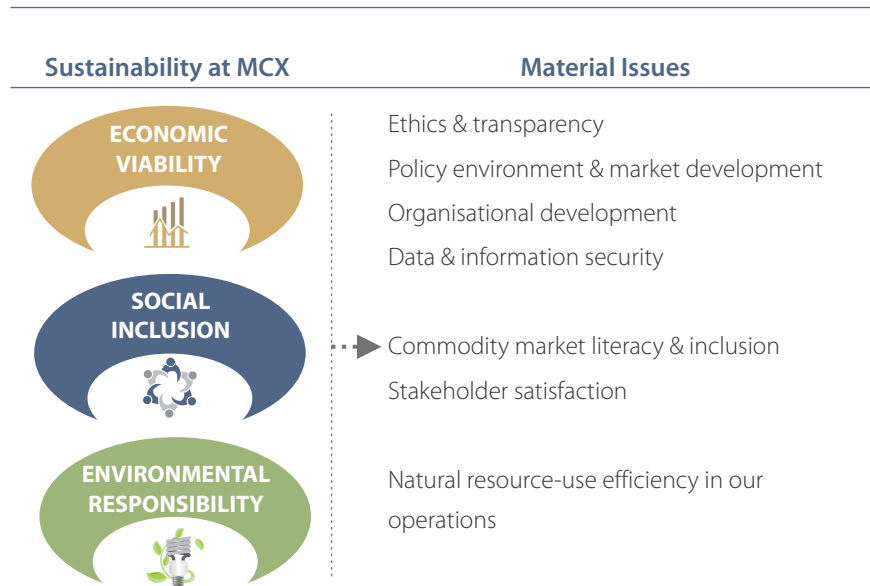


(16) Spot- refers to spot- price collection or dissemination, not trading | (17) FMC has done away with the requirement of sub-brokers, and all such intermediaries are now registered with the Exchange and called Authorised Persons (APs). This change has been in effect from January 2011.

MATERIALITY DISCUSSION

Our priorities

We followed a structured process of internal consultations to define the key material issues with regard to sustainability at MCX. For this, we used the Materiality Analysis performed in FY 2010-11, which we believe was valid even in FY 2011-12, as the main concerns of our stakeholders did not change during the period. These issues are highly relevant to our ability to succeed and are reflected in our internal strategic priorities and stakeholder engagements.



We continued to engage with our key stakeholders on our material issues during the year, as an embedded aspect of conducting our business. In this report, we have addressed the material issues in the following relevant sections:

MATERIAL ISSUE	SECTION	PAGE
Ethics & transparency	Corporate governance	15
	Responsible liaising	18
Policy environment & market development	Economic performance	19
	Product innovation & market development	24
	Evidence-based policy advocacy	26
Organisational development	Sustaining talent & performance	29
	Forging strong bonds at the workplace	32
Data & information security	Sustainable operations	34
Commodity market literacy & inclusion	Awareness & capacity building	37
	Community development	37
Stakeholder satisfaction	Engagement & dialogue	43
	Feedback & responsiveness	44
Natural resource-use efficiency in our operations	Operational efficiency	49

MATERIAL ISSUES	OUR FOCUS AREAS
<p>ETHICS & TRANSPARENCY</p> <p>Corporate governance</p> <p>Responsible liaising</p>	<ul style="list-style-type: none"> • Taking forward our commitment to enhanced shareholder scrutiny, accountability of management and adherence to the highest level of corporate governance, we became India's first listed exchange in March 2012. • Approximately 47 per cent of the MCX Board comprised of Forward Markets Commission (FMC) nominees and Exchange-recommended candidates duly approved by FMC, and the rest were promoters-nominated and shareholders-appointed directors. The appointment of the MD & CEO of the Exchange is also subject to FMC approval. Further, while Clause 49 of the Listing Agreement requires that at least one-third of the Board should comprise Independent Directors in case the Chairman is a Non-Executive Director, we had as many as 8 Independent directors (about 53 per cent of the Board's composition), out of which two were women directors (around 13 per cent) as on March 31, 2012. • The heads of departments are required to comply with all applicable laws and regulations and provide a Certificate of Compliance to the Board. There is a strong internal audit process commensurate with the size and operations of MCX. • We have a comprehensive Code of Conduct for the Board of Directors and senior management. Further, all employees are required to affirm compliance with our Code of Ethics. • MCX is a member of several national and international industry and trade bodies. We engage with such entities for policy advocacy and market development. • We use the evidence-based advocacy approach for our discussions about policy issues regarding market development with governments, regulatory bodies and other key stakeholders. • We continue to be a signatory to the United Nations Global Compact (UNGC) since 2007, in line with our commitment towards ethical and transparent business conduct.
<p>POLICY ENVIRONMENT & MARKET DEVELOPMENT</p> <p>Economic performance</p> <p>Product innovation & market development</p> <p>Evidence-based policy advocacy</p>	<ul style="list-style-type: none"> • Our vision is to create a unified Indian commodity market that is driven by market forces and continually provides a level playfield for all stakeholders. • Our policy advocacy focus has been on: <ul style="list-style-type: none"> ▶ Passing of the Bill which seeks to amend the Forward Contracts (Regulation) Act, 1952 – this will empower the market regulator (FMC) and permit new types of products ▶ A taxation regime that facilitates inclusive growth in the commodity market ▶ Permitting new types of institutional participants in commodity derivatives market

MATERIAL ISSUES	OUR FOCUS AREAS
<p>POLICY ENVIRONMENT & MARKET DEVELOPMENT</p> <p>Economic performance</p> <p>Product innovation & market development</p> <p>Evidence-based policy advocacy</p>	<ul style="list-style-type: none"> • Domain expertise backed by extensive research has enabled us to introduce new products on a regular basis. Our alliances with various regional commodity associations coupled with field studies, enable us to introduce futures contracts that help participants to domestically manage price risks in commodities exposed to vagaries of international trade and finance. We also design contracts based on domestic commodities. • Our mini contracts have helped cater to the hedging needs of small participants, making this market more inclusive. During FY 2011-12, we introduced a one gram gold contract called Gold Petal, and mini contracts in copper and nickel. • We have incorporated stakeholder engagement at every stage of product design. We review the factors affecting the performance of our products on a regular basis. Our reviews reveal that we facilitate price risk management and price discovery throughout the commodity value chain. • Studies are being conducted in a structured manner to monitor the alignment of derivative contracts and market micro-structure with the requirements of stakeholders. These are being undertaken by both in-house economists as well as external institutions. • We promote participation in the Indian commodity derivatives market by disseminating information and educating existing and potential market participants on the dynamics of the market. • We were the largest commodity exchange in India with over 86 per cent market share of the Indian commodity futures market during FY 2011-12. • MCX became a listed company after a very successful IPO, and FinanceAsia (Asia's authoritative source for finance, investment banking, economic and capital markets news) awarded our IPO as the 'Best Mid-cap Equity Deal' in Asia Pacific for 2012.
<p>ORGANISATIONAL DEVELOPMENT</p> <p>Sustaining talent & performance</p> <p>Forging strong bonds at the workplace</p>	<ul style="list-style-type: none"> • We believe that the domain expertise and commitment of our employees is one of the key factors of our success. • Our strategy is defined by recruitment of people with diverse skills, knowledge and experience, and by ensuring the right fit between roles and profiles. • Employee benefits and rewards are distributed fairly on the basis of performance, and irrespective of gender or age. • Our Employee Stock Ownership Plans (ESOPs) give employees an opportunity to have a share in our business growth and create wealth for themselves. • We have developed a single point contact id 'HR4U' for employees to get their queries/issues/concerns resolved in a friendly and effective manner.

MATERIAL ISSUES	OUR FOCUS AREAS
<p>ORGANISATIONAL DEVELOPMENT</p> <p>Sustaining talent performance</p> <p>Forging strong bonds at the workplace</p>	<ul style="list-style-type: none"> We believe training is an important aspect of motivating and nurturing talent and leadership. This year, we ramped up training across all employee cadres. We endorse a work environment which is fair, equitable, safe and encourages team work. We have a strict labour law compliance framework, which is monitored regularly.
<p>DATA & INFORMATION SECURITY</p> <p>Sustainable operations</p>	<ul style="list-style-type: none"> MCX has instituted market safeguards and risk management techniques to ensure that its members meet their financial obligations promptly, and the marketplace is protected from undesirable events. An Information Security Policy based on industry best practices has been instituted to ensure confidentiality, integrity and continuity of systems and information. The information security management system of our Exchange Square office is certified to ISO/IEC 27001:2005 standard.
<p>COMMODITY MARKET LITERACY & INCLUSION</p> <p>Awareness & capacity building</p> <p>Community development</p>	<ul style="list-style-type: none"> We regard responsibility of a company towards society as an opportunity and believe in co-creation of social and business value, with inclusion being an integral aspect of MCX's business model. In FY 2011-12, we organised 1305 awareness programmes. We promote social inclusion through our Gramin Suvidha Kendra initiative. As on March 31, 2012, this initiative had grown to a size of 38 centres spanning 6 states, 2800 villages, and touching the lives of 21,921 registered farmers through 575 branch post offices. Since inception of the Price Dissemination Project in FY 2010-11, MCX has partnered with FMC to install 605 ticker boards at various APMC mandis across India. Apart from a range of employee volunteering engagements, we continue to partner with social enterprise IDOBRO (www.idobro.com) for "Impact Shopping".
<p>STAKEHOLDER SATISFACTION</p> <p>Engagement & dialogue</p> <p>Feedback & responsiveness</p>	<ul style="list-style-type: none"> We reached out and captured the feedback in a structured manner of our key stakeholders including members, physical market participants, employees, investors, farmers, media personnel, industry associations, vendors and academic institutions. We conducted our annual customer (member) satisfaction survey to identify improvement areas in our systems across critical business functions. During FY 2011-12, we achieved an overall customer (member) satisfaction of 89 per cent.

MATERIAL ISSUES	OUR FOCUS AREAS
<p>NATURAL RESOURCE -USE EFFICIENCY IN OUR OPERATIONS</p>	<ul style="list-style-type: none"> • We are governed by a well-defined Environmental Policy. As an ISO 14001:2004 certified organisation, we conduct an annual “Environment Review” to assess the impact of our operations on the environment. Our environment management plan is based on this. • This year, we were able to save close to 315,000 Kwh at our Exchange Square premises. As a result, our indirect GHG emissions reduced from 3049.60 tCO₂e (tonnes of Carbon Dioxide equivalent) in FY 2010-11 to 2848.36 tCO₂e in FY 2011-12. • Our water management efforts helped us reduce water consumption by an estimated 13 per cent in FY 2011-12 over the previous fiscal. • To ensure safe disposal of e-waste, we have agreements with Eco-Reco and Attero Recycling, leading organisations in the waste recycling domain. • During the year, we implemented systems with an aim to improve the overall trading efficiency of departments by embedding technology in day-to-day processes and eliminating manual intervention.
<p>Operational efficiency</p>	

Economic Viability

MCX continues to play a strong role in developing the market through products and processes that enhance access to its trading platform, including a sustained drive for knowledge empowerment of market participants, existing and potential.



SECTION I

MATERIAL ISSUE	SECTIONS	PAGE
Ethics & transparency	Corporate governance	15
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Policy environment & market development	Economic performance	19
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Organisational development	Sustaining talent & performance	29
	Forging strong bonds at the workplace	32
Data & information security	Sustainable operations	34

ETHICS & TRANSPARENCY

BOARD OF DIRECTORS AS ON MARCH 31, 2012

Mr. Venkat Chary Chairman, Non-Executive Director, Independent Director
Mr. Jignesh Shah Vice-Chairman, Non-Executive, Non-Independent Director
Mr. V. Hariharan Non-Executive, Non-Independent Director
Mr. Paras Ajmera (FTIL nominee), Non-Executive, Non-Independent Director
Mr. Joseph Massey Non-Executive, Non-Independent Director
Mr. Shveta Vakil Non-Executive, Independent Director
Mr. C. M. Maniar Non-Executive, Independent Director
Mr. P. G. Kakodkar Non-Executive, Non-Independent Director
Mr. R. M. Premkumar (FMC Nominee), Non-Executive, Independent Director
(Prof.)Mr. K. T. Chacko ⁽¹⁸⁾ (FMC Nominee), Non-Executive, Independent Director
(Prof.)Mrs. Ashima Goyal ⁽¹⁸⁾ (FMC Nominee), Non-Executive, Independent Director
Mrs. Usha Suresh ⁽¹⁹⁾ (FMC Director), Non-Executive, Independent Director
Mr. K. Venugopal ⁽²⁰⁾ (SBI Nominee), Non-Executive, Non-Independent Director
Mr. B. Sriram ⁽²⁰⁾ (SBI Nominee), Non-Executive, Non-Independent Director
Mr. P. Satish ⁽²¹⁾ (NABARD Nominee), Non-Executive, Independent Director
Mr. S. Balan ⁽²¹⁾ (NABARD Nominee), Non-Executive, Independent Director
Mr. Lambertus (Lamon) Rutten ⁽²²⁾ MD & CEO

Corporate Governance

We believe that strong corporate governance is the backbone of our success, as it steers our management to serve and protect long-term interests of stakeholders—including shareholders, employees, members, physical market participants and the communities in which we operate. Our Board and senior management lead by example, demonstrating accountability and disclosure.

Composition of the Board of Directors

Our Board of Directors (Board) comprises expert professionals with high credibility, strong ethical values with respect to accountability of the Board, and extensive experience in diverse expertise areas such as management, technical, finance and legal. Their strategic guidance and relentless efforts have been instrumental in making MCX a world class institution. The Board comprises a diversity of age groups ranging from 39-76 years. It has enabled MCX to respond to market opportunities, adapt to changes in the regulatory environment, and bring in innovations at regular intervals—to outpace the competition and set benchmarks for others to follow.

The Board composition of commodity exchanges is regulated by the Forward Markets Commission (FMC), Companies Act, 1956 and Listing Agreement with stock exchanges. Our Board is constituted in compliance with the Guidelines for constitution of the Board of Directors, nomination of Independent Directors and appointment of CEO at the Nationwide Multi Commodity Exchanges issued by FMC read with the provisions of the Companies Act, 1956 and the Company's Articles of Association.

As on March 31, 2012, the Board comprised of 15 directors, of which 14 were Non-Executive Directors and 1 was an Executive Director. Mr Venkat Chary, Non-Executive Director, is the Chairman of the Board. Approximately 47 per cent of the Board comprised of FMC nominees and Exchange-recommended candidates duly approved by it, and the rest were promoters-nominated and shareholders-appointed directors.

The appointment of MD & CEO of the Exchange is also subject to FMC approval. Further, while Clause 49 of the Listing Agreement requires that at least one-third of the Board should comprise of Independent Directors in case the Chairman is a Non-Executive Director, we had as many as 8 Independent directors (about 53 per cent of the Board's composition), out of which two were women directors (about 13 per cent) as on March 31, 2012.

The Board periodically reviews compliance reports of all laws applicable to the Company, as prepared by the Company and the steps taken by it to rectify instances of non-compliances, if any. The heads of all departments are responsible for compliance to all applicable laws and regulations and they have to provide a Certificate of compliance to the Board. There is a strong internal audit process commensurate with the size and operations of MCX. With this system, MCX is fully compliant to all applicable laws and regulations.

The Board has constituted a number of committees such as Audit Committee, Directors Committee, Investment Committee, IPO Committee, Remuneration Committee, Investors Grievance Committee and Compensation Committee. During the FY 2011- 12, the IPO Committee and Compensation Committee were reconstituted.

The Exchange Committees constituted by the Board are Executive Committee, Membership Admission Committee, Vigilance Committee, Trading Committee, Clearing House Committee, Information System Steering Committee, Defaulters Committee, Disciplinary Action Committee and IPF (Investor Protection Fund) Committee.

⁽¹⁸⁾ Consequent to expiry of the term of appointment as the nominees of Forward Markets Commission (FMC), (Prof.) Mr. K. T. Chacko and (Prof.) Mrs. Ashima Goyal ceased to be Directors of the Company w.e.f. April 01, 2012 | ⁽¹⁹⁾ FMC has extended the term of Mrs. Usha Suresh, Economic Adviser in the Commission, as Director on the Board to represent the Central Government till March 31, 2013 | ⁽²⁰⁾ Mr. B. Sriram ceased to be a nominee of State Bank of India (SBI) w.e.f. January 10, 2012 and Mr. K. Venugopal appointed as a nominee of SBI w.e.f. January 10, 2012, has ceased to be a nominee director w.e.f. June 8, 2012 | ⁽²¹⁾ Mr. S. Balan ceased to be a Nominee of National Bank for Agriculture and Rural Development (NABARD) and Mr. P. Satish was appointed as a nominee of NABARD w.e.f. December 28, 2011 | ⁽²²⁾ On the expiry of the term as Managing Director & Chief Executive Officer (MD & CEO) of the Company on June 30, 2012, Mr. Rutten continues to act as a Non-Executive Director on the Board.

BOARD COMMITTEES	RESPONSIBILITIES
AUDIT COMMITTEE	<ul style="list-style-type: none"> • supervising the financial reporting process • reviewing the financial statements to ensure that they are correct, sufficient and credible • reviewing the adequacy of the internal audit function
IPO COMMITTEE ⁽²³⁾⁽²⁴⁾	<ul style="list-style-type: none"> • adopting and getting the Draft Red Herring Prospectus (DRHP), and Red Herring Prospectus (RHP) approved by the regulatory authorities • taking decisions on actual size of the IPO • appointing intermediaries for the IPO process • finalising the basis of allotment and allocating shares to successful allottees
INVESTMENT COMMITTEE	<ul style="list-style-type: none"> • developing a conducive investment policy for investment of surplus funds available with MCX • reviewing the investment avenues with minimal risk and optimum returns from time to time
DIRECTORS' COMMITTEE	<ul style="list-style-type: none"> • monitoring compliance with different laws applicable to MCX • investing funds • taking loans within the prescribed limits
REMUNERATION COMMITTEE	<ul style="list-style-type: none"> • determining MCX's policy on specific remuneration packages for executive directors
COMPENSATION COMMITTEE ⁽²⁵⁾	<ul style="list-style-type: none"> • granting stock options • determining the manner of administering and implementing ESOS (Employee stock option scheme) • addressing any other related and incidental matters
INVESTOR GRIEVANCE COMMITTEE	<ul style="list-style-type: none"> • redressing complaints from shareholders • monitoring transfers, transmissions, splitting, consolidation of shares and bonds issued by MCX
EXCHANGE COMMITTEES	RESPONSIBILITIES
EXECUTIVE COMMITTEE	<ul style="list-style-type: none"> • managing day- to-day functions of the Exchange • implementing the provisions of articles, bye-laws, rules and regulations of the Exchange and for such other matters, as may be directed
CLEARING HOUSE COMMITTEE	<ul style="list-style-type: none"> • recommending the margin structure • determining losses, damages and penalties resulting from any defaults including delivery defaults • determining the manner in which the Settlement Guarantee Fund should be utilised
TRADING COMMITTEE	<ul style="list-style-type: none"> • monitoring the trading system of the Exchange • implementing rules of automated trading • reviewing specifications of price/position limits for each contract month within which any futures contract in any commodity shall be transacted • recommending risk management systems to ensure that trading takes place in a safe and fair manner • recommending business rules for clearing and settlement • reviewing conditions under which exemptions or concessions may be granted to members of the Exchange
IPF COMMITTEE ⁽²⁵⁾	<ul style="list-style-type: none"> • operationalising the MCX Investor (Client) Protection Fund Trust
MEMBERSHIP ADMISSION COMMITTEE	<ul style="list-style-type: none"> • evaluating applications for membership of the Exchange • making recommendations for their acceptance/ rejection • framing rules/ criteria relating to admission for membership
DEFAULTERS COMMITTEE	<ul style="list-style-type: none"> • declaring as defaulter and/ or expelling any member in accordance with and subject to the FCRA, 1952 • taking necessary action against the member as per the ' Rules of the Exchange'
VIGILANCE COMMITTEE	<ul style="list-style-type: none"> • setting out the procedure relating to checks, inspections, enquiries • preventing/ monitoring price manipulation, price distortion and trading malpractices
DISCIPLINARY ACTION COMMITTEE	<ul style="list-style-type: none"> • taking disciplinary actions such as suspension, expulsion, fine, censure, warning or withdrawal of membership against those guilty of contravention, non-compliances, disobedience, disregard or evasion of any provision of the rules, bye-laws and the 'Business Rules of the Exchange'
INFORMATION SYSTEMS STEERING COMMITTEE ⁽²⁶⁾	<ul style="list-style-type: none"> • reviewing proposals for new IT investments • approving and reviewing compliance with IT-related policies and procedures • reviewing the adequacy and allocation of IT resources

(23), (24) IPO - Initial Public Offering. During the FY 2011- 12, the IPO Committee and Compensation Committee were reconstituted. | (25) In accordance with the revised guidelines for Investor Protection Fund (IPF), issued by FMC, during the year, the IPF Committee was constituted to operationalise the Multi Commodity Exchange Investor (Client) Protection Fund Trust. | (26) The Information System Steering Committee was reconstituted during the year.

Management of sustainability

At MCX, the responsibility of a company towards society is viewed as an opportunity, both for the business and society. This is understood as the co-creation of social and business value, with inclusion being an integral aspect of the business model at MCX. We have therefore defined “CSR” as CSO (corporate social opportunity). The CSO team is also responsible for sustainability data monitoring and reporting. The MD & CEO in his quarterly presentation to the Board of Directors regularly updates the Board on the above-mentioned subjects for their review, comments and suggestions.

Code of Conduct⁽²⁷⁾

We have formulated and implemented a comprehensive code of conduct for the Board of Directors and senior management. The Board Members and the senior management personnel affirm compliance with the Code of Conduct on an annual basis. The Board of Directors have adopted this Code of Conduct as a commitment to the principles of corporate governance. Any amendments to this code have to be first approved by the Board of Directors and promptly disclosed on our website.

All the employees are required to affirm compliance with the Code of Ethics at the time of joining. The Code of Ethics and the Disciplinary Action Policy are available on the intranet. If there are any violations or disciplinary issues, employees are first counselled by their heads of departments and if required, given an internal memo. The same is reiterated in the leadership training programmes for junior and middle level employees.

We promote ethical business behaviour in all our business activities. All employees are required to report to MD & CEO/ Deputy MD any bonafide concern he/ she may have and if fellow employees are engaged in fraudulent practices. Employees also have access to the Audit Committee. We have a Vigilance Committee to check, inspect, and to monitor/ prevent/ thwart any attempt by participants to manipulate/ distort prices and/ or to indulge in trading malpractices. Our business units are audited by third parties on various parameters including business risks related to corruption.

We have implemented a Code of Conduct for Prevention of Insider Trading and Code of Corporate Disclosure Practices to comply with the SEBI (Prohibition of Insider Trading) Regulations, 1992 issued by SEBI, as amended from time to time.

Code of Conduct: Highlights

The directors and senior management of MCX are required to:

- Disclose their Directorships with other companies
- Disclose their shareholdings in the Company
- Exercise authority and power with due care and diligence
- Not allow personal interest to conflict with the interest of the company or to come in the way of discharging official duties
- Abide by policies and business principles of the Company
- Maintain high ethical and professional standards in all dealings
- Observe strict confidentiality of the information acquired in the course of discharging official duties



(27) For more details on our Code of Conduct, please visit the MCX website at <http://www.mcxindia.com/aboutus/codeofconduct/codeofconduct.htm>

Responsible liaising

We believe in responsible liaising practices for engagement with government agencies, regulatory bodies and other stakeholders. This has meant the use of evidence-based advocacy approach with credible and well-researched evidence for our discussions with policy makers and influencers. In all types of engagements, the board members, senior management and executives across other cadres follow the company's Code of Conduct and/or Code of Ethics. In fact, we collaborate and share the cost of funding with the market regulator (FMC) for many such awareness programmes, workshops, etc. aimed at market deepening.

We provide the requisite information and comply with all regulatory requirements while communicating about our products and services to our customers. We also duly seek FMC approval for specific public communications. We adhere to Advertising Standards Council of India (ASCI) guidelines for our marketing communication and also strive to engage the services of ASCI certified advertising agencies.

MCX is a member of several national and international industry and trade bodies. We engage with such entities for policy advocacy and market development. During the fiscal, MCX sponsored the India International Gold Conference held at Hyderabad and Assocham's Annual Commodity Futures Market Conference at New Delhi.

A list of MCX's memberships with national and international associations is presented below:

NATIONAL ASSOCIATIONS	TYPE OF MEMBERSHIP
Federation of Indian Chambers of Commerce & Industry (FICCI)	Associate Member
Maharashtra Economic Development Council (MEDC)	Patron Member-Platinum
The Associated Chambers of Commerce & Industry (ASSOCHAM)	Patron Member
Federation of Indian Micro & Small & Medium Enterprises (FISME)	General Member
Solvent Extractors Association (SEA)	Associate Member

INTERNATIONAL ASSOCIATIONS	TYPE OF MEMBERSHIP
The Association of Futures Market (AFM)	Full Member
Futures Industry Association (FIA)	Regular Member
FIA Asia	Regular Member
Swiss Futures & Options Association (SFOA)	Associate Member
The International Organization of Securities Commissions (IOSCO)	Affiliate Member
South Asian Federation of Exchanges (SAFE)	Primary Member
World Economic Forum (WEF)	Global Growth Company Member
World Federation of Exchanges (WFE)	Correspondent

Communications post IPO

As per MCX's listing agreement with stock exchanges, we have been taking more precaution to ensure that external communication is restricted to factual information. Moreover, we have started reaching out to investors through regular communication, conferences and meetings. We avoid talking about projections, forecasts and estimates that could have a material impact on the value of shares. We conform to the mandatory listing requirements such as declaring of results, and publishing of results including quarterly earnings through our website, media releases, and so forth. The investor relations section of our website has been modified to provide more information to current and prospective investors.

POLICY ENVIRONMENT & MARKET DEVELOPMENT



We are committed to sustainable, inclusive growth and have set ambitious goals for ourselves while creating value for all our stakeholders.

“Chetan Bharkhada, President, Head - Commodities & Currency, Anand Rathi, says the MCX approach has benefitted his business value chain substantially. “They offer state-of-art technology to trade with extensive quality control with which my reach to my branches and clientele has increased manifold. What has also impressed me is their initiative to educate stakeholders. Job creation in the broking industry and encouragement to entrepreneurs in the commodity sector are outcomes of growth in the commodity derivatives market created by MCX,” he says.”

Economic performance

Management approach

The fundamental role of a commodity futures exchange is to facilitate price risk management and transparent price discovery. In a developing economy such as India, where a sizable section of the population can be vulnerable to commodity price volatility, these functions of a commodity derivatives exchange can have substantive impacts on livelihoods across commodity value chains. The Exchange's platform enables online anonymous trading for hedging against price risks, leading to efficient price discovery. Moreover, for international commodities, MCX's platform enables domestic participants to execute their trade in Indian Rupee, thereby enhancing access to cost effective price-risk management.

The key requirements for a commodity exchange to create sustainable value are: a robust and flexible trading system that is aligned to the market needs and an efficient clearing mechanism that is reliable and ensures confidence among all key stakeholders. For this, it needs integrity assured through proper rules and monitoring as well as suitably designed contracts (products). Moreover, education of existing and potential market participants, as well as all those stakeholders who influence the development of and access to the market, is critical.

Such sustainable practices through the value chain of a commodity exchange are built into MCX's business strategy and governance practices. We therefore work through an embedded stakeholder engagement process for managing and enhancing the direct economic impact of our products. There are no direct health, safety and environmental impacts of our products. Domain expertise backed by extensive research has enabled us to introduce new products on a regular basis. Our alliances with various regional commodity associations coupled with field studies, enable us to introduce contracts that help participants to domestically manage risks in commodities exposed to the vagaries of international trade and finance. We also design contracts based on domestic commodities.

We follow a structured mechanism for reviewing products and focus on innovation in product design with the intention of bringing the small and vulnerable players within the ambit of the market. For instance, the introduction of mini contracts helps in catering to the hedging needs of small participants, making this market more inclusive. We also promote participation in the Indian commodities market by disseminating information, educating existing and potential market participants on the dynamics of the commodities market, organising management development programmes for decision makers and industry leaders.

Risks and strategy

Our business performance depends on the volume and value of contracts traded on the Exchange. Trading volumes are primarily influenced by external factors including, price volatility in the underlying commodities; demand and supply; production and consumption status of commodities; government initiatives to promote the commodity futures industry; changes in monetary,

fiscal, agricultural or trade policies; the number of market participants; domestic and international economic, political and market conditions; weather conditions; and natural calamities. By regularly monitoring external factors, designing relevant and accessible products and building awareness among potential market participants and policy-makers, we seek to grow participation in the commodity futures market. Our strategy for market penetration is the basis of co-creation of business and social value; as participation by hedgers and other market players increases, it adds to our revenues and enhances their livelihoods.

Adopting advancements in technology enables us to provide more efficient trade execution services, increases our economies of scale and connectivity options of the Exchange, contributing to our business growth. We are cognisant of the implication of energy consumption as the Exchange operations are IT-based. We invest in green technology and adopt good practices for efficient operations and minimising our environmental impact.

Opportunities

We expect competition to intensify with new exchanges being established, and with the existing competitors seeking to expand their market presence. Our approach to competition is to continuously improve our products, technology and processes, and introduce new product variant, with a strong customer orientation. We believe that our ability to coalesce product innovation with cutting-edge technology for enhancing access and participation is the underpinning of our emergence as the Exchange of Choice in the country.

The imminent passage of the FCRA Amendment Bill, 2010 will enable us to offer new kinds of products such as options and indices. Moreover, banks and financial institutions could be allowed to participate in commodity exchanges. This would further drive the volumes in the commodity markets to new levels. There is also a possibility of participants trading on regional commodity exchanges moving to the national-level platforms which provide benefits of higher liquidity, transparent pricing, central clearing, robust risk management and surveillance system, efficient delivery mechanism, and lower delivery and cash risks.

Growth in the commodity markets brings about demand for better trading and analytical tools, risk management tools, market data products and price information offerings, which can be the new potential revenue streams. In a rapidly evolving market, we need to innovate at a rapid pace, and we are now looking at markets, products and services for the future, including those under the domain of PES (Payment for Ecosystem Services).

We see trading on water futures, rainfall index and weather derivatives, playing a significant role in addressing sustainability concerns. Launching products of such nature in the Indian commodity exchanges, however, is contingent upon the legal-regulatory frameworks, as these are all index-based products, which are not allowed as per the Forward Contracts Regulation Act 1952. The FCRA Amendment Bill 2010 is pending to be passed by the Parliament. Only upon the passage of the Bill, such products (options and indices) can be traded. However, research is being conducted on such products, looking at the worldwide innovations taking place, as also their broader social relevance.

We believe that our ability to coalesce product innovation with cutting-edge technology for enhancing access and participation is the underpinning of our emergence as the Exchange of Choice in the country.



This FAQ has been prepared to answer a host of questions, myths and concerns related to debates and discussions on the commodity futures market in India, mainly in the context of the need for amending the FC(R)A.

Financial performance

MCX has been rapidly growing and consolidating its position in the global markets with an increase of about 75 per cent in the volumes traded in CY 2011 over the previous year. It has been one of the fastest growing exchanges amongst the league of exchanges mentioned in the table below:

PERFORMANCE OF TOP 10 COMMODITY EXCHANGES IN THE WORLD⁽²⁸⁾

RANK	EXCHANGES	NO. OF COMMODITY FUTURES CONTRACTS TRADED (IN MILLION)		% CHANGE
		2010	2011	
1	CME Group (includes CME, CBOT & NYMEX)	609.09	677.16	11.2%
2	Zhengzhou Commodity Exchange (CZCE)	495.90	406.39	-18.1%
3	Multi Commodity Exchange of India (MCX)	197.21	346.19	75.5%
4	ICE Group (includes ICE US, UK and Canada)	264.67	309.98	17.1%
5	Shanghai Futures Exchange (SHFE)	621.90	308.24	-50.4%
6	Dalian Commodity Exchange (DCE)	403.17	289.05	-28.3%
7	London Metal Exchange (LME)	112.44	138.49	23.2%
8	National Commodity & Derivatives Exchange (NCDEX)	40.19	42.00	4.5%
9	Russian Trading Systems Stock Exchange (FORTS)	18.18	38.15	109.8%
10	Tokyo Commodity Exchange (TOCOM)	27.64	31.67	14.6%

FINANCIAL HIGHLIGHTS FOR FY 2011-12

43%

Growth in operating income over the previous fiscal

86%⁽²⁹⁾

Market share (Volume)

3.6%

Research & Development as a percentage of operating revenues excluding technology costs

47%

Profitability

₹58.02

Earnings per Share

28.45%

Return on assets

236

Number of employees

Revenue

MCX's average daily turnover has increased by 57 per cent year-on-year, from ₹320.57 billion in fiscal 2011 to ₹503.13 billion during fiscal 2012. The total turnover increased from ₹98,414.81 billion to ₹1,55,970.96 billion in same period. Revenue grew by 45 per cent from ₹3,495.40 million to ₹5,053.99 million.

MCX reported a total income of ₹6,289.07 million, against a total income of ₹4,472.87 million in the previous year ended March 31, 2011, representing a growth of 41 per cent. FY 2011-12 was a year of stellar performance with a strong operating margin of 70 per cent as against 60 per cent in the previous fiscal achieved through operational efficiency. The operating expenses increased marginally by 8 per cent from ₹1,771.46 million to ₹1,915.24 million for the same period.

Profits

Profit before tax for the year ended March 31, 2012 grew 61 per cent from ₹2,454.54 million to ₹3,959.72 million. Profit after tax for the same period grew 66 per cent from ₹1,728.24 million to ₹2,861.88 million.

Expenses

Operating and other expenses increased by 8 per cent during 2011-12 to ₹1,915.23 million from ₹1,771.48 in 2010-11 while depreciation and amortisation expenses increased by 10 per cent from ₹246.59 million during FY 2010-11 to ₹271.72 million in FY 2011-12.

MCX is a debt free company with reserves and surplus of ₹9,461.19 million and net worth of ₹9,989.16 million as on March 31, 2012. During the fiscal, total dividend of 240 per cent was paid, to be precise ₹24 per share on the face value of ₹10 each.

Gauging economic impacts

Employment & livelihoods

We operate in 26 out of 28 states in India. Our ballpark estimate suggests that we impact around 5 million households, which would imply a multiplier effect on around 20 million individuals (considering 4 members per household).

The estimate of 5 million households includes:

- ~13 lakh by way of employment generation cumulatively from 2004 to 2010 (based on MCX market share and a recent industry level estimate of direct and indirect employment generated in broking, warehouse operations and exchange operations).
- ~ 37 lakh farmers and agricultural workers in context of agri commodities traded on the Exchange through the following channels:
 - ▶ Price discovery's impact on value realisation and crop planning for the farm sector
 - ▶ Implications of quality specifications in contracts: This has led to reduced rejections of farmers' output. It has also incentivised farmers to adopt better ICM (integrated crop management), thereby, de-risking farm livelihoods and encouraging adoption of sustainable agriculture practices
 - ▶ Price risk management has facilitated protection from price volatility, and lower intermediation costs have led to stability in economic activities, thereby fostering stability in livelihoods
 - ▶ Price dissemination programmes and Gramin Suvidha Kendra initiative. The latter is a strategic initiative of MCX to enhance access to price information and comprehensive farm activity related services to rural areas through a unique low-cost delivery model. *Read more about it in section II on social inclusion, page 37.*



Impact cost of hedging

By some parameters, cost efficiency of MCX is comparable to that of the biggest international exchanges. 'Impact Cost', measured as the bid-ask spread of MCX gold contract (average: 0.0066%), for example, is as low as the world benchmark COMEX gold contract (average: 0.0067%). As a result, the economic cost of hedging on a domestic exchange, i.e. MCX, is of international standards.

Hedging efficiency

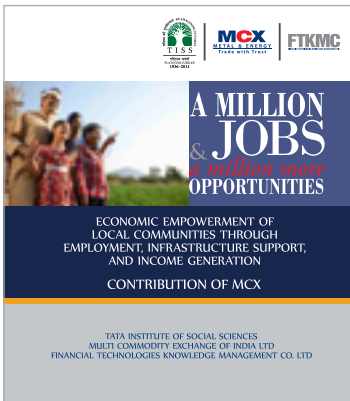
MCX is at par with international exchanges in terms of hedging efficiency and emerges as an efficient platform for price risk management for a wide range of commodities across agriculture, base metals and bullion segments. A study estimating the Hedging Efficiency (HE), using Edirington's Formula, of MCX with that of COMEX, London Metal Exchange and Bursa Malaysia, found that MCX's HE compares well with the other international exchanges. This reflects on the attractiveness of the exchange-traded commodity futures market in India as an efficient platform for price risk management.

Speaking of the cotton value chain, Dr Perumala Gopinath, Associate Professor at TISS School of Development Studies says, "In the stakeholder linkages, the large farmers, the ginners, the traders/ commission agents of the cotton industry value chain have been benefitting by either hedging at MCX or through price discovery."

Cost reduction in the value chain

A study published by the United Nations Conference on Trade and Development (UNCTAD) in 2009⁽³⁰⁾, found that prior to commencement of futures trading in mentha oil, the profit made by intermediaries in the value chain stood at around 11-12 per cent of the wholesale price. After the launch of futures trading in mentha oil and ensuing price transparency, the UNCTAD survey found that the value chain margin had shrunk to 7.5 from 10.5 per cent.

(30) While we had reported this study in the previous Sustainability Report, we are repeating it here to provide a full perspective to the section on gauging economic impacts.



Similar was the result for cardamom value chain. Prior to futures trading, intermediaries used to earn 15 - 20.5 per cent, this dropped to 7.5 per cent post commencement of futures trading in the commodity.

The reduction in cost of intermediation has meant that value-sapping intermediaries in the value chain of commodities have reduced or have been rendered weak. This has translated into a higher proportion of the consumer's rupee ending up in the farmer's or the value-adding intermediary's wallet.

For non-agricultural commodities that contribute a larger share of MCX's volumes, there is a similar impact with regard to a reduction in transaction costs viz. search costs and those arising from information asymmetry. Reduction in such transaction costs leads to more efficiency in the market.

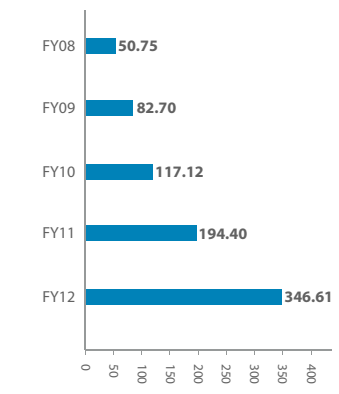
Enabling local cluster development

MCX has contributed to the sustainable development of industry groups, clusters and ecosystems. It has even enabled the creation of ecosystems to support the development of clusters.

By hedging on base metals and bullion on MCX platform, the SME sector has obtained a host of benefits such as:

- Increase in investment flows in downstream ancillary industries, leading to increased investment opportunities in the SME sector and semi-urban markets
- Creating number of business opportunities in storage and processing industries for entrepreneurs in the SME sector and semi-urban markets

NUMBER OF TERMINALS ('000)



Outreach

- About 2170 members
- 18.30 lakh registered and active clients
- Presence in 1577 cities and towns across 26 states of India
- About 3,46,000 trading terminals
- 1305 awareness programmes conducted during FY 2011-12

Contribution to the economy

- Contribution to exchequer by taxes: ₹110 crore in 2011-12 by way of direct and current tax paid
- Created 2 lakh new PAN Accounts
- Shareholder wealth creation
 - ▶ India's only exchange to be listed, with share of ₹10 trading at a multiple of about 100
 - ▶ Book Value increased from ₹168.02 (FY 2010-11) to ₹195.87 (FY 2011-12), a CAGR of 25 per cent
 - ▶ Net worth increased from ₹855.15 crore (FY 2010-11) to ₹999 crore (FY 2011-12), a growth of 16.82 per cent

Product innovation & market development

Mini contracts for maximum benefit

Typically, commodity markets, including physical spot markets, encompass participants of varied classes, nature, sizes and capabilities. The Indian bullion market comprises small and medium jewellers, retailers and individuals, who coexist with large importers, wholesalers and banks. The non-ferrous metal industry in India involves a large number of micro, small and medium enterprises and other smaller indirect users, in-addition to large national and multi-national players. This inherent nature of the market exposes such small participants to significant price risks in such commodities.

The smaller participants tend to have lower exposures in the physical market and lesser risk-taking ability and are usually more conservative. They find mini contracts more relevant to hedge their risks, as such contracts more aptly match their physical exposures. Smaller contracts are also an ideal tool to encourage new and conservative market participants to initiate hedging operations, till they are more familiar with trading mechanisms and have the confidence to migrate to standard contracts. MCX's mini and micro contracts have also contributed to the introduction of new participants to the commodities futures market.

Silver micro contract: Creating macro value

Silver micro, 1 Kg silver contract, was launched in February 2011 after assessing the feasibility and market acceptance of a silver contract with a small lot size. As mentioned in our Sustainability Report FY 2010-11, this entailed interacting with mid-sized and small-sized jewellers and members of bullion associations, who have traditionally preferred trading in physical silver over silver futures. Silver micro witnessed remarkable participation from 345,839 clients and 1063 members.

Energy: Impressive growth over the years

The energy products that are actively traded on the MCX platform include crude oil and natural gas. Businesses having exposure in other by-products of crude such as furnace oil, light diesel oil, naphtha, etc, undertake hedging by using the crude oil contract. In our last report we had indicated that our crude oil contract has been witnessing a significant growth in terms of turnover and volumes. Crude oil futures at MCX continued to invite wide participation from various stakeholders who use the platform for hedging and trading. Since the contract is Rupee denominated, it also mitigates the risk owing to the Rupee volatility. Over the last five years (April 2007 to March 2012), our crude oil contract has seen a significant jump of over 645 per cent in turnover and over 281 per cent in terms of volumes.

NEW CONTRACTS LAUNCHED IN FY 2011-12

Gold Petal

April 18, 2011

Cotton

Oct. 3, 2011
(Re-launch)

Gold Petal

New Delhi,
Nov. 23, 2011

Copper Mini

Dec. 20, 2011

Nickel Mini

Dec. 29, 2011

“Bhuwan Purohit, Executive Director, Rubamin Limited, a leading manufacturer and exporter of Zinc Oxide, says, “With its futures products, especially the small denomination contracts, MCX has helped us manage the impact of commodity price risk effectively, thereby helping us protect our bottom lines and competitiveness”



Stakeholder involvement in product design

We believe, stakeholder engagement is necessary at every stage of product design. Based on the information from senior management, market participants, product managers and others, we conduct preliminary, primary and secondary reviews to assess the viability of a potential product.

An initial assessment involves several stakeholders in the value chain of a commodity. Farmer and trader associations of respective commodities, traders, brokers and other stakeholders are approached to understand the market and their requirements. A draft contract is designed based on this understanding. This draft is shared with a larger section of stakeholders to solicit their feedback on the contract in general, and the specifications in particular. Based on the comments/ inputs, the contract specification undergoes revisions to suit stakeholder requirements. Thereafter, an application seeking regulatory permission to launch the contract is sent to Forward Markets Commission.

Advisory committees (comprising stakeholders) are formed and regular meetings are held with them to study the contract’s progress. For instance, regional as well as national advisory committees have been constituted, to understand any issue related to MCX’s cotton contract. The contract is periodically studied in view of the market participants’ feedback.

Monitoring the life cycle of a contract

The main products of MCX, a ISO 9001:2008 certified company, are exchange-traded futures contracts. The nature of these products entails continuous monitoring of their usefulness, and relevance to the current requirements of stakeholders. Our product design team (Research and Planning Department) and the research team (Research and Strategy Department) undertake such assessments. They review factors contributing to the success and failure of contracts, and identify gaps to be addressed to ensure their sustainability. Stakeholder responses form the foundation of product modifications. Further, the decision to close a contract is also based on the feedback garnered from relevant constituencies and the market situation.

Such reviews have shown that the Exchange has been facilitating price risk management and price discovery for stakeholders, thereby, contributing to price stabilisation at every node of the commodity value chain. Findings also suggest that market deepening and stakeholder engagement can be strengthened with a facilitative policy regime—one under which new types of products and participants (currently not permitted under the existing statutes) would be permitted.

Aggregation through the exchange platform: Ensuring quality in physical delivery

Improvements in the warehousing and testing facilities has resulted in deliveries across quite a few commodities, though the platform was primarily developed for hedging. Assured of the quality of the underlying commodity of a futures contract traded on the MCX platform, we have been witnessing a growing trend in terms of delivery-takers. This is in contrast to the delivery trend being witnessed by platforms belonging to the traditional marketing chains. The anonymous trading facilitated by the Exchange platform, often links the local traders and producers with end-users, importers and exporters.

Quality specifications, lot size, delivery centres and other parameters are specified in the contract itself. The quality is tested in testing laboratories prior to physical delivery, and the exchange assumes “counter-party risk”. This reduces the problems of information asymmetry. The delivery-taker can aggregate the contracts, and eventually take assured delivery of certified quality and quantity. It has been noted more recently in the context of mentha, cardamom and cotton trading. This is a form of “involuntary” aggregation facilitated by the exchange platform.

Impact assessment

With the redefining of our research thrust, studies are being conducted in a structured manner to monitor the alignment of our derivative contracts and market micro-structure with the requirements of the stakeholders. These are being undertaken by both in-house economists as well as external institutions.

During the reporting period, one of the key studies commissioned was "Impacts of Futures Markets of Potato and Mentha Oil on Farm Communities". This is a project by the Indian Institute of Management (IIM) Calcutta (Principal investigators: Prof. Biswatosh Saha, Prof. Bhaskar Chakrabarti) and National Institute of Science, Technology and Development Studies (NISTADS, CSIR), New Delhi (Principal investigators: Dr. Pradip Biswas, Dr. Sanjib Pohit, Dr. P. Banerjee, Mr. Hardip Grewal).

The objective of this ongoing study is to assess the impact of futures trading in potato (Agra and Tarkeshwar varieties) and mentha oil on farm communities. It includes the examination of trends in production, acreage, prices and trade of potato and mentha oil in both the futures and physical markets since futures trading in both these commodities was introduced in India. It endeavours to identify the impact of futures trading at micro and meso levels. The study also seeks to know the extent to which the farm community considers MCX's futures prices as the reference price for their trading, as well as to find out the changes with respect to the number of intermediate links in the commodity value chain and their value add. The final report is expected soon.



Evidence-based policy advocacy

MCX's policy advocacy initiatives are primarily focused on measures needed for making business environments conducive for the development of broad-based and inclusive commodity market structures. The objectives are to encourage enterprises and physical market participants to take advantage of price discovery and hedging mechanisms that the Exchange facilitates; and to make policy-makers and academia and think tanks aware of the policy issues that impact the growth of the commodity futures market and its ecosystem.

We regularly engage and partner with print and electronic media channels, industry associations and academia and think tanks through various platforms including meetings, seminars, panel discussions, round tables and presentations.

During the year, MCX sponsored the Bloomberg UTV - Financial Leadership Awards, CNBC's India Best Banks and Financial Institutions Awards and ET's Corporate Governance Conference.

Symbiosis Centre for Management and Human Resource Development (SCMHRD), Pune, conducted a Research Seminar on Commodity Markets, jointly sponsored by FMC and MCX, on February 18, 2012 in Mumbai. The aim of the seminar was to bridge the gap between academicians and industry experts by providing a platform to discuss issues that affect the commodity markets. The event entailed insight sharing by eminent commodity market personalities, a corporate panel discussion and presentation of research papers by academicians and students.

Our monthly external newsletter MCX CommNews provides insights on commodity markets, commodities, policies, regulations and any recent developments in the market and their impacts.

Volume 1 Issue 4
March 2011

MCX
METAL & ENERGY
Trade with Trust

MCX CommNews
GET EMPOWERED

Dear Readers,
Global economies are facing new challenges associated with volatile commodity prices. Despite this, the Indian economy seems poised to overcome challenges with economic growth expected to be faster than ever before in the next two decades.

In 2010-11, the Indian economy witnessed robust economic growth and steady fiscal consolidation. However, to sustain the growth momentum and ensure a more stable macro-economic environment, there is a need to fine tune the balance between demand and supply in the banking and financial sectors.

The Finance Minister presented a soundly growth-oriented union budget for 2011-12. The budget facilitates higher capacity creation through increased investments, and will ensure that inflationary pressures are contained by strong supply-side responses. Several incentives have been provided to the farming and manufacturing sectors, which will help improve the agricultural value chain and attract the contribution that farmers can make to India's economic growth in the years to come. The Spotlight section of this issue has an overview of the budget from the commodity market perspective.

MCX launched two new innovative products (oil February 16th, Silver and Aluminium) in March. The MCX Development section has a short note on them. The Knowledge Series section attempts to dispel the myth - "Commodity exchanges are for physical delivery".

As a first-of-its-kind, we have great pleasure in informing you that MCX has become India's first exchange to report its sustainability performance. The report has been prepared in accordance with Global Reporting Initiative's (GRI) guidelines (2006) for sustainability and GRI's Financial Sector Supplement. The report articulates MCX's sustainability commitments in the market, workplace and community and presents the exchange's triple bottom line - Economic, Social and Governance (ESG) - performance for the fiscal year 2009-10. Ernst & Young (EY) has checked the report and has confirmed it to be audited level A+.

Moreover, keeping up the pace of growth, **MCX recorded its all-time high turnover of ₹7,822.26 crore on February 22, 2011**, buoyed by the soaring demand for futures trading contracts.

Happy meeting!

Lamton Rutten
MD & CEO, MCX
www.mcxindia.com

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Asset Class Wise MCX Turnover (Feb 2011)

Asset Class Wise MCX Turnover (Feb 2011)

50%
30%
10%
10%

• Commodity
• Energy
• Metal

Following are some of the significant publications from our Research and Strategy Department, published in 2011-12:



Commodity Insights Year Book 2011

The Yearbook is our flagship publication. The focal point of the 2011 edition was 'Commodity economy during recession and recovery'. Internationally-acclaimed commodity and finance experts had contributed articles on issues related to healthy development of the commodity market ecosystem. The yearbook also provided useful data related to commodity markets in an easy-to-use way. This non-priced publication was widely circulated to create mass awareness about our markets. It is also available on MCX's website.



“Pricing the fluid mosaic”, India Infrastructure Report, December 2011

The article attempted to look at water from the scarcity value perspective. It suggested that demand management solutions are important due to the existence of complex linkages and inter-relations of water with other systems. The different dimensions of water that emerge from its dual characteristics of being an input in production and as a feature in a consumer's utility bundle, call for an integrated approach. Hence, the article suggests that an inclusive water valuation framework be adopted, one that provides a paradigm shift in water valuation studies.



“Role of markets in promoting energy security in India” Offshore World, December 2011

India is a net importer of crude oil, importing over two-thirds of its requirement. Nearly two-thirds of the country's crude oil imports, in turn, are sourced from the Middle East countries, a situation which has hardly changed over the last decade. During this period, the fuel mix of the country has also remained fairly same. Subsidies on fossil fuel are dis-incentivising optimal change in fuel mix consumption. While subsidies cannot be sustained eternally in the wake of rising prices, securing energy security entails a market based approach which needs to be implemented in a holistic manner.



“Wonderland of HFT Trading - Myths and Realities” Commodities Now (London), March 2012

With high frequency trading (HFT) techniques becoming more popular in different asset classes (including commodities), they are also being increasingly scrutinised by regulators. The article demystified the myths surrounding the High Frequency Trading, cautioning that research studies in this field are still preliminary in nature and regulators should not get swayed by them and curb the use of HFT. The article also suggested that regulators first need to evolve their regulatory surveillance system to effectively monitor the impact of HFT rather than just restricting their speed or banning them altogether.

Apart from the above, the department sends regular contributions on various live issues pertinent to the exchange industry to the monthly magazine of the South Asian Federation of Exchanges (SAFE). Such contributions primarily relate to issues regarding development of markets from an emerging economy perspective.

ORGANISATIONAL DEVELOPMENT

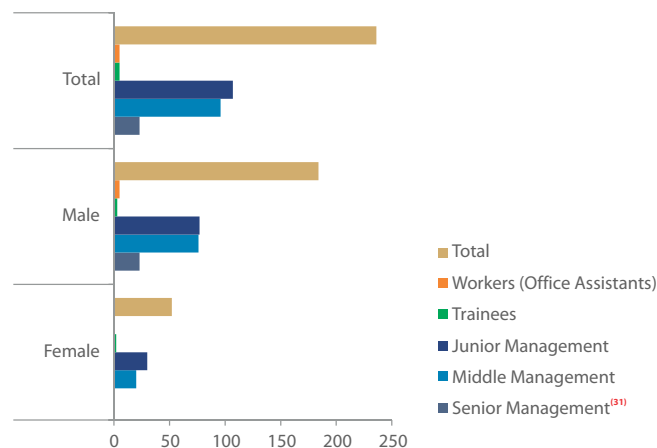
We believe that the domain expertise and commitment of our employees are the key factors for our organisation's success. Further, our employees consider MCX to be a strong opportunity for growth in their career, a highlight that has emerged as part of our stakeholder conversations this year. Please refer to section II on stakeholder engagement, page 43 for more details.

We continue to attract, retain and nurture the talented people in our endeavour to be an employer of choice. Our thrust is on providing a sound learning and growth opportunities, competitive remuneration, a well-defined performance management system and team building at the workplace.

We also connect with MCX alumni if a relevant position opens up. The fact that over the years, many of our former employees have re-joined us is an affirmation of our talent engagement. This year we witnessed three such instances.

Our strategy is defined by recruitment of people with diverse skills, knowledge, experience, and by ensuring the right fit between roles and profiles. As on March 31, 2012, we had a total employee strength of 236 (excluding temporary workforce i.e. consultants and contract workers) Please refer to the performance table on page 53.

GENDER-WISE EMPLOYEE COUNT AS ON MARCH 31, 2012



Sustaining talent and performance

Enabling policies, benefits and rewards

We have policies in place for affirmative action, career advancement, physical disability, access to training, flexible working hours and retirement benefits, amongst others. Our insurance policies take care of the welfare of our employees and their families, and the benefits covered by these are well above the minimum statutory requirement. Mediclaim insurance policy, voluntary policy for dependent parents, personal accident insurance scheme, term life insurance cover and group gratuity are some of the benefits that we have for our employees in addition to emergency medical help.

Our stakeholder engagement feedback from employees in FY 2010-11 had revealed three aspects as the most important to them: development of domain skills (discussed in subsequent section on training); career development; and benefits and rewards. We sought to address these during FY 2011-12.

CONTRIBUTION FOR EMPLOYEES

	PF	Gratuity
2009-10	8.62	2.07
2010-11	10.12	5.57
2011-12	10.27	7.36

All figures in INR Million

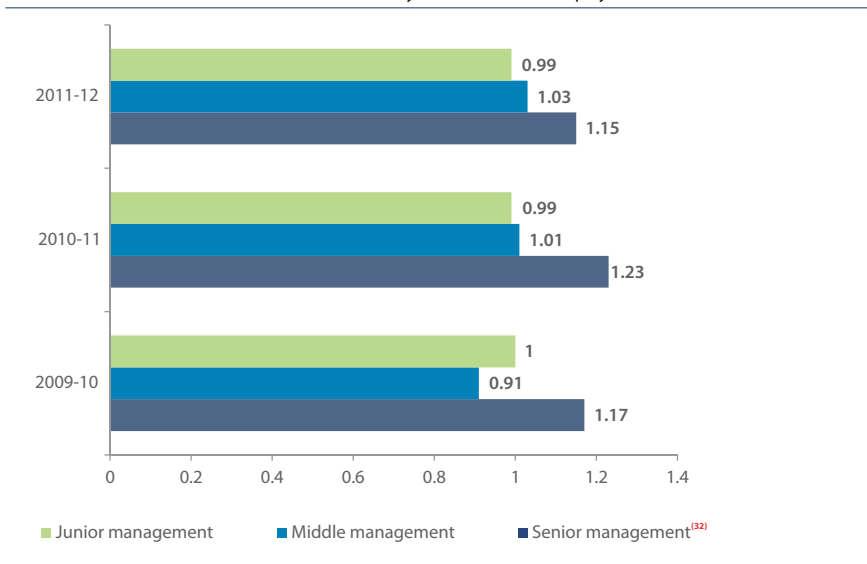
⁽³¹⁾ As on March 31, 2012, there were no women employees in senior management

We have systems to continuously manage employee performance, both in terms of work and other parameters such as inter-personal skills and leadership qualities. Our performance management system (PMS) is aligned with the organisational growth commitment (OGC) programme. Employees are rewarded with performance-linked variable pay, which is consistent with industry standards. During the year, 218 employees were eligible for performance feedback through PMS and the same was completed for all of them. This included 22 senior management, 94 middle management and 97 junior management personnel and 5 workers.

Employee benefits and rewards are distributed fairly on the basis of performance, and irrespective of gender or age. During the year, the outflow towards employee salaries and benefits was ₹279.85 million. An analysis of the ratio of basic salaries of males to females substantiates our claim of gender equality in this context. The table below showcases this ratio over the years across grades.

EQUAL REMUNERATION AND EQUAL OPPORTUNITY

Units: Ratio of basic salary of male to female employees



Our Employee Stock Ownership Plans (ESOPs) give employees an opportunity to have a share in our business growth and thereby create wealth for themselves. MCX uses ESOPs to reward employees for their contribution to its success. A fresh tranche of ESOPs were disbursed to 209 employees across all levels in October 2011. This year's stakeholder engagement-based employee feedback has indicated appreciation for ESOPs.

Career advancement

To improve the online appraisal process, we ensured that it was completed in a time bound fashion and covered all employees. Feedback was made a mandatory part of the appraisal process. We also introduced a specific section in the process, which mandated heads of departments (HoDs) to confirm that feedback and face-to-face meetings with employees had been conducted. In addition, a Promotion Policy was communicated to all HoDs, which provided a uniform structure for career development within MCX. We are glad to report that FY 2011-12 feedback through focused questionnaire shows appraisals as a strength rather than an area for improvement.

We have developed a single point contact id 'HR4U' for employees, to get their queries/ issues/ concerns resolved in a friendly and effective manner. Emails sent by employees to this id are taken up on priority. Employees are made aware of this avenue during the induction process. Apart from local employees, this id has been of great help to our regional employees, as it provides an effective redressal for all their queries and concerns, despite the geographical distance between offices.

In October 2011, a fresh tranche of ESOPs were disbursed to 209 employees across all levels. This year's stakeholder engagement has indicated employee appreciation for the same.

⁽³²⁾ During the reporting period, one female employee from the senior management left the organisation on January 30, 2012. The corresponding figure includes the said employee's salary on a pro-rata basis.

Learning and development

Developing innovative products and services, and continuously adapting to new technologies and solutions are at the core of our market leadership. This, in turn, creates opportunities for our employees' learning and growth. We believe, training plays an important role in motivating, as well as nurturing talent and leadership. It helps people achieve their full potential and enables MCX maintain its competitive edge.

Training

A 'Training and Development' policy has been instituted which seeks to capture the needs of employees with respect to their functional as well as personal skills. The policy is applicable to all employees—permanent as well as those on probation, and trainees.

In FY 2011-12, a total of 2047 man-hours of training were imparted to our trainees and junior, middle and senior management employees, a significant improvement from last year (847 man-hours). This amounts to an increase from 3.5 man-hours per employee in FY 2010-11 to around 9 man-hours per employee in FY 2011-12.

For our training sessions, we used various formats including external, internal, classroom and e-learning. To ensure that the training sessions were effective, we set a target of 4 (out of 5) for the average feedback rating. In cases where feedback rating was below 4, the trainer was informed about any significant or specific remarks, and advised to incorporate relevant changes in subsequent training sessions. To assess the effectiveness of training imparted to employees, a training effectiveness report was taken from their immediate seniors.

To acclimatise employees with the post IPO transitions, we conducted a town hall. Moreover, relevant topics were discussed during monthly meetings of heads of the departments with the MD & CEO, and they were asked to counsel their respective teams.

Regular training programmes are conducted for our marketing and business development teams. These training programmes focus on new products and services, managerial development, customer satisfaction, code of ethics and transparency, among others.

Academic outreach programme

Every year, as part of our academic outreach programme, we organise a pan-India drive to recruit interns. In 2011-12, we had interns joining us from universities in Karnataka, Jammu & Kashmir, Andhra Pradesh, Maharashtra, Uttar Pradesh and Goa. This fosters cross cultural exposure for our employees as well.

Symphony – Connect. Collaborate. Create.

To maximise the potential of MCX's future leaders, in FY 2011-12, we designed a Managerial Skills Development programme called 'Symphony'. The programme was designed after understanding and defining, both the functional and managerial competencies required by the middle level management.

'Symphony' focuses on creating 'leader managers' who work with their teams in enhancing productive behaviour and achieving quantifiable business results. The programme covers elements such as self-awareness, effective team building, leadership, developing business perspective and mentoring.

At the end of the programme, feedback is given to each participant with reference to his/her Team Lead role capabilities. The participants are asked to draw a personal plan, and are guided to take up team-driven exercises that are monitored and evaluated. Thereafter, participants with high potential, who are capable of taking up challenging assignments, are identified. The most appreciated part of the programme is the 'Leadership Connect' session in which senior leaders address



participants and inspire them through their own personal journey. Since inception of this programme, 11 sessions have been conducted covering 25 per cent of our middle managers.

Symphony conversation circle : We realise the importance of 'learning by doing' and collaboration. Thus, we decided to create a platform where thoughts on leadership are shared, diverse perspectives are heard and appreciated, and employees feel free to speak. 'Symphony conversation circle' is a monthly activity, which provides participants a platform to talk about their goals, aspirations, inhibitions and concerns. Since its inception, 8 conversation circles have been conducted, where the participants of 'Symphony' programme have come forward to share their learning, reflections, and challenges faced at the workplace. To make the sessions interactive, the participants are asked to share their thoughts on how they would react to such situations.



Forging strong bonds at the workplace

Employee health and safety

A well-defined policy drives our health and safety agenda. We have an in-house 'Saviours' Brigade' programme. This brigade consists of a team of volunteers who are trained in the art of providing critical lifesaving support in case of medical emergencies such as burns, electric shocks, wounds, fractures, insect bites and epilepsy fits. Fire detectors and fire extinguishers have been installed at every section and floor of the Exchange Square office. Moreover, regular fire drills are conducted at our Exchange Square office to assess the preparedness in case of emergencies.



Employee engagement

We regularly conduct events and contests for our employees. These activities provide opportunities for informal engagement across organisational levels. The key objective of these events is to promote employee bonding, bolster the sense of belonging and pride in working at MCX. Each of these events has a unique theme, flavour, agenda and set of objectives. We brand and promote all internal key events through posters, motivational mails, group interaction sessions, and formation of core support event teams from cross functional departments other than HR. These employee contact programmes also go a long way in helping build higher levels of employee engagement and organisational synergy.



Access to knowledge

It is the attitude, skill, and knowledge of the human resource, which gives an organisation its competitive edge. Besides, regular training, MCX encourages its employees to use its well-stocked library, to expand their knowledge base. The library, which is maintained by the Research & Strategy department, caters to a large and diversified user base through its vast network of library service tie-ups, of which, Delnet, connecting over 2000 libraries in India and abroad, deserves special mention.

A SNAPSHOT OF EVENTS HELD IN FY 2011-12



Independence Day

The celebrations spanned 3 days—August 10-12, 2011. On the first two days, the CSO team organised a vision testing and eye donation pledge drive. On August 12, 2011, a department-wise contest was organised wherein the employees were asked to decorate their workstations based on the themes: Freedom and Bondage/ Peace and War/ Yesterday's Freedom Fighters and Today's Politicians. The judges were impressed with employees' creativity and presentation, as well as team synergy.

Diwali celebrations

We welcomed Diwali on October 25, 2011, attired in our traditional best. The office building was lit up and a floor-wise rangoli competition on the theme 'Lights & Lamps' was organised. To encourage the use of natural materials, only the use of flowers, leaves, pulses, grains, stationery items and newspapers were allowed. The event enabled staff members to interact and bond with one another.

Junior's Day celebrations

On December 30, 2011, Junior's Day event was organised for our employees' children, with an aim to enable them spend a fun day at work with their parents and other members. The celebrations included magic show, balloon sculpting, beads corner, tattoo corner, books exhibition, art/painting contest and a skit on parent-child relationship. The children and their parents indeed had a memorable day.

Josh 2012

Josh, our annual sports meet, was organised from March 16, 2012 onwards. It included a host of indoor and outdoor games. The meet brought out the spirit of sportsmanship amongst the participants and helped them forge strong bonds with one another.

Women's Day celebration

A special women's meet was organised on March 8, 2012, International Women's Day, to pay a tribute to the indomitable spirit of women. Activities included an interactive workshop on "Woman's Health & Fitness" and a special contest "the complete woman" which gave women employees an opportunity to display their creativity, talent and to express their views on the essence of being a complete woman.

Sensitivity towards human rights

In order to demonstrate our commitment towards valuing human rights and conducting our business in a responsible manner, we became a signatory to the United Nations Global Compact (UNGC) in 2007. As required by UNGC, we annually submit our Communication of Progress (CoP), which illustrates our efforts focused on implementing the 'Ten Principles of UNGC'. In 2009, we submitted our last stand alone CoP, and since 2010, we have used our sustainability report to communicate our progress.

We endorse a work environment which is fair, equitable and comfortable for our workforce. Workforce diversity and aspects such as prohibition of discrimination are matters of priority across the organisation. We ensure gender diversity in functions where it is feasible. Our support functions such as HR and communications, have a considerably higher number of women. Our Anti-Harassment policy is aimed at eliminating harassment based on age, gender, religion, colour, political affiliation, culture or any other factor through active involvement of employees. Child and forced/ bonded labour is strictly prohibited within our operations, and we abide by all the laws of the Government of India, applicable to our business including labour and human rights related statutes.

We have a strict labour law compliance framework, which is monitored on a quarterly basis and the management is apprised of the certificate of compliance/ reporting of non-compliance. In addition to the internal Labour Law compliance framework, we have engaged a labour law expert and a labour law advocate who undertake annual internal audits. We engage only qualified contractors and vendors who have the necessary licence and code numbers registered with Provident Fund, Employee State Insurance Corporation, and contract licence from the Labour Commissioner's office. The clause of all-encompassing labour law compliance is mandatorily mentioned in every contract that is signed with vendors and contractors. We are developing a structured programme to screen our suppliers and train our employees on human rights. All our security professionals (24) are trained on aspects of human rights.

DATA & INFORMATION SECURITY

Sustainable operations

Risk Mitigation

MCX has instituted market safeguards and risk management techniques to ensure that its members meet their financial obligations promptly, and the marketplace is protected from undesirable events.

We conduct an annual risk assessment exercise to review and continually strengthen our control mechanisms. As a prerequisite for membership on the Exchange, we require all members to have a certain minimum net worth. Members are required to confirm their net worth on an annual basis, which enables us to monitor their financial strength. We have duly specified margins to mitigate the risks associated with daily price movements in commodities. MCX members have to pay a security deposit at the time of registration, which serves as an initial margin.

The Exchange's trading system tracks losses incurred by its members on a real-time basis after each and every trade by comparing the difference between the contracted price and the last trade price on the market. Alerts are transmitted to a member whenever the member's Mark-to-Market (MTM) loss amounts exceed certain percentages of the MTM limit. To further minimise operational risks, we advise members to avail Indemnity Insurance Policy, and have been facilitating members in getting covered under this policy. The policy provides indemnity in respect of members' erroneous transactions, forgery, dishonesty of employees, computer crimes, electronic transmissions and electronic securities.

Information security framework and management

Given the sensitive nature of the information that we deal with, we are well equipped to prevent any case of breach of security or misuse of information. We continually create awareness amongst our employees on the importance of data security and the repercussions of any violation. There have been no such violations since the commencement of our operations. This bears testimony to our robust information framework and processes.

An Information Security Policy based on industry best practices has been instituted to ensure confidentiality, integrity and continuity of systems and information. The Exchange has implemented security controls to address security threats (internal or external), deliberate or accidental. Safeguards for member connectivity with the trading system have also been instituted. The information security management system of our Exchange Square office is certified to ISO/ IEC 27001:2005 standard that specifies the requirements for establishing, implementing, operating, monitoring, reviewing, maintaining and improving documented information security management.



A SNAPSHOT OF DATA SECURITY MEASURES ADOPTED

 <p>Restricted access to market operations section of the office</p>	 <p>Recording of all calls for critical departments</p>
 <p>Restricted mobile phone access to employees in market operations</p>	 <p>Close circuit cameras to monitor physical movement</p>
 <p>Restricted access to confidential information such as net position, open interest and trade details</p>	

We have deployed a state-of-the-art 'Live mirroring' system which enables real time replication of information and can help us restore our systems within 4 hours of a disaster.

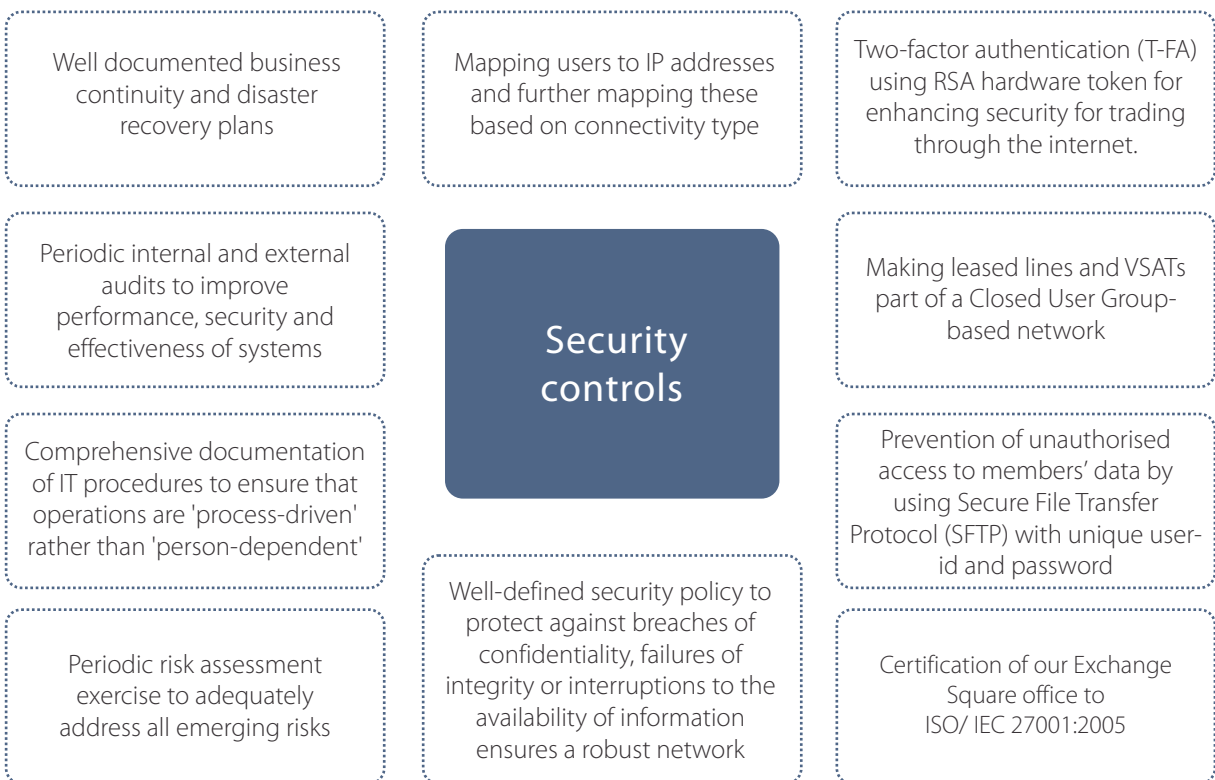
We regularly conduct awareness sessions on information security systems. We also have a process of reinforcing the awareness among employees through monthly information security e-mailers. Further, to monitor compliance towards information security controls, we conduct internal audits, and external audits, on an annual basis.

The Clearing and Settlement department is entrusted with the task of settlement of trades executed on the Exchange. We have a continuous market monitoring and surveillance system. To ensure transparency of operations, MCX sends settlement related messages to members who have subscribed to the messaging service. Though the service is free of cost, members have to subscribe to it, as a sectoral regulatory requirement. On receipt of the member subscription, it is verified for authorisation and SMS alerts are subsequently sent to the members on their registered mobile numbers.

We realise the importance of network up-time in our operations and we have achieved 100 per cent up-time year after year. We have deployed a state-of-the-art 'Live mirroring' system which enables real time replication of information and can help us restore our systems within 4 hours of a disaster. To protect our data centres from the risks associated with geographic concentration, we have further strengthened our disaster management plan by developing a disaster recovery site in Delhi (a different seismic zone), which is expected to be implemented in 2013.

Technology to aid Exchange operations: Maximising efficiency and minimising risk

Given the nature of our operations, it is imperative for us to ensure continuous up-time of the Exchange and protecting the privacy of data. We host all mission-critical applications and the supporting infrastructure in a state-of-art data centre, which is supported by the best-of-breed network, security and other necessary infrastructure. As members of the Exchange connect through various modes of connectivity, we have adopted a "Defence-in-depth" strategy to ensure information security at all layers of the ICT infrastructure. We have implemented security controls to address security threats (internal or external), deliberate or accidental.



Social Inclusion

Our relationship with stakeholders is based on trust arising from transparency, efficiency and accountability.

We believe in co-creation of social and business value while taking a long-term view on the inclusive growth of commodity markets and thereby of the Indian economy. The Exchange's business has a significant role to play in democratising commodity value chains, de-risking livelihoods and enhancing entrepreneurship opportunities.



SECTION II

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	Community development	37
Stakeholder satisfaction	Engagement & dialogue	43
	Feedback & responsiveness	44

COMMODITY MARKET LITERACY & INCLUSION

Awareness and capacity building

Our financial and market literacy initiatives aim to create awareness among existing and potential market participants and investors on market mechanisms, enabling them to take informed decisions. The format of these initiatives ranges from product leaflets, factsheets to presentations and discussions.

Our awareness programmes are customised depending on the target audience. For example, the focus for members and investors would be on trading aspects, rules and bye-laws of the exchange, clearing and settlement functions related to their trading activities; while for hedgers and potential hedgers, it would also cover the benefits of managing their risk in an organised way. We also share their queries and feedback with the regulator.

AWARENESS PROGRAMMES	NO. OF PROGRAMMES	STATES COVERED
Existing and potential market participants	99	15
Farmers	510	6
Educational / Government Institutions	8	7
Members and physical market participants	688	16
Total	1305	

MCX-FMC-Price Dissemination Project (PDP)

To disseminate futures price information especially in remote locations of the country, MCX partners with FMC in a Price Dissemination Project (PDP). The project displays spot and futures price on a ticker board installed at a centrally located place at APMC⁽³³⁾ mandis. The information is, by design, relevant to local agricultural commodities and made accessible in the local language. Farmers significantly benefit from PDP, even if they do not trade in futures market. Such dissemination has been empowering them with better bargaining power, forward linkages in the value chain, and knowledge to take informed decisions about sowing and marketing.

Toll free IVR number

MCX partners with Tata Tele Services Limited (TTSL) to make innovative use of voice and data connectivity for rural development. We have been disseminating spot and futures prices of commodities with the help of TTSL's technical know-how and mobile network. This joint initiative in information and communication technology (ICT)-based extension services, benefits farmers and other participants in the rural ecosystem. The toll free number 126565, operated in association with Atom Technologies (a Financial Technologies Group company), can be accessed from any Tata Indicom number. While currently, we provide price information for agri commodities such as potato and mentha, there are plans to cover more number of commodities, as also to enhance its outreach across the country.

Community development

One of our major objectives is to demonstrate the utility of the futures market to marginalised players in the commodities ecosystem by creating sustainable and viable models. We believe that to achieve inclusive growth and facilitate social change, the private sector's expertise, strategic thinking, manpower and other resources and the government's huge infrastructure, network and credibility need to work in tandem. We are seeking to do this through our social inclusion project in partnership with India Post, called Gramin Suvidha Kendra. We also encourage and support employees who wish to

Knowledge empowerment

More than 500 farmer training awareness programmes were conducted during FY 2011-12 at Gramin Suvidha Kendra locations in which more than 20,000 farmers participated. Programmes were conducted in association with NABARD, FMC and partners of Gramin Suvidha Kendra.

⁽³³⁾ Agricultural Produce Market Committee is a marketing board appointed by State Governments of India

donate a part of their salaries, as well as those who are interested in volunteering for the underprivileged communities, by developing suitable platforms.

Gramin Suvidha Kendra

Gramin Suvidha Kendra seeks to include farmers into the modern commodity market ecosystem in order to enhance their value realisation from agricultural activities. Its broader objective is to demonstrate how farm activity can become economically sustainable. It is a single window service designed to empower small and marginal farmers with knowledge about market prices and best practices for sustainable agriculture. It was set up on the premise that for price discovery on the commodity exchanges to translate into better value realisation for farmers, they would need to enhance the quality standards of their produce, and have critical linkages with the market for insurance, storage, credit and sales. MCX has collaborated with a range of partners to provide such linkages throughout the crop cycle, from pre-sowing to post-harvest stages.

The key strengths of the model are that it requires few resources, can be easily set up and can robustly adapt to different local contexts for scaling up. Thanks to India Post's ubiquitous network of over 1,55,000 post offices across the country, MCX's potential to reach out to farmers through the project is strong.

Gramin Suvidha Kendra offers farmers with facilities such as:

- MCX spot and futures prices, awareness on price trends of agri commodities in local *mandis* and futures markets
- Quality agricultural inputs and extension services by input providers
- Spot trading opportunity
- Better alternative for warehousing, quality testing, finance against warehouse receipts
- Insurance against weather-related farming risks
- Local needs-based non-agri products such as rural water purifiers and solar lanterns

While the unique partnership with India Post takes care of the scalability and replication aspects, sale of agri inputs such as seeds, pesticides and fertilisers on the platform by business partners helps generate revenues. The platform is a potent combination of trust, faith and community interaction at the village level. Joining hands on this platform also gives partners/other companies the opportunity to reinforce their social responsibility and associated corporate reputation benefits.

Conceptualised in June 2006, the model was first launched at Jalgaon, Maharashtra and replicated in other states. Twelve new centres were opened in FY 2011-12, taking the total number to 38. Gramin Suvidha Kendra links over 2800 villages through 575 branch post offices, across 6 states. 8680 new farmers registered as members during the period, which is a 65 per cent growth over the previous year.

GROWTH OF GRAMIN SUVIDHA KENDRA			
2011-12	21921	↑	38
2010-11	13241	↑	26
2009-10	7144	↑	22
2008-09	4038	↑	11
2007-08	2855	↑	6
2006-07	808		4

■ No. of registered farmers ■ No. of Gramin Suvidha Kendra centres

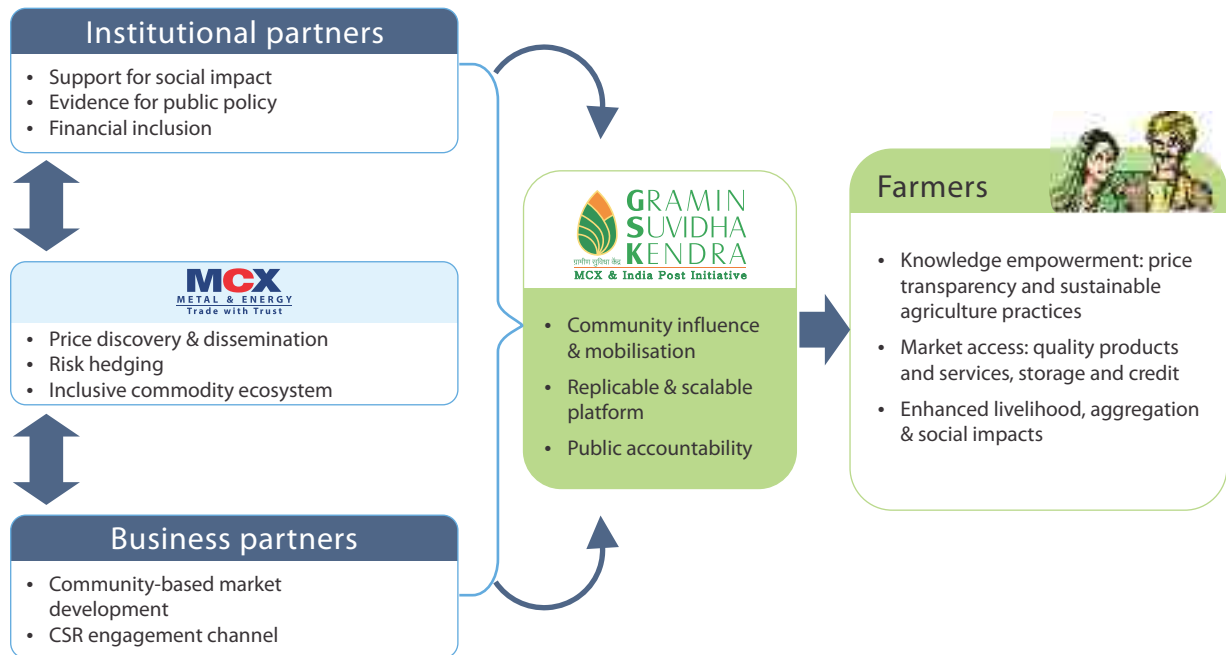


GRAMIN SUVIDHA KENDRA

6 states
38 centres
575 branches
2800 villages
65% growth over the previous fiscal

P. Satish, Chief General Manager and Secretary, NABARD, says,
 "What attracted us towards MCX, is its business model and its functionality which has catalysed rural development through financial literacy programmes. As a shareholder of MCX since 2005, and as a partner in its GSK initiative, we have seen MCX playing a pivotal role in spreading awareness for farmers and other stakeholders in rural areas and this has also been a financially rewarding investment with healthy dividends and value appreciation."

GRAMIN SUVIDHA KENDRA: CROSS-SECTOR PARTNERSHIP MODEL FOR INCLUSIVE GROWTH



Leveraging the platform for other community engagements

Using the advantage of local community engagement, a computer-based functional literacy programme, Unnati, was also conducted in partnership with Intel at Gramin Suvidha Kendras in Jalgaon (Maharashtra) and Unjha (Gujarat). Four villages in each of the locations were identified and more than 1000 participants got basic training and hands-on experience on laptops. Participants were given certificates on successful completion. The initiative was very well received by the community.

Feedback from stakeholders: Making Gramin Suvidha Kendra more effective

Through continuous field learning based on feedback and reviews, the programme is modified and variations are introduced across different states, whether in the form of products, services or partnerships. For instance:

- Weather insurance was introduced in response to farmers' queries on weather risk mitigation.
- Sale of agri inputs, one of the most popular services of the project, was a result of community feedback and interactions, which revealed that farmers were facing challenges of spurious agri inputs, rate fluctuations and availability.
- Based on local situations, Gramin Suvidha Kendra also introduced non-agri products on pilot basis to cater to community needs.
- Training programmes are customised as per the needs of the target audience.

We monitor and review the programme both internally and with external parties:

- Our in-house CSO team manages the project across the country, both in terms of field work by centre coordinators and managing partnerships.
- We encourage external institutions to visit the project and provide us their feedback. For example, IIM (Indian Institute of Management)-Lucknow and IIFM (Indian Institute of Forest Management) students undertook a primary study based on questionnaires involving interactions with farmers, project partners and MCX teams.
- A study of Gramin Suvidha Kendra as a part of Business Innovation Facility (BIF), a Department for International development, UK (DFID) initiative, was commissioned this year. This was an exhaustive analysis through field visits and stakeholder interactions. Based on these studies and our own intensive reviews, we are currently working on strengthening the project further.

GRAMIN SUVIDHA KENDRA : CUMIN FARMER IN GUJARAT



Viramgam is located in the state of Gujarat, about 65 km from Ahmedabad. The Gramin Suvidha Kendra programme was launched here in early 2010, covering 38 branch post offices. Local agricultural experts along with partners’ extension service officers briefed farmers about good agricultural practices, new techniques and other innovations during our training sessions. This helped raise awareness among local farmers about how they could enhance their livelihoods by using services offered by the Gramin Suvidha Kendra.

In the village of Dumana here, farmers associated with Gramin Suvidha Kendra are benefiting by purchasing cumin (*Jeera*) seeds through the centre. Farmers are also taking interest in tracking the market price information displayed at the branch post office.

Ugharajiya Bhala, a local farmer, sows castor in the kharif season (sown in June and harvested in October) and mustard, cumin and wheat in the rabi season (sown in November and harvested in April). Agriculture is the only source of income for his family. In 2010, he decided to purchase seeds from Gramin Suvidha Kendra because he expected:

- Good quality seeds at the right market price (no additional burden of informal price premium) from the branch post office
- Expert advice
- Field support from Gramin Suvidha Kendra’s partners and associates
- Better crop yield thanks to the above factors



Ugharajiya Bhala with his family members

“My life has changed because of Gramin Suvidha Kendra. It helped me enhance my income and I could purchase a tractor. This year, I will be the first farmer to purchase seeds from Gramin Suvidha Kendra.”

Ugharajiya Bhala

Ugharajiya purchased 30 kg cumin seeds through Gramin Suvidha Kendra for ₹6,000 in November 2010 for his 1 hectare plot. His crop yield went up to 17.48 quintal, compared with the yield of 11 quintal in 2009. With this, his income from cumin increased from ₹94,000 to ₹1,83,600. With a higher crop yield, he was able to generate an additional income of ₹89,600, around 58 per cent higher than the previous cycle. His costs had also gone up by around ₹5,000 over the period. This included land preparation, irrigation, nutrients, pest repellents and transportation charges. With a higher net return, Ugharajiya was able to buy a new tractor.

He has now become an “achiever farmer” (a farmer who manages to earn good returns from agriculture, plans cropping and purchase of inputs in advance for the next crop cycle, and is open to learning good agricultural practices for sustainable farming).

GRAMIN SUVIDHA KENDRA : WEATHER INSURANCE IN KARNATAKA



Mailarappa Nagappa Gorwar is a Branch Post Master at the Kurahatti branch post office under Ron sub-post office (S.O.) in the Gadag district of Karnataka. His post office was among those identified to set up a Gramin Suvidha Kendra. Moreover, he owns a 3-acre farm and has the ability to understand and appreciate the Gramin Suvidha Kendra approach. He displays the daily end-of-day spot and futures prices of commodities relevant to the region at his post office.

With an average rainfall of 613 mm, the Gadag district and Ron region, in particular is one of the good yield agriculture regions in Karnataka. The region is not known to be a flood or drought prone area. However, in September and October 2009, the region was badly inundated by floods.

Mailarappa's fields were washed away and standing crops were destroyed. Though official figures did not identify his district (Gadag) among the worst affected ones in Karnataka and Andhra Pradesh, the destruction was devastating. Mailarappa had his regular income from the postal department to fall back on, but not all farmers were as lucky.

Around this time, in one of the quarterly meetings held at the Ron sub-post office to review Gramin Suvidha Kendra's progress, Mailarappa learnt of a new offering, the weather insurance service. This service was available for a small premium fee. Its main objective was to mitigate risks arising from weather uncertainties and addressing vulnerabilities of farmers' livelihoods to climate disasters. Mailarappa signed up for the weather insurance.

As we continued to brief farmers at field meetings and training sessions, Mailarappa became one of the key facilitators of weather insurance, under guidance from a representative.

The Gramin Suvidha Kendra's approach of educating and creating awareness led to 28 farmers from 4 villages taking weather insurance for 38 acres of land sowed with the green gram crop in the kharif season of 2010. Shankrayya Bisidonimath was one of them.

He acknowledges that the project has been a great support for him over the last 2 years and has helped him and his fellow farmers increase their yield with quality agri inputs and timely guidance. Shankarayya is now one of the ambassadors of the project and happy to be a catalyst. Hence, he encourages farmers—both from Gadag and its adjoining districts—who have not availed the service on how to benefit from it.



Mailarappa updating the Gramin Suvidha Kendra blackboard at the Kurahatti branch post office

“Gramin Suvidha Kendra has removed the barriers of information by providing daily agriculture price updates in villages. This has helped create awareness and enhanced the capacity of farmers to negotiate. The farmers in my village respect me far more as a Branch Post Master.”

Mailarappa



Field inspection and guidance by agri experts during a training programme at Gramin Suvidha Kendra



Shankarayya observing the Gramin Suvidha Kendra blackboard at the Kotabal branch post office

“The soil testing training at the nearby Agriculture Research Station helped me identify deficiencies in my land. I was able to buy micronutrients through the platform which has enhanced the soil quality of my farm.”

Shankarayya

Employee engagement: Key volunteering initiatives

We have an annual series of activities where we encourage and facilitate our employees to engage and contribute towards social causes and institutions.

Blood Donation Drive, 2011

The 5th Annual Blood Donation Drive was held on May 23, 2011.

World Environment Day, 2011

We held photography and slogan contests at our office on June 5, 2011, on the theme, "The Green Effect". Our employees visited children at an Ashadeep Association day care centre and spoke with them on the importance of water conservation in an interactive awareness session. Ashadeep Association is a charitable organisation working since 1976 for the very poor single-parent children, orphans, handicapped and widows at their day care centres in Mumbai. Financial Technologies India Ltd, the promoter of MCX has been engaged with this NGO since 2009 in an initiative called Khushi Ki Kiran, and MCX builds on the relationship through such employee events.

Eye Donation and Vision Testing Drive, 2011

We organised an eye donation and vision testing drive in association with Aditya Jyot Eye Hospital to encourage and facilitate employees to pledge their eyes for the under-privileged. On the occasion, employees were offered complimentary facilities for general eye check-ups and refraction testing by the hospital.

Joy of Giving Week, 2011

We observed the Joy of Giving week from October 2 – 8, 2011 with Goonj as our partner. Goonj is a non-profit organisation that collects and provides clothes and other relief material to rural India and disaster-affected areas. Employees supported this drive with a lot of enthusiasm and we were able to collect 30 boxes of reusable clothes for Goonj.

Building a Reading India – Children's Day, 2011

On the occasion of Children's Day on November 14, 2011, we launched an online book donation campaign from November 14 - 19, 2011. Pratham Books publishes low priced books which are rich in content and quality. Donations for books were collected online and chosen books were handed over to the under-privileged children by Pratham Books.

HIV-AIDS Day, 2011

On December 1, 2011, we conducted an internal communications campaign to reinforce employee sensitisation through our intranet and e-mailers. We distributed Red ribbons to all employees and held a quiz to create more awareness about the spread and control measures of HIV-AIDS.

Standard Chartered Mumbai Marathon, 2012

Employees participated in the Standard Chartered Mumbai Marathon 2012 and ran for the Aditya Jyot Foundation, which organises camps offering free eye treatment to the under-privileged. Employees also visited Aditya Jyot Foundation's Dharavi office for an interaction to know more about the cause they were supporting.

Women's Day, 2012

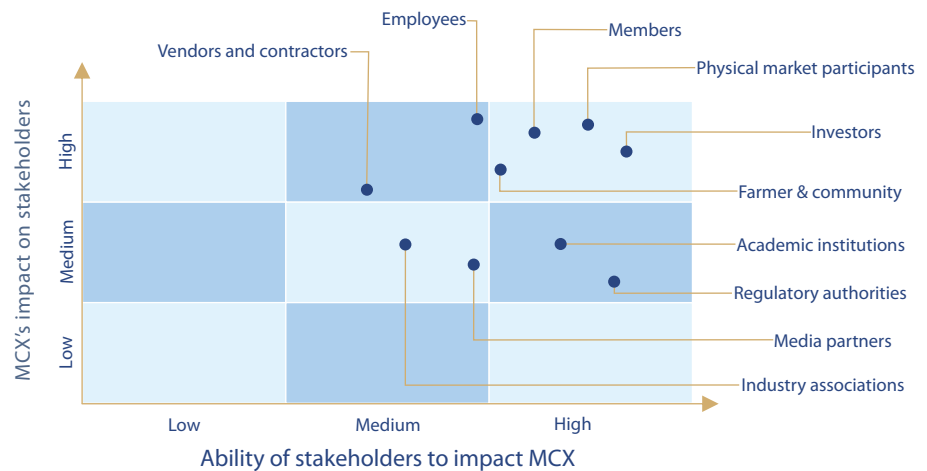
We celebrated Women's Day by adhering to the UN theme: 'Empower Women, End Hunger and Poverty'. In association with IDOBRO, a platform for women micro entrepreneurs and artisan groups to meet markets, we held an online campaign 'Of Women – By Women – For Women' between March 6 - 15, 2012. The aim of this campaign was to empower women artisans by purchasing their products covering categories such as home décor, bags, jewellery and personal care.

We continue to partner with IDOBRO for 'impact shopping', by facilitating sales of the products of various micro enterprises linked with it at our office at key events through the year.

STAKEHOLDER SATISFACTION

Our business model defines the type and extent of our relationships with a wide range of stakeholders.

The following is a matrix based on our existing and potential impact on key stakeholders and their ability to impact us. This matrix has been generated based on internal discussions and assessment of both past and evolving engagement patterns. We had structured interactions with these key stakeholder sets this year to capture their feedback on focused aspects.



Engagement & dialogue

Like last year, this year too we reached out to our key stakeholders to communicate our sustainability agenda and capture their feedback on focused aspects. The following table provides a snapshot of our approach to stakeholder engagement.

KEY STAKEHOLDER GROUP	MODES OF ENGAGEMENT	FREQUENCY OF ENGAGEMENT
MEMBERS	Feedback through focused online questionnaires	Annually
	Compliance check	
	E-mails, Telephonic conversations	Need-based
	Visit of MCX executives to members' offices Partnerships for customer acquisition programmes and discussions on new products	
EMPLOYEES	Performance management exercise	Annually
	Training	Need-based
	Employee volunteering activities	
	Grievance handling mechanism	
PHYSICAL MARKET PARTICIPANTS	Price determination and dissemination activities	Daily
	Feedback through focused questionnaires	Annually
	Awareness sessions through members	Need-based
	Farmer training programmes	
	Provision of complete solutions (through ecosystem approach) Telephonic conversations (including grievance redressal)	
SHAREHOLDERS AND INVESTORS	Annual General Meeting	Annually
	Feedback through focused questionnaires	
	Investor conferences	Need-based
	Meetings	
	E-mails, Telephonic conversations Investor grievance mechanism Non-deal road shows	
REGULATORY AUTHORITIES	Reporting on compliance of MCX and of our members	Annually
	Feedback through focused questionnaires	
	Price and trading reports	Daily / Weekly
	Meetings E-mails, telephonic conversations	Need-based (Also for new products and existing product modifications)

KEY STAKEHOLDER GROUP	MODES OF ENGAGEMENT	FREQUENCY OF ENGAGEMENT
INDUSTRY ASSOCIATIONS	Feedback through focused questionnaires	Annually
	E-mails, telephonic conversations	Need-based
	Meetings	
COMMUNITY/ FARMERS	Feedback through focused questionnaires	Annually
	Interactions with branch post office	Need-based
	Meetings	
VENDORS AND SUPPLIERS	Awareness sessions	Regular basis
	Feedback through focused questionnaires	Annually
	Meetings	Need-based
MEDIA	E-mails, Telephonic conversations	
	Feedback through focused questionnaires	Annually
	Meetings	Need-based
ACADEMIC INSTITUTIONS	E-mails, Telephonic conversations	
	Feedback through focused questionnaires	Annually
	Studies conducted at MCX's behest	Need-based
	Intellectual assistance to institution's own research	
	Internship offered to students/ researchers	

In FY 2011-12, we interacted with employees, investors and media, members, physical market participants, academic institutions, industry associations, vendors and contractors, and farmer community. We sought their responses in a structured manner. The following table provides a summary of MCX's key strengths and concerns identified by our stakeholders during these interactions. We have also indicated our responsiveness to satisfy the needs of our stakeholders.

Feedback & responsiveness

	MCX's STRENGTHS	SUGGESTED FOCUS AREAS	OUR RESPONSE
EMPLOYEES	<ul style="list-style-type: none"> • Sound business strategies, brand and growth, which have enhanced employee rewards through ESOPs • Opportunities for professional growth • Opportunities for learning • Good work environment 	<ul style="list-style-type: none"> • Enhance capacity of more employees for decision making roles • Nurture emerging talent • Increased informal and personal engagements at workplace 	<ul style="list-style-type: none"> • We have introduced a new Management Development Programme—Symphony—for middle management. • We have fortnightly meetings of heads of departments (HoDs) for facilitating information flows and feedback. The HoDs are required to discuss the same with their teams. • We have ensured senior management participation in employee engagement events as a forum for informal interactions.
INVESTORS	<ul style="list-style-type: none"> • Industry leader with strong fundamentals and proven record in wealth creation • Good corporate governance • Certainty in growth plans and execution • Ability to transform the trading ecosystem 	<ul style="list-style-type: none"> • Further strengthen communications and share sustainability performance • Enhance market penetration 	<ul style="list-style-type: none"> • We will be regularly sharing our Sustainability Reports with our investors. • We intend to further augment our market penetration efforts, especially in terms of commodity market awareness and number of training programmes.
MEDIA	<ul style="list-style-type: none"> • Timely and proactive information flow • Transparent disclosure • High knowledge and high engagement level • By creating a viable commodity trading platform, MCX has made a sterling contribution to society 	<ul style="list-style-type: none"> • Communicate about social/ environmental impacts of MCX • Increase media engagement across regions • Enhance research-based communications backed by independent assessment 	<p>We have identified media as a key stakeholder group for engagement. Through media, we have been informing other stakeholders about our business and its impacts on the economy and creating awareness among existing and potential market participants about the benefits of commodity futures market. We also engage with various media organisations to express our views on issues affecting the sector, and to provide them with research-backed evidence to consider while forming their opinion and communicating with the public in general and policymakers in particular.</p>

	MCX'S STRENGTHS	SUGGESTED FOCUS AREAS	OUR RESPONSE
MEMBERS	<ul style="list-style-type: none"> • Proven record in wealth creation • Excellent risk management • Strong business model, marketing strengths and growth potential • Consistency and reliability in business • Open to feedback • Commodity market literacy and financial inclusion • Strong social impact due to transparent price discovery • Generating direct and indirect employment 	<ul style="list-style-type: none"> • Policy advocacy for opening more market opportunities • Create more products and services • Increase market penetration further through financial literacy 	<ul style="list-style-type: none"> • Our Research & Strategy department has been working on creating awareness among policy makers and influencers through our approach of evidence-based policy advocacy including on commodity transaction tax and FCRA Bill for market development. We will continue to build on this. • We will be able to offer 'options' in addition to futures trading once the FCRA Amendment Bill, 2010 is passed in Parliament (this has provisions for allowing options trading).
PHYSICAL MARKET PARTICIPANTS	<ul style="list-style-type: none"> • Benchmark for commodity prices in the country • Product customisation • Highly equipped workforce • Professional and fair dealing • Aggressive in the market; translated first mover advantage in many contracts to high growth potential • Almost zero downtime on the trading platform 	<ul style="list-style-type: none"> • Create further awareness to improve market penetration • Work towards introducing 'options' in addition to 'futures' trading • Increase focus on agri-commodities • Advocate against adverse policies such as commodity transaction tax • Increase interactions with the regulator 	<ul style="list-style-type: none"> • Awareness and training are integral aspects of our business development and product design teams' efforts aimed at increasing market penetration. • We have identified a clear focus on market development for agri commodities in accordance with evolving government policy and regulation. • We will continue to build our role in facilitating engagements between commodity market stakeholders and regulatory authorities.
ACADEMIC INSTITUTIONS	<ul style="list-style-type: none"> • Biggest brand name in commodity trading • Inclusion of small players to empower them with bargaining power as an integral aspect of business strategy • Transparent access to data and wide range of stakeholders • Freedom and flexibility during research projects • Sharing of expertise in a niche field with academic institutions 	<ul style="list-style-type: none"> • Increase communication on impact of MCX on the trading ecosystem across the value chain • More regular workshops and training programmes 	<ul style="list-style-type: none"> • Structured workshops are being planned for dissemination of findings of various socio-economic studies among stakeholders including market participants, academia, policymakers and media. • We are targeting more effective dissemination of research on commodity markets in order to create an 'information bridge' between academia and policy making. Strategic research outcomes in the form of occasional papers, policy briefs are also part of our plan.
INDUSTRY ASSOCIATIONS	<ul style="list-style-type: none"> • Ability to advocate with the Government for public good • Play a significant role in enhancing financial literacy, industry thought leadership and contributing to policy development 	<ul style="list-style-type: none"> • More workshops and seminars to increase market penetration and involve more small (groups) traders 	<ul style="list-style-type: none"> • We intend to increase our engagement with market participants through workshops and seminars, especially the MSMEs.
VENDORS AND CONTRACTORS	<ul style="list-style-type: none"> • Having MCX as a customer is a good credential for our business development • Consistency and reliability in business • Ethical and transparent conduct 	<ul style="list-style-type: none"> • Strengthened awareness and sensitised vendors and contractors on relevant environmental and social issues 	<ul style="list-style-type: none"> • This has been noted and we are working on enhancing communications among our vendors on these aspects.

	MCX'S STRENGTHS	SUGGESTED FOCUS AREAS	OUR RESPONSE
FARMER COMMUNITY	<ul style="list-style-type: none"> • Helps improve financial literacy • Better value for produce • Approachability 	<ul style="list-style-type: none"> • Increase the number of farmer training programmes on best practices in agriculture • Support more storage facilities 	<ul style="list-style-type: none"> • We have undertaken an extensive review of our Gramin Suvidha Kendra initiative through a field level assessment and discussions with external independent agencies. Based on this, a plan is being developed for enhancing the farmer knowledge empowerment component and we are in talks with potential partners for strengthening market linkages for farmer inclusion. Moreover, our business development team is planning to conduct commodity-specific and region-specific programmes to sensitise farmers on commodity futures and other related issues.

Addressing stakeholder concerns

We have devised various channels to address complaints of our stakeholders and ensure that they are satisfied with the resolution provided. Few of them are listed below:

EXCHANGE MEMBERS AND CLIENTS	<p>During 2011-12, 7790 complaints were received and most of these were related to service providers' networking issues. These calls were forwarded to the technology team for further investigation. We have been successful in addressing the complaints of members satisfactorily by responding to them on the day they lodge the complaint (Turn-around Time for responding to complaints is the day the complaint is lodged, i.e. within business hours) with a closure efficiency of 100 per cent during the period under consideration. Moreover, on a fortnightly basis, we conduct a network repeat call analysis for recurring problems reported to ensure that similar issues do not arise.</p> <p>If members are not satisfied with response of the Exchange executive on any membership and inspection issues, they may escalate it to higher authorities. We have an escalation matrix to facilitate speedy and satisfactory closure of issues.</p> <p>In order to protect the interests of our clients, we provide a time-bound mechanism for redressing their grievances or disputes by way of conciliation or arbitration. Under this mechanism, all claims, differences or disputes between members or between a member and his client in relation to trades, contracts and transactions executed on our Exchange should be resolved by way of conciliation. If such conciliation proceedings do not result in an amicable settlement, the parties to the dispute may make a reference to arbitration according to the provisions of the bye-laws of our Exchange.</p>
INVESTORS	<p>From March 9, 2012 (when MCX became a public listed company) till March 31, 2012, we received 2696 queries from potential investors regarding refund of fees paid along with their IPO applications, on the grounds of non-allocation of the company's shares. All these complaints are being managed through MCX's IPO Registrars.</p>
EMPLOYEES	<p>'HR4U' is an escalation mechanism used by employees to report pressing concerns. HR sends an initial response to employees within 48 hours. In case there is no response from 'HR4U', the matter can be escalated to Head HR. In a year, on an average we get close to 50 mails, which are resolved through multiple channels.</p> <p>At least twice a year, a formal HR interaction is held with employees, to apprise them about any changes in HR policies and their rationale. We communicate the importance of the Performance Management System to employees. There is a built-in provision for the employees to send their suggestions, which has helped HR to get proactive feedback and ensure a two-way face-to-face communication with them.</p>
CONSUMERS	<p>We have been educating consumer groups about the various benefits of the commodity futures markets. Research-based papers, newspaper articles and other forms of documentation and their dissemination have, to a significant extent, removed many misconceptions related to commodity trading.</p>

The response rate of members increased from 95% in 2010-11 to 97% in 2011-12. The overall satisfaction index increased from 86% in 2010-11 to 89% in 2011-12.

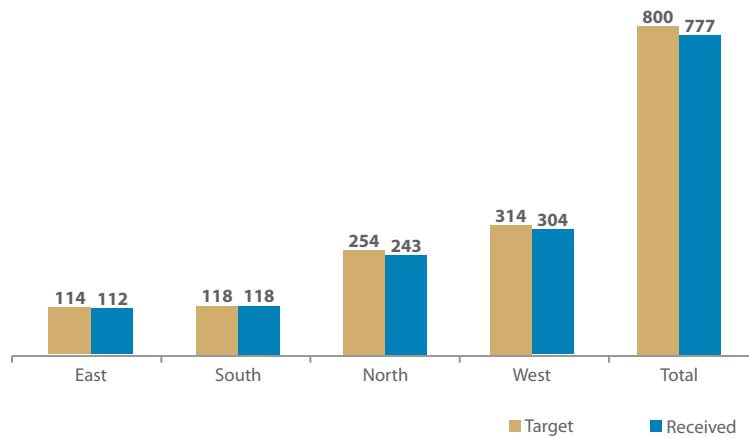
Customer (member) satisfaction index

Our annual customer (member) feedback activity covers a performance review of MCX's critical functions and gives members an opportunity to comment/ provide suggestions. This feedback forms the basis for respective departments to assess their areas of improvement. Based on the feedback provided by members, we have implemented several new initiatives such as formation of a 'Technical Support Desk', launching of mini contracts (contracts with small lot sizes), and installation of a world class IVR system in the Exchange.

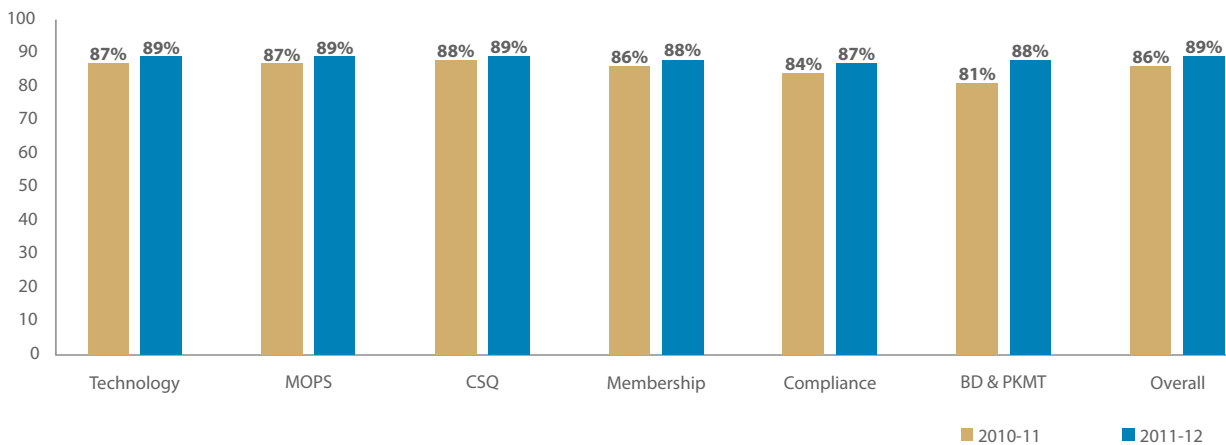
In FY 2011-12, we sent questionnaires with personalised emails to 800 members. The questionnaires encompassed questions pertaining to Technology, Market Operations (MOPS), Customer Service and Quality (CSQ), Membership, Compliance, and Business Development & Product Knowledge Management (BD & PKMT) departments. The satisfaction index has shown a year-on-year increasing trend, and during the period under consideration, the overall satisfaction increased to 89 per cent from 86 per cent during the previous fiscal.

We follow the approach of CAPA (corrective action, preventive action). Corrective action is taken promptly for cases with lower satisfaction index. In cases where satisfaction levels are high, preventive actions continue to ensure consistency.

FEEDBACK: TARGET V/S RECEIVED



CUSTOMER SATISFACTION INDEX Y-O-Y



ENVIRONMENTAL RESPONSIBILITY

MCX is committed to minimising its environmental impacts through efficient use of natural resources, including electricity, which is the key touch point of the Exchange's technology-driven business.



SECTION III

MATERIAL ISSUE	SECTIONS	PAGE
Natural resource-use efficiency in our operations	Operational efficiency	49

NATURAL RESOURCE-USE EFFICIENCY IN OUR OPERATIONS

Operational efficiency

Given the nature of our operations, the key sources of environmental impacts include energy and water consumption, waste generated and employee travel. In order to make our business as environment friendly as we possibly can, we are governed by an Environmental Policy.

As an ISO 14001:2004 certified organisation, we conduct an annual "Environment Review" to assess the impact of our activities on the environment. Our Environment Management Plan is developed and monitored on this basis. We have defined our key objectives to include: reduction in the use of energy and natural resources, effective use of electronic equipment and paper, and creating awareness on environment across the organisation. While we have not set specific targets yet, as our sustainability reporting system matures, we expect to be able to do so.

To include our shareholders in this endeavour, we dispatched printed copies of our Annual Reports to only 88,235 shareholders out of a total of 1,78,795 shareholders (49 per cent). We sent PDF copies through e-mails to rest of the shareholders, which helped us cut down on our resource consumption.

We maintain a Green Exchange website as a platform to share green tips, green news and our commitment to our stakeholders towards a sustainable economy.

We have regular internal email-based communications to increase awareness on reducing environmental impacts. Posters and banners encouraging environment conservation practices are displayed at various locations in the premises including washrooms, lifts, cafeteria and other areas frequented by employees. On World Environment Day (2011), we held a campaign on the importance of water conservation, and our employees also spread this message to children at Ashadeep Association, an NGO we have engaged with for volunteering activities.

Energy management

We have initiatives in place to reduce our energy use. These include greening of our data centre, minimising leakages to reduce the load on air conditioning units and increasing employee awareness.

Our 'Exchange Square' office building is equipped with mechanisms for conserving energy. Double vacuumed glass windows are used in order to minimise heat load while permitting maximum daylight lighting. We have installed variable refrigerant volume air conditioning system that results in saving considerable energy. We monitor air conditioning units on a daily basis and switch-off supply to areas where air conditioning is not required. These units are also switched off centrally during lunch hours and all units installed at common areas have the thermostat set at 24°C to maximise energy use efficiency. Arresting hot air leakage points, replacing PL (Phillips Lighting) with CFL (Compact Fluorescent Light) are also other related initiatives. We maintain a daily schedule wherein the air conditioning is switched off for a fixed period of time, thereby helping us save energy. Similar schedule is also in place for switching off lights of the building.

We have a well documented scheduling process explained on the next page. As a result of our initiatives, we were able to save close to 315,000 Kwh this year at our Exchange Square premises. We are happy to note the outcome as a reduction in our indirect GHG emissions from 3049.60 tonnes of Carbon Dioxide equivalent (tCO₂e) in FY 2010-11, to 2848.36 tCO₂e in FY 2011-12.



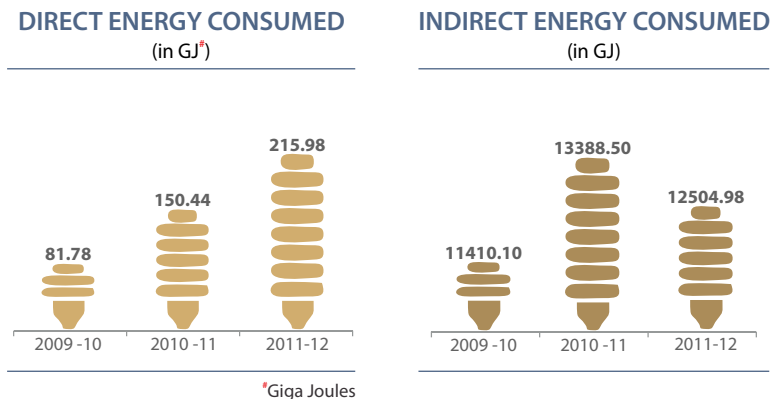
As a result of our initiatives, we were able to save close to 3,15,000 Kwh this year at our Exchange Square premises. We are happy to note the outcome as a reduction in our indirect GHG emissions from 3049.6 tCO₂e in FY 2010-11 to 2848.36 tCO₂e in FY 2011-12.

A SNAPSHOT OF THE SCHEDULING PROCESS

ACTIVITY	FREQUENCY	RESPONSIBILITY	PERFORMANCE INDICATORS
Daily monitoring of system/infrastructure including: Data centre infrastructure High tension/ Low tension panel Air conditioning system Uninterrupted power supply Distribution board Diesel generator sets Compact sub station	Daily	Administration team and data centre team	Daily monitoring report with exceptions, if any
SOD/ EOD* process to ensure optimum performance and smooth operations of data centre DG sets Air conditioning systems UPS	Daily	Administration team and data centre team	Daily SOD/ EOD* signed checklist with escalations, if any
Preventive maintenance of all equipment as per the schedule	As scheduled in respective SLAs**	Administration team and data centre team	Preventive maintenance reports
Setting of permissible limits for power consumption at data centre	As per design	Data centre team	NA
Sending power utilisation report to manager if it exceeds permissible limits for data centre	As and when an alert is generated	Data centre team	Escalation reports/ Relevant correspondence

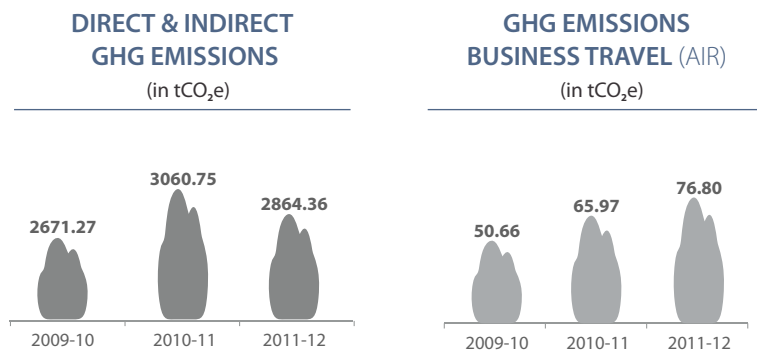
* SOD - Start of the Day, EOD - End of the Day ** SLA- Service Level Agreement

While our major source of energy is the electricity purchased from the grid, we do have diesel generators, which are used during power failures to eliminate downtime of the Exchange due to any electrical failures in case of power cuts. Our energy⁽³⁴⁾ consumption over the past three years is shown below:



Emissions management

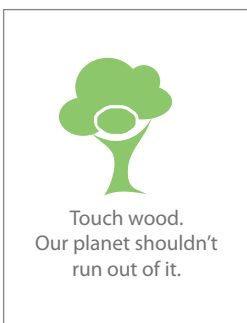
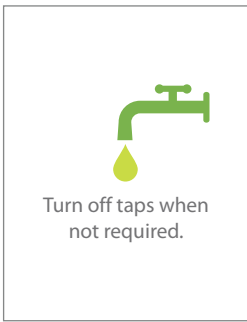
We are aware of our responsibility towards mitigating the effects of climate change. To this end, we encourage car pooling among our employees and try to reduce employee air travel as far as possible. We also spread awareness on climate change and the need to reduce our footprint through e-mailers and other activities. We measure our carbon footprint, and our greenhouse gas emissions, which are given below:



(34) Direct energy consumed is the diesel used for D.G. sets. Indirect energy consumed is the electricity purchased from the grid

Our best practices for environment conservation

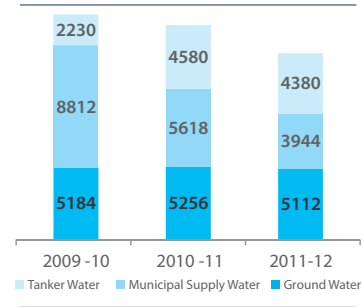
- All company vehicles are subjected to impromptu checks for PUC compliance by security personnel.
- All AC evaporator units are linked to each other with a sensor cable and hooked on to a common condensing unit which is of a lower capacity as compared with the indoor units. The common condensing unit is based on a diversity factor that efficiently utilises the refrigerant to set levels of cooling. This results in lower compression cycles and reduced power consumption.
- All housekeeping waste is segregated and disposed in an environment friendly manner.
- Auto sanitisers have been installed in urinals which do not allow uric sediments to accumulate in plumbing lines.



Water management

We endeavour to minimise our water consumption⁽³⁵⁾ through efficient water management and make concerted efforts towards the same. These include reduction of water pressure in flushing systems and wash basins, and use of jet water pressure machine for cleaning purposes. Due to our efforts, the total water consumption during FY 2011-12 reduced by 13 per cent from the previous fiscal. There are plans to set up a rainwater harvesting system at our Exchange Square building (rooftop) to use the rainfall potential of the region to our advantage. Preliminary study has been carried out and a potential of 2500 KL per annum has been identified looking at the average number of rainy days in the season and the intensity of rainfall. We are currently evaluating the feasibility in terms of the right time to install it. Within our limited resources, we reused water that is drained from our rooftop fountain by directing it into a recharging pit. This amounted to 291.50 KL during FY 2011-12.

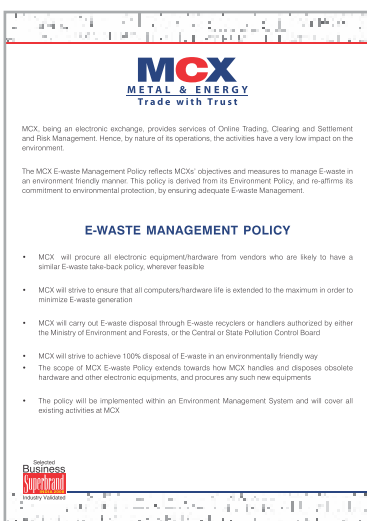
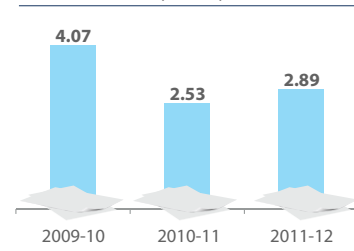
TOTAL WATER WITHDRAWAL
(in KL)



Materials management

While our operations are not material intensive, we continuously strive to reduce consumption of printing paper through monitoring mechanisms and creating awareness among employees. We have mechanisms to monitor printouts taken by users and send periodic reports on the usage of paper to Heads of Departments. Back-to-back printing has been installed in all our printers. The bulk printing activity has been outsourced and requires approval, thus preventing large scale use of paper. Additionally, we have discontinued the use of paper cups for beverages and reduced the use of face tissues in washrooms. We are planning on using recycled paper for specific purposes and we have used the same for greeting cards in the past.

PAPER CONSUMED⁽³⁶⁾
(in MT)



Waste management

Majority of the hazardous waste disposed from our premises is e-waste and we have developed an e-waste policy to deal with it. We have an agreement for safe e-waste disposal with Eco-Reco and Attero Recycling, two prominent organisations in the e-waste recycling domain. Our e-waste disposal is minimised because of our maintenance and re-use practices.

WASTE DISPOSED IN 2011-12

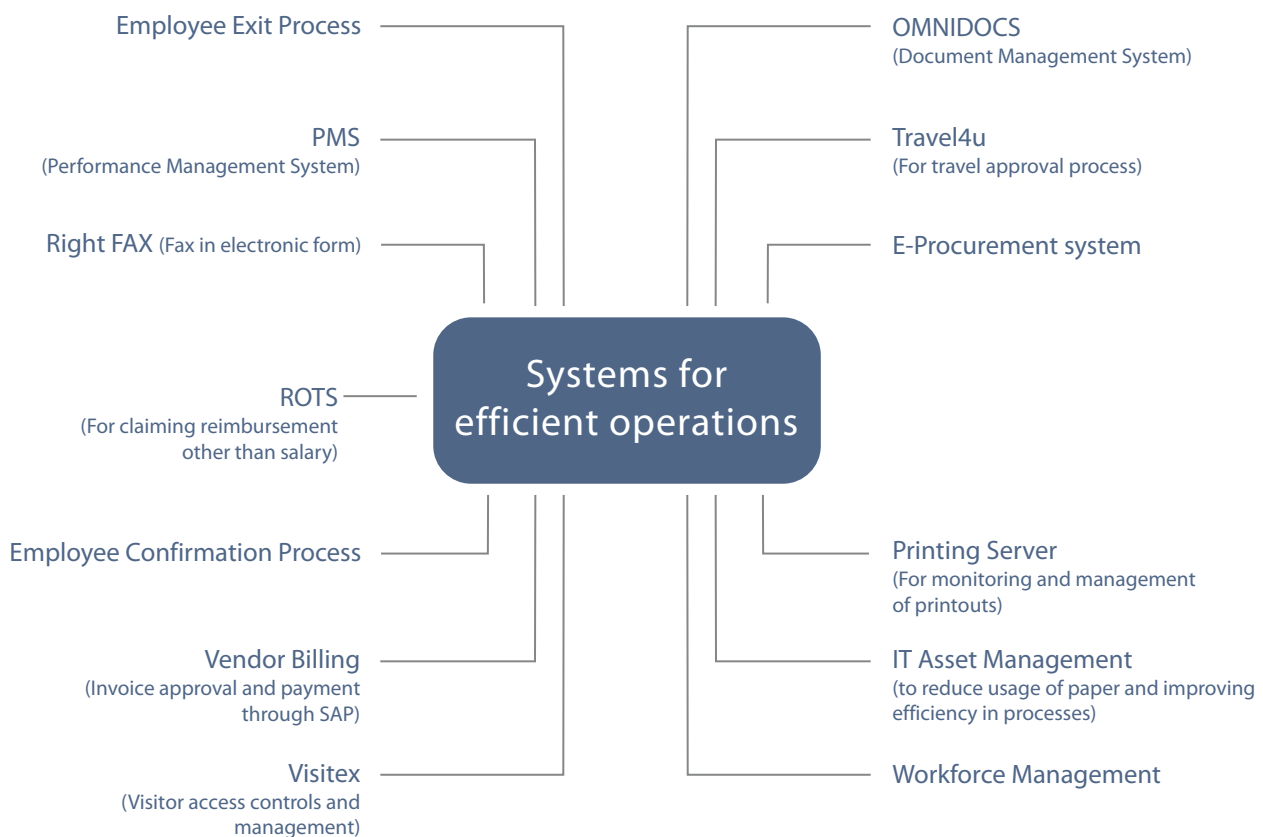
Type of waste	Unit	Quantity
Paper waste	MT	4.68
Waste engine oil ⁽³⁷⁾	KL	0.43
Used batteries	Numbers	34

(35) This includes estimated ground water consumption | (36) Paper consumption increased in 2011-12 on account of higher volumes of printing for our IPO.
(37) Our vendor, duly approved by the Maharashtra Pollution Control Board, is responsible for the disposal of waste oil

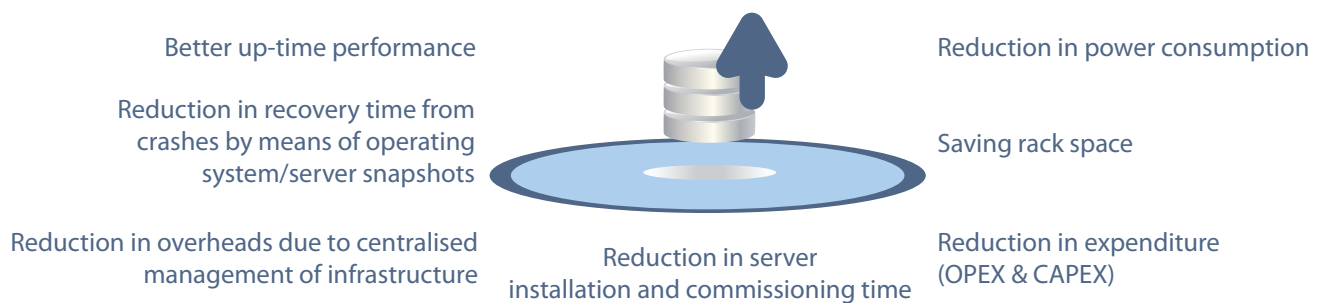
Efficient operations with the existing setup

With trade volumes increasing, it is essential for us to plan in advance for additional IT system requirements. We are working on a plan to maximise the use of existing hardware by up-grading our trading software. With the objective of minimising additional power consumption and saving on additional rack space required for more servers, we plan to deploy a new version of the software with significantly higher order handling capacity.

During the year, we also implemented a few systems with an aim to improve the overall trading efficiency by embedding technology in day-to-day processes and eliminating manual intervention. These include HireTrack (our online recruitment process), EOD/ SOD⁽³⁸⁾ (daily activities related to trading systems and network), Change Management Requirement (CMR - for managing IT infrastructure changes) and Problem Management (for incident management related to IT infrastructure).



Virtualisation benefits of greening our data centre



⁽³⁸⁾ SOD - start of day, EOD - end of day

PERFORMANCE SCORECARD

ECONOMIC PERFORMANCE

PERFORMANCE PARAMETER		FY 2009-10	FY 2010-11	FY 2011-12
ECONOMIC VALUE GENERATED AND DISTRIBUTED		<i>Units: Million INR</i>		
Economic value generated	Revenues	4937.64	4472.87	6289.07
Economic value distributed				
	Operating costs ⁽³⁹⁾	1435.37	1704.02	1839.17
	Employee benefits and wages	217.50	264.31	279.85
	Payment to providers of capital	203.99	254.99	1223.96
	Payment to the Government (Taxes) ⁽⁴⁰⁾	1057.53	767.90	1296.59
	Financial assistance received from the Government	0.00	0.00	0.00
	Community expenditure	52.35	49.74	67.75
Economic value retained ⁽⁴¹⁾		1970.90	1431.91	1581.75
EXPENDITURES ON OUR DEFINED BENEFIT OBLIGATIONS				
	PF contribution for employees	8.62	10.12	10.27
	Gratuity contribution for employees	2.07	5.57	7.36

EMPLOYEE PRACTICES

PERFORMANCE PARAMETER		FY 2009-10	FY 2010-11	FY 2011-12
WORKFORCE		<i>Units : Numbers</i>		
Total workforce by type ⁽⁴²⁾				
	Senior management (Vice President and above)	25	21	23
	Middle management (Asst. Manager to Asst. Vice President)	94	99	96
	Junior management (Executive & Sr. Executive)	119	117	107
	Trainees	3	2	5
	Probationary officers	16	17	n/a
	Workers	5	6	5
	Consultants	7	5	n/a
	Contract workers	14	15	n/a
Total workforce age-wise				
	Less than 30 years	111	91	86
	30-50 years	159	177	140
	More than 50 years	13	14	10
Total workforce gender-wise				
	Male	217	223	184
	Female	66	59	52

(39) Has been restated from 2008-09 to correct data representation anomalies in lieu of incorrect accounting under this head | (40) Has been restated for the last four years to include IT, FBT, wealth tax, dividend tax and deferred tax | (41) Has been restated from 2007-08 onwards post updation of calculation methodology based on restated operating costs | (42) Data for the current reporting year includes 'on roll' employees only, and does not include count of contractual staff and consultants. Probationary officers have been included under the classification of senior, middle and junior management employees from this year onwards.

PERFORMANCE SCORECARD

EMPLOYEE PRACTICES...continued

PERFORMANCE PARAMETER	FY 2009-10	FY 2010-11	FY 2011-12
EMPLOYEE TURNOVER⁽⁴³⁾	<i>Units : Numbers</i>		
Total	38	52	37
Senior management	0	4	1
Middle management	20	20	4
Junior management	17	28	32
Workers	1	0	0
Employee turnover by age			
Less than 30 years	19	23	24
30-50 years	19	29	13
More than 50 years	0	0	0
Employee turnover by gender			
Male	22	31	26
Female	16	21	11
EQUAL OPPORTUNITY	<i>Units : Ratio of basic salary of male to female</i>		
Senior management ⁽⁴⁴⁾	1.17	1.23	1.15
Middle management	0.91	1.01	1.03
Junior management	1	0.99	0.99
TRAINING AND DEVELOPMENT (TOTAL)	<i>Units : Man-hours</i>		
Total	1667.0	847.0	2047.0
Senior management	24.0	22.0	25.5
Middle management	562.2	162.5	788.0
Junior management	1006.5	647.5	1092.0
Trainees	74.0	15.0	141.0
TRAINING AND DEVELOPMENT Average in 2011-12	Male	Female	Total
Senior management	1.11	0	1.11
Middle management	6.18	15.90	8.21
Junior management	8.96	13.40	10.21

(43) 10 Transfers to other Financial Technologies Group companies from MCX have not been included in turnover figures. During the year there were a total of 45 new joiners (including trainees) out of which 9 had left during the same year (2 of the 7 were females and 5 out of the 7 were trainees) (44) During the reporting period, one female employee from the senior management left the organisation on January 30, 2012. The corresponding figure includes the said employee's salary on a pro-rata basis.

PERFORMANCE SCORECARD

ENVIRONMENTAL PERFORMANCE⁽⁴⁵⁾

PERFORMANCE PARAMETER	FY 2009-10	FY 2010-11	FY 2011-12
MATERIAL			<i>Units : MT</i>
Paper consumption	4.07	2.53	2.89
ENERGY			<i>Units : GJ</i>
Electricity consumption	11410.1	13388.50	12504.98
Diesel for DG sets	81.78	150.44	215.98
WATER CONSUMPTION			<i>Units : KL</i>
Ground water ⁽⁴⁶⁾	5184	5256	5112
Municipal water	8812	5618	3944
Tanker water	2230	4580	4380
GHG EMISSIONS			<i>Units : tCO₂e</i>
Direct emissions (Scope – I)	6.06	11.15	16.00
Indirect emissions (Scope – II) ⁽⁴⁷⁾	2665.21	3049.60	2848.36
Business travel emissions ⁽⁴⁸⁾	50.66	65.97	76.80
ENVIRONMENTAL EXPENDITURE			<i>Units : INR Thousand</i>
Expenditure ⁽⁴⁹⁾	--	50.74	46

PROCUREMENT

PERFORMANCE PARAMETER	FY 2009-10	FY 2010-11	FY 2011-12
LOCAL SUPPLIER DEVELOPMENT⁽⁵⁰⁾			<i>Units : Million INR</i>
Total goods & supplies – national	162.88	147.35	156.29
Total goods & supplies – international	1.23	0.15	0.00
Total goods & supplies	164.11	147.50	156.29

(45) Environmental performance data includes Exchange Square office and our data centre at Vashi. However, paper and water consumption at Vashi are insignificant and have not been included in performance data | (46) As estimated | (47) Electricity for our Exchange Square premises is sourced from the NEWNE grid, the emission factor for which is 0.82 tCO₂e/MWh (Source – Central Electricity Authority (CEA)). | (48) GHG emissions from business air travel for 2010-11 have been restated on account of data reconciliation and standardization of calculation mechanism using World Resources Institute GHG Protocol | (49) Environmental expenditure is towards EMS certification at Exchange Square. We plan to assess and include all other relevant aspects of spending towards environment conservation such as green IT procurement from next time.

(50) Local is defined as within India. The expenditure includes both operational and capital expenditure.



Deloitte Touche Tohmatsu
India Private Limited
7th Floor, Building 10, Tower B
DLF Cyber City Complex
DLF City Phase-II
Gurgaon - 122 002, Haryana
India

Tel : + 91 (124) 679 2000
Fax : + 91 (124) 679 2012
www.deloitte.com

INDEPENDENT ASSURANCE STATEMENT ON SUSTAINABILITY REPORT, TITLED "Sustainability Report 2011-12" FOR THE REPORTING PERIOD OF FINANCIAL YEAR 2011-2012

The Board of Directors
Multi Commodity Exchange of India Limited
Exchange Square,
Suren Road, Chakala, Andheri (East),
Mumbai – 400093 (Maharashtra)

The Assurance Engagement

We have been requested by the Management of Multi Commodity Exchange of India Ltd ("the Company"), to provide Independent Assurance Statement by reviewing the environmental and social related Sustainability Performance Indicators (herein the "SPIs"). We have been informed by the Company that they have followed the "G3.1 Sustainability Reporting Guidelines" issued by the Global Reporting Initiative™ ("the GRI") Guidelines, for the preparation of the Sustainability Report, titled "Sustainability Report 2011-12" ("the Report"), prepared by the Company for the Indian Financial Year 2011-12.

This statement is made solely to the Company, in accordance with our terms of engagement. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in this statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company for our work, or for the conclusions we have formed for the review carried out by us.

Responsibility of the Company

The Company is responsible for the identification and presentation of information in the Report including the responsibility for establishing and maintaining relevant and appropriate performance management systems and internal control framework to facilitate collection, calculation, aggregation and validation of the data with respect to the GRI G3.1 Guidelines based SPIs, included in the Report.

The Scope of Work

Our Scope of Work, as agreed with the Company, was to perform a limited review of the SPIs of India specific operations of the Company, reported in numerical figures, specific only to the Indian Financial Year 2011-12 and then to conclude, based on our review, whether the reviewed SPIs are in accordance with the evidences and information produced by the Company, followed by submission of an Assurance Statement as per the International Standard on Assurance Engagements ("the ISAE") 3000, issued by the International Federation of Accountants ("the IFAC") and AccountAbility's Assurance Standard AA 1000 AS (2008).

Our Approach and Methodology

Our work comprised of the following:

- We performed the assurance engagement in accordance with the following:
 - ✓ Limited assurance engagement as per the International Standard on Assurance Engagements ("the ISAE") 3000
 - ✓ Type 2 Moderate level assurance engagement as per the AccountAbility's Assurance Standard AA 1000 AS (2008)
- We conducted sample tests of data from the books and records of the Company and analytical procedures and discussions with the management of the Company, to the extent we considered necessary and appropriate to provide sufficient evidence for our conclusion

The Company's description or reporting of data pertaining to market share assessment; opinion; beliefs; aims; predictions; planned interventions; expectations; approximations; any comparison in any form of performance related to any of the SPIs of Indian Financial Year 2011-12 with the SPIs of other Financial Years; design standards or features or technical assessment of the capacity, efficiency and efficacy of the technologies or utilities of the Company; and national and global statistics are beyond the scope of our review. We understand that the Company's description pertaining to the economic performance indicators included in the report have been derived from the Company's audited financial records.



For the purpose of the assurance engagement exercise we visited MCX head office in Mumbai, India (the primary location of its centralized exchange operations by virtue of its business being an IT-driven commodity futures exchange) and Gramin Suvidha Kendra (GSK) site in Gujarat as a sample site.

Our Conclusions

We believe our work provides an appropriate basis for our conclusion, which are as mentioned below:

- **Inclusivity**
As per the information provided by the Company we are not aware of any matter that would lead us to conclude that the Company has not applied the inclusivity principle, for its key stakeholder groups.
- **Materiality**
Based on the work done by us and the documents and records of the Company that were made available to us and examined by us, as aforesaid and according to the information and explanations provided to us, nothing has come to our attention that causes us to believe that the data of the SPIs for the aforesaid reporting period is materially misstated, in relation to the books and records of the Company or that the Company has not adopted a mechanism to identify issues that could be material to it.
- **Responsiveness**
The Company has demonstrated its commitment to understand and respond to the concerns of its key stakeholders, as evident from the Stakeholder Consultation Engagement mechanisms undertaken by the Company.

The Company has reported its SPIs as per the G3.1 guidelines and reporting indicators published by the Global Reporting Initiative (GRI).

Our Key Observation

The Company needs to improve its measurement system with respect to ground water withdrawal and strengthen its system for monitoring compliance on management of hazardous waste. The Company has initiated actions on the same.

Our Independence and Competence in Providing Assurance

Our team consisted of professionals having substantial experience in providing assurance in sustainability reports. We have complied with Deloitte's independence policies, which address the requirements of the IFAC Code of Ethics for Professional Accountants in the role as independent auditors. We also confirm that we have maintained our independence in the Report and there were no events or prohibited services related to the Assurance Engagement which could impair our independence.

Rajat Banerji

Senior Director

Dated: April 9, 2013



AA1000
Licensed Assurance Provider
000-104

GRI CONTENT INDEX

STANDARD DISCLOSURES PART I: PROFILE DISCLOSURES				
PROFILE	DESCRIPTION	PAGE*	EXTENT OF REPORTING	EXPLANATION
1. STRATEGY AND ANALYSIS				
1.1	Statement from the most senior decision-maker of the organisation	SR: 3, 4	Full	
1.2	Description of key impacts, risks, and opportunities	SR: 9-12,17,18, 20 AR: 68, 72, 73	Full	Key impacts, risks and opportunities have been detailed in relevant sections.
2. ORGANISATIONAL PROFILE				
2.1	Name of the organisation	Cover page	Full	
2.2	Primary brands, products, and/or services	SR: 5	Full	Details of our complete product portfolio are available on our website: http://www.mcxindia.com/home.aspx .
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures	SR: 7, 8	Full	
2.4	Location of organisation's headquarters		Full	Exchange Square, Suren Road, Chakala, Andheri (E), Mumbai – 93, Maharashtra, India
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	SR: 5-8	Full	
2.6	Nature of ownership and legal form	AR: 86	Full	
2.7	Markets served	SR: 5, 8	Full	Details on beneficiaries are addressed in relevant sections of the report.
2.8	Scale of the reporting organisation	SR: 5, 6, 7, 21, 53	Full	
2.9	Significant changes during the reporting period regarding size, structure, or ownership	SR: 3, 5 AR: 86	Full	
2.10	Awards received in the reporting period	SR: 6	Full	
3. REPORT PARAMETERS				
3.1	Reporting period for information provided	SR: 1	Full	
3.2	Date of most recent previous report		Full	Our previous report was published for the FY 2010-11. It can be accessed at: http://sustainability.mcxindia.com/
3.3	Reporting cycle		Full	Reporting cycle is annual.
3.4	Contact point for questions regarding the report or its content	SR: 1	Full	
3.5	Process for defining report content	SR: 1, 9	Full	
3.6	Boundary of the report See GRI Boundary Protocol for further guidance	SR: 1	Full	
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope)	SR: 1	Full	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	SR: 1	Full	
3.9	Data measurement techniques and the basis of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from the GRI Indicator Protocols	SR: 53-55	Full	Relevant explanations have been provided in the individual section where necessary.

PROFILE	DESCRIPTION	PAGE*	EXTENT OF REPORTING	EXPLANATION
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statements	SR: 53-55	Full	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report		Full	None
3.12	Table identifying the location of the Standard Disclosures in the report	SR: 58-66	Full	
3.13	Policy and current practice with regard to seeking external assurance for the report	SR: 1	Full	
4.	GOVERNANCE, COMMITMENTS AND ENGAGEMENT			
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	SR: 15,16 AR: 77 - 82	Full	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	SR: 15	Full	
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	SR: 15,16	Full	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	SR:15-17 AR: 81	Full	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)	AR: 81	Full	We have a Remuneration Committee which takes decisions on remuneration of the senior management based on their performance and the performance of the firm as a whole.
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	SR: 17 AR: 79	Full	For details on the Code of Conduct please visit our website http://www.mcxindia.com/aboutus/codeofconduct/codeofconduct.htm .
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics	SR: 15, 17 AR: 77	Full	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	SR: 6, 10-13, 17	Full	Details on our Environmental Policy and E-waste Policy are available at: http://greenexchange.mcxindia.com/initiatives/initiatives.html For details on the Code of Conduct please visit our website http://www.mcxindia.com/aboutus/codeofconduct/codeofconduct.htm
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	SR:15-17	Full	Additionally, all members have to affirm compliance by filling in an Annual Compliance Report at: http://www.mcxindia.com/membership/compliances/AnnualSubmissions.htm
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	SR: 15	Full	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation		Full	Precautionary Principles are implicit in our vision, process, initiatives and actions
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	SR: 10, 33, 67	Full	
4.13	Memberships in associations and/or national/international advocacy organisations in which the organisation: <ul style="list-style-type: none"> • Has positions in governance bodies • Participates in projects or committees 			

PROFILE	DESCRIPTION	PAGE*	EXTENT OF REPORTING	EXPLANATION
	<ul style="list-style-type: none"> Provides substantive funding beyond routine membership dues or Views membership as strategic 	SR: 18	Full	
4.14	List of stakeholder groups engaged by the organisation	SR: 43, 44	Full	
4.15	Basis for identification and selection of stakeholders with whom to engage	SR: 43	Full	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	SR: 43-46, 47	Full	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, through its reporting	SR: 9-13, 44-47	Full	
STANDARD DISCLOSURES: PART II				
DISCLOSURE OF MANAGEMENT APPROACH				
DMA EC	Disclosure on Management Approach EC	SR: 19	Full	
DMA EN	Disclosure on Management Approach EN	SR: 49	Full	
DMA LA	Disclosure on Management Approach LA	SR: 29	Full	
DMA HR	Disclosure on Management Approach HR	SR: 33	Full	
DMA SO	Disclosure on Management Approach SO	SR: 13,3 7	Full	
DMA PR	Disclosure on Management Approach PR	SR: 24-26	Full	
DMA FSSS	Disclosure on Management Approach FSSS	SR: 24, 25, 37, 49	Full	
STANDARD DISCLOSURES PART III: Performance Indicators				
ECONOMIC PARAMETERS				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	SR: 21, 53	Full	
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	SR: 49	Full	
EC3	Coverage of the organisation's defined benefit plan obligations	SR: 29,53 AR: 131	Full	
EC4	Significant financial assistance received from government		Full	We have not received any significant financial assistance from the government.
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation		Full	We abide by all national regulations of wage payments and pay equal to or above minimum wage requirements. There is no discrimination between men and women in any respect, including wages paid.
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	SR: 55	Full	We do not have any specific policy for local procurement because we prefer to procure goods purely on the basis of their quality and cost competitiveness.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation		Full	Recruitment currently is based purely on merit. While we do prefer to hire persons from the local community, we do not have a defined policy to that effect.
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	SR: 53	Full	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	SR: 22, 23, 26,3 7-41	Full	
ENVIRONMENTAL PARAMETERS				
EN1	Materials used by weight or volume	SR: 51, 55	Full	
EN2	Percentage of materials used that are recycled input materials		Full	Currently, we do not procure recycled input materials.

PROFILE	DESCRIPTION	PAGE*	EXTENT OF REPORTING	EXPLANATION
EN3	Direct energy consumption by primary energy source	SR: 49,50,55	Full	
EN4	Indirect energy consumption by primary source	SR: 50,55	Full	
EN5	Energy saved due to conservation and efficiency improvements	SR: 50	Full	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives		Full	Currently, we do not trade in energy-efficient or renewable energy based products.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	SR: 50	Full	
EN8	Total water withdrawal by source	SR: 51,55	Full	
EN9	Water sources significantly affected by withdrawal of water		Full	None of our water sources are significantly affected by our withdrawals.
EN10	Percentage and total volume of water recycled and reused	SR: 51	Full	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Full	None of our operations are located close to protected or reserved areas.
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		Not applicable	
EN13	Habitats protected or restored		Not applicable	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity		Not applicable	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk		Not applicable	
EN16	Total direct and indirect greenhouse gas emissions by weight	SR: 50,55	Full	
EN17	Other relevant indirect greenhouse gas emissions by weight	SR: 50,55	Full	We have reported the GHG emissions on account of business air travel by our employees.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved		Not reported	Currently we do not have a process to track the reduction in GHG emissions achieved.
EN19	Emissions of ozone-depleting substances by weight		Not reported	The only source of emissions of ODS from our operations is through air conditioning system and is currently not captured due to its insignificant quantity.
EN20	NO _x , SO _x , and other significant air emissions by type and weight		Full	The only source of air emissions from our operations are our DG sets which we use primarily as a power backup. During the year, the DG sets were run primarily for testing and hence the emissions arising are not monitored.
EN21	Total water discharge by quality and destination		Full	The nature of our operations is such that they are not water intensive. We discharge only wastewater used for domestic purposes. Owing to its negligible quantity, we do not monitor wastewater.
EN22	Total weight of waste by type and disposal method	SR: 51	Full	
EN23	Total number and volume of significant spills		Full	There were no significant spills (spills greater than 159 litres in a single occurrence of an incident) as a result of our operations in the reporting period.
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally		Full	We do not import or export any waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII.
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats		Full	No water body or habitat is significantly affected by our water discharge or runoff.

PROFILE	DESCRIPTION	PAGE*	EXTENT OF REPORTING	EXPLANATION
	significantly affected by the reporting organisation's discharges of water and runoff			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation		Full	Not Applicable
EN27	Percentage of products sold and their packaging materials that are reclaimed by category		Full	The nature of our products is such that they do not require any packaging.
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		Full	No instances of non-compliance have been reported during the reporting period.
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	SR: 50,55	Full	Our products and services do not require any transportation
EN30	Total environmental protection expenditures and investments by type	SR: 55	Full	
LABOUR PARAMETERS				
LA1	Total workforce by employment type, employment contract, and region	SR: 29,53	Full	
LA2	Total number and rate of employee turnover by age group, gender, and region	SR: 29,54	Full	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	SR: 29 AR: 97,131	Full	
LA4	Percentage of employees covered by collective bargaining agreements		Full	Currently, no employee is covered by collective bargaining agreements.
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements		Full	Given that we are not a manufacturing industry, we do not have any significant operational changes that need to be notified in advance to our workforce.
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes		Not reported	We do not have any joint management – worker health and safety committees that help monitor and advise on occupational health and safety programmes.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region		Full	There have been no injuries or fatalities during the reporting period.
LA8	Education, training, counseling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	SR: 32,42	Full	
LA9	Health and safety topics covered in formal agreements with trade unions		Not Applicable	
LA10	Average hours of training per year per employee by employee category	SR: 31,54	Full	
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	SR: 31,32,54	Full	
LA12	Percentage of employees receiving regular performance and career development reviews	SR: 30	Full	100%. During the year a total of 219 employees were eligible for receiving performance feedback and all of them received the same.
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	SR: 15,16 AR: 77-82	Full	
LA14	Ratio of basic salary of men to women by employee category	SR: 30		
LA 15	Return to work and retention rates after parental leave, by gender		Full	Five employees availed maternity leave in FY 2010-11 and all of them have continued to work with us for at least one year.

PROFILE	DESCRIPTION	PAGE*	EXTENT OF REPORTING	EXPLANATION
HUMAN RIGHTS PARAMETERS				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening		Full	All our investment agreements and contracts mandate adherence to the all the laws of the land, including those on human rights.
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken		Full	Our contract workforce is screened on a daily basis to ensure that no child labour is used in our operations. We do not have a structured programme for this. We are in process of formalising in 2013 an integrated Sustainability & Inclusion policy framework that incorporates a systemic approach.
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained		Full	While we do not have any specific training on human rights clauses, we act in accordance with all laws of the land, including those on human rights. We are in process of formalising in 2013 an integrated Sustainability & Inclusion policy framework that incorporates a systemic approach.
HR4	Total number of incidents of discrimination and actions taken	SR: 33	Full	There were no reported cases of discrimination in FY 2011-12.
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights		Full	We do not have any operations where the right to exercise freedom of association and collective bargaining agreement will be at risk
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	SR: 33	Full	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	SR: 33	Full	
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	SR: 33	Full	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken		Not Applicable	
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments		Full	As part of our Human Resource function, we ensure that we are compliant to all laws of the land, including those on human rights. We have not undertaken a formal human rights review of our operations so far. We are in process of formalising in 2013 an integrated Sustainability & Inclusion policy framework that incorporates a systemic approach.
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms		Full	There have no grievances filed related to human rights in the reporting period
SOCIETAL PARAMETERS				
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	SR: 37-42	Full	In terms of the impact of our products and services, our operations can be classified broadly under the domains of agricultural and non-agricultural commodities. Agricultural commodity trading comprises around 1% of our business and the balance is non-agri trading. Our engagement activities with local communities under these two domains can be accessed in the 'Policy environment and market development' sections of the report (for all commodities) and the 'Social inclusion' section (for agricultural commodities).
SO2	Percentage and total number of business units analysed for risks related to corruption	SR:15-17	Full	We have a Vigilance Committee to check, inspect, and to monitor / prevent / thwart any attempt by participants to manipulate / distort prices and/or to indulge in trading

PROFILE	DESCRIPTION	PAGE*	EXTENT OF REPORTING	EXPLANATION
				malpractices. Our business units are audited by third parties on various parameters including business risks related to corruption.
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures		Full	MCX has in place a Code of Ethics that is applicable to all employees. All employees affirm compliance of Code of Ethics at the time of joining the company.
SO4	Actions taken in response to incidents of corruption		Full	Actions are taken in response to corruption as per the discretion of the Vigilance Committee. In FY 2011 – 12, there were no reported incidents related to corruption.
SO5	Public policy positions and participation in public policy development and lobbying	SR: 18,26,28	Full	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country		Full	We have not made any financial contribution to any political party or politician in the reporting period.
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes		Full	There have been no legal actions against us for anti-competitive behaviour, anti-trust, and monopoly practices in the reporting period.
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		Full	We have not had any fines imposed on us for non-compliance with laws and regulations in the reporting period.
SO9	Operations with significant potential or actual negative impacts on local communities		Full	During our community engagement programmes and assessments, we have not witnessed any negative impacts on the community due to our presence in the area.
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities		Not Applicable	
PRODUCT RESPONSIBILITY PARAMETERS				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures		Full	Our products and services do not have material life cycle health and safety impacts.
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes		Not applicable	
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements		Full	We disclose the information about our products and services as per applicable laws and FMC regulations.
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes		Full	There have been no incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	SR: 47	Full	
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	SR: 18	Full	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes		Full	There have been no incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship in FY 2011-12.
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	SR: 34,35	Full	There have been no substantiated complaints regarding breaches of customer privacy and losses of customer data.
PR9	Monetary value of significant fines for non-compliance with laws and regulations		Full	We have not had any fines imposed on us for non compliance with laws regarding use of

PROFILE	DESCRIPTION	PAGE*	EXTENT OF REPORTING	EXPLANATION
	concerning the provision and use of products and services			our services
FINANCIAL SERVICES SECTOR SUPPLEMENT PARAMETERS				
FS1	Policies with specific environmental and social components applied to business lines		Full	We have policies with respect to environment, e – waste, health and safety, employee volunteerism, HIV/AIDS and CSO policy that are applied to business lines. For details on our policies, kindly refer to our website on http://www.mcxindia.com/csr/csrpolicy/csrpolicy.htm We are in process of formalising in 2013 an integrated Sustainability & Inclusion policy framework that incorporates a systemic approach to social and environmental issues.
FS2	Procedures for assessing and screening environmental and social risks in business lines	SR: 39,49	Partial	We do not have a formal policy and process to screen environmental and social risks for our products. However, we undertake studies, both in-house and with premier research organisations to understand socio-economic implications of our products (exchange contracts). We are in process of formalising in 2013 an integrated Sustainability & Inclusion policy framework.
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions		Not Applicable	This performance indicator is not applicable to us, given that we are a commodity exchange and by virtue of the same our transactions do not demand adherence to any specific environmental and social clauses from clients.
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines		Full	There is regular interaction between the CSO team and business functions through the process of IO certification audit meetings and sustainability report preparation. We are in process of formalising in 2013 an integrated Sustainability & Inclusion policy framework that incorporates a systemic approach to social and environmental issues. This includes well-defined roles, responsibilities and internal capacity development.
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities		Full	We have initiated interactions with our members and business partners on environment and social risks and opportunities. While social aspects are already embedded into our business development in the form of inclusive market design and initiatives, we will seek to include environmental issues wherever relevant, based on our proposed Sustainability & Inclusion framework.
FS6	Percentage of the portfolio for business lines by specific region, size and by sector	SR:5 AR: 28-29	Full	All our business operations are in India. For details on our products, please refer to the product section of our website www.mcxindia.com
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	SR: 37,38,39 AR: 15	Full	
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose		Full	Our exchange used to provide a platform for trading on Certified Emissions Reductions (till Nov.2011) and Carbon Financial Instrument (till Dec. 2011). However due to the state of this market worldwide, the products saw little participation. Subject to policy and regulatory permissions, we intend to launch products designed to deliver specific environmental benefits. Our research team is working on developing such products.
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures		Not Reported	As we currently do not have a formal ESG policy for our products and services, there is no audit on this aspect, although we have social inclusion as a practice in product and market development.

PROFILE	DESCRIPTION	PAGE*	EXTENT OF REPORTING	EXPLANATION
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues		Not applicable	This indicator is not applicable to us as we are a commodity exchange.
FS11	Percentage of assets subject to positive and negative environmental or social screening		Not applicable	We are a commodity exchange and do not have any asset management operations.
FS12	Voting policy(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting		Not applicable	We are a commodity exchange and do not have any asset management operations.
FS13	Access points in low-populated or economically disadvantaged areas by type	SR: 37-41	Full	We have 38 Gramin Suvidha Kendra centres in rural India focused on inclusion of farmers in the benefits from commodity trading ecosystems.
FS14	Initiatives to improve access to financial services	SR: 13,37	Full	We do this through the Gramin Suvidha Kendra initiative. We also for disadvantaged people disseminate information in some local languages.
FS15	Policies for the fair design and sale of financial products and services	SR: 24,25	Full	We have a regular system for stakeholder engagement for fair design of contracts. We have designed mini and micro contracts for trading in various commodities to enable the participation of small customers and investors. We have issued a compliance guide to all our members and the same can be accessed at http://www.mcxindia.com/membership/complianceguide/complianceguide.htm .
FS16	Initiatives to enhance financial literacy by type of beneficiary.	SR: 13,37	Full	We engage in regular awareness and training programmes on futures prices, trading and benefits.

***Legend:**

SR – Sustainability Report

AR – Annual Report (It can be accessed at: <http://www.mcxindia.com/IR/financials.htm>)

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A note on forward-looking statements:

Some statements in the report contain forward-looking indicators of our sustainability activities. These pertain to MCX's strategy, business plans and performance goals. By their nature, forward-looking indicators involve a certain degree of uncertainty as they depend on future scenarios and events that may not be within MCX's control or predicted. MCX does not undertake any obligation to update forward-looking statements to reflect subsequent events after the publication of this report.



Multi Commodity Exchange of India Limited

Exchange Square, Suren Road, Andheri (East), Mumbai 400 093, Tel: 022-6731 8888, www.mcxindia.com