

IDFC GLOBAL COMPACT COMMUNICATION ON PROGRESS

Company Name	IDFC	Date	June 15, 2010
Address	ITC Centre 760 Anna Salai Chennai India 600 042		
		Membership date	October 2003
Country	India	Number of employees	600+
Contact name	Anupam Srivastava		
Contact Position	Group Director - Corporate Social Responsibility	Sector	Financial Services
Contact telephone no.	+91-44-45644000	COP Number	2 nd COP - 2010

Brief description of nature of business

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

As on March 31, 2010, IDFC had a consolidated balance sheet size of Rs. 33,562 crore (about US\$7.47 billion¹), a net worth of Rs 7,010 crore (about US\$1.56 billion) and a capital adequacy ratio (CAR) of 21.20% (of which Tier I – 18.05%). In FY10, it earned an Operating Income of Rs. 2,107 crore (about \$469 million) and profits after tax of Rs. 1,062 crore (about \$236 million).

Further details of our business are available at www.idfc.com


CEO's Statement of Support

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

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

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

¹ Exchange rate used: Rs.44.94 per US dollar

Managing Director & Chief Executive Officer	Rajiv B. Lall	[Signature]
		

Existing Information Sources on Corporate Responsibility in IDFC
IDFC does not report externally on its Corporate Responsibility activities (other than on corporate governance related issues which are included in its annual report, available at www.idfc.com).

HUMAN RIGHTS	<p>PRINCIPLE 1: BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS</p> <p>PRINCIPLE 2: BUSINESSES SHOULD MAKE SURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES</p>
	<ul style="list-style-type: none"> ❖ We are fully committed to respecting and supporting fundamental human rights as envisioned in the Universal Declaration of Human Rights and as enshrined in the Constitution of India. ❖ Our HR Policies provide for, support and encourage equal opportunities, good employment practices, professional behaviour and respectful treatment of all employees, open door policy and no tolerance for harassment. They specifically include the following: <ul style="list-style-type: none"> ❖ Equal Opportunity & Diversity Policy: We are committed to promoting and valuing diversity in all areas of recruitment, employment, training and promotion. We are committed to ensuring that all our employees can develop to their full potential, irrespective of race, gender, marital status, sexual orientation, disability, age, political opinion, religion and belief, ethnic or national origin. ❖ Anti Harassment Policy: We are committed to providing a working environment free from all forms of harassment including sexual harassment or harassment based on race, colour, religion, national origin, age, disability or gender. Complaints of sexual harassment are treated as confidential and the Redressal Committee is headed by a woman with at least half the members being women. ❖ Global Compact Principles: Our Employees' Handbook of HR Policies prominently mentions that we are a signatory to the Global Compact and are committed to its principles, which are also listed therein. ❖ Our Environment & Social Policy provides for the assessment and mitigation of the (environmental and) social impact of the projects financed by us including the protection of human rights of contract labour and project affected people (PAPs). Our investment agreements require our investee companies to comply with the laws of the land which include protection of human rights. <p><i>Action plan for FY11</i></p> <ul style="list-style-type: none"> ❖ Code of Responsible Business Conduct for Suppliers to be adopted & implemented ❖ Tracking and Reporting of Human Rights violations
LABOUR	<p>PRINCIPLE 3: BUSINESSES SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING</p> <p>PRINCIPLE 4: BUSINESSES SHOULD SUPPORT THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR</p> <p>PRINCIPLE 5: BUSINESSES SHOULD SUPPORT THE EFFECTIVE ABOLITION OF CHILD LABOUR</p> <p>PRINCIPLE 6: BUSINESSES SHOULD SUPPORT THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION</p>
	<ul style="list-style-type: none"> ❖ IDFC being a knowledge-driven organisation employs highly-skilled human resources which typically cannot be classified as labour. IDFC's support services such as data processing, security and house-keeping are outsourced to licensed entities. ❖ We are fully committed to respecting and supporting fundamental human rights as envisioned in the Universal Declaration of Human Rights and as enshrined in the Constitution of India and further in the various labour laws of India, which include abolition of child and forced labour. ❖ We are fully committed to following non-discriminatory practices in all areas of recruitment, employment, training and promotion. Our Equal Opportunity & Diversity Policy commits us to promoting and valuing diversity in all areas of recruitment, employment, training and promotion, and to ensuring that all our employees can develop to their full potential, irrespective of race, gender, marital status, sexual orientation, disability, age, political opinion, religion and belief, ethnic or national origin. ❖ We have formulated and are in the process of adopting a Code of Responsible Business Conduct for Major Suppliers which would apply to all our major outsourced services and other suppliers. This Code outlines our expectations on ethical and sustainable business practices from our major suppliers and

<p>includes representations & warranties from them on strictly prohibiting and not being complicit in any form of child labour or forced/ compulsory labour.</p> <ul style="list-style-type: none"> ❖ Our Environment & Social Policy provides for the assessment and mitigation of the (environmental and) social impact of the projects financed by us including the protection of human rights of contract or other labour. Our investment agreements require our investee companies to comply with the laws of the land which include prohibition of child and forced labour. <p><i>Action plan for FY11</i></p> <ul style="list-style-type: none"> ❖ Code of Responsible Business Conduct for Suppliers to be adopted & implemented ❖ Tracking and Reporting of Labour violations 	
ENVIRONMENT	<p>PRINCIPLE 7: BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES</p> <p>PRINCIPLE 8: BUSINESSES SHOULD UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY</p> <p>PRINCIPLE 9: BUSINESSES SHOULD ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES</p>
<ul style="list-style-type: none"> ❖ We are committed to following a precautionary approach to environmental challenges. As a financial intermediary, we are aware that our indirect impact on the environment through our investment decisions is far greater than our direct impact. ❖ Our Environment & Social Policy reflects our deep commitment to the environment. It provides for the assessment and mitigation of the environmental (and social) impact of the projects financed by us, and we have a separate specialist Environment Management & Social Development Group to do this and to work with our clients on risk mitigation. ❖ As part of our Internal Environment Policy (IEP), we have adopted a number of practises aimed at resource efficiency and conservation, such as using only fluorescent lights/ CFLs/ LEDs, LCD monitors, Video Conferencing and use of virtual servers in our data centres. ❖ We are a Signatory Investor to the Carbon Disclosure Project (CDP), as well as a respondent to its annual survey on greenhouse gas (GHG) emissions. ❖ We have applied for, and are hopeful of obtaining, US Green Business Council's LEED Gold Certification (Commercial Interiors) for our new registered office in Chennai. We are also in the process of obtaining 3rd party certification for our main data centre as an "Energy-Efficient Data Centre". ❖ We view climate change as a significant risk but also as a major opportunity. We have invested in several clean energy businesses such as hydro-electric, wind, cogeneration and biomass power generation, wind turbine manufacture, solar photovoltaic modules manufacture and carbon credit advisory services. IDFC Private Equity is currently India's largest clean-tech infrastructure investor. ❖ We are India's first (and as yet only) signatory to the UN Principles for Responsible Investment (PRI), in the category "Investment Manager", in respect of our asset management businesses (private equity, project equity and fund-of-funds). <p><i>Action plan for FY11</i></p> <ul style="list-style-type: none"> ❖ Measuring IDFC's carbon footprint ❖ Developing a "green office" template to be used for all our new offices ❖ Increasing our "green" investments 	
ANTI-CORRUPTION	<p>PRINCIPLE 10: BUSINESSES SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY</p>
<ul style="list-style-type: none"> ❖ Integrity is a Core Value at IDFC. Our Code of Conduct for Employees mandates that they strictly follow ethical business practices which include confidentiality, compliance with law, acceptance of gifts, and no tolerance for bribery and corruption. The Code also deals with personal values, conflicts of interest, etc. ❖ Our investment agreements require our investee companies to comply with the laws of the land which prohibit bribery and extortion. Notwithstanding this, we have modified our standard investment 	

agreements to include specific representations & warranties w.r.t. non-practice of corruption, money laundering or financing of terrorism and compliance with labour laws.

- ❖ We have formulated an Anti Money Laundering and Know Your Customer Policy as part of corporate governance and risk management. We have a comprehensive Code for Prevention of Insider Trading. Our Whistleblower Policy provides for confidential and time-bound consideration of all references, free from fear of retaliation / victimization.

Action plan for FY11

- ❖ Tracking and Reporting of Anti-Corruption violations

How do you intend to make this COP available to your stakeholders?

- ❖ This Communication on Progress will be available on our website at www.idfc.com as well as on our intranet for the benefit of our employees.