BUSINESS RESPONSIBILITY REPORT

ANNEXURE 1

SECTION A GENERAL INFORMATION ABOUT THE COMPANY

1 Corporate Identity Number (CIN) of the Company
L65191TN1997PLC037415

2 Name of the Company
IDFC Limited

3 Registered address:
KRM Tower, 8th Floor, No. 1, Harrington Road, Chetpet, Chennai 600 031, Tamil Nadu.
TEL +91 (44) 4564 4000
FAX +91 (44) 4564 4022

4 Website
www.idfc.com

5 E-mail id
ketan.kulkarni@idfc.com

6 Financial Year reported
2015-16

7 Sector(s) that the Company is engaged in (industrial activity code-wise):
IDFC Limited holds a certificate of registration bearing no. B-07.00718 issued by the Reserve Bank of India (**"RBI"**) to carry on the activities of a Non-Banking Financial Company (**"NBFC"**) under Section 45 IA of RBI Act, 1934 in the category of Investment Company.

8 List three key products / services that the Company manufactures / provides (as in balance sheet)
IDFC provides services in the following domain through its subsidiaries:

- Banking Business including Investment Banking
- Project Finance
- Securities and Investment Research
- Alternative asset management: Private Equity, Real Estate Fund

- Infrastructure Debt Fund
- Public market assets management: Mutual Fund

9 Total number of locations where business activity is undertaken by the Company

a. Number of International Locations: IDFC Limited has no operations in International Locations. However, our group companies have offices at Mauritius, Singapore and USA.

b. Number of National Locations: IDFC Limited has 4 offices in India, located at Chennai, Mumbai, Delhi and Bengaluru. Our group companies have 127 offices / branches across the country.

10 Markets served by the Company:

Local / State / National / International

IDFC Limited serves national market only. Our subsidiaries serve international markets too (namely Mauritius, Singapore and USA).

SECTION B FINANCIAL DETAILS OF THE COMPANY

1 Paid up Capital (INR)

15,940,206,680

2 Total Turnover (INR)

45,628,039,611

3 Total loss after taxes (INR)

(11,621,412,442)

4 Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)

Please refer Annexure 5 of Boards Report

5 List of activities in which expenditure in 4 above has been incurred:

During the FY16, IDFC Foundation, the implementing agency of IDFC, worked extensively with various reputed NGOs on the major projects / programmes as detailed in Annexure 5 of Board's Report.

SECTION C OTHER DETAILS

1 Does the Company have any Subsidiary Company/ Companies? • YES

2 Do the Subsidiary Company/ Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)

BR initiatives of the parent company are also participated by the subsidiaries

3 Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%] • YES

There are various entities that IDFC does business which take part in our BR initiatives. Majority of our BR initiatives are driven through IDFC Foundation. We engage with our business associates, implementing partners / agencies / registered NGOs and also clients to carry out our BR related initiatives. Given the nature of our operations, we have a limited scope of such interventions but we continue to look for opportunities and conduct our operations responsibly. Entities participating in the Company's BR activities constitute more than 30-60%.

SECTION D BUSINESS RESPONSIBILITY REPORT

1 Details of Director/Directors responsible for BR

a. Details of the Director/Director responsible for implementation of the BR policy / policies

DIN Number: **004885534**

Name: **Mr. Vikram Limaye**

Designation: **Managing Director & CEO**

b. Details of the BR head

DIN Number: **N.A.**

Name: **Mr. Ketan Kulkarni**

Designation: **Company Secretary**

Telephone number: **022 4222 2000**

E-mail id: **ketan.kulkarni@idfc.com**

2 Principle-wise (as per NVGs) BR Policy / policies (see Table 1)

NOTE 1

- The 10 Principles of the United Nations Global Compact
- E&S Policy
- Equator Principles Financial institution
- Signatory to Equator Principles

NOTE 2

Web-link for the policy

P1 ETHICS, TRANSPARENCY & ACCOUNTABILITY ▪ YES

Code of Conduct: http://www.idfc.com/pdf/code_of_conduct.pdf

Whistle Blower policy: http://www.idfc.com/pdf/whistle_blower_policy.pdf

P2 SUSTAINABILITY IN LIFE CYCLE OF PRODUCT ▪ YES

E&S Policy: http://www.idfc.com/our-firm/environment_and_social_policy.htm

P3 EMPLOYEE WELL-BEING ▪ YES

All policies listed for this section are on our internal portal.

P4 STAKEHOLDER ENGAGEMENT ▪ PARTIAL

Fair Practices Code: http://www.idfc.com/pdf/fairPracticeCode.pdf

CSR Policy: http://www.idfc.com/pdf/csrpolicy.pdf
The web-link to Code of Conduct has been provided above;

P5 PROMOTION OF HUMAN RIGHTS ▪ YES

The Web-link for Whistle Blower Policy has been provided above; other policies are available on our internal portal.

P6 ENVIRONMENTAL PROTECTION ▪ YES

E&S Policy: http://www.idfc.com/our-firm/environment_and_social_policy.htm

P7 RESPONSIBLE PUBLIC POLICY ADVOCACY ▪ N.A.

P8 INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT ▪ YES

CSR Policy: http://www.idfc.com/pdf/csrpolicy.pdf

P9 CUSTOMER VALUE ▪ YES

Equator Principles: http://www.idfc.com/pop.html

3 Governance related to Business Responsibility

1. **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year**
   The Company reviews its BR performance annually.
2. **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently is it published?**
   The Company publishes BR Report Annually which is available on the website www.idfc.com/investor_relations/annual_report.htm

SECTION E

PRINCIPLE-WISE PERFORMANCE

PRINCIPLE 1

ETHICS, TRANSPARENCY & ACCOUNTABILITY

1 Does the policy relating to ethics, bribery and corruption cover only the Company? Yes / No. Does it extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?

IDFC has developed its Code of Conduct and Whistle Blower Policy which pertain to ethics, bribery and corruption. The Code of Conduct and the Whistle Blower policy are applicable to IDFC and our group companies. Furthermore, all our major suppliers are also required to agree to conform to the Code of Responsible Business Conduct (which covers ethical business practices) for the duration of their contract with IDFC.

2 How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?

There were no stakeholder complaints received in the reporting period with regard to ethics, bribery and corruption.

PRINCIPLE 2

SUSTAINABILITY IN LIFE CYCLE OF PRODUCT

1 List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and / or opportunities.

Our Project Finance business incorporates social and environmental concerns in its lending operations. Upto September 30, 2015, IDFC is a signatory to Equator Principles (**"EPs"**). EPs are a Financial Industries Benchmark for determining, assessing and managing environmental and social risk in Project Finance transactions. Environmental and Social Due Diligence (**"ESDD"**) is undertaken for the project finance deals at the time of project appraisal. Annual Environmental and Social Monitoring and Review (**"ESMR"**) a review is undertaken for portfolio projects as per EPs requirements to identify and mitigate E&S risks (if any). Other group companies (e.g. private equity) also conduct ESDD and annual ESMR depending upon the sector and project contours and associated E&S risks.

2 For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional).

i. Reduction during sourcing / production / distribution achieved since the previous year throughout the value chain? ▪ N.A.
ii. Reduction during usage by consumers (energy, water) has been achieved since the previous year? ▪ N.A.

3 Does the Company have procedures in place for sustainable sourcing (including transportation)? If Yes, what percentage of your inputs was sourced sustainably?

IDFC, being a Financial Institution, is relatively less resource intensive in terms of material inputs. Our major material requirements are office, communications and IT related equipment. Despite the limited scope of our procurement needs, we continue to take initiatives to ensure responsible sourcing in our supply chain. We have a Code of Responsible Business Conduct for our major suppliers, which outlines our expectations from them in the areas of labour standards, environment and ethical business practices. It would not be possible to ascertain the percentage of inputs that are sourced sustainably.

4 Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If Yes, what steps have been taken to improve their capacity and capability of local and small vendors?

We will prefer locally available goods and services, other considerations being

01 PRINCIPLE-WISE (AS PER NVGs) BR POLICY / POLICIES

A DETAILS OF COMPLIANCE (REPLY IN Y / N)

NO.	QUESTIONS	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy / policies for	Y	Y	Y	Y	Y	Y	N	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	N.A.	Y	Y
3	Does the policy conform to any national / international standards? If yes, specify? Please refer to Note 1	Y	Y	Y	N	Y	Y	N.A.	N	Y
4	Has the policy being approved by the Board? Is yes, has it been signed by MD / owner / CEO / appropriate Board Director?	Y	Y	Y	Y	Y	Y	N.A.	Y	Y
5	Does the company have a specified committee of the Board / Director / Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	N.A.	Y	Y
6	Indicate the link for the policy to be viewed online?	Please refer to Note 2								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	N.A.	Y	Y
8	Does the company have in-house structure to implement the policy / policies.	Y	Y	Y	Y	Y	Y	N.A.	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy / policies to address stakeholders' grievances related to the policy / policies?	Y	N	Y	Y	Y	N	N.A.	N	N
10	Has the company carried out independent audit / evaluation of the working of this policy by an internal or external agency?	Y	N	Y	Y	Y	Y	N.A.	Y	N

B IF ANSWER TO THE QUESTION AT SERIAL NUMBER 1 AGAINST ANY PRINCIPLE, IS 'NO', PLEASE EXPLAIN WHY: (TICK UP TO 2 OPTIONS)

NO.	QUESTIONS	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The company has not understood the Principles									
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles									
3	The company does not have financial or manpower resources available for the task									
4	It is planned to be done within next 6 months									
5	It is planned to be done within the next 1 year									
6	Any other reason (please specify) Currently, IDFC does not have any policies for Principle 7; the Company already has taken several initiatives in the field of responsible lending and actively engages with clients, regulators, lenders and other business partners. The Company also publishes the 'India Infrastructure Report' with specific insights. Hence, the need for a separate policy on public policy advocacy has not been felt. If necessity arises, a specific policy will be developed in the future.							✓		

comparable. We have taken several initiatives for the development of local suppliers of goods and services. Some of the examples are:

- We have empanelled a courier agency operated by physically challenged people;
- We undertake regular trainings to upgrade skills of our housekeeping and security staff;

5 Does the Company have a mechanism to recycle products and waste? If Yes what is the percentage of recycling of products and waste (as <5%, 5–10%, >10%).

We have adopted an e-waste Management Policy with the specific aim of minimising and responsible disposal of the entire quantum of e-waste generated throughout our operations. This policy has been formulated keeping in mind some of the international best practices and ensures compliance with local environmental laws. Additionally, all recyclable waste collected at our premises are separated (dry and wet waste); the waste is then handed over to an authorised waste processor. We recycle more than 10% of total waste generated from of our operations.

PRINCIPLE 3
EMPLOYEE WELL-BEING

1 Please indicate the total number of employees - 13

2 Please indicate the total number of employees hired on temporary / contractual / casual basis - NIL

3 Please indicate the number of permanent women employees - 6

4 Please indicate the number of permanent employees with disabilities - NIL

5 Do you have an employee association that is recognised by management? - NO

6 What percentage of your permanent employee(s) is a member(s) of this recognised employee association? - N.A.

7 Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

1. **Child labour / forced labour / involuntary labour** - NIL
2. **Sexual harassment** - NIL
3. **Discriminatory employment** - NIL

8 What percentage of your under mentioned employees were given safety and skill up-gradation training in the last year?

Permanent Employees 100%
Permanent Women Employees 100%
Casual / Temporary / Contractual Employees N.A.
Employees with disabilities N.A.

PRINCIPLE 4
STAKEHOLDER ENGAGEMENT

1 Has the Company mapped its internal and external stakeholders? Yes / No

YES

2 Out of the above, has the Company identified the disadvantaged, vulnerable & marginalised stakeholders?

YES

3 Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalised stakeholders?

YES IDFC regularly undertakes initiatives to engage with its internal and external stakeholders. These are briefly described below.

Employees Stakeholder group

- We have processes in place to ensure upholding of the rights of our employees and protect them against any form of discrimination.
- We conduct regular learning and development activities for our employees for their skill enhancement.

Communities Stakeholder group

IDFC, through IDFC Foundation, undertakes various CSR initiatives with primary focus in the areas of education, healthcare and livelihood. We support and collaborate with various agencies to carry out our CSR activities aimed at inclusive growth.

Business associates Stakeholder group

- We conduct dedicated capacity building programs for local and small vendors.
- Our Code of Responsible Business Conduct for our major suppliers encourages them to carry out their operations with a focus on labour standards, environment and ethical business practices.

Shareholders / Investors Stakeholder group

We have robust mechanisms in place which ensures full, fair, accurate, timely and understandable disclosures to all our Shareholders and investors.

Clients Stakeholder group

Our Fair Practices Code specifies the ethical principles to be followed in all our services, products and client interactions and also provides for a grievance redressal mechanism to our clients.

PRINCIPLE 5
PROMOTION OF HUMAN RIGHTS

1 Does the policy of the Company on human rights cover only the Company or extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?

IDFC is a signatory to UNGC since 2001. All our business operations are guided by a set of principles outlined in UNGC and this include principles on human rights as well. This is applicable to all our group companies and service providers.

2 How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management? NIL

PRINCIPLE 6
ENVIRONMENTAL PROTECTION

1 Does the policy related to Principle 6 cover only the Company or extends to the Group / Joint Ventures / Suppliers / Contractors / NGOs / others?
Our policy pertaining to environmental protection is applicable to all our group companies.

2 Does the Company have strategies / initiatives to address global environmental issues such as climate change, global warming, etc.?
YES IDFC as one of the leading and responsible organisation, has undertaken several initiatives to minimise its environmental impact. The details of which can be found in our website http://www.idfc.com/our-firm/environment_management.htm

3 Does the Company identify and assess potential environmental risks?
YES

4 Does the Company have any project related to Clean Development Mechanism? If Yes, whether any environmental compliance report is filed? ▪ NO

5 Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.
IDFC had (internal) Environment Policy which was adopted under the "Go Green" initiative with the objective of minimizing resource consumption and reducing environmental impact of our internal operations through resource efficiency and conservation.
Some of the initiatives we have undertaken are as follows:

- Energy efficient certification for our central data centre;
- LEED "Gold" certification for our registered office at Chennai;
- We have been doing carbon footprint assessment of our operations since 2011 with the aim of becoming a carbon neutral organisation in future;
- Various energy conservation measures have been undertaken at our major office premises including use of double glazed windows, use of recycled material, green IT, use of renewable source of energy etc.;
- We have also taken several measures to minimise our environmental impact due to business travel. These measures include car pooling, company bus service, video / audio conferencing facilities at all our major offices.
- We have installed sewage treatment plant at our Naman Chambers Office (Mumbai) to recycle sewage water and we are also in the process of installing a rain water harvesting system in the same office.

6 Are the Emissions / Waste generated by the company within the permissible limits given by CPCB / SPCB for the financial year being reported? ▪ N.A.

7 Number of show cause / legal notices received from CPCB / SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year. ▪ NIL

PRINCIPLE 7
RESPONSIBLE PUBLIC POLICY ADVOCACY

1 Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:
IDFC is an active member of several trade bodies and associations. Some of the major ones are listed below:

- Indian Bank's Association
- ASSOCHAM
- Confederation of Indian Industry
- FICCI
- Bombay Chamber of Commerce & Industry
- Indian Merchants Chamber
- Bombay Management Association
- Asia Society India Centre
- Association of Business Communicators of India
- Indo-American Chamber of Commerce
- World Economic Forum

2 Have you advocated / lobbied through above associations for the advancement or improvement of public good?
We provide thought leadership and advocacy in areas of infrastructure policy and governance, with a thrust on sustainable infrastructure. Climate change, urban, water, education, land acquisition are some of the pressing issues that IDFC focuses on and also advocates through its policy advocacy initiatives. IDFC is actively working with Government agencies, other financial institutions and industry associations like CII and FICCI on formulating innovative financing mechanism to attract private sector investment in the low carbon sector. IDFC has been part of the Committee for reforms on Infrastructure financing and reforms on roads and railways.

PRINCIPLE 8
INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

1 Does the Company have specified programmes / initiatives / projects in pursuit of the policy related to Principle 8?

Promoting Digital Literacy in Government Schools

The Company aims to promote Digital Literacy among school students through establishment of Digital Learning Centres (DLC) in 18 government schools of Hoshangabad District of Madhya Pradesh. The programme is in line with the government's aim to transform the country into a digitally empowered society and knowledge economy. The program is aimed at improving learning outcomes of students in classes I to X.

Setting up of Solar Street Lighting and Clean drinking water in Meghalaya

The Company has installed solar street lights at the Mawlyngbna village in Meghalaya to help improve the quality of life for communities. With the Solar Street Lights and lighting up of public spaces, tourists would also be encouraged to spend the night in the village to experience the local culture, which would significantly improve the livelihood of the villagers. The Company is also making efforts to provide clean drinking water to the village from natural spring by providing infrastructure to prevent contamination of drinking water at source.

Learning Outcome Improvement Programme in Alwar, Rajasthan

The primary education improvement programme for "Improving Learning Outcomes in 60 Government Primary Schools in Ramgarh and Kishangarh blocks of Alwar District of Rajasthan" aims at (i) Improvement in teaching-learning processes through the use of effective pedagogic tools (ii) development of leadership skills among students through extra-curricular activities, (iii) Improvement in overall school management through strengthening of School Management Committees (SMCs) (iv) Improvement in the physical environment of the schools.

Developing Handloom and Craft Livelihood in Uttarakhand

The Company aims to develop a Centre of Excellence (COE) for traditional handloom and craft which will anchor efforts to revive the dying arts and craft of the mountains of Uttarakhand and to provide artisans living in remote areas critical facilities like skill upgradation, design and product development services, high quality raw materials, and a common platform for marketing.

Chennai Floods Emergency Relief

The Company provided emergency food supplies, household items and non food items (NFIs) to meet the urgent needs of around 10,000 families in Chennai city.

Cattle Care Program in Madhya Pradesh

The Company initiated 'Cattle Care Program' that focuses on cattle breed improvement and care through permanent high-quality affordable veterinary infrastructure and temporary cattle camps to enhance the livelihoods of small and marginal farming families in rural Madhya Pradesh.

Masoom

The Company has been supporting Masoom, an NGO, to implement the "Night School Transformation Programme" and working towards improving enrollment and learning outcomes at 10 night schools across Mumbai city.

Society for Nutrition, Education and Health Action ("SNEHA")

The Company has been supporting SNEHA for its "Maternal & Newborn Health Beyond Boundaries" programme which has significantly benefited both pregnant women with normal conditions and those with high risk and emergency conditions through establishment of referral networks and service protocols in government healthcare centres.

Support for Cancer Treatment

The Company supported Kamla Nehru Memorial Hospital, Allahabad by providing support for the maintenance cost of essential cancer treatment equipment which will benefit atleast 800 patients over the course of the project.

Carbon Footprint

Carbon footprint is a measure of the impact that any organisation's activities have on the environment and in particular climate change. It is expressed in tonnes of carbon dioxide (CO_2) emitted equivalent (tCO_2e) and is reported under three categories:

- Scope 1 Emissions from company owned or operated GHG sources
- Scope 2 Emissions from assets owned by others but energy is bought by the company

01 CARBON FOOTPRINT

EMISSIONS (TCO_2E)	FY16
Scope 1	93
Scope 2	2621
Scope 3	3392
TOTAL tCO_2e	**6106**

- Scope 3 Emissions other than Scope 2 that are a consequence of an organisation's activities, but arise from greenhouse gas sources controlled by other organisations (non- mandatory reporting).

IDFC is committed to building a sustainable future, and, therefore, is focused on reducing the carbon intensity of its operations.

IDFC's Carbon footprint assessment for FY16 has been verified by SGS India Pvt. Ltd. In accordance with ISO-14064-3:2006 as meeting the requirements of ISO-14064-1:2006 - Specification with guidance at organization level for quantification and reporting of greenhouse gas emissions and removals & WRI/WBCSD Greenhouse Gas Protocol – A corporate Accounting and Reporting Structure. The carbon footprint for IDFC in FY16 is as given in **Table 1**.

Energy conservation measures have been undertaken at our various office premises, which includes use of double glazed windows, minimum use of paper printings, use of recycled material, green IT, use of video conferencing to avoid air travel, e-forms for applying in mutual fund investments, e-statements for mutual fund investors, e-annual reports, etc., in order to reduce our carbon footprint.

2 Are the programmes / projects undertaken through in-house team / own foundation / external NGO / Government structures / any other organisation?

IDFC Foundation, a not-for-profit company within the meaning of Section 8 of the Act and 100% subsidiary of IDFC, is acting as an implementing agency on behalf of IDFC Limited and its group companies to undertake Corporate Social Responsibility (**"CSR"**) activities adopted by the CSR committee of IDFC and its group companies under Section 135 of the Act read with Schedule VII as amended from time to time.

The approach adopted by IDFC Foundation is to enhance income flows of households through livelihoods inputs and market linkages and helping to governmental and non-governmental organizations in delivering a better service to the community. IDFC Foundation provides capacity building support (training, organisation structuring etc.), programme design and management support in the areas of education, health, affordable housing and livelihood development, or direct financial support, depending upon the requirement of the project / programme.

3 Have you done any impact assessment of your initiative?

IDFC Foundation has a system of reviewing of all its initiatives wherein the progress of each initiative is evaluated along with its impact on the touch points. The desired objectives (performance parameters) of the initiatives are generally stated at the commencement stage of the initiative and reviewed periodically and course correction measures are taken, if required.

4 What is your Company's direct contribution to community development projects—Amount in ₹ and the details of the projects undertaken?

Please refer to Annexure 5 of Board's Report.

5 Have you taken steps to ensure that this community development initiative is successfully adopted by the community?

In implementing its initiatives, IDFC Foundation undertakes a considerable amount of capacity building of the partner organisations in order to ensure the quality and sustainability of outcomes.

PRINCIPLE 9
CUSTOMER VALUE

1 What percentage of customer complaints / consumer cases are pending as on the end of financial year.

All the customer complaints that were received in the reporting period have been resolved and there are no complaints pending as at the end of financial year.

2 Does the Company display product information on the product label, over and above what is mandated as per local laws? ▪ N.A.

3 Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and / or anti-competitive behaviour during the last five years and pending as on end of financial year?

There are no cases filed / pending as at the end of financial year 2015–16.

4 Did your Company carry out any consumer survey / consumer satisfaction trends?

IDFC periodically measures the satisfaction among its customers, understand their expectation and essentially to gauge our competitiveness in the industry.

ANNEXURE II

PRINCIPLES TO ASSESS COMPLIANCE WITH ENVIRONMENTAL, SOCIAL AND GOVERNANCE NORMS [See Regulation 34(2)(f)]

PRINCIPLE 1
ETHICS, TRANSPARENCY & ACCOUNTABILITY

Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

- Businesses should develop governance structures, procedures and practices that ensure ethical conduct at all levels; and promote the adoption of this principle across its value chain. Businesses should communicate transparently and assure access to information about their decisions that impact relevant stakeholders.
- Businesses should not engage in practices that are abusive, corrupt or anti-competition.
- Businesses should truthfully discharge their responsibility on financial and other mandatory disclosures.
- Businesses should report on the status of their adoption of these Guidelines as suggested in the reporting framework in this document.
- Businesses should avoid complicity with the actions of any third party that violates any of the principles contained in these Guidelines.

PRINCIPLE 2
SUSTAINABILITY IN LIFE CYCLE OF PRODUCT

Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

- Businesses should assure safety and optimal resource use over the life cycle of the product—from design to disposal—and ensure that everyone connected with it- designers, producers, value chain members, customers and recyclers are aware of their responsibilities.
- Businesses should raise the consumer's awareness of their rights through education, product labeling, appropriate and helpful marketing communication, full details of contents and composition and promotion of safe usage and disposal of their products and services.
- In designing the product, businesses should ensure that the manufacturing processes and technologies required to produce it are resource efficient and sustainable.
- Businesses should regularly review and improve upon the process of new technology development, deployment and commercialisation, incorporating social, ethical and environmental considerations.
- Businesses should recognise and respect the rights of people who may be owners of traditional knowledge and other forms of intellectual property.
- Businesses should recognise that over-consumption results in unsustainable exploitation of our planet's resources and should therefore promote sustainable consumption, including recycling of resources.

PRINCIPLE 3
EMPLOYEE WELL-BEING

Businesses should promote the well-being of all employees

- Businesses should respect the right to freedom of association, participation, collective bargaining and provide access to appropriate grievance redressal mechanisms.
- Businesses should provide and maintain equal opportunities at the time of recruitment as well as during the course of employment irrespective of caste, creed, gender, race, religion, disability or sexual orientation.
- Businesses should not use child labour, forced labour or any form of involuntary labour, paid or unpaid.
- Businesses should take cognizance of the work-life balance of its employees, especially that of women.
- Businesses should provide facilities for the well-being of its employees including those with special needs. They should ensure timely payment of fair living wages to meet basic needs and economic security of the employees.
- Businesses should provide a workplace environment that is safe, hygienic humane and which upholds the dignity of the employees. Businesses should communicate this provision to their employees and train them on a regular basis.
- Businesses should ensure continuous skill and competence upgrading of all employees by providing access to necessary learning opportunities, on an equal and non-discriminatory basis. They should promote employee morale and career development through enlightened human resource interventions.
- Businesses should create systems and practices to ensure a harassment free workplace where employees feel safe and secure in discharging their responsibilities.

PRINCIPLE 4
STAKEHOLDER ENGAGEMENT

Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.

- Businesses should systematically identify their stakeholders, understand their concerns, define purpose and scope of engagement and commit to engaging with them.
- Businesses should acknowledge, assume responsibility and be transparent about the impact of their policies, decisions, product & services and associated operations on the stakeholders.
- Businesses should give special attention to stakeholders in areas that are underdeveloped.
- Businesses should resolve differences with stakeholders in a just, fair and equitable manner.

PRINCIPLE 5
PROMOTION OF HUMAN RIGHTS

Businesses should respect and promote human rights

- Businesses should understand the human rights content of the Constitution of India, national laws and policies and the content of International Bill of Human Rights. Businesses should appreciate that human rights are inherent, universal, indivisible and interdependent in nature.
- Businesses should integrate respect for human rights in management systems, in particular through assessing and managing human rights impacts of operations and ensuring all individuals impacted by the business have access to grievance mechanisms.
- Businesses should recognise and respect the human rights of all relevant stakeholders and groups within and beyond the workplace, including that of communities, consumers and vulnerable and marginalised groups.
- Businesses should, within their sphere of influence, promote the awareness and realisation of human rights across their value chain.
- Businesses should not be complicit with human rights abuses by a third party.

PRINCIPLE 6
ENVIRONMENTAL PROTECTION

Business should respect, protect and make efforts to restore the environment

- Businesses should utilise natural and man-made resources in an optimal and responsible manner and ensure the sustainability of resources by reducing, reusing, recycling and managing waste.
- Businesses should take measures to check and prevent pollution. They should assess the environmental damage and bear the cost of pollution abatement with due regard to public interest.
- Businesses should ensure that benefits arising out of access and commercialisation of biological and other natural resources and associated traditional knowledge are shared equitably.
- Businesses should continuously seek to improve their environmental performance by adopting cleaner production methods, promoting use of energy efficient and environment friendly technologies and use of renewable energy.
- Businesses should develop Environment Management Systems ("EMS") and contingency plans and processes that help them in preventing, mitigating and controlling environmental damages and disasters, which may be caused due to their operations or that of a member of its value chain.
- Businesses should report their environmental performance, including the assessment of potential environmental risks associated with their operations, to the stakeholders in a fair and transparent manner.
- Businesses should proactively persuade and support its value chain to adopt this principle.

PRINCIPLE 7
RESPONSIBLE PUBLIC POLICY ADVOCACY

Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

- Businesses, while pursuing policy advocacy, must ensure that their advocacy positions are consistent with the Principles and Core Elements contained in these Guidelines.
- To the extent possible, businesses should utilise the trade and industry chambers and associations and other such collective platforms to undertake such policy advocacy.

PRINCIPLE 8
INCLUSIVE GROWTH

Businesses should support inclusive growth and equitable development

- Businesses should understand their impact on social and economic development and respond through appropriate action to minimise the negative impacts.
- Businesses should innovate and invest in products, technologies and processes that promote the well-being of society.
- Businesses should make efforts to complement and support the development priorities at local and national levels and assure appropriate resettlement and rehabilitation of communities who have been displaced owing to their business operations.
- Businesses operating in regions that are underdeveloped should be especially sensitive to local concerns.

PRINCIPLE 9
CUSTOMER VALUE

Businesses should engage with and provide value to their customers and consumers in a responsible manner

- Businesses, while serving the needs of their customers, should take into account the overall well-being of the customers and that of society.
- Businesses should ensure that they do not restrict the freedom of choice and free competition in any manner while designing, promoting and selling their products.
- Businesses should disclose all information truthfully and factually, through labelling and other means, including the risks to the individual, to society and to the planet from the use of the products, so that the customers can exercise their freedom to consume in a responsible manner. Where required, businesses should also educate their customers on the safe and responsible usage of their products and services.
- Businesses should promote and advertise their products in ways that do not mislead or confuse the consumers or violate any of the principles in these Guidelines.
- Businesses should exercise due care and caution while providing goods and services that result in over exploitation of natural resources or lead to excessive conspicuous consumption.
- Businesses should provide adequate grievance handling mechanisms to address customer concerns and feedback.