IDFC COMMUNICATION ON PROGRESS

<table>
<thead>
<tr>
<th>Company Name</th>
<th>IDFC Ltd.</th>
</tr>
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<tbody>
<tr>
<td>Address</td>
<td>Naman Chambers, C-32 G-Block, Bandra Kurla Complex, Bandra (East) Mumbai – 400 051</td>
</tr>
<tr>
<td>Country</td>
<td>India</td>
</tr>
<tr>
<td>Sector</td>
<td>Financial Services</td>
</tr>
<tr>
<td>Membership Date</td>
<td>October 2003</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>881</td>
</tr>
<tr>
<td>Contact Name</td>
<td>Alok Dayal</td>
</tr>
<tr>
<td>Contact Position</td>
<td>Senior Director – Credit &amp; Environment</td>
</tr>
<tr>
<td>Contact Telephone no.</td>
<td>+91 22 42222000  ext 22084</td>
</tr>
<tr>
<td>Reporting Period</td>
<td>August 2014 – July 2015</td>
</tr>
<tr>
<td>Date</td>
<td>13th July 2015</td>
</tr>
<tr>
<td>COP Number</td>
<td>7th COP Report</td>
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Brief description of nature of business

IDFC is a knowledge-driven, diversified financial services company with a focus on private sector infrastructure projects in India. The IDFC Group has three primary businesses, viz. infrastructure financing, investment banking and asset management. IDFC has been in the Indian infrastructure space for over a decade and has developed a deep understanding of the various issues and risks involved in private sector and public-private partnership (PPP) infrastructure projects in India. IDFC's core sectors of investment are energy, transportation, telecommunications and industrial & commercial infrastructure.
As on March 31, 2015, IDFC had a consolidated balance sheet size of Rs. 87,068.23 crore, a net worth of Rs 17,274.51 crore and a capital adequacy ratio (CAR) of 24.3%. In FY15, it earned an Operating Income of Rs. 4,064 crore and profit after tax of Rs. 1,707 crore.

CEO's Statement of Support

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

We have always been deeply concerned about the environmental and social impacts of our investment decisions and have had, since inception in 1997, a separate Environment Risk Group charged with the task of systematically assessing and incorporating in our decision making the environmental impact of our lending and investing operations. The ten Principles of the Global Compact form part of our Employee Policy Handbook.

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

Vikram Limaye
Managing Director & CEO

Existing Information Sources on Corporate Responsibility in IDFC

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

| Principle 1: Businesses Should Support And Respect The Protection Of Internationally Proclaimed Human Rights |
| Principle 2: Businesses Should Make Sure That They Are Not Complicit In Human Rights Abuses |

Policies:

➢ We are fully committed to respecting and supporting fundamental human rights as envisioned in the Universal Declaration of Human Rights and as enshrined in the Constitution of India.

➢ Our HR Policies provide for, support and encourage equal opportunities, good employment practices, professional behaviour and respectful treatment of all employees, open door policy for reportees, and no tolerance for harassment. Our HR policies specifically include the following:

   • Equal Opportunity & Diversity Policy: We are committed to promoting and valuing diversity in all areas of recruitment, employment, training and promotion. We are committed to ensuring that all our employees can develop to their full potential, irrespective of race, gender, marital status, sexual orientation, disability, age, political opinion, religion and belief, ethnic or national origin.

   • Anti Harassment Policy: We are committed to providing a working environment free from all forms of harassment including sexual harassment or harassment based on race, colour, religion, national origin, age, disability or gender. Complaints of sexual harassment are treated as confidential and the Redressal Committee is headed by a woman with at least half the members being women.

   • Global Compact Principles: Our Employees’ Handbook of HR Policies prominently mentions that we are signatory to the Global Compact and are committed to its principles, which are also listed therein.

➢ Code of Responsible Business Conduct for Suppliers has been adopted by us and is part of the empanelment process for major suppliers.

Progress:

➢ In FY 15, there were no cases of Human Rights violations in the company.

LABOUR

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

Policies:

➢ IDFC being a knowledge-driven organisation employs highly-skilled human resources which typically cannot be classified as labour. IDFC’s support services such as data processing, security and house-keeping are outsourced to licensed entities.

➢ We are fully committed to respecting and supporting fundamental human rights as envisioned
in the Universal Declaration of Human Rights and as enshrined in the Constitution of India and further in the various labour laws of India, which include abolition of child and forced labour.

➢ We are fully committed to following non-discriminatory practices in all areas of recruitment, employment, training and promotion. Our Equal Opportunity & Diversity Policy commits us to promoting and valuing diversity in all areas of recruitment, employment, training and promotion, and to ensuring that all our employees can develop to their full potential, irrespective of race, gender, marital status, sexual orientation, disability, age, political opinion, religion and belief, ethnic or national origin.

➢ We have formulated and adopted a Procurement Process Guide which would apply to all our major outsourced services and other suppliers. This guide outlines our expectations on ethical and sustainable business practices from our major suppliers and includes representations & warranties from them on strictly prohibiting and not being complicit in any form of child labour or forced/ compulsory labour.

➢ Our Environment & Social Policy provides for the assessment and mitigation of the environmental and social impact of the projects financed by us including the protection of human rights of contract or other labour. Our investment agreements require our investee companies to comply with the laws of the land which include prohibition of child and forced labour.

Progress:

➢ IDFC has mapped its internal and external stakeholders. We recognise employees, business associates (network of suppliers and vendors), clients, NGOs, communities, shareholders/investors, regulatory authorities and other government bodies and intermediaries as our key stakeholders.

➢ 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

➢ 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

➢ Procurement for IDFC is through central processing unit (CPU) strictly adhering to the guidelines on vendor and supplier codes

➢ 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.

➢ Emergency awareness handbook covering aspects like health and safety, fire, flood, earthquake among others developed and communicated to all employees
Emergency mock drills carried out by professional agency to deal with any exigencies. Floor marshals identified at each office location to facilitate emergency evacuation.

No labour rights violation reported during FY 15.

**ENVIRONMENT**

| Principle 7: Businesses Should Support A Precautionary Approach To Environmental Challenges |
| Principle 8: Businesses Should Undertake Initiatives To Promote Greater Environmental Responsibility |
| Principle 9: Businesses Should Encourage The Development And Diffusion Of Environmentally Friendly Technologies |

**Policies**

- We are committed to following a precautionary approach to environmental challenges. As a financial intermediary, we are aware that our indirect impact on the environment through our investment decisions is far greater than our direct impact.

- Our Environment & Social Policy reflects our deep commitment to the environment. It provides for the assessment and mitigation of the environmental (and social) impact of the projects financed by us, and we have a separate specialist Environment Risk Group to do this and to work with our clients on risk mitigation in projects funded by us. We became a signatory to the Equator Principles on 3rd June 2013.

- As part of our Internal Environment Policy (IEP), we have adopted a number of practices aimed at resource efficiency and conservation, such as using only fluorescent lights/ CFLs/ LEDs, LCD monitors, Video Conferencing and use of virtual servers in our data centres.

- We have formulated and adopted an E-waste Management Policy with the objective of minimizing and disposing of all of IDFC’s e-waste in an environmentally responsible manner keeping in mind international best practices and complying with all local laws in this respect.

**Progress:**

- We became the first Indian Financial Institution to adopt Equator Principles (EP) on 3rd June 2013. Equator Principles provide a framework for financial institutions to manage environmental and social issues related to projects they finance anywhere in the world and to all industry sectors. The Equator Principles are based on IFC’s Performance Standards and apply to projects that exceed $10 million. The Equator Principles have become the industry standard for managing projects in a socially responsible manner and reflect sound environmental management practice in project financing globally.

- We have been assessing our carbon footprint from our operations since 2011 with the aim of becoming a carbon neutral organization in future. IDFC’s Carbon footprint assessment for FY15 has been done as per ISO-14064 standards and verified by SGS India Pvt. Ltd.

- Energy efficient certification for our central data centre has been renewed.

- LEED "Gold" certification for our registered office at Chennai.

- We have 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 and using green fleet air lines for our business travel

- We have installed sewage treatment plant at our corporate office in Mumbai to recycle sewage water; we are also in the process of installing a rain water harvesting system in the same office.

- We are Signatory Investor to the Carbon Disclosure Project (CDP), as well as a respondent to its annual survey on greenhouse gas (GHG) emissions.

- We continue to be the India's first 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).

- Proper and adequate system of internal controls established to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition, and that the transactions are authorized, recorded and reported correctly. Internal controls are supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures. These controls are designed to ensure that financial and other records are reliable for preparing financial information and other reports, and for maintaining regular accountability of the Company's assets.

- The carbon footprint for IDFC in FY 14 and FY 15 is as given in the Table.

<table>
<thead>
<tr>
<th></th>
<th>FY 14</th>
<th>FY 15</th>
<th>Variation (FY 14 – FY 15)</th>
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</thead>
<tbody>
<tr>
<td>Total tCO₂e</td>
<td>8284</td>
<td>8843</td>
<td>+ 6.75%</td>
</tr>
<tr>
<td>Total tCO₂e / Op income (in INR crore)</td>
<td>2.21</td>
<td>2.18</td>
<td>-2.01%</td>
</tr>
<tr>
<td>Total tCO₂e / PAT (in 'INR crore)</td>
<td>4.69</td>
<td>5.18</td>
<td>+ 12.86%</td>
</tr>
</tbody>
</table>

ANTI-CORRUPTION

Principle 10: Businesses Should Work Against Corruption In All Its Forms, Including Extortion And Bribery

Policies:

- 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 Client 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.
Progress:
- Transactions with related parties entered into by IDFC in normal course of business were placed before the Audit Committee.
- IDFC complied with applicable Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 as amended in preparation of its financial statements.
- IDFC complied with all the requirements of regulatory authorities. No penalties or strictures were imposed on the company by stock exchanges or SEBI or any statutory authority on any matter related to capital market during the last three years.
- IDFC instituted a comprehensive Code of Conduct for its Management and staff which advises employees on procedures to be followed and disclosures to be made while dealing with the shares of the company and cautions them of the consequences of violation.
- We have been included as part of the S&P ESG India Index which provides investors with exposure to 50 of the best performing stocks in the Indian market as measured by ESG (Environmental, Social and Corporate Governance) parameters.
- In FY 15 there were no cases of conflict of interest, attempt of bribery or related complaints in the company.

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 for the benefit of our employees.