



# ESG @PFC

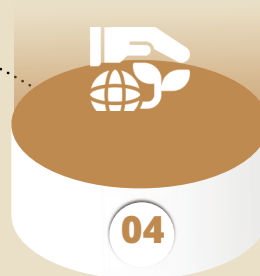


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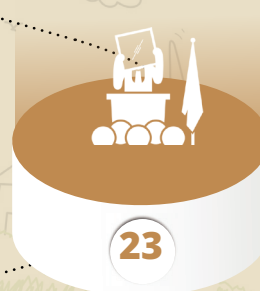
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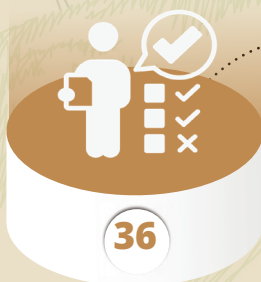
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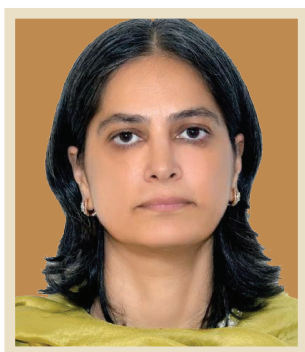


# Introduction

As we move forward on our ESG journey, we present our first ESG report. This report, prepared by PFC's ESG team with support from USAID, highlights our initiatives across environmental, social and governance indicators and outlines our endeavours to contribute to India's

sustainability and climate change goals. It captures PFC's commitment to sustainability in our operations and underscores PFC's key role in shaping the energy transition landscape in India while also supporting the nation's energy security aspirations

## ESG Team



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# Message from PFC's Chairman & Managing Director

*PFC is committed to embracing ESG and sustainability principles as we continue to reach new heights*

~ Parminder Chopra, CMD



The power sector is of paramount importance in India, serving as a foundation for economic growth. Access to electricity is considered fundamental for improving living standards, supporting essential services, and fostering overall development. As India's economy experiences rapid growth, our demand for power will also continue to rise. To meet this increasing demand, capacity additions need to ramp up and with increasing concerns around climate change world-over as well as in India, we need to accelerate our transition towards sustainable sources of power generation.

Throughout its journey of almost four decades, PFC has played an important role in the development of power sector in India. PFC has been a strategic partner of the Government of India, committed to supporting the government's policies and programs for growth of the power sector. PFC is proud to have been one of the pioneers in supporting clean energy transition in India. We are the largest renewable energy financier in India, having supported around 50 GW renewable energy capacity, which is around 25% of India's non-fossil fuel based installed capacity.

The world around us is transitioning in more ways than one. There is an increasingly greater focus on environmental, social and governance or ESG parameters, and ESG is recognized as a path to new frontiers of business transformation and growth. As a leading entity in India's financial sector, we recognize the need to be forward looking, socially responsible and sensitive to the interest of all stakeholders. We aim to promote environmental responsibility, social well-being, and strong governance.

To fulfil this objective, a dedicated ESG Unit was set up in PFC in 2023, formalizing PFC's ESG initiatives and shaping the organization's

path towards incorporating ESG parameters in our functions and processes. PFC is partnering with global institutions as it embraces ESG. We appointed Boston Consulting Group (BCG) for developing our approach and roadmap towards ESG and have partnered with the United States Agency for International Development (USAID) for developing PFC's ESG strategy and its subsequent implementation. We have instituted our vision for ESG - Powering Progress through Sustainability, supported by three pillars – Preserving the Planet, Promoting the pathway towards Inclusive Society and Pursuing Prudence. These pillars embody our commitment to ESG and sustainability and would guide our path in our ESG journey.

For us, true sustainability means staying committed to responsible growth for everyone, both now and in the future. As an organization, we are more determined than ever to integrate ESG priorities into the core of our operations. We are incorporating ESG into our people practices, our lending activities, and our office operations. Our focus on ESG is reflected in our ongoing efforts to create ESG awareness within our organization, building a culture of responsibility and sustainability. We conducted our first ever ESG Materiality Assessment exercise this year, reaching out to our key stakeholders and understanding their concerns and expectations from PFC, to identify and prioritize ESG issues that are relevant to our operations.

With the publication of our first ESG report, we have taken a step towards more transparent disclosures in the realm of ESG. We extend our gratitude to our stakeholders for their support as we advance on this transformative journey towards a sustainable future. Going forward, we are confident in our ability to create a positive and lasting impact as we move towards a more greener and a sustainable future.

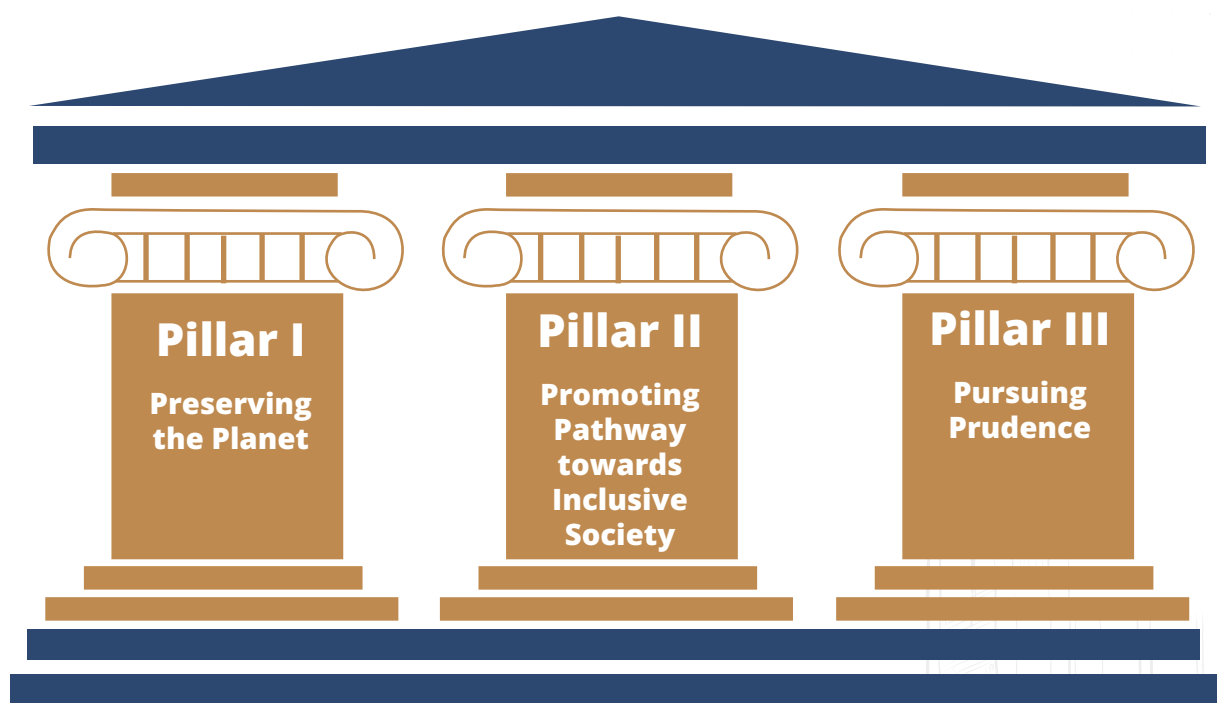


# ESG VISION OF PFC

## POWERING PROGRESS THROUGH SUSTAINABILITY

PFC is committed to playing a leading role in shaping a sustainable and resilient future for India.

### PILLARS OF ESG VISION



We are committed to lead by example in fostering a sustainable low-carbon economy & driving national growth by ensuring fair and sustainable financing solutions, while preserving the environment.

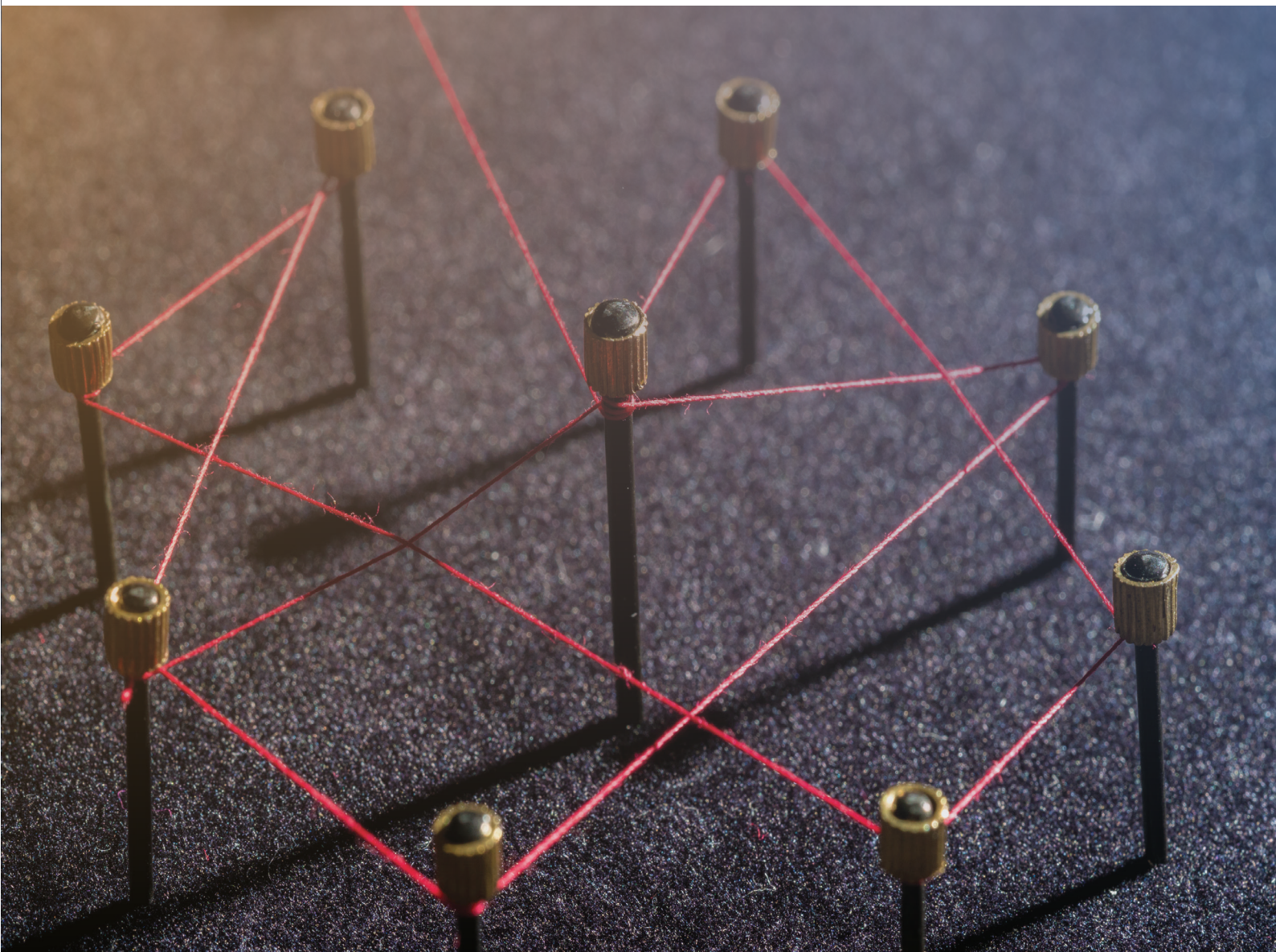


We strive to make a meaningful impact not only for ourselves but also for our stakeholders. At the forefront of our corporate ethos is fostering a diverse, inclusive, and engaged workforce, as well as enabling the community through our Corporate Social Responsibility (CSR) efforts.



At our core, we prioritize upholding unwavering integrity, maintaining stakeholders' trust, and establishing transparency and accountability through robust corporate governance & risk management practices.

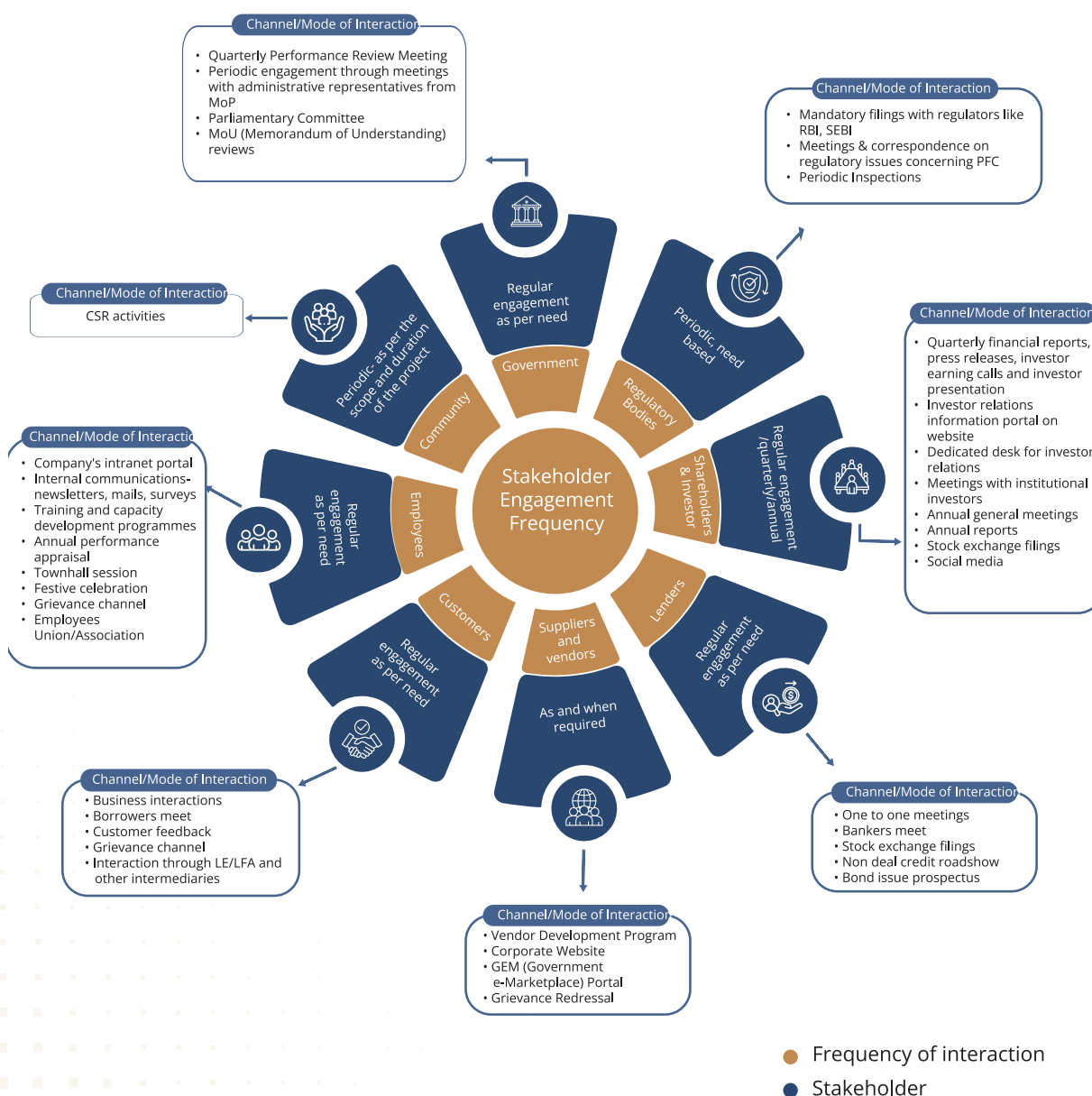
# **Approach towards Stakeholder Engagement & Materiality Assessment**



At PFC, we recognize the importance of stakeholder engagement in driving our business processes and sustainability journey. Regular, structured engagement with our stakeholders provides valuable insights aligning our strategies and business processes. This engagement allows us to identify key areas that we need to focus on for long term sustainable growth. We employ various channels of communication to reach out to our key stakeholders and understand their concerns and their expectations. PFC has a structured approach for engaging with various stakeholders, both within and outside the organization. As part of its regular business activities, PFC reaches out to its stakeholders through various feedback mechanisms including meetings, roadshows, conferences and events, etc.



## Stakeholder Engagement Frequency





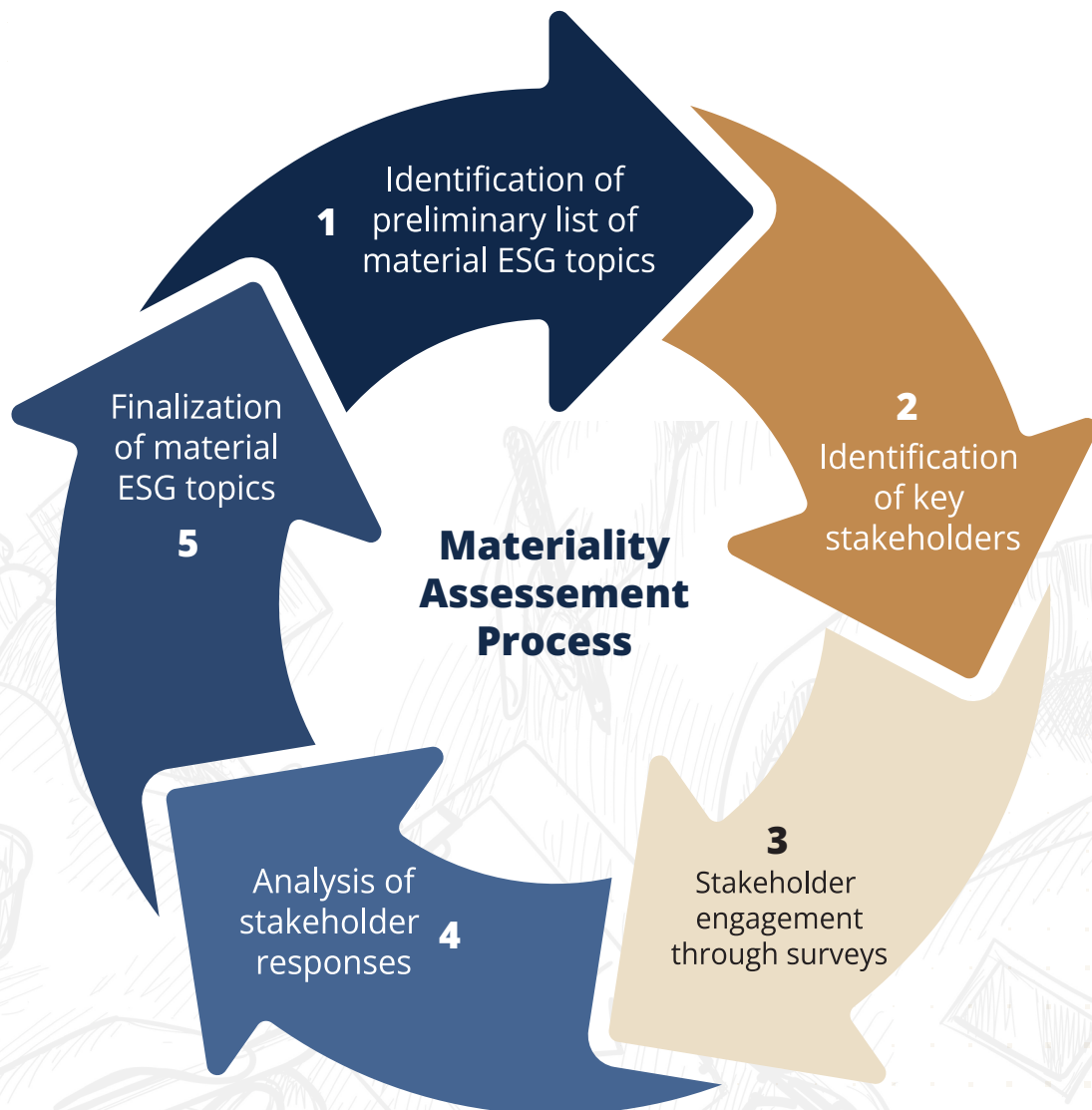
## ESG Materiality Assessment

As an initial step towards starting its ESG journey, PFC conducted its first ever stakeholder engagement and materiality assessment exercise in March-April 2024. A preliminary list of material topics across environment, social and governance parameters was prepared based on the evolving business environment, emerging focus areas in ESG, topics reviewed and reported by peers, the organization's business context, various national and international reporting frameworks, and secondary

research. A questionnaire was developed to capture the perspective of various stakeholders on the identified topics.

Stakeholders were identified based on their level of interest and influence on PFC's activities. The questionnaire was circulated to stakeholders in the form of an online survey.

Responses were collected and analyzed to identify priority topics of high significance to PFC, integrating feedback from both internal and external stakeholders into the selection process of material topics.



## Our Material Topics



### LOW PRIORITY

- Employee Engagement
- Customer Experience and Customer Satisfaction
- Diversity and Inclusion
- Responsible Procurement
- Natural Resource Consumption and Management



### MEDIUM PRIORITY

- ESG Governance and Board Oversight
- Transparency in Procurement
- Digitization of Business Processes
- Participating in Community Development



### HIGH PRIORITY

- Regulatory and Legal Compliance
- Corporate Governance and Business Ethics
- Data Security and Data Privacy
- Financial Performance
- Employee Health and Positive Work Environment
- Reporting and Disclosures
- Enterprise Risk Management
- Grievance Redressal Mechanism
- Code of Conduct
- Low Carbon Financing



# **Pillar I – Preserving the Planet**



PFC is in a unique position to be a change making agent, as the country progresses on the pathway towards energy transition

## HIGHLIGHTS



**50 GW** RE capacity supported



More than **Rs. 60,000 crores** RE Loanbook



**Rs. 2.37 lakh crore** worth MoUs signed in clean energy space

## MATERIAL TOPICS



Low Carbon Financing



Natural Resource Consumption and Management

## INTRODUCTION

The power sector holds immense importance in India, serving as a foundation for economic growth, societal advancement, and environmental sustainability. Throughout our journey, we have played a pivotal role in the development of power sector in India.

In recent years, there has been an increasing focus on climate change, with the transition to renewable and clean sources of energy recognized as a major pathway towards managing the same. PFC has been financing the clean energy transition of India, including projects supporting climate adaptation and climate mitigation such as energy efficiency and e-mobility. We have also expanded our financing mandate to include infrastructure projects, further broadening our ambit to support environment friendly projects. This section provides a brief overview of how our initiatives, business activities and operational practices are aligned with the objective of safeguarding the environment.



## PFC – The Green Financing Partner of the Nation

PFC is the largest renewable sector financier in the country, having supported 50 GW renewable capacity in India, which is around 25% of India's total non-fossil fuel based installed capacity (around 190.57 GW as per CEA, March 2024). Till now, PFC has cumulatively disbursed more than Rs. 1 lakh crores in renewable energy sector.



*PFC is the largest renewable sector financier in the country*



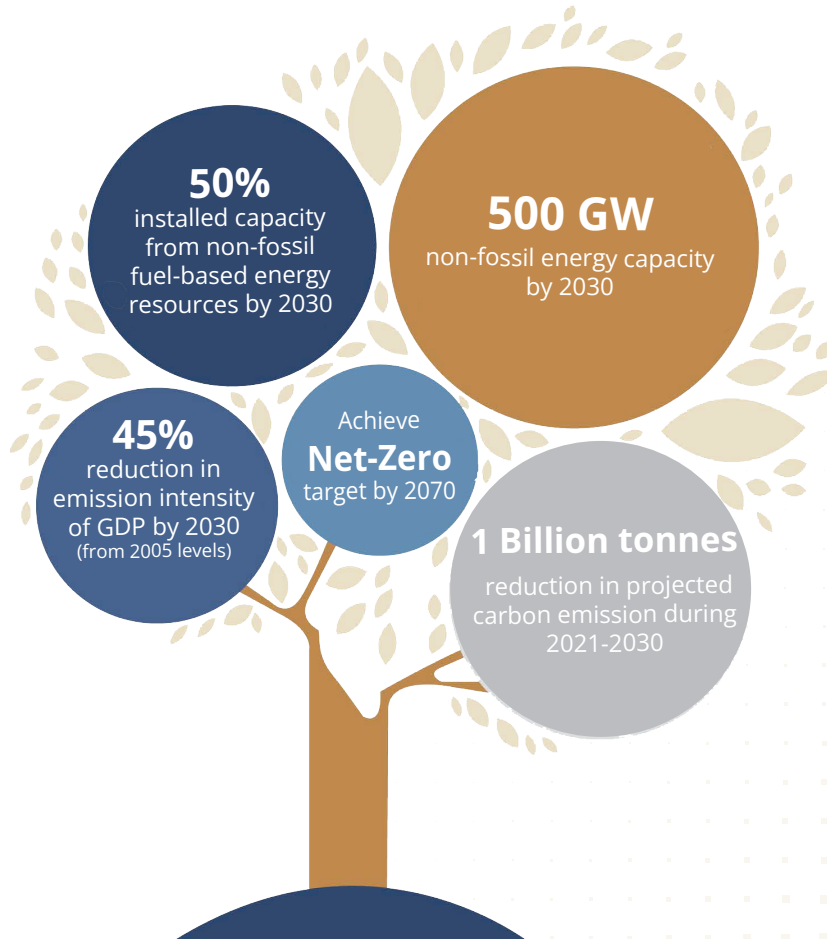
*PFC has disbursed more than Rs. 1 lakh crores in the renewable sector*



We have been at the forefront of financing of renewables since 2015-16 and are actively funding projects supporting energy transition across renewable energy, e-mobility, energy efficiency, etc.

Going forward also, we are committed to supporting Government of India's Panchamrit goals for energy transition.

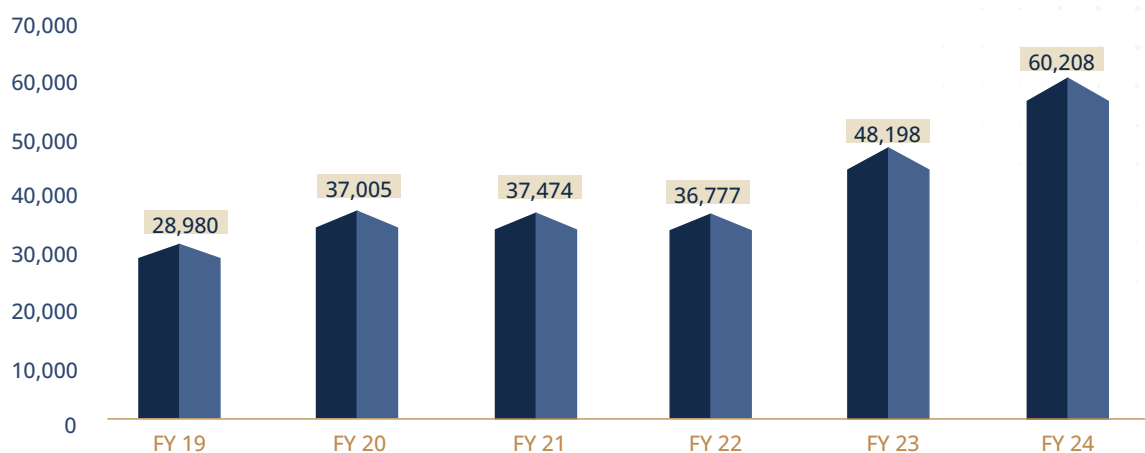
## PANCHAMRIT GOALS OF GOVERNMENT OF INDIA



PFC's RE loan book has grown at a CAGR (compounded annual growth rate) of 16% over the last five years, having more than doubled from Rs. 28,980 crores in FY19 to Rs.

60,208 crores in FY24. In the last one year itself, we have seen a 25% growth in our RE loanbook. This exemplifies PFC's strong commitment to the RE sector.

### RE Loan Book Growth over the years (Rs in crores)



### Financing solutions and policy support for energy transition

PFC has been the pioneer in the clean energy financing space. Over the years, we have implemented multiple measures to promote financing for the sector, such as creating enabling policies, processes and credit products. We are committed to continuously customizing our products and policies to fund emerging segments and technologies in the clean energy sector.

### Vast Enabling Environment Developed to Promote Clean Energy Financing

#### Attractive Interest Rates

- Offer lower interest rates (1.0-1.5% lower) compared to conventional generation projects.
- Additional financial incentives are also provided, once the project is commissioned.

#### Processes

- Specialized divisions for financing Solar, Wind and Energy Efficiency projects.
- Web-based loan application system for faster appraisal
- Standard Loan Documents for solar projects to reduce documentation time

#### New products

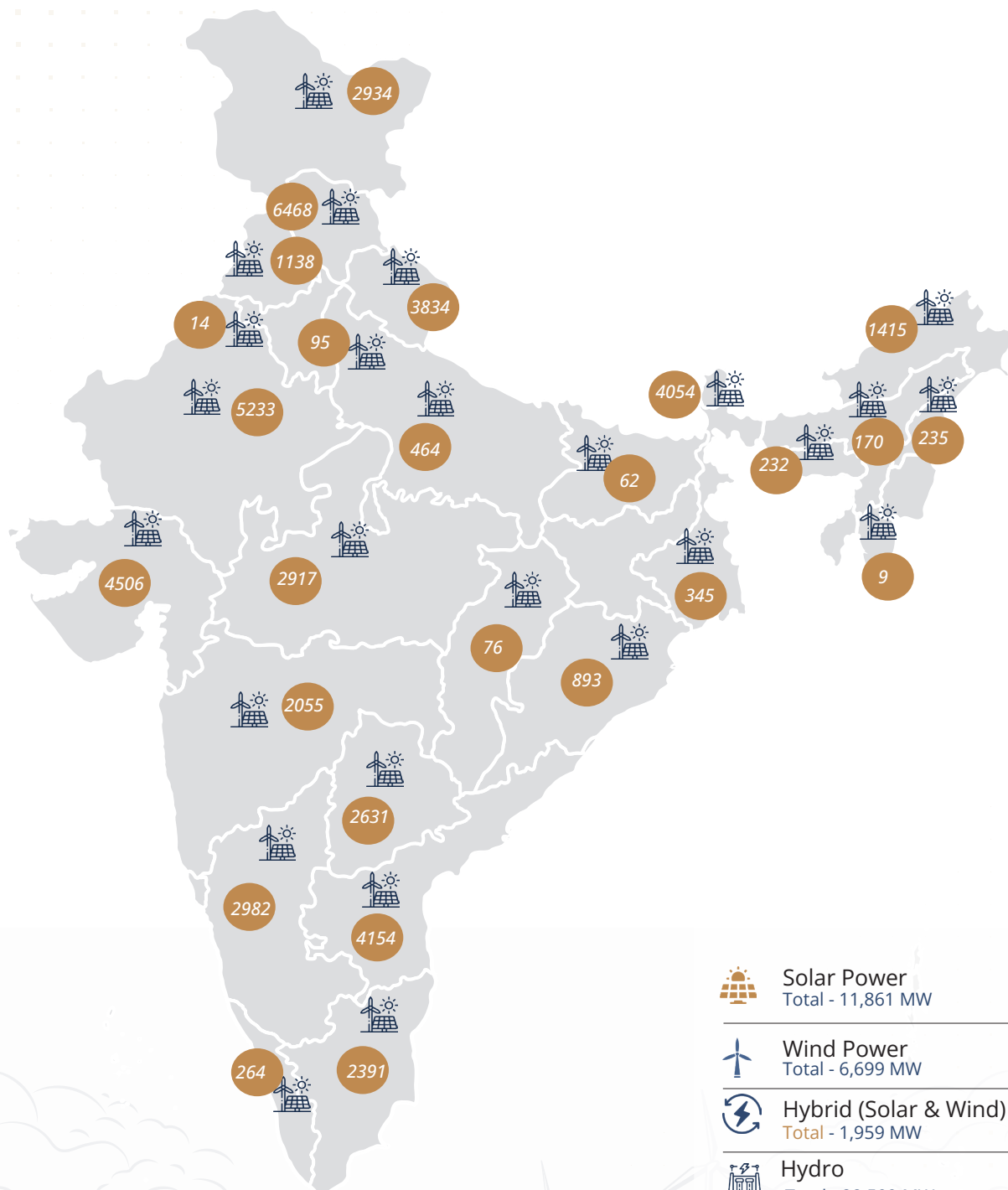
- Letter of Undertaking to RE project developers, which can be used in lieu of Performance Bank Guarantee, for participating in tariff-based bidding
- Introduced financial products for meeting capital expenditure for setting up manufacturing of equipment for RE projects
- Project Specific Funding to RE Equipment Manufacturers/ EPC (Engineering Procurement and Construction) Contractors

#### Financial Covenants

- To facilitate quick financial closure, option for sole lending for debt up to Rs. 2000 Crores
- Reduced prepayment premium



## PFC has supported the development of **50 GW** Renewable Energy Capacity across India



|                                                                                       |                                           |
|---------------------------------------------------------------------------------------|-------------------------------------------|
|  | Solar Power<br>Total - 11,861 MW          |
|  | Wind Power<br>Total - 6,699 MW            |
|  | Hybrid (Solar & Wind)<br>Total - 1,959 MW |
|  | Hydro<br>Total - 28,509 MW                |
|  | Renewable (Others#)<br>Total - 540 MW     |

\*Capacity supported in MW (Mega Watt) state-wise as on 31st March 2024- cumulative of hydro, solar, wind, hybrid, waste to energy projects)

Total Capacity supported- 49,568 MW

#Includes Waste to Energy, Biomass, Bagasse

## Rs. 2.37 trillion worth MoUs inked in clean energy space

During India's G20 presidency, PFC signed MoUs with 20 companies, in both public and private sector.

Projects covered in the area of solar, wind, battery storage, green hydrogen, electric vehicle etc.

This underscores PFC's commitment to playing a pivotal role in supporting Government of India's journey toward green energy transition



*MoUs signed for financing clean energy projects*

### **Building Global Partnerships: Green Financing Solutions**

PFC is actively securing green financing from international markets to support green projects. We have successfully raised green funds through bonds and loans across the US, Europe and Asia.

Our green bond framework, approved in September 2021, governs the deployment of green bond proceeds and is a single methodology in place for all future green financing instruments. This ensures that the principles of the framework are applied to

each instrument issued and the proceeds are invested in renewable energy and energy efficiency projects.

The framework is aligned with the Climate Bonds Standard version 3.0, the Green Bond Principles (GBP), 2021 issued by the International Capital Markets Association (ICMA) and the Green Loan Principles (GLP) published by the Loan Markets Association (LMA), Asia Pacific Loan Market Association (APLMA) and Loan Syndications and Trading Association (LSTA) in 2021.



### Euro Green Bond

- 300 Mn Euro issue, 2021
- 1st Euro denominated green bond from India
- Listed on India, Luxembourg and Singapore Stock exchange
- Climate Bonds Certified



### USD Green Bond

- 400 Mn USD issue, 2017
- Listed on India, London and Singapore Stock exchange
- Climate Bonds Certified



### Green Credit Line

- JPY 30 Bn Green Credit Line from Japan Bank for International Cooperation (JBIC) in 2022
- Credit line extended under JBIC's GREEN (Global action for Reconciling Economic growth and Environmental preservation) operations

### PFC expands its global footprint with presence in IFSC GIFT City

Continuing with our endeavour to be the pioneer in green financing, PFC is the first government NBFC to establish a wholly owned subsidiary, PFC Infra Finance IFSC Limited in India's first International Financial Services Centre (IFSC) in GIFT City Gujarat. The subsidiary has been setup to support energy transition journey and facilitate low cost funding for India's power sector.

### Strengthening Green Partnerships

As we seek to continue supporting the development of India's energy sector, we

are collaborating with national as well as international organizations.

### Asia Transition Finance Study Group (ATFSG)

- PFC is the first member from India to join Asia Transition Finance Study Group
- This initiative, spearheaded by Japanese Ministry of Economy, Trade and Industry (METI), aims at fostering cooperation and promoting sustainable transition finance across Asian countries
- As a member, PFC has the opportunity to shape the climate financing landscape and contribute to policy formulation for effective energy transition financing



Partnership for sustainable transition finance



### ***Collaboration with Japan's NEDO to promote innovation***

- PFC has collaborated with Japan's New Energy and Industrial Technology Development Organization (NEDO) in January 2024 to promote innovation in the fields of environment, energy, and industrial technology
- NEDO is currently developing a project "Micro Sub-station with Power Voltage Transformer" with an Indian collaborator.
- The aim is to disseminate the outcome of the demonstration project to Indian DISCOMs, showcasing optimized energy distribution and consumption through sustainable practices and energy-efficient technology

### ***MoU with CEEW – Knowledge Partnership in new energy***

- In February 2024, PFC entered into an MoU with the Council on Energy, Environment and Water (CEEW), one of Asia's leading not-for-profit policy research institutions.
- This partnership would support collaboration in net zero financing across new age critical clean energy technologies such as offshore wind, Mobility, Battery Energy Storage, Green Hydrogen and Carbon Capture, Utilisation and Storage (CCUS)

### ***Partnership with USAID***

- PFC has partnered with USAID for its green financing initiatives and ESG activities
- USAID, through its South Asia Regional Energy Partnership (SAREP) program, is supporting PFC in strengthening its ESG function through creating enabling framework, capacity building, improving ESG disclosures etc.

### ***MoU with Government of Goa – Blended Finance Facility***

- In February 2024, PFC entered into a MoU with Government of Goa to set up Blended Finance Facility, aimed at supporting the state's climate ambitions.
- This collaborative effort, in partnership with The World Bank, aims to promote low-carbon, climate-resilient development.
- PFC will utilize innovative blended finance mechanisms to fund key climate projects such as renewable energy, green hydrogen, electric vehicles, waste-to-wealth technology and nature-based solutions, thus contributing to energy transition.



*MoU signed with Government of Goa for Blended Finance Facility*



## Protecting the Environment through our Actions



### Waste Management

- Organic Waste - PFC has installed an organic composting machine of 50 kg capacity in the office premises for recycling organic waste generated on routine basis in the office building kitchen/pantry etc. It can recycle wet materials into 10% within 24 hours and can convert 90% material into organic compost. The produced organic compost has been used by PFC for plantation in the premises and nearby plants.
- E-Waste management- PFC responsibly disposes of e- waste (including old, unserviceable & obsolete IT equipment) through registered recyclers/ re-processors under Central Pollution Control Board, Government of India & State Pollution Control Committee/ Board after following due process as per norms.
- Reducing plastic Use - PFC has also reduced plastic use to very minimal and encourages use of substitutes such as jute bags, cloth bags, paper folders etc.

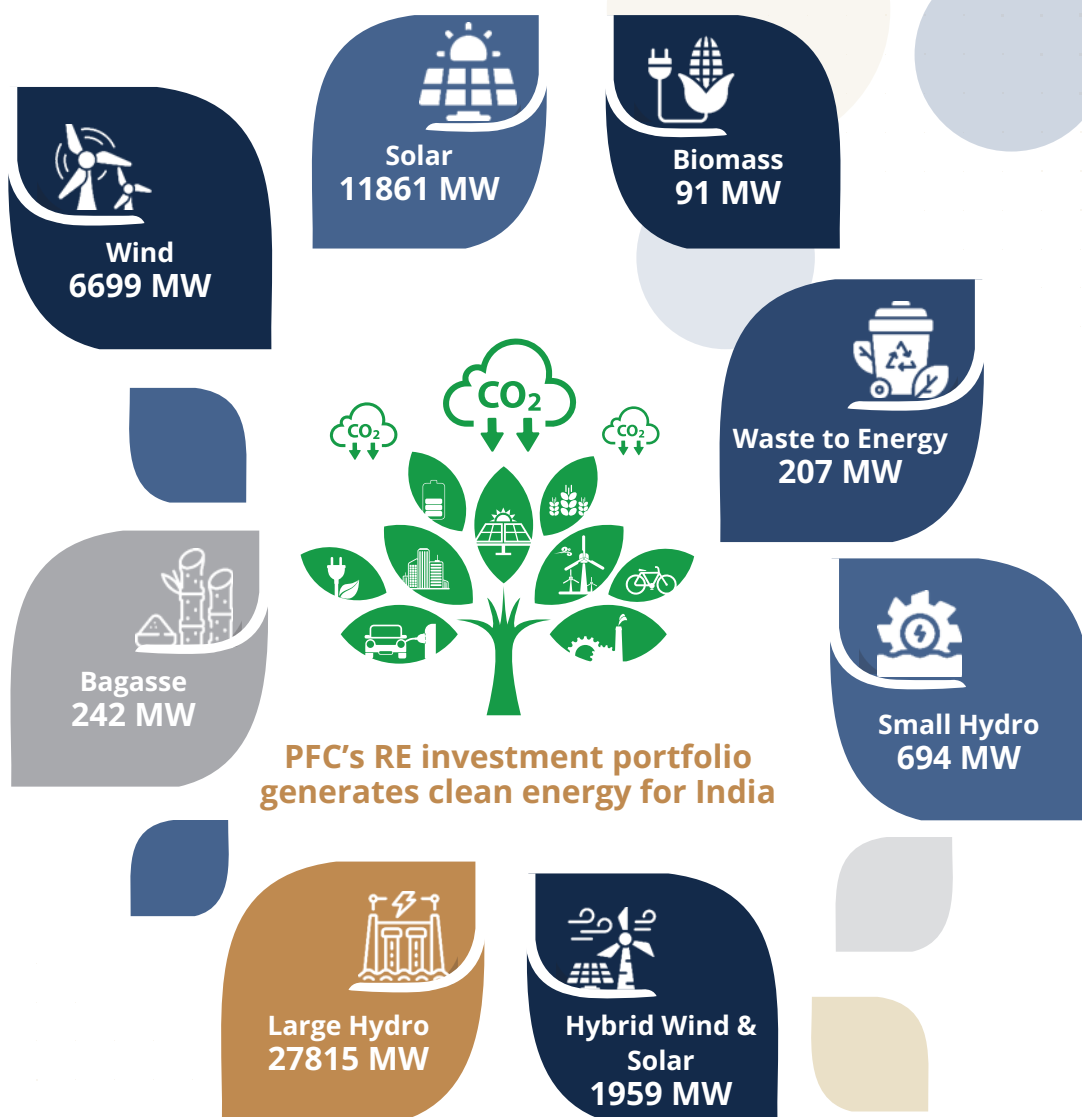


### Embracing Digitization for sustainability

- In line with our commitment to environmental sustainability, we have transitioned to paper-less process wherever feasible, thereby reducing our direct carbon footprint. PFC is committed to utilizing Information Technology for enhancing efficiency of business processes. To that effect, PFC has adopted various initiatives, including implementing collaboration tools for online meetings, e-office solution for efficient file processing, paperless digital board meetings, among others, to reduce the impact of its operations on the natural environment.

## PFC has actively financed clean energy projects in the country since 2015 onwards.

The RE capacity PFC has supported has **CO<sub>2</sub> emission avoidance potential of 885 Lakh Tonnes per year\***, equivalent to the amount of CO<sub>2</sub> absorbed by **354 Crore trees in a year\*\***



### Notes

\*Assumptions for estimation of CO<sub>2</sub> emission avoidance potential

- Estimation based on Capacity Utilization Factor (CUF)/ Plant Load Factor (PLF) of each category as per Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2020.
- PLF for Large Hydro calculated based on large hydro generation from April 2023 to March 2024 and installed capacity as on 31.03.2024 (CEA)
- CUF of wind power approximated based on data from National Institute of Wind Energy, Ministry of New and Renewable Energy, Government of India
- Grid Emission Factor (inc. RES) (tCO<sub>2</sub>/MWh) of 0.716 tonne CO<sub>2</sub> per MWh (CEA December 2023)

\*\* Assuming 25kg CO<sub>2</sub> absorbed by a tree a year (EcoTree International)

## Supporting India's transportation sector decarbonization: Funding E-mobility

India's mobility sector is one of the fastest growing in the world. While transport expansion drives industrial and social advancement, it also presents significant environmental challenges. The surge in vehicles on Indian roads has led to heightened vehicular emissions, including CO<sub>2</sub>, nitrogen oxides (NO<sub>x</sub>), and fine particulate matter (PM<sub>2.5</sub>), posing both health and environmental concerns.

At present, road transport accounts for 12% of India's energy-related CO<sub>2</sub> emissions. With the growing demand for private mobility and goods transportation, energy consumption and CO<sub>2</sub> emissions from road transport are expected to double by 2050 (International Energy Agency).

Increasing use of private cars, an expanding truck fleet, and continued reliance on petrol and diesel will have an adverse impact on India's environment in the coming years. Hence, there is a pressing need to shift the growth in the mobility sector to electric vehicles. The Government of India has taken policy measures to promote electric vehicles through schemes like Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles scheme (FAME), PM E-bus Seva, among others. Financing plays a major role in the adoption of EVs, which are conventionally more expensive than ICE (Internal Combustion Engine) vehicles.



### Project Highlight



PFC has embarked on supporting India's mobility sector decarbonization through financing E-vehicles.



To promote emission-free transport solutions, PFC has sanctioned a loan of Rs 633 crores to Gensol Engineering Ltd.



The loan will be used for procurement of 5000 electric four-wheelers and 1000 electric three-wheelers for last mile logistics/urban delivery.



The electric four-wheelers will be operated by BluSmart Mobility, a ride hailing business.

### Project Impact

It is estimated that 5000 electric four-wheelers proposed to be funded by PFC and deployed by BluSmart would cover 1500+ million km



This would result in 1.13+ lakh tonnes CO<sub>2</sub> emission avoidance



Equivalent to CO<sub>2</sub> absorption by 51.5 lakh fully grown trees in one year

## Implementing State-of-the-art Energy Efficient Public Street Lighting System in Maharashtra



Energy efficiency technology refers to products that consume less energy while delivering the same output. Energy efficiency projects aim to reduce energy demand and are set to play a crucial role in achieving India's NDC and net zero goals. As per the International Energy Agency, deployment of energy efficiency measures, in addition to clean energy technologies, shall form the core of energy transition. India has been able to achieve an emission reduction of 2418 MtCO<sub>2</sub>e ((Million Tonnes of carbon dioxide equivalent) upto 2019-20; an additional emission reduction of 1335 MtCO<sub>2</sub>e is required over 2020-30, out of which 740 MtCO<sub>2</sub>e is targeted contribution from energy efficiency measures<sup>2</sup>. A large quantum of investment is required in energy efficiency projects to meet this emission reduction goal.

### Project Highlight



In FY24, PFC financed a Rs. 35 crores public street lighting project to implement energy efficiency measures across Sangli, Miraj, and Kupwad municipal areas in Maharashtra.



The project involves replacing existing, less efficient streetlights with high efficacy smart LED streetlights.



New LED luminaries would be installed on vacant poles, existing switching points would be replaced with Internet of Things (IOT) based Centralised Control Monitoring System (CCMS) using GPRS/GSM technology.



Additionally, it includes Implementation of wireless communication technology for individual lamp control through Customised Lighting Software (CMS).



A state-of-the-art Lighting Management System (LMS) would be installed for remote operation of the LED luminaires.

### Project Impact



84.5% - Expected reduction in energy consumption



20,000 metric tons - Estimated decrease of CO<sub>2</sub> emission



Equivalent to CO<sub>2</sub> absorption by 9.24 lakh mature trees



# Fostering Sustainable Waste Management: Maharashtra's First Integrated Waste to Energy Project

As India seeks avenues to reduce the emission intensity of its economy, there is a great emphasis on adopting cleaner sources of energy. Waste to Energy (WTE) is a process technology that generates energy (heat and electricity) from waste as a fuel source. By converting non-recyclable waste into clean and renewable energy, WTE projects can reduce the burden on landfills. This approach upholds the principles of sustainability, where waste becomes a valuable resource, benefitting both the environment and the community.



## Project Highlight



To promote circular economy and sustainable waste management practices, PFC sanctioned Rs. 172 Crores to Antony Lara Renewable Energy Private Limited for setting up a 14 MW WTE plant at Pimpri Chinchwad, Pune.



Successfully commissioned during FY24, this project is funded through JBIC (Japan Bank for International Cooperation) green credit line to PFC.



This Integrated WTE Project represents Maharashtra's first such venture into waste-to-energy conversion and signifies a major milestone in the region's sustainable development journey.



14 MW of power generated from 700 TPD non-recyclable dry waste through controlled incineration meeting all emission standards.



State-of-the-art facility to process 1,000 Tonnes Per Day (TPD) of municipal waste, including recovery of recyclable materials and conversion of wet waste into compost.



It utilizes recycled water from the Chikali Sewage Treatment Plant (STP), eliminating the need for fresh-water dependency and conserving valuable resources.



Electricity generated to serve as the primary energy source for Pimpri-Chinchwad Municipal Corporation (PCMC) sewage treatment plants and water pumping facilities.

## Project Impact



Estimated ~7 lakh tonnes of CO<sub>2</sub> equivalent emission avoided annually by diverting waste from landfills and reducing methane emissions



Emission avoidance equivalent to ~1.5 lakh passenger cars' emissions

## Supporting Water Conservation through recycling: Waste Water Treatment Project in Nagpur and Chandrapur



Water is indispensable for sustaining all forms of life on our planet. Water bodies serve as habitats for diverse ecosystems. Water features as one of the United Nations Sustainable Development Goals (SDGs), SDG 6 – Clean Water and Sanitation, which aims to ensure availability and sustainable management of water and sanitation for all. Additionally, water plays a role in achieving other SDGs due to its importance in agriculture, health, and well-being and for preserving aquatic ecosystems.

According to the World Bank, India has 18 percent of the world's population, but only 4 percent of its water resources, making it among the most water-stressed in the world. There is a requirement of greater emphasis on sustainable use of water throughout the country, by employing the global adage of reduce, reuse, and recycle.

### Project Highlight



PFC has sanctioned Rs. 480 crores for Nagpur Wastewater Management Plant and Rs. 50 crores for Chandrapur Wastewater Management Plant.



Chandrapur Wastewater Management Plant features a 70 MLD (Million Litres per Day) sewage water treatment facility for Chandrapur City and tertiary treatment of 50 MLD for industrial reuse.



Nagpur Wastewater Management Plant comprises a 200 MLD sewage water treatment facility for Nagpur City and tertiary treatment of 190 MLD for industrial reuse.



Treated water from both facilities is supplied to local power plants for meeting cooling requirements. Reuse of water ensures that freshwater is available for use by local residents.

### Project Impact



Increased availability of freshwater for residents (**240 MLD**) due to the utilization of treated water in power plant



Provision of clean water for farming and fishing, **supporting livelihoods** for marginalized sections of society



Power plants using **recycled sewage water for cooling purposes** can operate throughout the year, even during period of water stress, especially in the summers, which is crucial to support peak loads



Since peak power demand includes demand from irrigation pumps, avoidance of power plant shutdown also **supports agriculture and thereby food security**

## Desalination projects in four districts in Gujarat

Gujarat, a semi-arid state on India's west coast, traditionally relies on the Sardar Sarovar Dam for freshwater. Changes in the water utilization patterns of upstream states and low and erratic rainfall have led to water scarcity in the state in the recent years. Hence, there is a need to augment freshwater availability to address water shortages, through various means. Setting up of desalination projects, which can convert seawater to drinking water, is one method of supplementing the state's water supply.



### Project Highlight



PFC, as a sole lender, has financed Rs. 1156 crore towards setting up four desalinations plants with a combined capacity of 270 MLD (Million Liters per Day) desalination projects across Gujarat.



These desalination plants are strategically situated in water-stressed areas within the Kutch, Dwarka, Somnath, and Bhavnagar districts of Gujarat.

### Project Impact



Provision of high-quality water meeting WHO (World Health Organization) standards, benefitting approximately **5.5 lakh households**



**Cost savings** for the state of Gujarat on water supply, from Rs. 65-70 per kiloliter (KL) from the Sardar Sarovar Dam to Rs. 40-45 per KL from the desalination plants



**Employment generation opportunities** for local population, contributing to social development in the state



Potential for **industry-government collaboration** to explore productive uses for the brine generated during desalination

# **Pillar II: Promoting the Pathway towards Inclusive Society**





PFC is committed to supporting its people and the society and ensuring inclusivity.

## HIGHLIGHTS



Highest profit per employee  
**Rs. 26.46 Crore**



Women ratio **21.5%**, highest  
among Maharatna PSUs



CSR Expenditure Sanctioned in  
FY24 **215 Crore**



**2484** Training Man-days



**Zero Gender** Pay-gap at  
grade level



**100%** return to work after  
maternity



Low attrition rate of **0.7%**

## MATERIAL TOPICS

- Employee Engagement
- Diversity and Inclusion
- Employee Health and Positive Work Environment
- Transparent and Responsible Procurement
- Participating in Community Development
- Customer experience and customer satisfaction

## INTRODUCTION

PFC believes that the fundamental cornerstone of its long-term sustainable growth are its people. As we reflect on the past year, we have created great value for our stakeholders that was shaped by the passion and dedication of our team. At PFC, people are at the heart of everything we do. They are the driving force behind our continued success, and we pride ourselves on a culture with a commitment to inclusivity, well-being, growth, respect and trust.

We are committed to the growth and development of people and society, within PFC, and outside PFC. Being a responsible public sector institution, PFC has a strong culture of supporting communities through our targeted CSR programs. Our procurement policies are also aligned with our aim to support the society.

This section provides a brief overview of our employee practices and community development and CSR activities and procurement policies, which are aligned with our vision of promoting our people and supporting the society.



## Celebrating our People

Prioritizing people has enabled us to create a fair, inclusive, empathetic, and safe workplace, resulting in long-term loyalty and positive brand recognition for PFC.

At PFC, we take immense pride in having developed an environment where our employees grow both personally and professionally. We have always prioritized employee engagement, offering competitive benefits and promoting a healthy work-life balance. We are delighted to share that our attrition rate last year was 0.7%, which is a testament to employee satisfaction.

We recognize the pivotal role that talent plays in the success of an organization. We are committed to hiring and retaining the best and brightest talent from across the country. Our approach to hiring is about finding individuals who share our values, embody our culture, and have the skills and passion to make a purposeful impact.



*Notably, 25% of the campus recruits last year comprised women candidates*



The diverse talent pool of PFC includes professionals from Management, Engineering, Accountancy, Legal, & IT domain.

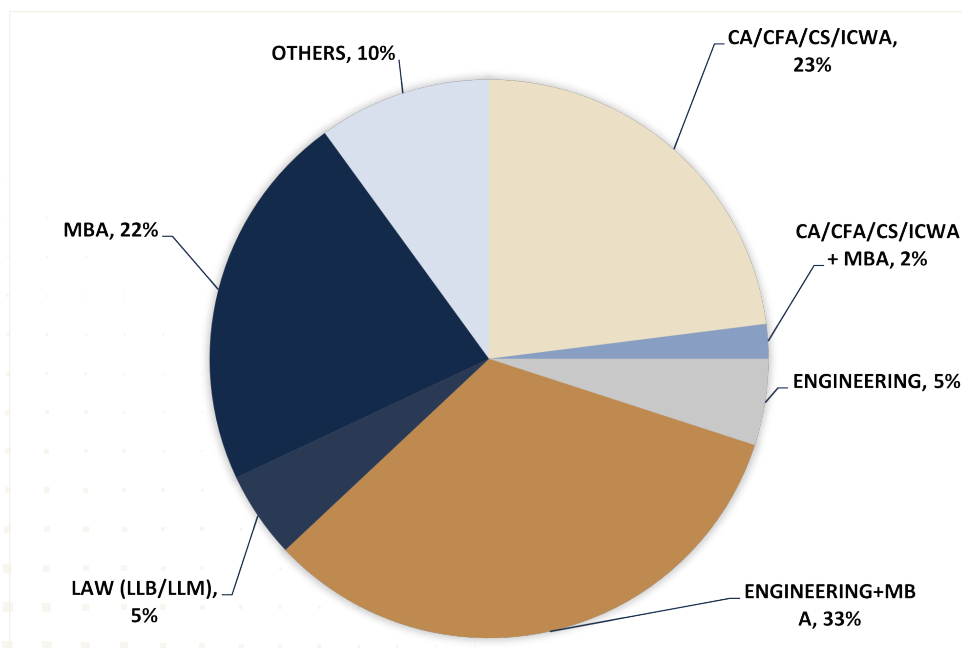
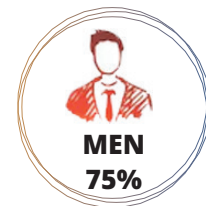
25% of the campus recruits last year comprised women candidates. At PFC, our people-centric culture fuels our success. We prioritize inclusivity, valuing each individual's contribution and providing opportunities for growth through training, mentorship, and career advancement.



*Our low attrition rate is a testament to employee satisfaction*



### NEW HIRES





## Diversity and Inclusion

We are committed to fostering an inclusive and equitable workplace where all our employees are treated with respect and fairness. Ensuring pay equity has always been a top priority for us, and our compensation structure, driven by Government of India guidelines, ensures that pay is not dependent on gender.

As a public sector employer, PFC ensures equality of opportunity for all citizens regarding employment or appointment to any post. We do not discriminate on grounds of religion, race, caste, gender, descent, place of birth or residence. This commitment is reflected in our diverse workforce. Despite a lean staff count of around 550 PFC has employees from more than 20 states and union territories of India, exemplifying our dedication to diversity. PFC has a balance workforce, with participation from all age group – Gen-Z, Millennials, Gen-X.

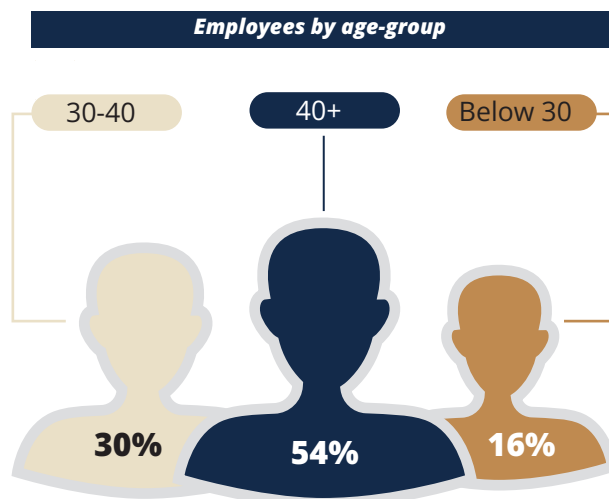
### Ensuring Pay Parity

PFC pays equal remuneration to men and women employees in accordance with the Equal Remuneration Act, 1976. There is no discrimination based on gender. The pay and allowances offered by PFC are determined by the Department of Public Enterprises (DPE), Ministry of Finance (Government of India) for all the CPSEs in a grade-wise manner without any gender-based disparities.

As a Government of India undertaking, PFC strictly adheres to all the labour legislations implemented by the Indian Government. This includes laws on minimum wages, equal remuneration, child labour, contract labour, workers' compensation, maternity benefits, etc.

### Promoting Representation and Inclusion

To ensure adequate representation of



marginalised sections, various safeguards, relaxations, and concessions are available for employees belonging to Scheduled Castes (SC), Scheduled Tribes (ST), Other Backward Classes (OBC) categories (socially and economically disadvantaged sections of society, as designated by the Government of India) and Persons with Disabilities.

The Economically Weaker Section (EWS) from the general category is provided with a 10% reservation, in line with government guidelines. The PFC SC/ST/OBC Employees' Welfare Association is recognised by the organization for bringing any issues faced by the employees belonging to these categories to the notice of the management.

A Special Reservation Cell composed of Liaison Officers for SC/ST/OBC/EWS/ PwD (Persons with Disability) is also in place to address the grievances, if any, of employees from these groups. An Internal Grievance Redressal Cell for Scheduled Caste communities is also established in PFC. Various selection committees for recruitment and promotion include representatives from SC/ST, OBC, minority and women. The measures undertaken to secure the representation of SC/ST/OBC and their welfare in PFC are also examined by Parliamentary Committees and National Commissions from time to time.

We celebrate the linguistic diversity of our employees by organizing Linguistic Harmony Day during Communal Harmony Week in November.



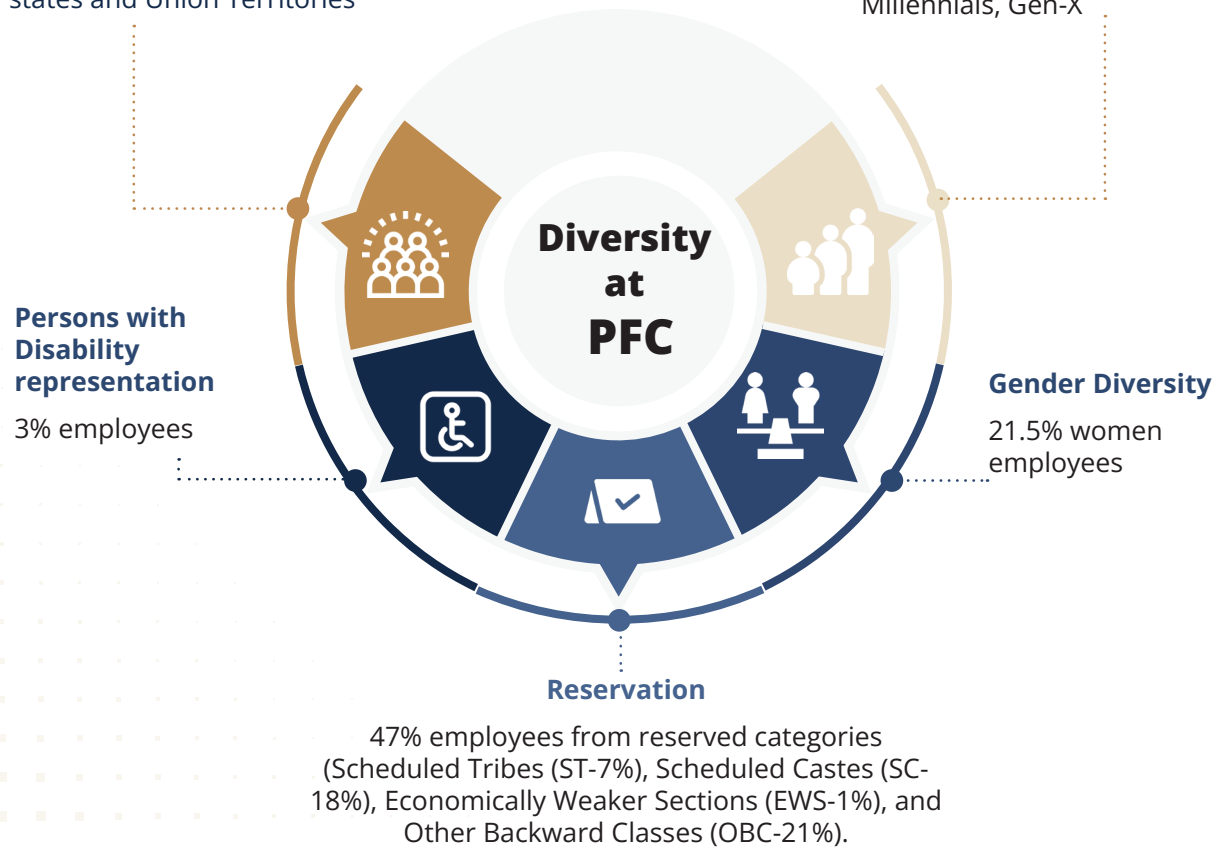
*Creating an inclusive atmosphere for women employees*

#### **Regional Diversity –**

Employees from 23 Indian states and Union Territories

#### **Age Diversity –**

Employees from all age group – Gen-Z, Millennials, Gen-X







## Women Empowerment

At PFC, the representation of women in the total workforce is around 21.5%, which is the highest among Maharatna PSUs. We have a Board Diversity Policy to ensure diverse representation at the highest levels in the organization. We're extremely proud to be led by Ms. Parminder Chopra, the first woman CMD (Chairman and Managing Director of PFC and one of the two women directors on our board.



*Gender -diverse workforce with 21.5% representation of women employees*



We conduct regular gender-awareness and sensitization programs with the help of experts to create a safe and supportive work environment, empower marginalized groups, promote inclusivity and diversity, and encourage active participation. An Internal Complaints Committee has also been constituted under the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 to regulate and administer complaints on sexual harassment.



*100% of the employees going on maternity/paternity leave returned to work after availing the leave.*



PFC has a supportive and enabling environment for women. We celebrate International Women's Day each year.



*We are proud to state that PFC has a zero gender pay gap across levels and departments of the organization.*



## Employee Engagement

At PFC, we take pride in the culture that we have created, which places our people at the forefront. Our people drive our success and fuel our growth. We have an inclusive work environment where every individual has the freedom to express themselves, contribute in their own way, and feel valued and respected. We provide our people with training programs, mentorship opportunities and career advancement opportunities to help them achieve professional distinction and personal fulfilment.

We strongly believe that engaged employees are more focused, productive, innovative, and aligned with the company's goals. We have invested in employee development programs to ensure that our employees have tremendous growth opportunities on a professional and personal level.

Regular employee engagement activities are the hallmark of PFC's culture, providing a platform to build cross-functional teams and nurture interpersonal bonding among the employees. Cross-functional knowledge sharing sessions are conducted on a regular basis to nurture interpersonal skills and common awareness among all employees.

## Performance Management

As part of our nurturing work culture which emphasizes employee growth and development, we have instituted a well-structured performance management system. 100% of our workforce actively participates in regular performance and career development reviews. Our annual performance management system consists of three levels of reviews. This comprehensive evaluation allows us to acknowledge and reward employees for their contributions throughout the year. This reflective practice embodies our ethos of continuous improvement, cultivating a culture of ongoing learning and enhancement.

## Training and Development

PFC offers learning and development opportunities to employees across all levels in the organization. There is a well-structured 3-week induction program for all new joiners, which is conducted by premier institutions such as National Power Training Institute, Faridabad. As employees progress in their careers and take up new responsibilities, they are supported through promotee training programs and accelerated management programs. To ensure that our workforce remains up-to-date with industry trends and regulatory changes, we conduct regular trainings on topics like risk management, leadership, vigilance, gender equality, stressed asset resolution, public procurement through GeM, among others. In FY24, PFC invested 2484 manpower days in training.



### Capacity Building for ESG

PFC places a strong emphasis on promoting awareness in the field of ESG among its employees and top management and has organized three ESG workshops in the past year.

### Multilateral Investment Guarantee Agency (MIGA) Workshop - ESG consideration into lending processes

MIGA, a World Bank member is mandated to promote cross-border investment in



*Employees attending MIGA workshop on ESG*

developing countries by providing guarantees to investors and lenders. In February 2024, a team of experts from MIGA, USA travelled to India to conduct a one full day specialized workshop for PFC employees. The workshop focused on E&S (Environmental and Social) risk assessments and its implementation, MIGA performance standards and climate risk management.

Attended by more than 40 senior-level executives, the event was a resounding success, fostering meaningful discussions and insights on integrating ESG considerations into PFC's operations.



*PFC's employees actively participating in ESG Workshop*

### ESG Workshops for PFC employees

PFC's ESG Unit organized two workshops on "ESG and Materiality Assessment" on April 3rd and 4th, 2024. Facilitated by USAID's SAREP program, the workshops held at the PFC office in Delhi were aimed at engaging with all employees of PFC and introducing the concept and practices of ESG. In alignment with PFC's commitment to sustainability and corporate responsibility, the workshops provided participants with comprehensive insights into the foundational principles of ESG.

While one workshop was held for all employees of PFC, another workshop was specifically organized for management team of PFC. The workshops sought to build an understanding of various ESG issues and their relevance for PFC and integrate employees' perspectives into the PFC's ESG journey, through a materiality assessment survey.

The workshop served as a platform for empowering PFC employees to become catalysts for positive change, driving impactful transformations and embracing sustainability in response to climate change, in line with the Government of India's energy transition and climate action plans.

### Activities

We regularly organize a variety of events aimed at fostering a vibrant and cohesive community within the organization. These events include family picnics, sports tournaments, poetry competitions and plays etc., inviting employees and their family members to exhibit their talents and strengthen bonds. We celebrate major festivals in the office, providing employees a chance to come together and share in the festivities. We celebrate Foundation Day in July every year, where employees put together cultural performances. During this event, we also acknowledge the outstanding academic performance of meritorious children of our employees. We actively encourage our employees to participate in various sports competitions organized by the Power Sports Control Board (PSCB).

### Employee Associations and Groups

PFC employees can be broadly classified into two categories – executive and non-executive. Regular interactions and informal meetings are held with the associations formed by the employees of both categories. The executive category employees are represented by the PFC Executives Association and those in the non-executive category are represented by PFC Employees' Union. Both these associations are recognised by PFC for discussions and deliberations on various issues from either side.

### Open Communication

PFC actively promotes engagement and open communication within the organization. We have adopted various new initiatives to support our employee engagement. We organized our first ever Town Hall in July 2023, presenting our employees with an opportunity to discuss the business and the way forward with PFC senior leadership. We also conduct surveys at regular intervals to seek employee feedback on critical issues.



*New Year celebrations at PFC*



# PEEPAL PORTAL

PEEPAL Portal – In order to encourage open communication, recognition, learning and create a sense of belonging among employees, we have created an internal portal called PEEPAL (Portal for Enhancing Engagement and Promoting Awareness and Learning).

## FEATURES OF PEEPAL:

### Posts

Any employee can create a post and other employees can interact with it, facilitating informal discussions

### Quiz Room

EDs/ HoUs can pose questions under Quiz Room relating to their unit/function area or any relevant topic and employees can voluntarily participate and submit answers during the quiz period.

### Chat Room

Employees can post information/updates under the chat room relating to their functional areas or/of general awareness relevant for PFCians.

## PURPOSE OF PEEPAL:

Sharing of knowledge among different units

Collaboration across units on work areas

Informal engagement channel to promote interaction among employees

Dissemination of information about company-wide initiatives

Recognition and appreciation mechanism for teams





## Employee Health and Well-being

At PFC, we are strongly committed to creating a culture that prioritizes the physical, mental, and emotional health of our employees. We take a holistic approach to the health and well-being of our employees by offering a range of resources to support them in all aspects of their lives.

### Health Benefits

PFC provides a comprehensive suite of health benefits to its employees and their dependent family members. The benefits are also extended to retired employees and their dependents in the form of Post-Retirement Medical Facilities. A paperless system of medical claims reimbursement has been implemented to ensure quicker and hassle-free processing. PFC has put in place provisions like a special nursing facility and annual health check-up to ensure health and medical fitness of all our employees. To support employees' healthcare needs while at work, a medical consultation facility through a doctor is made available to all employees in the office.



### Parental Leave Benefits

PFC has undertaken several initiatives to support its employees as they embark on a new role as parents. For its female employees, PFC offers maternity leaves as per statute. Although there is no statute on paternity leave in India, PFC's male employees are entitled to receive 15 days of paternity leave to be availed at the onset of parenthood. Furthermore, we offer childcare leave to all female employees to support them in balancing work and family responsibilities.



### Flexi-timing

PFC introduced flexi-timing last year for all its employees, whereby, 2-hour flexibility has been provided in office timings subject to completion of minimum prescribed hours. The flexibility has helped employees to avoid peak-hour traffic and manage work-life balance in a better way leading to reduced stress and improved productivity.

### Post-retirement benefits

We ensure compliance with the social security legislations on Provident Fund and Gratuity, as well as the NPS (National Pension System) for all our employees. Further, in the unfortunate event of death or permanent total disablement causing separation from service before retirement, we offer an Economic Rehabilitation Scheme to compensate for the loss of pay till the normal notional date of superannuation. Additionally, in case of death during service, financial assistance in the form of a lump-sum amount is provided under Death Relief Scheme to the bereaved family.



### Health and Wellness Programs

In order to ensure the physical and mental well-being of employees, PFC organizes various activities such as regular yoga sessions on all working days, workshops on stress management and regular health check-up camps. Further, to cater to first aid and other preliminary medical needs of employees, a wellness centre has been set up in the office premises in March 2024.



## Transparent and Responsible Procurement

At PFC, we are committed to maintaining a fair, transparent, and equitable procurement process. We utilize the Government of India's online procurement platform, the Government e-Marketplace (GEM), to ensure efficient and transparent procurement.

In line with the directives of the Government of India, we prioritize sourcing from micro and small enterprises (MSEs). To encourage these enterprises, we extend various benefits such as exemption from tender

fees and earnest money deposits, purchase preferences, interest on delayed payments, and exemptions from prior experience and turnover criteria, provided they meet the quality and technical specifications. During the financial year, we procured products and services worth Rs. 58.54 crore, out of which products and services from MSE's constituted Rs. 40.87 crore or 69.82 %, exemplifying PFC's commitment to promoting and supporting the MSE sector.



## CSR and Community Development

Being a responsible public sector undertaking, PFC is committed to supporting the society through its CSR and sustainability initiatives. We are proud of our role in empowering communities through our focused CSR programs. PFC

has cumulatively sanctioned Rs.1664 crore and disbursed Rs.1411 crore under CSR activities from FY 2010-11 to FY 2023-24. In FY2023-24, PFC has sanctioned Rs 215 Crore and Disbursed Rs 148 Crore towards CSR.

### PFC CSR Spending (all figures are in rupees crores)

| MAJOR SECTORS                                                                                                                                                   | SANCTIONED AMOUNT         |             | AMOUNT DISBURSED |            | CUMULATIVE SANCTION |             | CUMULATIVE DISBURSEMENT |  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------|------------------|------------|---------------------|-------------|-------------------------|--|
|                                                                                                                                                                 | FY 2010 -11 to FY 2022-23 |             | FY 2023-24       |            | TILL 31.03.2024     |             |                         |  |
|  Renewable Energy and Energy Efficient and Environment-friendly Technologies | 169                       | 149         | 4                | 5          | 173                 | 154         |                         |  |
|  Sanitation and Provision of Safe Drinking Water                             | 353                       | 347         | 80               | 78         | 433                 | 425         |                         |  |
|  Skill Development and Livelihood                                            | 157                       | 142         | 18               | 5          | 175                 | 147         |                         |  |
|  Education                                                                   | 102                       | 73          | 29               | 15         | 131                 | 88          |                         |  |
|  Health and Activities related to Persons with Disabilities (PwDs)           | 461                       | 388         | 62               | 28         | 523                 | 416         |                         |  |
| Others                                                                                                                                                          | 207                       | 164         | 23               | 17         | 230                 | 181         |                         |  |
| <b>TOTAL</b>                                                                                                                                                    | <b>1449</b>               | <b>1263</b> | <b>215</b>       | <b>148</b> | <b>1664</b>         | <b>1411</b> |                         |  |



## CSR Project Highlights

### 1. PFC partners with Indian Institute of Science (IISc) for new energy research building

In March 2023, PFC sanctioned assistance of Rs. 42 crores for a new Interdisciplinary Centre for Energy Research (ICER) building at the Indian Institute of Science (IISc) in Bengaluru.

ICER's research initiatives focus on a spectrum of renewable energy domains, including net zero technology development for green hydrogen, pioneering research, and development activities on green energy technologies such as the generation of hydrogen and other biofuels from biomass, advance batteries and energy storage systems & sustainable technologies. The building will be constructed over the next two years. Foundation stone of the building was laid by Union Power Minister Shri R. K. Singh.



*Foundation stone laying ceremony of IISc's new energy research building*

### 2. Skill Development for Youth

The Government of India has laid tremendous emphasis on skill development as a means to unlocking the country's potential and reaping the benefits of our demographic dividend. PFC supports this mission of the Government of India and is working towards skill development of the youth.



*Training under progress at one of the CIPET centres*

PFC entered into a Memorandum of Agreement (MoA) with Central Institute of Petrochemicals Engineering & Technology (CIPET) for conducting industrial skill development programs for persons belonging to Scheduled Castes (SC)/Scheduled Tribes (ST)/Other Backward Classes (OBCs)/Persons with Disability (PwD)/Economically Weak Sections (EWS) and women. CIPET is a public sector institution under the Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers. PFC contributed Rs 10 Crore as financial assistance for the program.

The objective of the skill development training program was to equip the unemployed youths with technical & professional skills and make them employable. Under the MoA with PFC, CIPET conducted 6 months' (960 hours) Residential Skill Development Training Programme for 1000 participants spread across 19 CIPET Centres in India. The participants were selected based on a well-structured selection process. Priority was accorded to applicants from "Aspirational Districts" notified by Government of India.

CIPET centres enrolled the candidates in National Skills Qualifications Framework (NSQF) aligned and National Skills Qualifications Committee (NSQC) approved trades / skill development training programmes like plastics processing, injection moulding, CNC milling, among others.

The program combined classroom-based training with industry exposure, offering participants the opportunity to interact with business leaders and also undertake visits to industries.

CIPET provided placement assistance for

85% of trainees in the plastics processing & allied industries with an average salary of 12,000/- per month. With this, not only did the program enhance the skill and competency level of the participants but also contributed to improvement in their socio-economic status.

| Sl. No. | Category | Men | Women | Total |
|---------|----------|-----|-------|-------|
| 1.      | SC       | 166 | 34    | 200   |
| 2.      | ST       | 106 | 29    | 135   |
| 3.      | OBC      | 464 | 64    | 528   |
| 4.      | EWS      | 116 | 25    | 141   |
| Total   |          | 852 | 152   | 1004  |

### 3. Any Time Water Machines in Uttar Pradesh

Access to improved water supply and sanitation, and better management of water resources, can boost countries' economic growth. Availability of clean and safe drinking water is crucial for public health. Water is recognized as one of the UN SDGs under SDG 6 - Ensure access to water and sanitation.

Basti District in state of Uttar Pradesh has contaminated groundwater, with presence of arsenic. In order to make provision for safe drinking water for the people of Basti region, PFC funded a project for supply, installation and commissioning of 50 Any Time Water Machine (ATWM) These ATWMs, installed at a cost of Rs. 3.98 Crore, provide hygienic drinking water to a population of more than 10,000 people.



*Any Time Water Machine in Uttar Pradesh*

### 4. Anatomy laboratory in Department of Medical Sciences and Technology, IIT Madras

Driving innovation and research to create cutting edge technology in healthcare is an

important thrust area in building capability and capacity towards Atmanirbhar Bharat. PFC, as a part of its CSR initiative is supporting IIT Madras in setting up of a state of the art research undergraduate anatomy laboratory in their Department of Medical Sciences and Technology.

The lab, representing the first of its kind in India, is designed to provide a unique hands-on learning experience to students. The amount funded by PFC for this project is Rs. 16.25 crores. The lab would include a virtual dissection table, synthetic skeletal system and cadavers and Artificial Reality (AR)/ Virtual Reality (VR) based tools.

The purpose of the anatomy lab is to translate theoretical classroom teaching into demonstrable practical lessons that would enrich the hands-on skill sets of the students. Further, it aims to utilize and develop technology-integrated teaching platforms that aid and assist knowledge transfer in a dry lab set up on par with the traditional cadaveric lab.



*Anatomy Lab at IIT Madras*



# **Pillar III – Pursuing Prudence**



PFC is committed to maintaining the highest levels of business ethics and corporate governance across all areas of business, to support our long term growth

## HIGHLIGHTS



**2 Women** in Board of Directors



**290 mandays** invested in Vigilance training programs



**16 Board** Meetings in FY24



**9 Board** Level Committees

## MATERIAL TOPICS

- Enterprise Risk Management
- Reporting and Disclosures
- Corporate Governance and Business Ethics
- Code of Conduct
- Regulatory and Legal Compliance
- Data Security and Data Privacy
- Grievance Redressal Mechanism
- Financial Performance
- Digitization of Business Processes

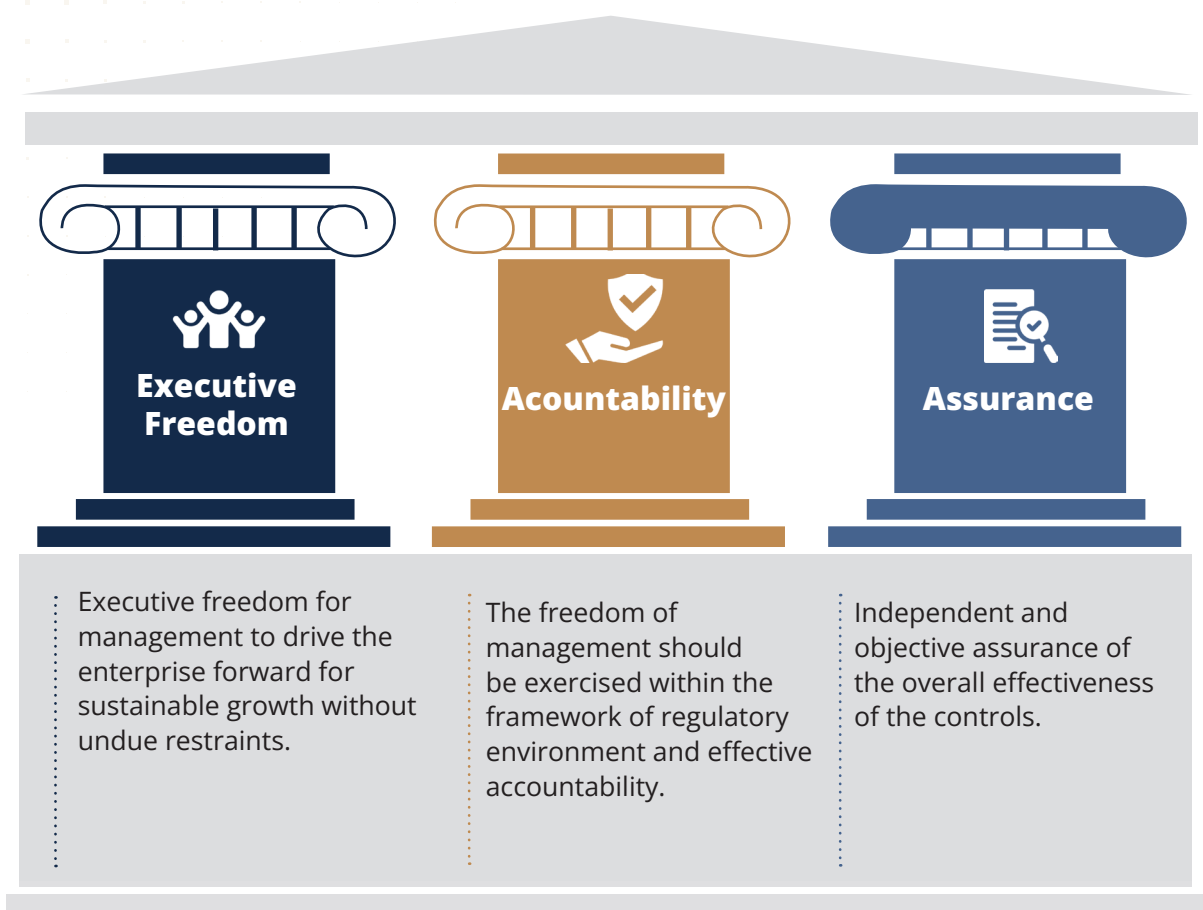
## INTRODUCTION

As a Maharatna corporation and India's largest NBFC, PFC is committed to pursuing prudence in every action and decision we undertake. Our leadership is committed to shape the organizational culture and promote innovation while upholding the highest standards of transparency, accountability, responsible governance, disclosures, and ethical standards. Our governance exemplifies a progressive approach integrating financial performance with environmental stewardship and social responsibility.

At PFC, our commitment to transparent governance goes beyond compliance which is reflected in our dedication to ethics and integrity. This is embedded throughout our corporate frameworks which not just allow us to mitigate risk but help unlock new opportunities, enabling us to create value for our stakeholders. This section highlights our commitment to uphold the highest levels of corporate governance across all spheres of our operation.



## Philosophy of Corporate Governance





## Policy Framework





## **Code of Business Conduct and Ethics**

At PFC, we prioritize ethical standards and integrity throughout our organization. Our code of business conduct and ethics guides our board members and senior management, ensuring they act with honesty, fairness, and integrity. Aligned with our vision and values, this code promotes transparent processes to achieve our mission and objectives, ensuring that our actions are consistent with the highest ethical standards.

## **Dividend Distribution Policy**

PFC consistently pays dividends, affirming its commitment to sustainable value for stakeholders. Dividends are declared at the Annual General Meeting based on Board recommendations, with discretion for interim dividends. Dividend decisions are made in accordance with the Government of India regulations and RBI regulations.

## **Fair Practices Code**

PFC has developed the Fair Practices Code (FPC) for its lending operations based on the RBI guidelines, which intends to provide assurance to all the borrowers of the Company's commitment to fair dealing and transparency in its businesses transactions.

## **Policy on Material Subsidiary**

PFC has framed the policy on 'Material Subsidiary' in accordance with the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

A subsidiary shall be considered as material whose - income exceeds 10% of PFC's consolidated income as per the audited financial statement(s) of the previous accounting year; or net worth exceeds 10% of PFC's consolidated net worth as per the audited financial statement(s) of the previous accounting year.

## **Code for Prevention of Insider Trading**

In compliance with SEBI regulations, PFC has developed the "Code of Practices & Procedures for Fair Disclosure of Unpublished Price Sensitive Information and Conduct for Regulating, Monitoring & Reporting of Trading in the Securities of Power Finance Corporation Limited." This comprehensive code aims to prevent the misuse of sensitive information and ensure confidentiality. All designated and connected persons are obligated to safeguard information and refrain from using it for personal gain or benefiting third parties. The code outlines procedures, disclosures, and consequences of non-compliance, with the Company Secretary serving as the Compliance Officer to oversee adherence.

## **Integrated Risk Management Policy**

PFC has instituted an Integrated Risk Management Policy (IRM policy) to manage major operational, financial, market and regulatory risks, etc. These risks are identified and assessed as per their risk assessment criteria to enable prioritization of risks, which in turn helps management focus on top risks.

## **Corporate Social Responsibility (CSR) and Sustainability Policy**

Through its CSR and Sustainable Development initiatives, PFC undertakes projects focusing mainly on the fulfillment of energy needs of the society. We aim to ensure that we become a socially responsible corporate entity committed to improve the quality of life of the society at large.

Endeavors as a socially responsible corporate entity:

- Promote and leverage green technologies to produce goods and services that contribute to social and environmental sustainability.
- Undertake projects that provide energy, water, and sanitation facilities to the communities.

- Manage activities supporting differently abled persons and the health sector.
- Resolve issues which are of foremost concern in the national development agenda such as safe drinking water for all, provision of toilets especially for girls, health and sanitation, education etc.
- Contribute to inclusive growth and equitable development in society through education, capacity building measures, empowerment of the marginalized and underprivileged sections/communities.

### **Policy on Board Diversity**

PFC recognizes the importance and benefits of a diverse board which brings together individuals from different backgrounds, experiences, perspectives, and expertise and enriches the board discussions and drives superior outcomes. We believe that a diverse board enhances decision-making by utilizing different skills, qualifications, professional experience, and knowledge.

### **Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions**

PFC has framed the Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions in accordance with the applicable provisions of Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") as amended.

### **Whistle Blower Protection Policy**

PFC is committed to the highest possible standards of ethical practices and moral business conduct. Over the years, PFC has put in place various policies, procedures, and systems to guide employees within and

outside the organization, including the 'Anti-Fraud Policy' and 'Code of Business Conduct for Board Members and Senior Management'. An integral part of the Vigil Mechanism, the Whistle Blower Protection Policy has been introduced to empower the Directors and Employees of PFC and/or its subsidiary companies to detect and report any improper activity within the company.

The policy empowers directors and employees of PFC and/or its subsidiaries to report concerns regarding unethical behavior, fraud, or code of conduct violations. It covers disclosing improper activities like malpractices, financial impropriety, fraud, law violations, negligence endangering the environment or public safety, unethical behavior, or criminal activity. This includes attempts to conceal such actions, which could impact the company's business or reputation. Overall, the policy fosters a culture of transparency and accountability within the organization.

### **Anti-Fraud Policy**

Maintaining integrity and trust is paramount at PFC. To mitigate risks, enhance compliance, and promote sustainable growth, PFC's anti-fraud policy serves to enforce controls and aids in prevention and detection of fraud. This policy promotes consistent ethical behavior by assigning responsibility for the development of controls and providing guidelines for reporting and conduct of investigations of suspected fraudulent behavior.

The policy applies to any fraud or suspected fraud in PFC involving employees (including contractual employees) as well as stakeholders, consultants, vendors, suppliers, service providers, contractors, lenders, borrowers, outside agencies and/or any other parties with a business relationship with PFC.



## Board of Directors



### CMD & Functional Directors



### Government Nominee Director



### Independent Directors

- PFC's Board of Directors comprises of highly capable and experienced individuals. The Board consists of Chairman and Managing Director, two whole time directors, one Government of India nominee director and three independent directors. The Board functions either by itself as a full Board or through various committees constituted to oversee specific operational areas. Board meetings and meetings of the board level committees are held at regular intervals.
- In accordance with Article 86 of Articles of Association (AoA) of PFC, the directors on the board of PFC are appointed by President of India, through Ministry of Power, Government of India.
- Functional Directors are appointed by Public Enterprises Selection Board (PESB), an independent body constituted by Government of India.
- The Ministry of Power appoints the independent directors based on recommendations of a Search Committee after obtaining the approval of Appointments Committee of the Cabinet (ACC).
- The Ministry of Power also appoints a Government Nominee Director on the Board of the Company.



## Board Committees

PFC has constituted board committees for efficient functioning of the organization and focused decision making. The board committees comprise of full time and part time directors.



**Audit Committee of Directors** – Responsible for oversight of financial reporting and disclosure for the organization



**Nomination and Remuneration Committee** - Responsible for compliances such as recommendation of directors appointment, etc. in line with relevant provisions of Companies Act, DPE's Guidelines on Corporate Governance for CPSEs, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and RBI's Corporate Governance norms.



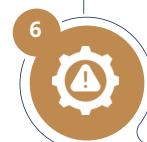
**Stakeholder Relationship and Shareholders'/ Investors' Grievance Committee** – Responsible for resolving grievances of shareholders and investors of PFC



**HR Committee** – Responsible for making recommendations to the Board of Directors on all HR related matters



**CSR & Sustainable Development Committee of Directors** – Responsible for implementing the Corporate Social Responsibility and Sustainability policy and making recommendations to the Board on taking up CSR & SD projects



**Board Level Risk Management Committee** – Responsible for monitoring and review of risk management plan of the Company and to make recommendations to the Board of Directors for taking up various risk management activities.



**Investment Committee of Directors** – Responsible for approving equity investment in IPOs of Central Power Sector Undertakings, investment limits, exit/ sale decisions



**ALM Committee of Functional Directors** – Responsible for management of market risks through measuring, monitoring, and managing liquidity, exchange rate and interest rate risks



**IT Strategy Committee** - Responsible for guiding in preparation of IT Strategy, establishing effectiveness of IT Governance and Information Security Governance structure and ensuring processes are in place for assessing and managing IT and cybersecurity risks.





## Business Ethics and Accountability

PFC believes in conducting business with the highest standards of ethics and transparency.

We have built a culture of honesty and fairness and have zero-tolerance towards bribery, fraud and corruption. PFC has a strong code of conduct that defines the expectations for behavior within the organization to further our purpose and values and reflects our commitment to uphold the trust of our stakeholders. We have set a benchmark in the form of code of conduct which is applicable to all our employees, senior management personnel and directors.

At PFC, we regularly conduct trainings on the code of conduct and an acknowledgement is taken from the employee at the completion of the training.

- **CDA Rules** – Conduct, Discipline and Appeal Rules notified by the Department of Public Enterprises (DPE) are applicable to all employees of PFC. CDA Rules provide guidelines on acceptable behaviours and ethical considerations for all employees of PFC.
- **CoC** – PFC has a Code of Business Conduct and Ethics Policy in place that is applicable to board members and senior management. The policy lays down guidelines on following ethical and transparent business processes.



## Grievance Redressal Mechanism

PFC places a high priority on ensuring that complaints from all stakeholder groups are addressed promptly and effectively. To achieve this, we have implemented a formal grievance redressal mechanism that caters to the concerns of all stakeholders. The grievance redressal mechanism for all stakeholders is available on PFC's corporate website, which includes the processes as well as the relevant contact details for designated officials in-charge of grievance redressal.

## Internal Stakeholders

### *Grievance Redressal Policy*

PFC has a dedicated policy for handling grievances which is available to the employees on the company intranet. The policy consists of a 4-tier system which allows all permanent employees to escalate their grievances at multiple levels. There is a dedicated Grievance Redressal Committee in place for managing employee grievances.

### *Internal Complaints Committee for Sexual Harassment*

To foster a safe workplace for women employees, PFC has constituted Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

### *Vigil Mechanism*

In terms of the requirements under Section 177 of the Companies Act, 2013 read with the relevant Rules and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, PFC has established a 'Vigil Mechanism'/ 'Whistle-Blower Policy' for Directors and Employees to report their genuine concerns or grievances, about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy.

## External Stakeholders

### *Shareholders*

PFC has setup Stakeholder Relationship and Shareholders'/Investors' Grievance Committee to ensure redressal of the complaints of investors as per the requirement of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In case of non-receipt of dividend or any other dividend related query, a shareholder can contact the PFC's registrar and transfer agent. There is also a dedicated desk to resolve queries of shareholders. Further, PFC has a dedicated Investor Relations Cell to provide information to investors on PFC's performance and to have better and transparent communication with institutional investors.

### Bondholders

For any bond related queries such as non-receipt of interest, updating of bank details etc., the bondholder can contact PFC's registrar and transfer agent. Additionally, there is a dedicated desk for resolving their queries. For 54EC bonds, PFC has two dedicated help desk- one for handling queries from application till allotment stage and another for post allotment queries. The queries are responded to within 24 hours.

### Customers /Borrowers

In accordance with RBI Fair Practice Code, PFC has established a Borrowers Grievance Redressal Mechanism, for any grievance related to:

- Charging of interest, interest on interest and penal interest
- Waiver of interest on interest
- Terms & conditions set out in the loan documents
- Interpretation of covenants of loan documents
- Matters relating to PFC policy regulating terms & conditions of loan documents

### Vendors/Suppliers

PFC is mandated to conduct its procurement through the Government e Marketplace (GeM), a government owned and national public procurement portal of goods and services. Vendors can raise complaints on the GeM Incident Management System, which is designed to handle complaints and grievances regarding the GeM vendors and participants.

### Others/Public/Community

**PIDPI (Public Interest Disclosures and Protection of Informer) complaints** - PIDPI is an independent mechanism set up by the Government of India and is available for the general public to lodge complaints for disclosure on any allegation of corruption or misuse of office. This is an offline as well as an online portal wherein the complaints can be lodged 24X7. The complaint received under PIDPI are handled by a designated

independent government body, being the Central Vigilance Commission (CVC).

**Centralised Public Grievance Redress and Monitoring System (CPGRAMS)** - CPGRAMS is an online platform available to the citizens 24x7 to lodge their grievances to the public authorities on any subject related to service delivery. It is a single portal connected to all the ministries/departments of Government of India and States. The status of public grievances is available on the PFC web portal and is accessible to all stakeholders.

**Right to Information (RTI)** – PFC has implemented the Right to Information Act, 2005 to provide information to the citizens of India and to maintain accountability and transparency in the working of the Company. For effective implementation of the RTI Act, PFC has designated its Company Secretary as Public Information Officer (PIO) to review and respond to RTI applications. Further, an Executive Director level officer has been designated as a First Appellate Authority (RTI) in PFC to review RTI appeals.



### Risk Management Framework

At PFC, we have adopted a comprehensive risk management framework enabling us to proactively identify, assess, manage, and mitigate risks, ensuring organizational resilience, and sustainability. We have established an Integrated Risk Management Policy (IRM policy) to manage risks.

PFC has a three-tiered risk management framework, including a dedicated risk management unit, a risk management sub-committee and then a board level committee.



Corporate Risk Management Unit (CRM Unit), headed by Chief Risk Officer is involved in the process of identification, measurement and mitigation of risks.

Under the IRM policy, risk parameters covering the major operational, financial, market and regulatory risks, etc. are identified and assessed as per their risk assessment criteria to enable prioritization and management of risks.

The Risk Status Report and Risk Register are prepared on quarterly basis and placed before the Risk Management Sub Committee (RMSC) and the Board Level Risk Management Committee (BLRMC). These reports/documents include aspects pertaining to operational risks, financial risks, market risks, quantifiable and non-quantifiable risks, etc. faced by the organization. They assist in recording identified risks and related information in a structured manner.

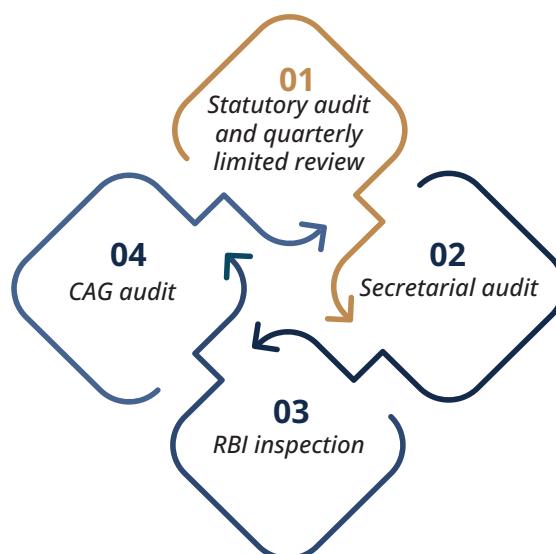
In addition to the above, all new loan policies and modifications of existing loan policies are reviewed by CRO from risk perspective. Furthermore, the lending proposals are also seen from the angle of inherent risks and their mitigation as identified by the appraising units.

### Regulatory Compliance Control

PFC maintains an adequate system of internal control, including suitable monitoring procedures to ensure accurate and timely financial reporting of various transactions, efficiency of operations and compliance with statutory laws, regulations, and company procedures/ policies. Being a listed public sector financial institution, PFC is subject to regulations of RBI, SEBI, and Government of India.

PFC has a well-structured compliance function headed by Chief Compliance Officer (CCO) and which is supported by a comprehensive audit mechanism.

### Type of Audits/Inspections at PFC:



### Vigilance Function – Promoting transparency and accountability

At PFC, a proactive Vigilance Unit functioning as a robust vigil mechanism forms the cornerstone of transparency, accountability, and ethical conduct in our business practices. PFC's Vigilance Unit ensures the highest level of integrity across the organisation, implementing preventive, punitive as well as participatory measures in order to establish effective vigilance systems and processes.

The Chief Vigilance Officer (CVO) is a functionary appointed by the Government of India for overseeing all matters pertaining to vigilance. The CVO heads PFC's Vigilance Unit.

CVO's functions can broadly be divided into three categories, as under:

- Preventive vigilance
- Punitive vigilance
- Surveillance and detection

Regular awareness workshops/trainings are conducted by the Vigilance Unit on different aspects to ensure greatest level of integrity across the organization. During the Financial Year 2023-24, nine workshops/trainings were organized for the employees as a preventative vigilance measure.

## Vigilance Awareness Week

PFC observed Vigilance Awareness Week in the month of November 2023 with the theme given by Central Vigilance Commission “Say No to Corruption; Commit to the Nation”.



“भ्रष्टाचार का विरोध करें; राष्ट्र के प्रति समर्पित रहें”.



### Integrity Pledge

On the first day of the Vigilance Awareness Week, all PFC employees gathered at the PFC Conference Hall and took the Integrity Pledge as per guidelines of the CVC (Central Vigilance Commission). Later, employees took the e-pledge by logging onto the website of the CVC.



### Seminars and Workshops

PFC organised various thought-provoking, interactive seminars and workshops addressed by subject matter experts from the industry. A workshop on “Ethics and Governance”, talk sessions on the topics “Vigilance Awareness” and “Say no to Corruption; Commit to the Nation” were organized for PFC employees. The sessions were conducted by Shri P. Daniel, Secretary, CVC, and Shri Pankaj Agarwal, Secretary Power respectively and all the directors along with other senior officials of the corporation were present in the talk sessions





*Employees attending workshop on Ethics and Governance*



### Employee Sensitization Activities

Numerous activities were organized on the theme of integrity and vigilance to spread awareness amongst employees, including debate/ elocution, slogan writing competition, pictorial competition, poem writing competition as well as a quiz on Vigilance Administration and PIDPI.



### Awareness Drive

On the occasion of Vigilance Awareness Week, banners showing observance of the Vigilance Awareness Week were displayed at prime locations in and outside of corporate office of PFC, PFCCL and regional offices. PFC printed and released brochure on PIDPI resolution in hard copy as well as in e-copy. Brochures on PIDPI were also printed and displayed on the websites of PFC and PFCCL as well as the organization's intranet.

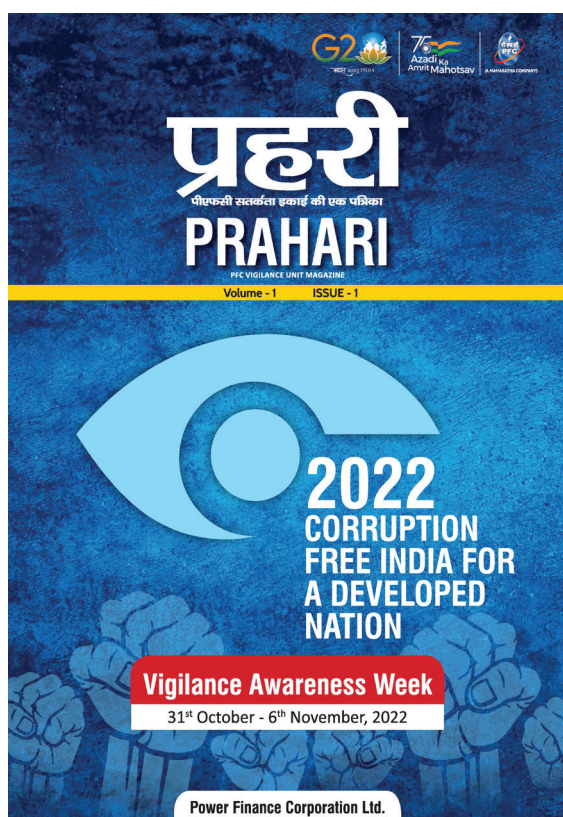


## Vendor Outreach

PFC organized various outreach meetings for vendors of PFC head office in Delhi and PFC's, Regional Office (South) and (West) and PFCCL to educate them about PIDPI, public procurement, latest trends in public procurement, integrity, ongoing changes etc. Vendors were sensitized about PIDPI by vigilance officials.



Brochures released as part of Vigilance Awareness Week



## Prahari Magazine

The first edition of PFC's vigilance magazine 'Prahari' was released in 2022 containing articles related to vigilance, power and allied sector and award-winning entries of the Vigilance Awareness Week. The second edition shall be released shortly .



## Information Technology Policies & Practices

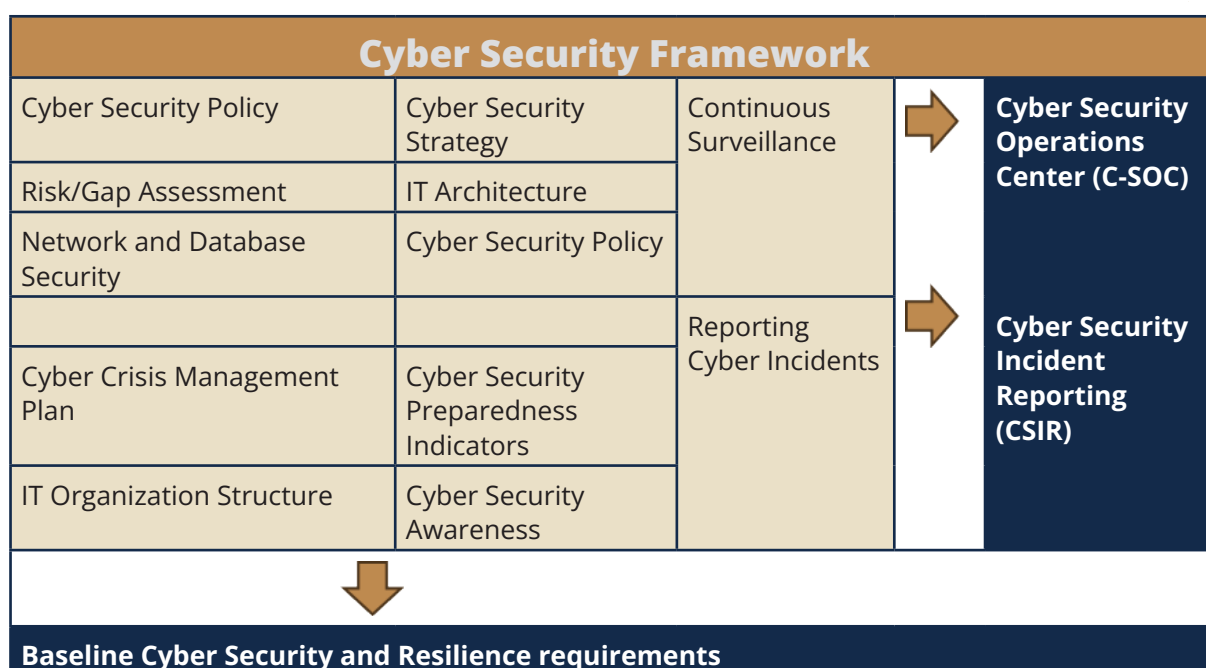
**A.** The Management Systems Unit at PFC is committed to delivering strategic advantage by promoting the creative and innovative use of technology to achieve the organization's objectives. The unit promotes effective stewardship of information access and provides a secure, reliable technology infrastructure along with quality customer-oriented services and support, to meet the ever-changing business needs. PFC has undertaken multiple Information Technology (IT) initiatives to help streamline operations, reduce costs, improve efficiency, optimise resource utilization, and devote talent to core business to enable better services and relationship with stakeholders.

**B. State-of-the-art Datacentre:** In order to provide continuous technological support through reliable infrastructure, PFC has established a state-of-the-art Data Centre which is operational 24x7, housing database, applications, network, MS exchange email, enterprise antivirus, advance threat protection servers hosted

on rack mounted dual processor servers with full power & data redundancy protection systems. Comprehensive network security system with two stage firewalling for server zone and with intrusion detection & prevention system, antivirus, content filtering systems are put in place to strengthen the information system security.

Network environment of fastest Gigabit Local Area Network with fibre backbone with Layer-3 switching technologies and the exchange email servers implemented at PFC serves as a backbone of corporation's communications. These electronic based communication systems are used to disseminate routine and critical business information in a quick and efficient manner. IT equipment are used to send business status reports to executives at various levels, to update employees on critical business projects and to connect with business partners and customers.

**C. Cyber Security Governance:** Cyber risks form an integral part of PFC risk management framework. PFC MS-IT Infrastructure Unit is committed to working towards aligning itself with the changing threat landscape. The cyber security framework for the financial institution widely covers the following domains:



#### D. Information and Cyber Security:

Information is an asset to all NBFCs, and information Security (IS) refers to the protection of these assets in order to achieve organizational goals. The purpose of Information Security (IS) is to control access to sensitive information. The controls are implemented to ensure the use of IT resources only by legitimate users. It widely covers the following domains;

#### Controls for IT Infrastructure

##### Preventive Control

- Application Security Life Cycle (ASLC). Vulnerability Assessment and Penetration Testing (VAPT), Antivirus, Vendor Risk Assessment, Firewall, Intrusion Detection System (IDS)
- Access Management
- Distributed Denial of Service (DDoS) mitigation

##### Responsive Control

- Security Operation Centre (SOC) Monitoring
- Web Application Firewall
- Network Operation Centre (NOC) Monitoring
- RED Teaming exercises

##### Detective Control

- Incident Response Plan
- Cyber Crisis Management Plan (CCMP)
- Forensic Agreements with partners

**E. Cyber Awareness:** PFC conducts regular cyber awareness programs for its employees and same is also catered through Cyber Jagarukta Diwas which is conducted on the first Wednesday of every month. Further, IT awareness training is imparted to all employees of the corporation with a focus on best practices, safe & secure usage of IT Systems of PFC in ever growing cyber security threats, vulnerabilities & risk landscape.

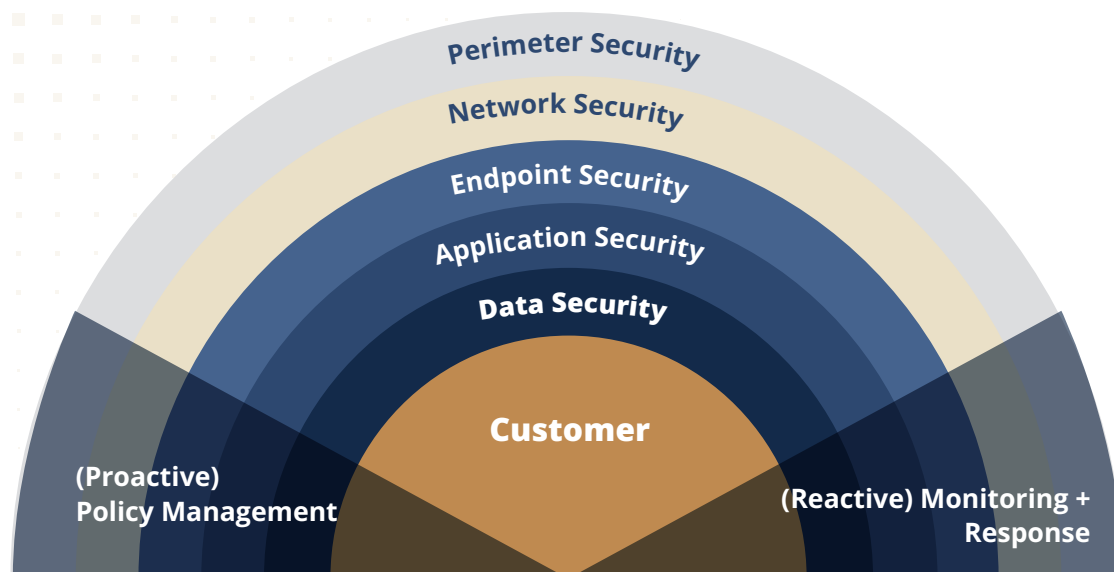
#### F. Information Technology Governance:

IT governance is a formal framework that provides a structure for organization to ensure that IT investments support business objectives. PFC has a robust IT strategy to support the business objectives. IT Governance Stakeholders includes Board of Directors (BODs), IT Strategy Committee, IT Steering Committee, Business Executives, Chief Information Officer (CIO), Chief Technology Officers (CTO), Chief Risk Officer and Risk Committees.



**G. The Layered defence approach:** PFC has adopted a layered approach to ensure the integrity, confidentiality & availability of sensitive data, which is important because there is no single security control that can keep hackers out. The goal of layered security is to prevent a single security vulnerability from compromising an entire system. Having multiple layers of security protects the IT systems even when one of those layers fails, making it harder for attackers to accomplish their goals and provides more time to the IT team to respond to the threat.





**H. IT Policy:** PFC has formulated a board approved IT Policy based on RBI master direction for NBFCs, which has been vetted by the National Informatics Centre (NIC). To build awareness regarding IT policies, circulars are shared from time to time with all employees.

**I. Augmentation of IT Infrastructure:** To keep pace with the demand for high-speed computing by the organisation, PFC regularly updates its IT infrastructure. PFC has enhanced the following ICT infrastructure services:

- a) PFC's corporate office in Delhi has implemented the SOAR (Security Orchestration, Automation & Response) system which covers the security for servers, endpoint systems, managed detection and response solutions to protect PFC's IT infrastructure from security threats and vulnerabilities.
- b) PFC Perimeter Security is upgraded to the latest firewalls which enable enhanced security.

**J. Business Continuity Plan / Disaster Recovery (DR):** PFC has implemented its Disaster Recovery (DR) site in Mumbai to ensure continuity of business operations in case of any disaster incident.

**K. Remote Work Facility:** PFC has provided its employees with a secure remote access facility to the company's internal resources, data & networks, enabling them to work remotely if required.

**L. Red Team:** PFC has constituted its internal red team to simulate attacks & vulnerabilities to assess and improve the IT security posture of the organization. The goal of a red team is to think like potential attackers, identify weaknesses and help the organization strengthen its defences.

**M. Paperless E-Office:** PFC has implemented a paperless E-office which is a major transition from traditional paper-based file approval processes to digital workflows. This improved efficiency, reduced costs & enhanced environmental sustainability by reducing paper consumption and recording the history of the transactions at every step.

**N. Disaster Recovery (DR) Drills:** At present, PFC conducts at least two DR drills in a financial year to ensure that the organization is ready to handle unexpected disruptions or disasters. These drills are essential for identifying gaps in the disaster recovery plan & improving the organization's ability to respond effectively during any eventuality.

# Awards & Accolades





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(A Maharatna Company)

## POWER FINANCE CORPORATION LIMITED

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