



INDIAN RAILWAY FINANCE CORPORATION LIMITED

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

Approved on	09.02.2024

Internal Guidelines on Corporate Governance

1. INTRODUCTION

Indian Railway Finance Corporation Limited (IRFC/ Company) is a Government company under the aegis of the Ministry of Railways (MoR), Government of India. IRFC is a Schedule 'A' Public Sector Enterprise under the administrative control of the Ministry of Railways, Govt. of India. It is also registered as Systemically Important Non-Deposit taking Non-Banking Financial Company (NBFC – ND-SI) and Infrastructure Finance Company (NBFC- IFC) with Reserve Bank of India (RBI). IRFC's equity shares and other securities are listed on stock exchanges.

Pursuant to RBI's Master circular-“Non- Banking Financial Companies- Corporate Governance (Reserve Bank) Directions, 2015” and other applicable statutory provisions, as amended from time to time, the Company has formulated these ***Internal Guidelines on Corporate Governance.***

In pursuance of the directions contained in the aforesaid Master Circular issued by the RBI, the Board of Directors have framed the Internal Guidelines on Corporate Governance and have published the same on the Company's website on <https://irfc.co.in/>.

2. CORPORATE GOVERNANCE PHILOSOPHY

Corporate Governance is the application of best management practices, compliance of laws & adherence of ethical standards to achieve the Company's objective of enhancing stakeholders' value and discharge of social responsibility.

Corporate Governance at IRFC is about maintaining valuable relationship and trust with all stakeholders with the commitment to maximize their value. IRFC's commitment towards following good Corporate Governance practices is based upon transparency, fairness, conscience, teamwork, professionalism and accountability. This paves the way for following the best standards and building

confidence among the Company's stakeholders, which is necessary to achieve our objectives.

2.1 The Corporate Governance framework at IRFC is based on the following guiding principles:

- a. Compliance of law, rules and regulations in true letter and spirit;
- b. Appropriate systems and practices to protect, promote and safeguard the interests of all its stakeholders; and
- c. Establishing a climate of trust and confidence among various stakeholders by means of transparent and timely disclosure of all material information.

2.2 The above principles help in achieving the following objectives:

- a. To protect and enhance shareholder value;
- b. To protect the interest of all other stakeholders such as customers, employees and society at large;
- c. To ensure transparency and integrity in communication and to make available full, accurate and clear information to all concerned;
- d. To ensure accountability for performance and customer service and to achieve excellence at all levels; and
- e. To provide corporate leadership of the highest standard for others to emulate.

3. GOVERNANCE STRUCTURE

The Governance structure at IRFC comprises of the Board of Directors, supported by various Committees, which shall follow a methodized process of collective decision-making. Further, matters requiring approval of the shareholders shall be taken to the general meeting / through postal ballot, as per applicable statutory requirements from time to time and in line with the Secretarial Standards.

The Board of Directors shall provide strategic vision and direction to the business and operations of the Company and oversee the fulfilment of corporate objectives. The Board members are committed to ensure that IRFC is in compliance with the highest standards of Corporate Governance. The Board shall meet as often as required, to review the operations and take business decisions.

3.1 Company has constituted the following Committees as a Governance Structure as per the provisions of the Companies Act, SEBI (LODR) Regulations and RBI Guidelines:

- a. Audit Committee
- b. Nomination & Remuneration Committee
- c. Risk Management Committee
- d. Stakeholder Relationship Committee
- e. Corporate Social Responsibility Committee

The terms of reference of all Committees shall be as approved / amended by the Board from time to time, which would be available on the website and/or in the Annual Report of the Company. The Committees shall meet as often as required or as prescribed under law/rules and regulations/guidelines applicable to the Company. The quorum, secretary, invitees etc. of various Committees shall be as decided by the Board from time to time. Further, minutes of all Committees shall be placed at the subsequent meetings of the Board.

4. Fit and Proper Criteria

The Company being a Government Company, its directors are appointed by the Ministry of Railways, Government of India,

4.1 The Company, with the approval of the Board of Directors, shall

- i. ensure that a policy is put in place with the approval of the Board of Directors for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis. The policy on the fit and proper criteria shall be on the lines of the Guidelines as prescribed by Reserve Bank;
- ii. obtain a declaration and undertaking from the directors giving additional information on the directors. The declaration and undertaking shall be on the lines of the format prescribed by Reserve Bank;
- iii. obtain a Deed of Covenant signed by the directors, which shall be in the format as prescribed by Reserve Bank;
- iv. furnish to the Reserve Bank a quarterly statement on change of directors. The statement shall be sent to the Regional Office of the Reserve Bank within 15 days

of the close of the respective quarter. The statement submitted for the quarter ending March 31, should be certified by the auditors.

4.2 In addition to the aforesaid Committees, the Board has constituted the following committees of Directors / Senior Officials.

1. Share Transfer Committee
2. IT Strategy Committee
3. Assets Liability Committee
4. Forex Risk Management Committee
5. IT & Operational Risk Management Committee

The Board may also constitute additional committees of Directors / Senior Officials, to look into specific operational matters from time to time

5. CODE OF CONDUCT

To foster best Corporate Governance practices, the Company has formulated a “Code of Business Conduct and Ethics for its Board Members and Senior Management” which seeks to bring high level of ethics and transparency in managing its business affairs. The Company’s “Code of Business Conduct and Ethics for Board Members and Senior Management”, is applicable to all Directors, Key Managerial Personnel and Senior Management Personnel of the Company. This Code is in alignment with the Company’s Vision and Values to achieve the Mission and Objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company. The Directors, Key Managerial Personnel and Senior Management Personnel shall affirm compliance with the said Code on an annual basis.

6. VIGIL MECHANISM / WHISTLE BLOWER POLICY

In accordance with statutory provisions, the Company has put in place a Whistle Blower Policy, which enables the Directors / employees of IRFC and/or its subsidiaries to raise concerns regarding any alleged malpractice or wrong doing, which could affect the business or reputation of the Company. The policy incorporates necessary system to provide protection to the complainant, wherever required.

7. OTHER POLICIES

In line with the statutory provisions of the Companies Act, 2013, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, DPE Guidelines on Corporate Governance for CPSE and RBI's norms for NBFCs and other applicable Regulations the Company has formulated various policies pertaining to Corporate Governance, including but not limited to the Policies as mentioned below:-

- i. Know your Customer (KYC) and Prevention of Money Laundering Activities (PMLA)
- ii. Prohibition of Insider Trading Policy,
- iii. Related Party Transactions Policy,
- iv. Policy on Materiality For Disclosure of Events to the Stock Exchanges
- v. Policy on "Fit & Proper" Criteria of Directors
- vi. Terms & Conditions of Appointment of Independent Directors
- vii. Board Diversity Policy
- viii. Code of Business Conduct and Ethics for Board Members And Senior Management Of The Company
- ix. CSR And Sustainability Policy
- x. Dividend Distribution Policy
- xi. Materiality Policy
- xii. The Code of Internal Procedures and Conduct for Prohibition Of Insider Trading In Dealing With The Securities
- xiii. Know Your Customer" (KYC) & Prevention of Money Laundering Activities (PMLA)Policy
- xiv. Nomination And Remuneration Policy
- xv. Corporate Policy on Materiality for Disclosure of Events to The Stock Exchanges
- xvi. Preservation of Documents and Archival Policy
- xvii. Related Party Transactions - Policy & Procedures
- xviii. Whistle Blower Policy/ Vigil Mechanism etc.

8. DISCLOSURES AND TRANSPARENCY

The Company is committed to make adequate and timely disclosures to all the stakeholders including regulators, statutory authorities, stock exchanges, shareholders, other security holders and general public, through the channels of communication stipulated by law, corporate website, Annual Report, direct communication and/or media announcements etc., in line with the applicable statutory provisions and the relevant policies of the Company from time to time.

A. The Company puts up to the Board of Directors, at regular intervals, as may be prescribed by the Board in this regard, the following:

- i. the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;
- ii. conformity with corporate governance standards viz., in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.

B. Company discloses following in their Annual Financial Statements:

- i. registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators;
- ii. ratings assigned by credit rating agencies and migration of ratings during the year;
- iii. penalties, if any, levied by any regulator;
- iv. information namely, area, country of operation and joint venture partners with regard to Joint ventures and overseas subsidiaries and
- v. Asset-Liability profile, extent of financing of parent company products, NPAs and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures, as given in Annex 4 / in the format prescribed by RBI .

The Report on Corporate Governance section of the Annual Report shall bring out the activities, initiatives and efforts made by the Company towards Corporate Governance.

9. AUDITORS

The Statutory Auditors of the Company are appointed by the Comptroller & Auditor General of India (C&AG). Further, the Company shall appoint Secretarial Auditor(s) as required under the applicable statutory provisions to conduct secretarial audit of the Company. The Company shall also have Internal Auditors appointed in line with the applicable statutory provisions / RBI norms from time to time.

10. COMPLIANCES

The Head of Department (HOD) of the respective section's shall be responsible for compliances of these Guidelines.

11. FRAMING OF INTERNAL GUIDELINES

The Company has framed internal guidelines on corporate governance with the approval of the Board of Directors, enhancing the scope of the guidelines without sacrificing the spirit underlying the above guidelines. These are being published on the company's web-site for the information of various stakeholders.

12. REVIEW

This policy may be reviewed by the Board from time to time and amended if required, including in view of changes in the regulatory environment, if any. Chairman & Managing Director is authorized to carry out minor modifications in this policy and to approve such changes, as may be required in order to comply with the applicable / amended provisions of law or to comply with any direction, circular etc. issued by the Regulator(s); and to settle any issue with respect to interpretation of this policy.

13. INTERPRETATION

In any circumstance where the terms of this Policy differ from any Applicable Law and the procedures there under governing the Company, such Applicable Law will take precedence over this Policy until such time this Policy is modified in conformity with the Applicable Laws.