



INDIAN RAILWAY FINANCE CORPORATION LIMITED

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)
POLICY

Approved on	09.02.2024

ESG POLICY

1. Introduction

Indian Railway Finance Corporation (NBFC-ND-IFC by RBI) is a schedule-'A' Miniratna CPSE under the administrative control of Ministry of Railways (MoR). Since inception in 1986, IRFC has been mobilising funds at competitive rates from domestic and international markets for supporting infrastructure development of Indian Railways. With more than 3 decades of experience, IRFC has made a huge contribution in the development and growth of Indian Railways and its associated infrastructure projects. It is imperative that IRFC also stays strong in its commitment to positively impact the environment, customers, employees, and the community at large and be sustainable towards the environment and society. In recent years, adapting to and mitigating change impact and transitioning to sustainable development have emerged as major focus globally. Further, Global sustainability challenges such as flood risk and rising sea levels, privacy and data security, demographic shifts, and regulatory compliances, are introducing new risk factors for investors that may not have been seen previously. As companies face rising complexity on a global scale, investors may reevaluate traditional investment approaches. Therefore, the concept of ESG (Environmental, Social and Governance) comprises the holistic approach for companies to remain responsible to its investors as well as stakeholders while complying with various environmental, social and governance regulatory risk.

This policy framework explicates IRFC's approach to align its strategy, processes and disclosures with national and international ESG standards in discharge of its business roles.

2. Approach & Policy Governance

The policy framework articulates the Company's commitment to ESG and long-term value creation for internal and external stakeholders including customers, employees, investors, regulators, business partners and community members.

The ESG policy framework will serve as a guiding document for all ESG initiatives and activities undertaken by IRFC. This framework covers IRFC's operations.

ESG policies, and focus areas as mentioned in this framework document, may be subject to revision based on emerging risks and opportunities as deemed suitable. The policy framework will be reviewed on need basis to ensure its continuing suitability, adequacy, and effectiveness.

3. Focus Areas

3.1 Climate Change Strategy

Energy & Emissions

Indian Railways is working on a mission mode to become the largest Green Railways in the world and is moving to become a 'net zero emitter' by 2030. Under Green initiative it is planning to invest sizably by way of :-

- Massive electrification of Railway Track,
- Replacing Diesel Locomotive to Electric Locomotive
- Introduction of 100% LED lights and high star-rated appliances, undertaking energy audits, implementing smart metering etc.
- Setting up of Solar Park, Roof top solar both for coaches as well as railway buildings, solar pumps, solar street light, solar water heater etc.
- Development of freight corridors,
- Energy-efficient and carbon friendly technologies, harness potential of Solar energy etc. to reduce its carbon footprint.

IRFC's primary business is towards financing MoR for its infrastructure development, as such it is directly/indirectly contributing to mission of Indian Railways to become largest Green Railway in the world.

IRFC shall continue to be associated with MoR in becoming Net Zero Emitter before 2030 and supporting Governments commitments such as Paris Agreement on Climate Change and UN Sustainable Development Goals. IRFC shall continue to raise resources under green framework to finance such green initiatives.

Further, to achieve climate change goals, IRFC will strive to :

- Take up plantation initiative to reduce carbon emission.
- Promote use of EV for office use to the extent feasible.
- Try to implement automated energy management solution to reduce energy consumption.
- As far practicable, retrofitting existing high energy consuming devise and equipment to maximise performance while consuming less electricity.

Waste

IRFC shall make efforts to dispose waste in the most responsible manner. Disposal of old, un-serviceable & obsolete IT equipment, identified as e-waste, will be done through Govt. registered recyclers/ re-processors..

IRFC is conscious of paper usage in its operations, transactions and customer communications. Our push to go digital across, will continue to reduce paper consumption, thereby reducing paper waste. Printing and photocopying operations by

employees will also continue to be monitored and regulated in order to reduce wastage of paper.

IRFC will strive to reduce the use of all forms of plastic in its office as well as in its promotional, marketing and outreach events. IRFC shall plan to phase out single use plastic water bottles from its office use.

3.2 Environmental & Social Risk Management

The main objective of the company is to meet the predominant portion of 'Extra Budgetary Resources' (EBR) requirement of the Indian Railways (IR) through market borrowings at the most competitive rates and terms. The Company's principal business therefore is to borrow funds from the financial markets to finance the acquisition / creation of assets which are then leased out to the Indian Railways. As Indian Railway is fully committed to become "Largest Green Railways" in the world with Zero Carbon Emission, IRFC financing to such development projects fulfils its obligation towards environment (including climate) risk management.

To strengthen the business model, IRFC is taking steps towards business diversification and actively exploring projects having forward and backward linkages with Railways. IRFC will ensure accountability, transparency and robustness of governance of the borrowing entity. Concerned business divisions shall prepare an ESG checklist as a part of the appraisal process.

An environmentally conscious approach is a fundamental aspect of corporate responsibility, stakeholder inclusiveness and long-term sustainability of business. IRFC incorporates environmental impact considerations in its operational, financial and risk management linked decision making.

As per credit policy the evaluation of the project would involve contractual due diligence, risk analysis & mitigation. Entity appraisal process includes project assessment, commercial appraisal, Techno-Economic Viability Study/Appraisal (TEVS), Financial Appraisal, Environmental Appraisal etc. The analysis of environmentally sensitive projects to address several issues like measurement of environmental impact, cost-benefit analysis, assessment of alternative strategy etc.

IRFC will strive to integrate sustainability while making financing decisions to contribute to the Sustainable Development Goals, and relevant national and international frameworks.

3.3 Procurement Practices

IRFC recognizes the need to work closely with our suppliers to reduce waste, improve efficiency, reduce carbon footprint and engage with them to understand their commitment towards human rights and labour practices. We will thus continue to work towards greater integration of environmental & social considerations in our procurement

practices. As per the Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2018, every Central Ministry /Department / PSUs shall set an annual target for 25% procurement from MSE Sector. Accordingly, IRFC will continue to align its procurement policy to ensure minimum 25% procurement from MSE's and timely payment.

IRFC will make efforts to procure products which are –

- Recycled
- Environment friendly
- Energy efficient
- Locally sourced

IRFC will also set clear expectations with vendors and suppliers to abide by labour laws, human rights and regulations in their regions of business. They are expected to adhere to laws addressing child, forced or trafficked labour.

3.4 Creating Empowered Workforce

Non-Discrimination & Fair Treatment

IRFC is committed to promoting a diverse, inclusive, and equitable workplace where all employees and stakeholders, irrespective of their age, gender identity or expression, marital status, disability, sexual orientation, language differences, cultural background, caste, ethnicity, religious belief, socio-economic class, education, or other individual differences, feel included, valued and respected. We will provide fair and equal employment and advancement opportunities to all its employees. We ensure a fair recruitment process that helps us identify and hire people with the right values, who are then groomed, encouraged and retained through a combination of financial and nonfinancial incentives to become valuable human assets to the corporation.

Career progression & Employee Benefit

The company will continue to create an inclusive culture to ensure representation across gender, caste, creed, religion, region, physical ability and military/ veteran status. To encourage career development, help employees upskill, and improve their talent pool's overall quality, the company has performance appraisal system, promotion policy and job rotation policy. IRFC strives to align its HR practices with the best industry practices and at par with other CPSEs, such as, leave(s), HR policies, employee reward system etc.

Employee benefits act as a motivation at workplace and keeps the best talent sustained in the company. IRFC ensures that all the employees receives various short term, long term and post retirement benefits.

Employee Health & Well-being

IRFC is committed to provide a safe and healthy workplace to ensure a culture of safety throughout the organisation. Considering the nature of business and operations, the occupational health and safety issues are minimal. The Company takes care of health and well-being of its employees and their dependent family members by reimbursing in-patient and out-patient medical costs, provision for leaves on medical grounds, rehabilitation policy in case of death or permanent disability, which are applicable for all employees. IRFC will continue to conduct regular health check-up for its employee.

Employee Ethics & 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. IRFC also defines good corporate practices, financial transactions, professional code of conduct and management action that will continue to promote a culture of good integrity and ethics amongst its employees. IRFC believes that a sustainable organization rests on the foundation of ethics and respect for human rights. The Company ensures diversity and equal opportunities in workplace and upholds that career advancement is based on talent and performance.

Women Safety

IRFC has a Policy on Prevention of Sexual Harassment (POSH) to create awareness and to address any violations in this regard and an Internal Complaints Committee (ICC) that investigates cases of sexual misconduct, if any and investigates them through a fair and transparent process and take action against erring employees. IRFC will continue to promote and protect the well-being of all women employees.

Training & Development

IRFC is committed to investing in human capital to support continuous skill upgradation and employee development. IRFC continues to supports business relevant upskilling of the workforce through trainings. Employee career development will be supported with periodic industry relevant upskilling programmes and by providing support to employees to pursue relevant courses or programmes offered by external institutions, wherever applicable.

IRFC is committed towards providing an environment that is conducive to and promotes training and development opportunities to all employees. To promote fair and equitable employment relationship, a scheme for Grievance Redressal of employees is also in place which ensures a time bound redressal of grievances.

3.5 Enhancing Customer Experience

Customer centricity is at the core of IRFC's business ethos and value creation proposition. The Company is a NBFC offering financial products, hence it is ensured that adequate disclosures are made to its stakeholders through Lease/loan agreements and documentation; and through the corporate website.

IRFC will strive to provide best in class customer experience to exceed the customers' expectations & competition.

3.6 Community & Society

In discharging its obligations as a socially responsible corporate, IRFC aims to improve the quality of life of the communities by creating a positive impact across its economic, social and environmental objectives.

The Company has a well-defined 'Corporate Social Responsibility & Sustainability Policy' in line with the provisions of the Companies Act, 2013 and rules made thereunder. IRFC endeavours to fully spend the CSR budget as mandated in the Companies Act, 2013, during a year. IRFC also encourages its employees to actively participate and contribute towards social good upliftment.

All CSR initiatives are pursued with focus on socially beneficial projects to reach a wide spectrum of beneficiaries. IRFC carries out its CSR activities broadly in the areas of promotion of healthcare, education, skill development, women empowerment, environmental sustainability, sanitation and hygiene etc. Further, IRFC also contributes towards improving health services and reducing malnutrition in various aspirational districts.

In line with the focus thematic area advised by the Government and other priority areas advised from time to time, IRFC shall endeavour to identify such projects and spend the necessary amount of funds every year.

3.7 Transparency & Accountability to Stakeholders

IRFC acknowledges its responsibility to ensure that interests of all stakeholders are taken into consideration while taking decisions. The company is committed to develop systems, processes and mechanisms to understand stakeholder expectations and concerns, and redress their grievances in a fair and constructive manner.

By means of the Whistle Blower policy, IRFC will continue to empower and encourage various stakeholders including employees, customers, suppliers, vendors, shareholders and other stakeholders to bring to the notice of the company, any issue involving compromise/ violation of our code of conduct/ ethical norms, legal or statutory provisions without fear of reprisal, retaliation, discrimination or harassment. IRFC constantly endeavours to optimize probity and integrity among employees and to promote transparency, fairness and accountability in all operational areas. To promote

fair and equitable employment relationship, a scheme for Grievance Redressal of employees is also in place which ensures a time bound redressal of grievances.

3.8 Corporate Governance

IRFC believes that high standards of corporate governance combined with ethical and transparent business processes leads to greater effectiveness and efficiency, and superior business outcomes.

Corporate Governance is about maintaining valuable relationship and trust with all stakeholders with the commitment to maximize their value. Our 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 our stakeholders, which is necessary to achieve our objectives. This is sought to be achieved by conducting the business in a professional manner, using a combination of delegation and accountability amongst key executives in the Company; focused attention and transparency in operations of the Company; skill upgrades through need-based training, etc.; and high level of investor / lender satisfaction and grievance settlement.

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.

IRFC shall meet all mandatory requirements and strive to meet the voluntary requirements on Corporate Governance which are in its ambit, as prescribed under the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR Regulations”), Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 issued by the Department of Public Enterprises (“DPE Guidelines on Corporate Governance”) and Secretarial Standards issued by the Institute of Company Secretaries of India (“Secretarial Standards”).

IRFC’s Code(s) of Conduct form(s) the foundation of IRFC’s commitment towards entrenching transparency, responsibility and accountability in business processes. IRFC ensures Conduct, Discipline and Appeal (CDA) Rules, which define code of conduct for all employees; and recognizes acts of bribery, corruption etc. as misconduct. IRFC shall remain committed to institute ethically sound principles through its Code(s) of Conduct that cover inter-alia money laundering, conflict of interest, insider trading, corruption, bribery, discrimination, confidentiality of information, anti-competitive practices, whistleblowing, community development and environmental protection.

IRFC has implemented appropriate policies and procedures to assure highest standards of Information Technology (IT) security, cybersecurity and data privacy. IRFC is committed to upgrading IT governance, infrastructure and control mechanisms to adapt to the evolving technology and regulatory landscape. IRFC’s IT function oversees effective

implementation of the IT and Information Security policy and procedures. This shall be backed with robust business continuity plans and incident response procedures.

IRFC is also committed to a fair, uniform and universal disclosure and dissemination of unpublished price sensitive information in compliance with all applicable laws. Accordingly, the Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information ensures disclosure of events and occurrences that would impact price discovery in the market no sooner than credible and concrete information comes into being in order to make such information generally available.

IRFC will continue to adopt and adhere to the best recognized corporate governance practices and will continuously benchmark itself with best-in-class practices across the globe.

The actions in respect of the above focus areas are mentioned in Annexure-I of this policy and shall be coordinated by concerned Divisions and reported to the management.

4. Disclosures

ESG Disclosures & Reports

The requisite disclosure and reporting as per Business Responsibility and Sustainability Reporting (BRSR) structure defined in SEBI circular dated May 10, 2021, or under various circulars/ guidelines/ directions issued by any governing body from time to time on a periodic basis, shall be ensured by the Company. The policy framework will be reviewed on need basis by the Board from time to time and amended if required to ensure its continuing suitability, adequacy, , effectiveness and changes in the regulatory environment, if any. The Chairman & Managing Director is authorized to approve minor modifications in this policy and 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. 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.

Annexure -I**Concerned divisions for reporting of ESG policy**

Focus Areas	Concerned Division
3.1. Climate Change Strategy: <ul style="list-style-type: none"> • Energy and Emissions • Green Energy/Energy Efficiency Initiatives • e-Waste 	Operating Division/Admin/IT
3.2 Environmental & Social Risk Management	Operating Division/CSR/Admin/CRO
3.3 Procurement Practices	Procurement Division
3.4 Creating Empowered Workforce Non-Discrimination and Fair Treatment Career Progression & Employee Benefit <ul style="list-style-type: none"> • Employee Health & Well-being • Employee Ethic & Code of Code of Conduct • Women Safety • Training & Development • Grievance Redressal 	HR
3.5 Enhancing Customer Experience	Operating Division / BD
3.6 Community and Society	CSR
3.7 Transparency & Accountability to stakeholders	CS, Investor Relations, HR & Admin, CCO
3.8 Corporate Governance	CS, CCO