



CSR AND SUSTAINABILITY POLICY

Indian Railway Finance Corporation Limited



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**INDIAN
RAILWAY
FINANCE
CORPORATION**
(A Government of India Enterprise)

Future on Track

INDIAN RAILWAY FINANCE CORPORATION LIMITED

Corporate Social Responsibility and Sustainability Policy

1. Introduction

Indian Railway Finance Corporation (IRFC) is a Schedule 'A' Mini Ratna Public Sector Enterprise under the administrative control of the Ministry of Railways, Govt. of India. IRFC is the dedicated funding arm of Indian Railways and is responsible for meeting the Extra Budgetary Resources (EBR) requirements of the Ministry of Railways through market borrowings.

2. Background

IRFC conducts its business as a socially responsible corporate, aligning its business policies and practices with holistic approach to empowering marginalized and underprivileged communities, aiming to foster equitable development, contribute to social progress and respect for environment and its living being. This commitment also extends to supporting government initiatives aimed at environmental conservation, promoting a healthy lifestyle, and fostering inclusive growth.

The CSR Policy is formulated under Section 135 of the Companies Act 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014 and Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 and guidelines for CPSEs issued by Department of Public Enterprise, Government of India.

3. Vision

To make Corporate Social Responsibility an important element of the working of the Company thereby addressing environmental, social and economic concerns of the society.

4. Mission

IRFC seeks to operate as a responsible corporate entity that actively engages in creating a positive impact on society by deploying resources in an efficient and effective manner.

5. Purpose

The purpose of this policy is-

- To make a statement containing the approach and direction given by the board taking into account recommendations of CSR Committee.
- To document guiding principles for selection, implementation and monitoring of social activities.
- To integrate, implement and promote socially responsible behavior through defined procedure and guidelines for focused, monitored and impact oriented social activities.

6. Guiding Principles

The following principles shall guide the design, selection and implementation of CSR activities:

(i) Efficient, Effective and Impactful

CSR Projects/Programmes shall strive to produce the desired benefit in line with its objectives and to have the desired impact on target beneficiaries.

(ii) Outcome Oriented

CSR initiatives shall be outcome oriented and not just activity centric. Outcomes shall be perceptible and noticeable.

(iii) Sustainable Benefits addressing dire needs

CSR initiatives shall have long lasting benefits addressing the contemporary needs of society.

(iv) Transparent, Measurable, Perceptible & Enduring benefits

CSR activities shall be undertaken in a transparent manner, having measurable long term and wide-reaching benefits.

7. Scope /Activities

7.1 Schedule VII of Companies Act, 2013

IRFC shall ensure implementation of Corporate Social Responsibility (CSR) projects/programs that align with the activities specified in Schedule VII of the Companies Act 2013. Although the undertaken activities must be relatable to Schedule

VII, the interpretation must be liberal to encompass the fundamental aspects of the subjects listed in the mentioned Schedule VII. Activities prescribed under Schedule VII of the Companies Act 2013 are as under:

- i. Eradicating hunger, poverty and malnutrition, promoting health care including preventive healthcare and sanitation, including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water;
- ii. Promoting education including special education and employment enhancing vocation skills, especially among children, women, elderly and differently-abled and livelihood enhancement projects;
- iii. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- iv. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air & water; including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;
- v. Protection of national heritage, art and culture, including restoration of buildings and sites of historical importance and works of art, setting up public libraries; promotion and development of traditional art and handicrafts;
- vi. Measures for benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows;
- vii. Training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports;

- viii. Contribution to Prime Minister's National relief fund or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund), or any other fund set up by the Central Government for socio- economic development and relief and welfare of the Scheduled Castes, Scheduled Tribes, other backward classes, minorities and women;
- ix. (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and
- (b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defence Research and Development Organization (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).
- x. Rural development projects.
- xi. Slum area development.
- xii. Disaster Management, including relief, rehabilitation and reconstruction activities.
- xiii. Any other activity permitted under any Act/Guidelines issued by Ministry of Corporate Affairs/Department of Public Enterprises, Government of India/ any other statutory authority, as may be amended from time to time.

7.2 Excluded Activities

The following shall not be included in CSR activities:

- i) Activities undertaken in pursuance of normal course of business.
- ii) Activities that benefit only the employees of the company as defined in clause (k) of section 2 of the Code on Wages, 2019 (29 of 2019)
- iii) Activities undertaken outside India except for training of Indian sports personnel representing any State or Union territory at national level or India at international level;
- iv) Contribution of any amount, directly or indirectly, to any political party under Section 182 of the Companies Act 2013.
- v) Activities supported by the companies on sponsorship basis for deriving marketing benefits for its products or services viz. one-off events such as marathons/awards/charitable contribution/ advertisement/ sponsorship of TV programmes etc. would not be qualified as part of CSR expenditure.
- vi) Activities carried out for fulfilment of any other statutory obligations under any law in force in India;
- vii) Prohibited Activities under CSR.

7.3 IRFC shall abstain from carrying out following activities under CSR:

- Activities concerned with religion like construction of temple/mosque etc. except in case of activities promoted by Govt. as covered under Schedule VII of Companies Act 2013.
- Activities disturbing social harmony in any manner.

7.4 Any point not covered by this policy would be interpreted in accordance with the Companies Act 2013 and rules made thereunder.

8. Administrative Structure and Operational Mechanism:

8.1 Screening Committee: There shall be a Screening Committee as nominated by CMD which shall do the initial screening of the proposals/projects. Head of CSR division shall be one of the members of the screening committee.

8.2 CSR Committee: - The CSR Committee of IRFC will comprise of three or more Director out of which at least one Director shall be an Independent Director. The committee would be chaired by Independent Director.

Roles and responsibilities of CSR Committee:

The CSR Committee shall:

- i. Formulate and recommend to the Board, a Corporate Social Responsibility and Sustainability Policy.
- ii. Monitor and review the Corporate Social Responsibility and Sustainability Policy of the Company in a need-based manner.
- iii. Recommend the amount of expenditure to be incurred for the CSR activities.
- iv. To consider CSR projects and give recommendations to the Board.
- v. To ensure that the activities are as per the Corporate Social Responsibility and Sustainability Policy of IRFC and are related to the activities included in Schedule VII of the Companies Act 2013.
- vi. To recommend withdrawal of the Projects sanctioned by the Board, if not undertaken by the implementing Agency within a period of one year.
- vii. To visit CSR Project sites, in order to ensure the Sustainability of the project, if so, considered necessary.
- viii. To visit any place in India, for exploration of CSR Projects.

In addition to the functions specified in Section 135, the CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following, namely:

- a. List of approved CSR projects and programmes;
- b. Manner of execution of such projects or programmes;
- c. Modalities of utilisation of funds and implementation schedules;
- d. Monitoring and reporting mechanism;

- e. Details of need and impact assessment, if any, for the projects undertaken by the company.

Provided, that Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.

8.3 Board of Directors:

The Board of Directors shall have the roles and responsibilities as mentioned under Section 135 of the Companies Act 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014. The selection and implementation of CSR activities is to be done with the approval of Board of Directors.

The Board shall, after taking into account the recommendations made by the Corporate Social Responsibility Committee: -

- (i) Approve the Corporate Social Responsibility and Sustainability Policy of the Company and disclose contents of such Policy in its Annual Report and also direct the Company to host it on the Company's website as may be specified in the CSR Rules.
- (ii) May authorize CMD, IRFC, to approve in principle, the proposals for funding under this CSR Policy, formulate new schemes wherever required, take decision on the budget broad categories, and to take any action required in order to implement the Company's CSR initiatives. The details of such proposals be submitted to CSR Committee and to the Board for their review/ratification/approval from time to time.
- (iii) Ensure that the company spends in every financial year at least two per cent of the average of its net profits made during the three immediately preceding financial years.
- (iv) Board shall approve the projects and programmes recommended by CSR Committee, monitor the progress, and shall satisfy itself that the funds disbursed have been utilized for the purpose and in the manner approved by it.

9. Allocation / Utilisation of Budget:

- a) At least 2% of the average Standalone Net Profit before Tax (PBT) of the Company earned during the three immediately preceding financial years shall be allocated every financial year for CSR activities.
- b) The allocation of funds for CSR activities to be made on case-to-case basis.
- c) The overall expenditure under CSR activity for a single project shall not be more than 15% and for single state not more than 25% of the total budget under CSR activity for that year. However, it will exclude contribution to Swachh Bharat Kosh, Clean Ganga Fund and PM CARES Fund or any other fund specified under Schedule VII of the Companies Act 2013 for arriving such percentage.
- d) IRFC shall make all possible efforts to spend the whole CSR budget within the financial year. However, any unspent amount at the end of the year, unless the unspent amount relates to any ongoing project, shall be transferred to a Fund specified in Schedule VII of the Companies Act 2013, within a period of six months of the expiry of the financial year.
- e) Any amount remaining unspent, pursuant to any ongoing project undertaken by the Company in pursuance of its Corporate Social Responsibility Policy, shall be transferred by the company within a period of thirty days from the end of the financial year to a special account to be opened by the Company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account, and such amount shall be spent by the Company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the Company shall transfer the same to a Fund specified in Schedule VII of the Companies Act 2013, within a period of thirty days (30) from the date of completion of the third financial year.
- f) Any surplus arising out of the CSR activities shall not form part of the business profit of the Company and shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account.
- g) Where the Company spends an amount in excess of requirement provided under sub-section (5) of section 135, such excess amount may be set off against the requirement to spend under sub-section (5) of section 135 up to immediate succeeding three financial years subject to the conditions as may be prescribed.

10. CSR and Sustainability Initiatives:

- a) **Priority to National Development Agenda (aligned with Sustainable Development Goals):** Projects / Activities selection shall be in line with the Act and its Schedule VII, CSR Rules / CSR policy of IRFC and Guidelines on Sustainability and CSR for CPSEs issued by the Government / DPE from time to time. While selecting CSR activities / projects from the activities listed in Schedule VII of the Act, IRFC shall give priority to the issues which are of foremost concern in the National Development Agenda / Sustainable Development Goals. The focus of the policy shall be on sustainable development and inclusive growth and to address the basic needs of the deprived, underprivileged sections of the society.
- b) Wherever possible, IRFC may contribute to large projects by pooling of resources with other PSUs for greater environmental social and economic impact subject to rules and regulations of the Companies Act, 2013 and other applicable statutes, guidelines, if any.
- c) IRFC shall give due importance to Sustainable & CSR projects/ activities which are peripheral to the activities of the Indian Railways.

11. Selection and Implementation:

- a. Since IRFC is a finance company, it has no local area which is directly impacted by the Company's commercial operations / activities. Thus, IRFC may take up projects on PAN India basis.
- b. Projects / Activities Selection shall be in line with the Act and its Schedule VII of Companies Act 2013, CSR Rules / CSR policy of IRFC and Guidelines on SDG and any directives issued by the Government/DPE from time to time.
- c. Eligible agencies desirous of seeking funding for CSR, for specific project may submit their detailed proposal addressed to IRFC as per the check list attached at **Annexure-I** of this policy. Projects would be taken up for funding by IRFC, subject to compliance of its CSR Policy, availability of budget, due diligence of the agency, financial and technical appraisal, fund requirement of ongoing projects etc. Priority shall be given to sustainable projects from Central or State

Government PSUs and its Agencies / Autonomous Bodies who are eligible as an implementing agency in terms of the Companies (Corporate Social Responsibility Policy) Rules, 2014.

- d. IRFC, being a finance company, has no adequate expertise in implementing CSR and sustainability projects hence, may take up implementation of CSR Projects through PSUs / Government Agencies / Semi / Quasi- Government / Reputed Agencies which are authorized and eligible as per Rules and Regulations of the Companies Act, 2013 and other applicable statutes, guidelines, if any, having an established track record of three years in undertaking similar programs or projects.
- e. As and when considered appropriate, the CSR Committee of the Board may also consider appointment of suitable professional(s)/ professional agencies to assist it in areas like project evaluation, monitoring, verification and Impact Assessment. The scope, mandate, etc. would be decided by the Management of the Company.
- f. IRFC, if considered necessary, may get a baseline / need assessment survey done prior to the selection of any CSR activity.
- g. Project in the nature of construction of civil structure - Contribution to projects which is of long-term nature say more than 9 months i.e., which require construction of civil structures and installation of plant & machinery, IRFC will contribute maximum of 70% of total cost of the project and balance 30% shall be contributed at the initial stage of project by the sponsor/executing agency(ies).
- h. IRFC may build CSR capacities of their own personnel as well as those of their implementing agencies through institutions with established track records of at least three financial years, as mentioned in para (d) but such expenditure on building such capacities including expenditure on administrative overheads shall not exceed five percent of the total CSR expenditure of the Company in one financial year.

12. Implementation Mechanism for CSR Projects

- 12.1** Board shall ensure that the CSR activities are undertaken by IRFC itself or through-

- a) a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company, or
- b) a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government, or
- c) any entity established under an Act of Parliament or a State legislature, or
- d) a company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.

All above shall submit its CSR Registration Certificate containing unique CSR Registration number generated after submission of CSR-1.

12.2 In addition to above provisions, the company established under section 8 of the Act or a registered trust or a registered society should submit the following additional information/document to establish their credibility (only in the case of Non-Governmental Organization):

- i. The entity shall submit audited balance sheet for last three (03) years showing established track records along with details of funds received for undertaking similar activities for those three years.
- ii. Grading of private implementing agencies/entities- In case of Private Implementing agencies/entities approaching IRFC for CSR Project of the value of more than Rs. 20 lakhs- “The entity shall be graded by a recognized grading agency such as CRISIL, CARE, IRR, ICRA. They will be considered for assistance only if they are able to secure grading which is not less than two notches below the top or the best grading i.e., the grading should be within the top three categories. The Grading should not be more than 2 years old at the time of submission of proposal”.

13. Mode of Implementation of CSR Activities

- a) **Project Mode:** CSR activities identified for external stakeholders may be implemented in a project mode, which shall entail charting the stages of execution in advance through planned processes, with mobilization of pre-estimated quantum of resources, and within the allocated budgets and prescribed timelines. It shall also involve assigning clear responsibility and accountability of the designated officials /external specialized agencies which are entrusted with the task of implementation.
- b) **Direct Mode:** IRFC may take up the implementation of CSR activity with its manpower and resources or may engage external specialized agency to execute such projects and monitoring may be done by internal manpower and/or by external agency.
- c) **Collaboration:** IRFC may join hands and pool their resources for undertaking projects jointly with other CPSES/ Government agencies for long-term mega projects for greater social impact for scaling up the projects in terms of their size and socio-economic impact, with optimal utilization of resources of each participating entity, and also accelerate the pace of development, including in the backward regions.

14. Impact Assessment and Baseline Survey

1. IRFC shall undertake impact assessment through an external reputed independent agency, of their CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study. The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.
2. IRFC may book expenditure on Impact Assessment including expenditure on baseline survey towards Corporate Social Responsibility for that Financial year, which shall not exceed two percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is higher.

15. Monitoring

Monitoring of IRFC funded CSR projects may be carried out by one or more of the following:

- Implementing agency shall be required to submit periodic status report along with photographs of the project.
- IRFC Officials may visit any CSR Project located in different States.
- A Project Management/Monitoring Agency (PMA) may be appointed specifically for selected project(s) on behalf of IRFC, which may or may not have representatives from IRFC.
- The agency implementing the CSR Projects shall ensure to submit the project progress photographs with latitude & longitude (geo tagged) at various stages of implementation. Further, Board shall monitor the implementation of the ongoing project with reference to the approved timelines and year wise allocation and shall be competent to make modifications for smooth implementation within overall permissible time limit.

16. Reporting and Disclosure

- i. The progress report of the activities undertaken shall be reported to the CSR Committee/Board Quarterly.
- ii. The Board's Report shall include an annual report on CSR & Sustainable activities undertaken during the year, as prescribed in the CSR Rules.
- iii. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the reason therefor shall be stated in its Annual Report.
- iv. The Board of Directors of IRFC shall, after taking into account recommendations of the CSR Committee, approve the CSR Policy for the Company and disclose the same in its Annual Report to the stakeholders. The same shall also be hosted on the Company's website.
- v. The Board's Report would also include a brief narrative on the action taken for the implementation of the Guidelines so that the stakeholders are informed of not only the CSR initiatives under taken by IRFC but also Sustainable Development activities.

17. Miscellaneous

This Policy will override the earlier policy on Corporate Social Responsibility. The amendments to the CSR Policy, any provisions in the Act, CSR Rules and Guidelines shall automatically forms part of this Policy.

The policy is based on the Companies Act 2013, Schedule VII of the Act, the CSR Rules and the DPE Guidelines. Any possible situation where there may be conflict between the CSR Rules and the Guidelines, the former shall prevail in all circumstances.

Any or all provision of the CSR and Sustainability Policy would be subject to revision/amendment in accordance with the guidelines on the subject as may be issued by the Government/ regulator/DPE, from time to time.

Annexure-I

Checklist for submission of CSR Proposal to IRFC Ltd.		
S. No.	Particulars	Details
<u>A</u>		
<u>About Entity</u>		
1	Name of the Entity and Website link	
2	Registered address / Communication Address	
3	Entity Constitution / Establishment date / Brief Profile etc.	
4	Average turnover for last 3 financial years in case NGOs	
<u>B</u>		
<u>Key Financial Information</u>		
1	Project Cost Estimates Please provide (a) cost break-up viz. construction / capital equipment / operational expenditure / admin etc. and (b) evidence of benchmark cost (Specimen Enclosed)	
<u>C</u>		
<u>Project Details</u>		
1	Goals of the Project	
2	Duration of project (In Months)	
3	Project Location(s) (Complete Address with Google/Wiki mapping). Please submit location-wise Cost Estimate breakup also	
4	Summary of Need Assessment/ Baseline Survey Report (if any)	
5	Detailed activities to be undertaken over the span of the project.	
6	Expected major outcomes / outputs	
7	Expected major long-term impacts	
8	Expected number of Target beneficiaries (Male/Female/Transgender/SC/ST/Others) (If Applicable)	
9	Name of Co-Financer if any / Give details	
10	Description of Sustainability aspects of the Project after project duration	
<u>D</u>		
<u>Implementation</u>		
1	Implementation timelines with milestones. (Also provide Activity wise Bar Chart)	
2	Other stakeholders / helping parties viz Govt Bodies, Institutions, NGOs in the project (If any) with respective roles / responsibilities	
<u>E</u>		
<u>Undertaking that:</u>		
1	In case of Non-Governmental Organizations (NGOs): Method of procurement follow shall be disclosed with the project In case of State/ Central Government bodies; Autonomous body of Government aided agency, they may follow their respective procurement guidelines.	
2	<u>Undertaking/ Declaration that</u>	
(i)	Whether any of the Board of Directors/ Governors/ Trustees/ Managing/ Executive Committeemembers have any official dealing with IRFCL or are related to any Board members of IRFCL	
(ii)	Entity is having no pending legal dispute and/ or inquiries in connection with offences like cheating, misappropriation of funds, exploitation of beneficiaries, etc.	
(iii)	Entity is not blacklisted by any govt. agency	
(iv)	Declaration that why it cannot be supported under existing government programs/schemes	
<u>F</u>		
<u>Enclosures</u>		
1	CSR Registration Certificate	
2	Registration Certificate of the entity	
3	Bank Account Details	
4	Certificates under Section 12A and 80G of the Income Tax Act 1961, TDS Exemption Certificate (If any) (Only in Case of Non-Governmental Organization)	
5	PAN Card	
6	Audited Financial Statements of preceding three financial years and documents substantiating net turnover in taking similar activities (Only in case of Non-Governmental Organization)	
7	NGO Grading from grading /rating agencies such as CRISIL, CARE, IRR or ICRA at the time of submission of proposal along with grading report (Only in Case of Non-Governmental Implementing Agency/Entity)	
8	Provide Impact assessment report(s) of similar CSR project executed in recent past, preferable by third party if any with supporting documents	
9	Regulatory approvals / NOC, if required	
10	Details of similar projects executed during the preceding three financial years. Also provide details of projects executed with IRFC or other PSU	
NOTE	The completed proposals shall be sent in hardcopy addressed to "Chairman and Managing Director, Indian Railway Finance Corporation Limited, UG - Floor, East Tower, NBCC Place, Bhisam Pitamah Marg, Lodhi Rd, Pragati Vihar, New Delhi, Delhi 110003. For further queries please write a letter to above-mentioned address addressed to CSR Head, IRFC Limited or please email to csr@irfc.co.in .	