

INDIAN RAILWAY FINANCE CORPORATION LIMITED

POLICY ON "FIT & PROPER" CRITERIA OF DIRECTORS

Approved on	10.11.2022

Policy on 'fit & proper' criteria of Directors

1.0 INTRODUCTION

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

1.2 Pursuant to RBI's norms for NBFCs viz., Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and other statutory provisions applicable to the Company, as amended from time to time, the Company has formulated this ***Policy on 'fit & proper' criteria of Directors***, which has been approved by the Board of Directors, on recommendation of the Nomination & Remuneration Committee.

1.3 Being a Government company and in terms of the Articles of Association, all Directors are nominated / appointed / reappointed on the Board by the President of India acting through the administrative ministry i.e., Ministry of Railways, Government of India. The objective of the Policy is to provide a framework, set out the 'fit and proper' criteria and other standards as per RBI norms. The Policy on Fit and Proper Criteria for Directors ('Policy') provides general guidance and is not intended to be comprehensive nor replaces or overrides any other regulatory guidelines on fit and proper criterion of Directors.

2.0 DEFINITIONS

2.1 In this Policy, unless repugnant to the subject or context of its usage, the following expressions shall carry meanings hereunder assigned to them, namely:

- '**Board' / 'Board of Directors**' shall mean the collective body of Directors of the Company;
- '**Company' / 'IRFC**' shall mean Indian Railway Finance Corporation Limited (CIN L65910DL1986GOI026363);
- '**Director**' shall mean a Director appointed on the Board of the Company;
- '**Independent Director' / 'Non official (Independent) Director**' shall mean an Independent Director of the Company within the meaning of the Companies Act, 2013, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, DPE Guidelines on Corporate Governance for CPSEs, RBI norms for NBFCs or other applicable laws, as amended from time to time;
- '**MoR / Administrative Ministry**' shall mean the Ministry of Railways, Government of India, which is the administrative ministry of IRFC;
- '**Nomination & Remuneration Committee (NRC)**' shall mean the Nomination & Remuneration Committee of Directors of IRFC, constituted as per

the provisions of the Companies Act, 2013, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, DPE Guidelines on Corporate Governance for CPSEs and other applicable laws;

- '**Policy**' shall mean this "Policy on 'fit & proper' criteria of Directors" of IRFC.

3.0 'FIT & PROPER' CRITERIA OF DIRECTORS

3.1 Being a Government company within the meaning of the Companies Act, 2013 and in terms of Article 198 of the Articles of Association of the Company, all Directors on the Board of IRFC are nominated / appointed / reappointed by the President of India acting through the administrative ministry i.e., Ministry of Railways, Government of India.

3.2 The nomination / appointment / reappointment of Directors and their eligibility criteria, qualifications, experience and selection procedure etc., is also subject to the prescribed norms of Department of Personnel & Training (DoPT), Department of Public Enterprises (DPE), Public Enterprises Selection Board (PESB) etc., as applicable from time to time, the compliance of which is taken care at the end of the administrative ministry.

3.3 In furtherance of the same, the Nomination & Remuneration Committee shall annually obtain the information/ declaration from the proposed/ existing Director(s) as per Annexure- A.

4.0 DUE DILIGENCE PROCESS

4.1 In case of appointment or reappointment of a Director, the Company shall obtain information / declaration from the proposed / existing Director, in the format given at **Annexure-A**.

The NRC shall scrutinize the information / declaration so received at the time of appointment / reappointment of the Director. The declaration received from the Director, shall be placed before the Board of Directors.

4.2 The nominated / elected Directors shall execute a 'Deed of Covenants' with the Company (in duplicate), in the format given at **Annexure-B at the time of appointment.**

4.3 On an annual basis, the Company shall obtain a declaration as per Annexure A from the Directors (reflecting position as on 31st March of the year), that information / declaration already provided has not undergone any change, or wherever thereis any change, the requisite details shall be furnished forthwith.

4.4 The NRC shall scrutinize the annual information / declaration from the Director(s). The NRC shall keep the Board apprised of changes, if any.

4.5 Case(s) where the administrative ministry has assigned 'additional charge' of CMD/Director of IRFC to any existing Director of the Company for an interim period i.e., till the time a regular incumbent is appointed, then in such cases this Policy will not be applicable.

5.0 REPORTING TO RBI

The Company shall furnish a quarterly statement to RBI (within 15 days from the end of the quarter) about change(s) in the Directors of the Company.

6.0 REVIEW

6.1 This policy may be reviewed by the NRC/Board from time to time and amended if required, including in view of changes in the regulatory environment, if any.

6.2 The 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.

Annexure-A

INDIAN RAILWAY FINANCE CORPORATION LIMITED
(CIN L65910DL1986GOI026363)

Declaration and Undertaking by Director ----------
---------- (with enclosures as appropriate as on----------)

I	**Personal Details of Director**	
a.	Full name	
b.	DIN	
c.	Nationality	
d.	Date of Birth	
e.	Educational / Professional Qualifications	
f.	Relevant Background and Experience	
g.	Permanent Address	
h.	Present Address	
i.	E-mail Address / Telephone Number	
j.	Permanent Account Number under the Income Tax Act and Name and Address ofIncome Tax Circle	
k.	Relevant Knowledge and Experience	
l.	Experience in the business of NBFC(number of years)	
m.	Any other information relevant to Directorship of IRFC.	
II	**Relevant Relationships of Director**	
a.	List of Relatives if any who are connected with IRFC (Refer Section 2(77) of the Companies Act, 2013 read with Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014), as amended.	
b.	List of entities if any in which he/she is considered as being interested (Refer Section 184 of the Companies Act, 2013)	
c.	List of entities (including companies, firms and proprietary concerns) in which he/she is considered as holding substantial interest within the meaning of Prudential Norms as prescribed in RBI Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended.	
d.	Name/s of other companies in which the person has held the post of Chairman / Managing Director / Director / Chief Executive Officer	
e.	Name/s of NBFC in which he/she is or has been a member of the Board (giving details of period during which such office was held)	

f.	Fund and Non-fund facilities, if any, presently availed of by him/her and/or by entities listed in II (b) and (c) above from IRFC.	
g.	Cases, if any, where the Director, his / her relatives or entities listed in II (b) and (c) above are in default or have been in default in the past in respect of credit facilities obtained from IRFC or any other entity / NBFC / Bank.	
III	**Records of professional achievements**	
a.	Relevant professional achievements	
IV	**Proceedings, if any, against the Director**	
a.	If the Director is a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry into any profession/occupation at any time.	
b.	Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the Director and/or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations.	
c.	Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the Director.	
d.	Whether the Director attracts any of the disqualifications envisaged under Section 164 of the Companies Act, 2013?	
e.	Has the Director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?	
f.	Has the Director at any time been found guilty of violation of rules / regulations / legislative requirements by customs / excise/ income tax / foreign exchange / other revenue authorities, if so give particulars.	
g.	Whether the Director has at any time come to the adverse notice of a regulator such as SEBI, IRDA and MCA. (Though it shall not be necessary for a candidate to mention in the column about orders and findings made by the regulators which have been later on reversed/set aside in to, it would be necessary to make a	

	mention of the same, in case the reversal/setting aside is on technical reasons like limitation or lack of jurisdiction, etc. and not on merit. If the order of the regulator is temporarily stayed and the appellate / court proceedings are pending, the same also should be mentioned.)	
V	**Any other explanation / information in regard to items I to III and other information considered relevant for judging fit & proper.**	

Undertaking

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep IRFC fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the deed of covenants required to be executed by all Directors of IRFC.

Place : Signature.....
Date :

VI.	**Remarks of Chairman of Nomination & Remuneration Committee/Board of Directors of IRFC.**

Place: Signature.....
Date:

Annexure-B

DEED OF COVENANTS

THIS DEED OF COVENANTS is made this _____ day of _____, Two Thousand_____BETWEEN **INDIAN RAILWAY FINANCE CORPORATION LIMITED (CIN L65910DL1986GOI026363),** having its Registered Office at UG Floor, East Tower, NBCC Place, Bhisham Pitamah Marg, Pragati Vihar, Lodhi Road, New Delhi - 110003 (hereinafter called 'IRFC') of the one part and Shri / Smt. / Ms./Dr._____of_____ _____(hereinafter called the "Director") of the other part.

WHEREAS

A. The Director has been appointed as a Director on the Board of Directors of Indian Railway Finance Corporation Limited (IRFC) (hereinafter called "the Board") and is required as a term of his /her appointment to enter into a Deed of Covenants with IRFC

B. The Director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his / her said terms of appointment.

NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:

1. The Director acknowledges that his / her appointment as Director on the Board of IRFC is subject to applicable laws and regulations including the Memorandum and Articles of Association of IRFC and the provisions of this Deed of Covenants.

2. The Director covenants with IRFC that:

(i) The Director shall disclose to the Board the nature of his / her interest, direct or indirect, if he / she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between IRFC and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the Director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he/she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the Director becomes concerned or interested in the contract or arrangement.

(ii) The Director shall disclose by general notice to the Board his/her other Directorships, his/her memberships of bodies corporate, his/her interest in other entities and his/her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.

(iii) The Director shall provide to IRFC a list of his/her relatives as defined in the Companies Act, 2013 and to the extent the Director is aware of Directorships and interests of such relatives in other bodies corporate, firms and other entities.

(iv) The Director shall in carrying on his / her duties as Director of IRFC:

a. use such degree of skill as may be reasonable to expect from a person with his / her knowledge or experience;
b. in the performance of his / her duties take such care as he / she might be reasonably expected to take on his / her own behalf and exercise any power vested in him / her in good faith and in the interests of IRFC;
c. shall keep himself / herself informed about the business, activities and financial status of IRFC to the extent disclosed to him / her;
d. attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfil his / her obligations as Director of IRFC;
e. shall not seek to influence any decision of the Board for any consideration other than in the interests of IRFC;
f. shall bring independent judgment to bear on all matters affecting IRFC brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
g. shall in exercise of his / her judgement in matters brought before the Board or entrusted to him / her by the Board be free from any business or other relationship which could materially interfere with the exercise of his / her independent judgement; and
h. shall express his / her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his / her independent judgement.

(v) The Director shall have:

a. fiduciary duty to act in good faith and in the interests of IRFC and not for any collateral purpose;
b. duty to act only within the powers as laid down by IRFC's Memorandum and Articles of Association and by applicable laws and regulations; and
c. duty to acquire proper understanding of the business of IRFC.

(vi) The Director shall:

a. not evade responsibility in regard to matters entrusted to him / her by the Board;
b. not interfere in the performance of their duties by the Whole-time Directors and other Officers of IRFC and wherever the Director has reasons to believe otherwise, he / she shall forthwith disclose his / her concerns to the Board; and
c. not make improper use of information disclosed to him / her as a member of the Board for his / her or someone else's advantage or benefit and shall use the information disclosed to him / her by IRFC in his / her capacity as Director of IRFC only for the purposes of performance of his / her duties as a Director and not for any other purpose.

3. IRFC covenants with the Director that:

(i) IRFC shall apprise the Director about:
   a. Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
   b. control systems and procedures;
   c. voting rights at Board meetings including matters in which Director should not participate because of his / her interest, direct or indirect therein;
   d. qualification requirements and provide copies of Memorandum and Articles of Association;
   e. corporate policies and procedures;
   f. insider dealing restrictions;
   g. constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
   h. appointments of senior executives and their authority;
   i. remuneration policy;
   j. deliberations of committees of the Board; and
   k. communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of IRFC, delegation of authority, senior executives, etc. and appoint the Compliance Officer who shall be responsible for all statutory and legal compliance.

(ii) IRFC shall disclose and provide to the Board including the Director all information which is reasonably required for them to carry out their functions and duties as a Director of IRFC and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the Director by the Board or any committee thereof;

(iii) The disclosures to be made by IRFC to the Directors shall include but not be limited to the following:
   a. all relevant information for taking informed decisions in respect of matters brought before the Board;
   b. IRFC's strategic and business plans and forecasts;
   c. organizational structure of IRFC and delegation of authority;
   d. corporate and management controls and systems including procedures;
   e. economic features and marketing environment;
   f. information and updates as appropriate on IRFC's products;
   g. information and updates on major expenditure;
   h. periodic reviews of performance of IRFC; and
   i. report periodically about implementation of strategic initiatives and plans;

(iv) IRFC shall communicate outcome of Board deliberations to Directors and concerned personnel and prepare and circulate minutes of the meeting of Board to Directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and

(v) advise the Director about the levels of authority delegated in matters placed before the Board.

4. IRFC shall provide to the Director periodic reports on the functioning of internal control system including effectiveness thereof.

5. IRFC shall appoint a Compliance Officer who shall be a senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of Reserve Bank of India and other concerned statutory and Governmental authorities.

6. The Director shall not assign, transfer, sublet or encumber his / her office and his / her rights and obligations as Director of IRFC to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of IRFC.

7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.

8. Any and all amendments and/or supplements and/or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the Director and the duly authorized representative of IRFC.

9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.

For Indian Railway Finance Corporation Ltd. **Director**

By ....
Name: Name:
Title:

In the presence of:

1. 2.