

Corporate Social Responsibility and Sustainability Policy of Indian Railway Finance Corporation Ltd (IRFC)

Introduction

Indian Railway Finance Corporation (IRFC) is the dedicated funding arm of Indian Railways. IRFC is responsible for meeting the Extra Budgetary Resources (EBR) requirements of the Ministry of Railways through market borrowings. IRFC enjoys a strategic relationship with the Ministry of Railways who happens to be its main client and its owner.

As a part of its Corporate Social Responsibility and Sustainability Policy (CSR & Sustainability Policy), IRFC would strive to remain a responsible corporate entity aware of its responsibilities to all the stakeholders. It would support Sustainable Development programmes of the Government to save the mother earth and for healthy living of future generations of mankind. It would also contribute towards inclusive growth and equitable development in the society, through empowerment of the marginalized underprivileged sections.

The Government of India enacted the Companies Act 2013 in August 2013. Section 135 of the Companies Act 2013 ('the Act') deals with the subject of Corporate Social Responsibility (CSR). The activities which may be included by companies in their CSR policies are listed in Schedule VII of the Act.

The Ministry of Corporate Affairs has also formulated CSR Rules (the 'CSR Rules'), under the provisions of the Act and issued the same on 27.02.2014 These CSR Rules are to be read with the provisions of Section 135 of the Act. The CSR Rules are applicable to all companies, including CPSEs w.e.f. 01.04.2014. All CPSEs shall have to comply with the provisions of the Act and the CSR Rules. Any amendment notified by the Ministry of Corporate Affairs in the CSR Rules, or in Schedule VII of the Act will also be binding on the CPSEs.

The Act enjoins all companies to have a CSR policy, and the information which needs to be mentioned in the CSR policy as specified in the CSR Rules. There

should be no deviation from the mandatory provisions of the Act and the CSR Rules in this regard.

In terms of the Act, every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board comprising three or more directors, out of which at least one director shall be an independent director.

The Board of every company shall ensure that the company spends in every financial year, at least two percent of the average net profits of the company during the three immediately preceding financial years in pursuance of its Corporate Social Responsibility Policy.

Guidelines have also been issued by Department of Public Enterprises (DPE) vide their OM F No 15(13)/2013-DPE (GM) dated 21st October 2014 (the Guidelines) on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises (CPSEs) which have been made effective from 1st April, 2014.

It has been clarified by DPE that the Guidelines do not supersede or override any provision of the Act, or Schedule VII of the Act, or the CSR Rules, but will only supplement them. Further as per the DPE, in case of any perceived conflict between the CSR Rules and the Guidelines, the former shall prevail under all circumstances.

In the Guidelines, the need for taking sustainability initiatives is emphasized in addition to the requirement of mandatory compliance with the CSR Rules. As per DPE, the Guidelines are aimed at providing an over arching framework of Sustainability within which CSR is firmly embedded. Therefore, CPSEs have been advised to read the CSR Rules together with the Guidelines to clearly understand what is expected of them by the stakeholders.

Further in terms of the Guidelines, CSR policy document of a CPSE should also include a vision and mission statement as to how the CPSE proposes to comply with the Guidelines. The broad sustainability initiatives which a CSPE intends to

undertake should also find mention therein. In the Guidelines, it has been brought out that since Sustainability issues and CSR are complementary in nature, and both are to be mentioned in the policy document. That is why it has been suggested that it may be referred to as 'CSR and Sustainability' policy.

IRFC Policy on CSR and Sustainability has been framed keeping in view the Act, the CSR Rules and Guidelines.

As per the Guidelines, while selecting CSR activities / projects from the activities listed in Schedule VII of the Act, CPSEs should give priority to the issues which are of foremost concern in the national development agenda, safe drinking water for all, provision of toilets especially for girls, health and sanitation, education, capacity building, etc. Contribution(s) to Swachh Bharat Abhiyaan and Clean Ganga Fund (Namami Gange Project) have also been included in the Schedule VII of the Act. The main focus of CSR and Sustainability policy of CPSEs should be on Sustainable Development and inclusive growth, and also to address the basic needs of the deprived, under privileged, neglected and weaker sections of the society which comprise of SC, ST, OBCs, minorities, BPL families, old and aged, women / girl child, physically challenged persons etc.

For CPSEs to fully exploit their core competence and mobilize their resource capabilities in the implementation of CSR activities / projects, they have been advised to align their CSR and Sustainability policy with their business policies and strategies to the extent possible, and select such CSR activities / projects which can be better monitored through in-house expertise.

If the CPSEs feel the necessity of taking up new CSR activities / projects during the course of a year, which are in addition to the CSR activities already incorporated in the CSR and Sustainability Policy of the company, the Board's approval of such additional CSR activities would be treated as amendment to the policy.

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.

Mission

IRFC envisions supporting the cleanliness initiatives of the Government and promoting Sustainable Development, renewable energy, capacity building in collaboration with the Government and / or with other Public Sector Undertakings and / or with Government agencies, in a scalable manner and thereby set a foundation for a clean, green, educated and capable & bright India.

Administrative Structure and Mechanism:

The CSR Committee of IRFC will comprise of three or more Directors, out of which at least one Director shall be an Independent Director. The Committee would be chaired by the Independent Director.

The 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. to consider CSR projects and give recommendations to the Board.
- iv. ensure that the activities are as per the Corporate Social Responsibility and Sustainability Policy are undertaken by IRFC and are related to the activities included in Schedule VII of the Act, or are as per policies of the MOR / Government.
- v. recommend the allocation of budget to be incurred on the activities.
- vi. recommend withdrawal of the Projects sanctioned by the Board, if not undertaken by the implementing Agency within a period of one year.
- vii. Visit the Sustainability & CSR Project sites, if so considered necessary.
- viii. Visit any place in India, for exploration of CSR Projects.

The Board of IRFC 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. ensure that the Company spends in every financial year at least two per cent of the average of its net profits of made during the three immediately preceding financial years.
- iii. if the Company fails to spend such amount, the same be reported in their Annual Report specifying there in the reasons for not spending the amount.
- iv. Visit the sustainability & CSR Project site(s), if so deemed necessary.

Below Board level a senior Officer would be nominated as the Nodal Officer. . The Nodal Officer either himself or may request other Executive of the Company to visit any place in India to explore CSR Project(s).

Allocation of Budget:

- i. The allocation of funds for CSR activities be made on case to case basis.
- ii. The overall expenditure under CSR activity for a single project shall not be more than 15% of the total budget under CSR activity for that year excluding Contribution to Swachh Bharat Abhiyaan and Clean Ganga Fund of the Government of India.

CSR and Sustainability Initiatives:

- i. Considering the small size of the Company in terms of manpower, the Company shall endeavor to take up short term Sustainability CSR activities which can be completed within a Financial Year.
- ii. Contribution to Swachh Bharat Abhiyaan and Clean Ganga Fund of the Government of India.
- iii. IRFC may, wherever possible, contribute to large projects by sharing a part of pool of resources with other Railway PSUs / Central PSUs for greater environmental social and economic impact subject to Rules and Regulations of the Companies Act, 2013 and other applicable statues, guidelines, if any.

- iv. 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 in the nearby vicinity and improvement in the peripheral area in the territorial jurisdiction of Delhi & NCR.
- v. IRFC shall give due importance to Sustainable & CSR projects which are peripheral to the activities of the Indian Railways.

Selection and Implementation:

- i. Projects / Activities Selection shall be in line with the Act and its Schedule VII, CSR Rules and Guidelines on Sustainability and CSR for CPSEs issued by the Government / MOR from time to time. Proposer has to submit details as mentioned in Annexure I.
- ii. The CSR activities shall be undertaken by IRFC would be as per its stated CSR Policy and the projects or programs or activities (either new or ongoing) would be excluding the activities undertaken of its normal course of business.
- iii. The Committee may recommend the minimum contribution to Swachh Bharat Abhiyaan and Clean Ganga Fund of the Government of India in the third quarter of the year. However, if any amount is left unspent at the year end the same may also be considered for contribution to these funds.
- iv. The Nodal Officer and his team shall obtain suitable proposals from various sources and as far as possible restrict the same from Ministry of Railways, other Central or State Government / Agencies / Departments & PSUs and put up these proposals for suitable selection and recommendation of the CSR Committee for approval by the BOD. Proposals from Private Agencies / Bodies should be discouraged,
- v. IRFC, being a finance company, has no expertise in implementing projects. Sustainability Activities & CSR activities, therefore, may be taken up by IRFC for implementation through PSUs / Government Agencies / / Semi / quasi-Government / Reputed Agencies as authorized by any Government Department as Implementing Agencies as authorized and eligible as per Rules and Regulations of the Companies Act, 2013 and other applicable statutes, guidelines, if any
- vi. Since IRFC does not have a registered trust or a registered society or a company established by it or its holding or subsidiary or associate company

under Section 8 of the Act or otherwise, entity selected as mentioned in the para (v) shall have an established track record of three years in undertaking similar programs or projects.

- vii. Further, IRFC will specify the projects or programs to be undertaken through these entities as mentioned in para (v), the modalities of utilization of funds on such projects and programs and the monitoring and reporting mechanism.
- viii. As far as possible, IRFC would take up Sustainability and CSR activities in project mode, which entails planning the stages of execution in advance by fixing targets at different milestones, with pre-estimation of quantum of resources required within the allocated budget, and having a definite time span for achieving desired outcomes.
- ix. 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 (v) but such expenditure on building such capacities shall not exceed five percent of the total CSR expenditure of the Company in one financial year.
- x. As and when considered appropriate, the CSR Committee of the Board may also consider appointment of suitable professional / professional agencies to assist it in areas like project evaluation monitoring and verification. The scope, mandate, etc. would be decided by the Management of the Company.
- xi. IRFC, if considered necessary, may get a baseline / need assessment survey done prior to the selection of any CSR activity.
- xii. IRFC may get an impact assessment study done of the CSR activities / projects undertaken by IRFC, if so desired by the CSR Committee / Board.
- xiii. Impact assessment would be mandatorily done by IRFC for mega projects, the threshold value of which would be Rs 5 crore or more, except if such projects have been undertaken by MOR, Central Government, etc.
- xiv. 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).

Resources and Funding:

- i. IRFC may earmark a portion of the annual budget on CSR and Sustainability towards contribution to Prime Minister's National Relief Fund or any other fund set up by the Central Government for relief in case of national disasters / calamities, socio-economic development and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women.
- ii. Major portion of the amount earmarked for Sustainability activities and CSR, would be spent by IRFC on implementation of such activities under the project mode and balance under programs, etc.
- iii. CSR and Sustainability expenditure incurred on need / impact assessment study, if any, undertaken by IRFC or any other agency shall be counted as part of the expenditure on Sustainability and CSR. The expenditure incurred on baseline survey and impact assessment study would also be within the overall limit of 5% of administrative overheads of CSR spend as provided for under the CSR Rules.
- iv. 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.
- v. In terms of DPE Guidelines, mere reporting and explaining the reasons for not spending this amount in a particular year would not suffice and any unspent CSR amount in a particular year would not lapse. It would instead be carried forward to the next year for utilization for the purpose for which it was allocated. Endeavour shall be made that all the funds are spent within 3 financial years of allocation thereof
- vi. Surplus arising out of the CSR projects or programs or activities shall not form part of the business profits of the Company.

Reporting and Disclosure:

- i. The progress report of the activities undertaken shall be reported to the CSR Committee / Board Quarterly & Half Yearly.
- 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. The Board of Directors of IRFC shall, after taking into account the recommendations of CSR Committee, approve the CSR Policy for the Company and disclose the same in its Annual Report to the Shareholders. The same shall also be hosted on the Company's website.
- iv. 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.

Miscellaneous:

This Policy will override the earlier policy on Corporate Social Responsibility / Sustainable Development of IRFC, approved by Board. The amendments to the CSR Policy provisions in the Act, CSR Rules and Guidelines shall automatically form part of this Policy.

Annexure I

Details required from the Proposer of CSR Activity(s)

| | | | |
|---|--|--|--|
| 1 | Full details of the Proposer | | |
| | a Name of the Proposer b Address of the Proposer c Address from which the proposed CSR Activity would be implemented d PAN of the Proposer e Aadhar No. of the Proposer f His Mobile No. g Detail of CSR activities undertaken by the Proposer in the past. (Enclose separate sheet, if required) | | |
| 2 | Project details / A copy of the Project Report | | |
| 3 | a Name, Address, PAN No., Aadhar No. of the technical expert who would certify the work done b His Mobile No. | | |
| 4 | a Name of the Chartered Accountant / financial expert who would certify the amount spent. His registration No. with the Institute of Chartered Accountants of India / Institute of Cost & Management Accountant of India b His PAN c His Aadhar No. d His Mobile No. | | |
| 5 | List of the authorised persons would implement the project a Their PANs b Their Aadhar Nos. c Their Mobile Nos. | | |

| | | | |
|---|---|--|--|
| 6 | <p>Name of the person(s) who would be accountable persons and who will be incharge of the Project</p> <p>a Their PANs</p> <p>b Their Aadhar Nos.</p> <p>c Their Mobile Nos.</p> | | |
| 7 | <p>A copy of the Board Resolution from the Organisation's Board / Trustees alongwith a copy of Trust Deed and Certificate of Registration of the Turst</p> | | |
| 8 | <p>Whether the Organisation would be able to provide Utilisation Certificate on monthly basis, duly certified by the Financial as well as Technical Expert</p> | | |