



असीमित ऊर्जा, अनन्त संभावनाएं
Endless energy. Infinite possibilities.

A MAHARATNA COMPANY

REC Limited

Environment, Social and Governance (ESG) Policy

(Revised as approved by BoDs in the 515th Board Meeting held on 31.05.2024)

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1. Introduction

REC Limited (herein after referred to as “REC,” “the Company,” “We,” “Us,” “Our”), in its glorious journey since 1969, has played a key role in financing and creation of power infrastructure assets for the nation. While doing so, REC has excelled in financial and operational performance year after year and stands tall as a systemically important Infrastructure Finance Company with the coveted “Maharatna” status. With loan book of the order of INR 4 Trillion and Net profit of the order of INR 100 Billion, REC figures among the top ten profit making central public sector companies of India.

As it has always been, it is imperative that REC 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 pressures, 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 re-evaluate 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 REC’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.

An Environmental, Social & Governance (ESG) Committee shall be constituted by CMD REC with representation of Head of Departments of the following divisions in REC viz. State Operations, Private Sector Projects Management, Renewables, New Infrastructure and Logistics, Estate, Admin, PCM, HR, CSR, and IT. The Committee shall be responsible for overall implementation of the ESG policy framework and review ESG performance across functions and communicate the progress through periodical reports to the management. The oversight of ESG policy outputs shall be done by the Risk Management Committee of the Board

The ESG policy framework will serve as a guiding document for all ESG initiatives and activities undertaken by REC. This framework covers REC’s operations only in India including REC’s subsidiary.

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 by ESG Committee. This policy shall be reviewed annually or earlier as warranted for its suitability and updated as necessary.

3. Focus Areas

3.1 Environmental Aspects

REC commits to effective implementation and oversight on environmental management policies and procedures and strive towards continuous improvement on environmental

performance. We strive to ensure compliance with applicable environmental laws and regulations. To monitor our environmental performance, we also commit towards setting targets to reduce our environmental impacts. The scope of our environmental policy covers our own operations as well as our relationships with suppliers and business partners.

3.1.1 Energy & Emissions

REC is contributing significantly to the renewable energy financing in India. In line with the Government's ambitious target of 500 GW installed renewable energy capacity by 2030, reduction of carbon emission by one billion tonnes by 2030 and achieving net-zero carbon emissions by 2070, REC has introduced various policies for competitive financing of clean energy projects across the country, including solar, wind, biomass projects and e-mobility. REC will continue to promote competitive financing for renewable projects. The Company's policies for renewable energy projects shall be reviewed from time to time, to meet its ever evolving and dynamic needs.

Further, to achieve climate change goals, REC will strive to set decarbonisation targets for its own operations and implement initiatives to achieve the same.

3.1.2 Green Energy/ Energy Efficiency Initiatives

In our strategy to combat climate change and transitioning to a low carbon economy, we will strive to reduce our carbon footprint by taking on initiatives to monitor and reduce our energy consumption. Our initiatives will be aimed at:

- Adopting solar energy in our offices and premises
- Incorporating energy efficient building designs where applicable.
- Implementing automated energy management solutions to reduce energy consumption.
- Retrofitting existing high energy consuming devices and equipment to maximize performance while consuming less electricity.

3.1.3 Waste

REC 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 registered recyclers/ re-processors under Central Pollution Control Board and State Pollution Control Committee/Board.

REC is conscious of paper usage in its operations, transactions, and customer communications. Our push to go digital across service and product lines, will continue to reduce paper consumption, thereby reducing paper waste. Printing and photocopying operations by employees across large offices will also continue to be monitored and regulated in order to reduce wastage of paper.

REC will strive to reduce the use of all forms of plastic in its offices, branches as well as in its promotional, marketing and outreach events. REC plans to phase out single use plastic water bottles from all its offices pan-India by 2024.

3.2 Environmental & Social Risk Management

REC will limit its exposure to environmental (including climate), social and governance related risks by integrating ESG factors in its project and entity appraisal processes. We 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. Our entity appraisal process scrutinizes if there are any significant litigations pending against Borrower/Promoter/Directors of Borrower Company and assess the experience and qualifications of the directors of the promotor company.

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

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

REC shall ensure that during the currency of REC loan, a borrower shall comply with Environmental, Health, Safety and Social (EHSS). To this effect, REC shall stipulate suitable conditions in the loan agreements / sanctions for various facilities in clean energy financing.

In other project loans, REC shall ensure that prior to disbursement of facility, all provisions of applicable legislation, and clearances as per the law of the land are obtained by the borrower.

3.3 Procurement Practices

REC 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, REC will continue to align its procurement policy to ascertain minimum 25% procurement from MSE's and timely payment.

REC will make efforts to procure products which are –

- Recycled
- Environment friendly
- Energy efficient
- Locally sourced

REC 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

3.4.1 Non-Discrimination & Fair Treatment

REC 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 non-

financial incentives to become valuable human assets to the corporation.

REC prohibits all forms of harassment including sexual-harassment and non-sexual harassment and has a zero-tolerance policy for harassment and discrimination.

We provide annual trainings for all employees on non-discrimination and anti-harassment at workplace.

We have a grievance redressal mechanism and escalation process for reporting incidents, ensuring transparency and accountability. Corrective or disciplinary action is taken timely in cases of discriminatory behaviour or harassment, fostering a safe and inclusive workplace. REC also upholds transparency by disclosing the number of discrimination and harassment incidents reviewed in the last fiscal year.

It is ensured that appropriate corrective or disciplinary action is taken on such cases as per our policies.

3.4.2 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. REC strives to align its HR practices with the best industry practices and at par with other Maharatna CPSEs, such as, Flexible Work Hours, study leave, sabbatical policy, employee reward system etc.

Employee benefits act as a motivation at workplace and keeps the best talent sustained in the company. REC ensures that all the employees receive various short term, long term and post-retirement benefits. REC provides paid parental leaves as per government norms to all eligible employees. REC also provides Loans to employees at concessional rates. REC encourages its employees to make better environmental choices by offering sustainability-oriented employee benefits such as lower interest rates for electric/ hybrid vehicles etc.

3.4.3 Employee Health & Well-being

REC commits to abide by all applicable health and safety regulations and standards.

We strive to adopt occupational health and safety (OHS) related best practices of all the employees, and individuals across all operations. REC is committed to follow best policies of industry relating to health, safety and well-being of its employees and their dependent family members and continue to take steps to promote a safe and conducive work environment, to provide guidance on occupational health and safety, appropriate healthcare benefits and medical cover etc., to all its employees. REC will continue to conduct regular health check-up for its employees. REC will provide appropriate creche & day care facilities to boost employee productivity.

It is our best endeavour to continually improving health and safety performance, establishing prioritization and action plans, and setting quantitative targets for improvement.

3.4.4 Employee Ethics & Code of Conduct

REC has mechanisms to deal with issues related to inhumane treatment including mental or physical coercion or verbal abuse, sexual harassment, sexual abuse, slavery, of employees. This is guided by the Code of Conduct and Ethics Manual, an internal document available to all employees. REC's Conduct Regulations also define 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.

3.4.5 Women Safety

REC has a Zero tolerance 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. REC will continue to promote and protect the well-being of all women employees, especially women who are required to work late due to business requirements.

3.4.6 Training & Development

REC is committed to investing in human capital to support continuous skill upgradation and employee development. REC continues to support 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.

REC is committed towards providing an environment that is conducive to and promotes training and development opportunities to all employees.

3.4.7 Grievance Redressal

REC effectively deploys various Grievance Redressal Mechanisms for its stakeholders viz Employees, Customers, Investors, and General Public which is being addressed through Employee Grievance Redressal Policy; REC Fair Practice Code for Customers; SEBI Complaints Redressal System (SCORES) for investor/shareholders; and through Centralised Public Grievance Redressal and Monitoring System (CPGRAMS) under Deptt. of Public Grievances for General Public respectively. A comprehensive Integrated Document on Stakeholder Grievance Redressal, combining all the existing grievance mechanisms shall be made available on REC Website for ease of access by all concerned

REC will deploy adequate grievance redressal channel to address employee concerns and feedback. REC will also constitute a dedicated employee grievance redressal committee to address the same.

3.5 Enhancing Customer Experience

Customer centricity is at the core of REC'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 borrowers through loan agreements and documentation, and through the corporate website. Being a NBFC, the Company also adheres to Fair Practices Code mandated by RBI, which sets out the fair lending practices to be followed with borrowers, in matters relating to application for loans and their processing, loan sanction, disbursement, post-disbursement supervision and grievance redressal mechanism etc.

Further, REC's transparent and accessible grievance redressal mechanisms ensure addressing customer concerns and feedback and will continue to sensitise its employees on prevention of miscommunication, financial protection of customers and customer data privacy.

Towards this end, the business divisions of REC shall device a customer feedback form and ensure that such feedback forms are obtained from all large customers whereby funds have been disbursed during the year.

REC 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, REC 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 Policy**' in line with the provisions of the Companies Act, 2013 and rules made thereunder. REC endeavours to fully expend the CSR budget as mandated in the Companies Act, 2013, during a year. REC also encourages its employees to actively participate and contribute towards social good upliftment.

REC's CSR funds are channelized through 'REC Foundation,' a society registered under the Societies Registration Act. All CSR initiatives are pursued with focus on socially beneficial projects to reach a wide spectrum of beneficiaries. REC carries out its CSR activities broadly in the areas of promotion of healthcare, education, skill development, women empowerment, environmental sustainability, sanitation and hygiene, rural infrastructural development etc. Further, REC 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, REC shall endeavor to identify such projects and spend the necessary amount of funds every year.

3.7 Transparency & Accountability to Stakeholders

REC 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, REC 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. REC constantly endeavours to optimize probity and integrity among employees and to promote transparency, fairness, and accountability in all operational areas. REC's Vigilance division mainly aims at 'Preventive Vigilance' by reviewing the policies, rotation and transfers of employees holding sensitive posts, review of audit reports, review of projects, tenders and contracts awarded, inspections of regional offices, review of Annual Property Returns (APRs) etc.

3.8 Corporate Governance

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

REC shall meet all mandatory requirements and strive to meet most of 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").

REC's Code(s) of Conduct form(s) the foundation of REC's commitment towards entrenching transparency, responsibility, and accountability in business processes. REC ensures Conduct, Discipline and Appeal (CDA) Rules, which define code of conduct for all employees; and recognizes acts of bribery, corruption etc. as misconduct. REC 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.

REC will implement appropriate policies and procedures to assure highest standards of Information Technology (IT) security, cybersecurity, and data privacy. REC is committed to upgrading IT governance, infrastructure, and control mechanisms to adapt to the evolving technology and regulatory landscape. REC'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.

REC 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.

REC 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.

3.8.1 Anti-Corruption and Anti-Bribery policy

Our Anti-corruption and Anti-Bribery practices are guided by CVC Vigilance Manual and REC Vigilance Handbook, which also serves as guiding principle for mechanism to deal with complaints on bribery / corruption. REC commits rigorous risk assessment, internal controls, and a mechanism on swift complaint resolution on bribery or corruption. All employees undergo regular trainings for spreading awareness to prevent corruption. We have a zero-tolerance towards bribery in any form (including kickbacks) on any portion of contract payments. We do not engage in any forms of direct or indirect political contributions, charitable contributions, or sponsorship. All our business dealing undergo scrutiny to maintain ethical standards.

3.8.2 Board Diversity:

REC recognizes that diversity in perspective, occupational experience, gender and cultural background of Directors would expand the competence of the Board as a whole and balance the skills & judgment exercised by the Directors, leading to better Corporate Governance.

REC constantly endeavours that persons of diverse background with high standards of knowledge, skills and expertise are appointed on its Board and would prioritize inclusive representation for equitable decision-making.

3.8.3 Tax Policy:

Government of India issues various tax related Acts/Guidelines/Notifications and REC being a Public Sector Undertaking is bound to comply with all such guidelines/notifications etc. being issued from time to time.

3.8.4 Remuneration and Clawback:

REC commits to having a comprehensive remuneration policy encompassing both fixed and variable pay structures. REC is committed to transparency and fairness in all compensation matters, ensuring that employees receive equitable rewards for their contributions. Additionally, termination payments and retirement benefits are provided to support employees through transitions.

Remuneration of all executives including Board Level Executives are being made in accordance with guidelines issued by the Department of Public Enterprises (DPE). REC has well defined Conduct Discipline & Appeal (CDA) rules for all employees. As regards recovery of wrongful excess payments made to employees, if any, REC follows the instructions of Department of Personnel and Training of GoI in this regard. Further as per REC CDA rules clause 28.1.4 employees are bound for -'recovery from pay of the whole or part of any pecuniary loss caused to the corporation by negligence or breach of order.

The actions in respect of the above focus areas mentioned in **Annexure I** in this policy shall be coordinated by BDM Division and will be reported to the management on half yearly basis.

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 guidelines/ directions issued by any governing body from time to time) on a periodic basis, shall be ensured by CS Division. The policy framework shall be reviewed at the end of the first year of implementation and thereafter on need basis, to ensure its continuing suitability, adequacy, and effectiveness.

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 	RE Division Estate/ Admin IT
3.2 Environmental & Social Risk Management	SOP/ PSPM
3.3 Procurement Practices	PCM
3.4 Creating Empowered Workforce <ul style="list-style-type: none"> • Non-Discrimination and Fair Treatment • Career Progression & Employee Benefit • Employee Health & Well-being • Employee Ethic & Code of Code of Conduct • Women Safety • Training & Development • Grievance Redressal 	HR
3.5 Enhancing Customer Experience	SOP/ PSPM/ Regional Offices
3.6 Community and Society	CSR
3.7 Transparency & Accountability to stakeholders	Vigilance
3.8 Corporate Governance	CS/IT