

## ANNEXURE-IV TO BOARD'S REPORT

**BUSINESS RESPONSIBILITY REPORT****Section A : General Information about the Company**

1. **Corporate Identification Number (CIN) of the Company** : L40101DL1969GOI005095
2. **Name of the Company** : Rural Electrification Corporation Limited (REC)
3. **Registered address** : Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003, India
4. **Website** : [www.recindia.gov.in](http://www.recindia.gov.in)
5. **E-mail id** : [complianceofficer@recl.nic.in](mailto:complianceofficer@recl.nic.in)
6. **Financial year reported** : 2014-15
7. **Sector(s) that the Company is engaged in (industrial activity code-wise)**

**Group: 649 Class: 6492 Sub class: 64920 : Other Financial service activities - Other Credit Granting**

Description : This class includes financial service activities primarily concerned with making loans by institutions not involved in monetary intermediation (such as venture capital companies, industrial banks, investment clubs), where the granting of credit can take a variety of forms, such as loans, mortgages, credit cards etc.

The Company is a Non-Banking Financial Company (NBFC) categorized as Infrastructure Finance Company (IFC) with the Reserve Bank of India, and the Company is engaged in the business of providing finance for power sector.

8. **List three key products/services that the Company manufactures/provides (as in balance sheet)**

REC is engaged in financing projects / schemes of power generation, transmission, distribution, rural electrification, system improvement, renovation and modernization of power plants in both public and private sectors. Its key product includes Term Loans, Medium Term Loans, Short Terms Loans etc. REC is also designated as Nodal Agency for implementation of "Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) - Scheme of Rural Electricity Infrastructure and Households Electrification" for providing electricity access to all rural households. Further, REC is also a Nodal Agency for National Electricity Fund (NEF), an Interest Subsidy Scheme to provide interest subsidy on loans disbursed to the State Power Utilities, Distribution Companies (DISCOMs) - both in public and private sector, to improve the infrastructure in distribution sector.

9. **Total number of locations where business activity is undertaken by the Company**

- i. **Number of International Locations (Provide details of major five):**

None.

- ii. **Number of National Locations:**

REC has offices at 22 National Locations viz. New Delhi, Kolkata, Chennai, Jaipur, Panchkula, Shimla, Jammu, Lucknow, Bhopal, Mumbai, Vadodara, Bengaluru, Thiruvananthapuram, Bhubaneswar, Hyderabad (Project Office as well as Central Institute for Rural Electrification (CIRE)), Shillong, Guwahati, Ranchi, Dehradun, Patna, Raipur and Varanasi.

10. **Markets served by the Company - Local/State/National/International:**

REC serves the Indian markets only and its business extends throughout India.

**Section B : Financial Details of the Company**

1. **Paid up Capital (₹):** 987.46 crore
2. **Total Turnover (₹):** 20,388.05 crore
3. **Total Profit after Tax (₹):** 5,259.87 crore
4. **Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%):**

During the financial year 2014-15, REC has incurred expenditure for an amount of ₹ 103.25 crore (including ₹ 57.21 crore provided for in the books of accounts towards approved CSR projects under implementation during the financial year) which is more than 2 % of Profit After Tax of previous financial year. Further, the amount of ₹ 57.21 crore provided for, during the financial year 2014-15 has since been paid during the financial year 2015-16.

**5. List of activities in which expenditure in 4 above has been incurred:**

The major areas on which the above expenditure has been incurred includes:

- Job-oriented Skill Development Programmes;
- Education;
- Environmental Sustainability;
- Promotion of health care including for elderly persons and persons with disabilities;
- Drinking water and sanitation facilities including participation in 'Swachh Vidyalaya Abhiyaan';
- Installation of LED based solar street lights in select un-electrified / poorly electrified villages etc.

**Section C : Other Details**

**1. Does the Company have any Subsidiary Company/ Companies?**

Yes, the Company has following Wholly Owned Subsidiary Companies as on March 31, 2015:

- REC Power Distribution Company Limited (RECPDCL) (CIN: U40101DL2007GOI165779); and
- REC Transmission Projects Company Limited (RECTPCL) (CIN: U40101DL2007GOI157558)

Further, in order to initiate development of each independent inter state transmission project allocated by Ministry of Power, Government of India, RECTPCL incorporates project specific Special Purpose Vehicle (SPV) as Wholly Owned Subsidiary Company and after selection of successful bidder through Tariff Based Competitive Bidding Process notified for transmission projects, the respective project specific SPV along with all its assets and liabilities is transferred to the selected bidder. As on March 31 2015, following project specific Special Purpose Vehicles (SPVs) were in existence as Wholly Owned Subsidiary Companies of RECTPCL:

- Nellore Transmission Limited (NTL) (CIN: U40104DL2012GOI245654)
- Baira Siul Sarna Transmission Limited (BSSTL) (CIN: U40106DL2013GOI247564)
- Maheshwaram Transmission Limited (MTL) (CIN: U40102DL2014GOI270446)
- Gadarwara (A) Transco Limited (GATL) (CIN: U40300DL2014GOI269918)\*
- Gadarwara (B) Transmission Limited (GBTL) (CIN: U40109DL2014GOI269652)\*

\* Transferred to selected bidder i.e. Power Grid Corporation of India Limited after March 31, 2015

Further, RECTPCL also had the following Wholly Owned Subsidiary Companies which were transferred to the successful bidder on completion of Tariff Based Competitive Bidding Process during the financial year 2014-15:

- NRSS XXIX Transmission Limited (CIN: U40106DL2013GOI256050)
- NRSS XXXI (A) Transmission Limited (CIN: U40106DL2013GOI256048)
- NRSS XXXI (B) Transmission Limited (CIN: U40106DL2013GOI256049)
- Vindhyachal Jabalpur Transmission Limited (CIN: U40300DL2014GOI270433)

After March 31, 2015, the following Wholly Owned Subsidiary Companies have been incorporated as project specific Special Purpose Vehicles (SPVs) of RECTPCL:

- Vemagiri II Transmission Limited (CIN: U40106DL2015GOI278746)
- Alipurduar Transmission Limited (CIN: U40109DL2015GOI278992)
- NER-II Transmission Limited (CIN: U40106DL2015GOI279300)

**2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).**

Yes, REC encourages all its subsidiary companies to participate in its Business Responsibility (BR) initiatives on a wide range of topics. Towards this end, REC has engaged its wholly owned subsidiary, RECPDCL, as Project Implementing and Monitoring Agency for building of toilets in schools under 'Swachh Vidyalaya Abhiyaan', under its CSR initiatives.

3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]

REC strives to follow responsible business practices with increased focus on economic, environmental and social concerns in order to achieve the twin-objectives of growth and sustainability for all its stakeholders. In furtherance of the same, REC encourages its business partners to participate in its BR initiatives. REC provides finance at concessional rates for Clean & Renewable Energy projects. Further, the Company also takes up sustainability projects under its CSR initiatives, through various implementing agencies.

#### Section D : BR Information

##### 1. Details of Director/Directors responsible for BR

- a) Details of the Director/Directors responsible for implementation of the BR policy/policies.

**DIN:** 01120152

**Name:** Shri Prakash Thakkar

**Designation:** Director (Technical)

- b) Details of the BR Head

Sl. No.	Particulars	Details
1.	DIN (if applicable)	01120152
2.	Name	Shri Prakash Thakkar
3.	Designation	Director (Technical)
4.	Telephone number	011-24367479
5.	e-mail id	thakkar@recl.nic.in

##### 2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

The Ministry of Corporate Affairs, Government of India, in July 2011, came out with the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business'. These guidelines contain the following nine Principles which need to be adopted by companies as part of their business practices and a structured business responsibility reporting format requiring certain specified disclosures, demonstrating the steps taken by companies to implement the said principles.

- P1 - Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.
- P2 - Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
- P3 - Businesses should promote the well-being of all employees.
- P4 - Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
- P5 - Businesses should respect and promote human rights.
- P6 - Businesses should respect, protect and make efforts to restore the environment.
- P7 - Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
- P8 - Businesses should support inclusive growth and equitable development.
- P9 - Businesses should engage with and provide value to their customers and consumers in a responsible manner.

The principle wise responses on the above are mentioned below:

Sl. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have policy/policies for...	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national / international standards? If yes, specify?	Y	Y	Y	Y	Y	Y	Y	Y	Y

Sl. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
4.	Has the policy being approved by the Board? If yes, has it been signed by MD / owner / CEO / appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5.	Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Indicate the link for the policy to be viewed online?	Y	Y	Y	Y	Y	Y	Y	Y	Y
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8.	Does the Company have in-house structure to implement the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.	Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

The relevant explanation/ information/links are mentioned in the Annexure to this report.

**2a. If answer to Sl. No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options)**

Not Applicable.

**3. Governance related to BR**

- **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.**

On annual basis.

- **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

Yes. REC publishes the Business Responsibility Report annually as part of its Annual Report. The hyperlink for viewing the Annual Report for the financial year 2014-15 is <http://www.recindia.gov.in/download/ar2014-15.pdf>

**Section E : Principle-wise performance**

**Principle 1- ETHICS, TRANSPARENCY & ACCOUNTABILITY**

**1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No. Does it extend to the Group/Joint Ventures Suppliers/Contractors/ NGOs/ Others?**

REC is committed to act professionally, fairly and with integrity in all its dealings and has put in place a "Policy for Prevention of Fraud" which set forth obligation on part of every employee of the Company for prevention, detection and reporting of any act of fraud, bribery or corruption. The Company has also established a 'Vigil Mechanism' for Directors and employees to report their genuine concerns or grievances about unethical behavior, actual or suspected fraud or violation of Company's Code of Conduct or Ethics Policy. As an integral part of such Vigil Mechanism, the Whistle Blower Policy of REC has been formulated with a view to empower the Directors and employees of REC and / or its subsidiary companies, to detect and report any improper activity within the Company. Further, the Company has formulated a 'Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions' which prescribe adequate procedures and disclosures to be made before entering into transactions with such parties.

REC has also framed Conduct, Discipline and Appeal (CDA) Rules which define code of conduct for employees and the acts of bribery, corruption etc. are included therein as misconducts on the part of employees. Central Vigilance Commission's (CVC) guidelines/ instructions etc. are also followed in this regard. The above policies, rules, guidelines/instructions etc. are also applicable to the subsidiary companies of REC. Further, other stakeholders are also required to conform to principles of fairness, ethics and transparency in their dealings with REC.

Further, REC has adopted “Code of Business Conduct & Ethics for Board Members and Senior Management” which captures the behavioral and ethical standards. Further, in compliance of guidelines on Fair Practices Code of Reserve Bank of India (RBI), REC has also developed the Fair Practices Code (FPC) for its lending operations which intends to provide assurance to all the borrowers regarding the Company’s commitment to fair dealing and transparency in its business transactions.

**2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.**

During the financial year 2014-15, the Company did not receive any complaint under the Whistle Blower Policy and Fair Practices Code. Further, 13 general complaints (other than anonymous/pseudonymous complaints) were received during the financial year 2014-15. Out of these, four complaints were relating to ethics, bribery and corruption issues and were scrutinized/investigated. As on March 31, 2015, two complaints (i.e. 50 %) were disposed/resolved and two complaints are under scrutiny/investigation.

In addition, the Company had received 581 and 3,614 complaints from Equity Shareholders and Bondholders (Listed/Un-listed Debt Securities) respectively. All complaints of Equity Shareholders and Bondholders received during the financial year 2014-15 have been satisfactorily resolved, except one equity shareholder complaint which has also been resolved since then.

## Principle 2- SUSTAINABILITY IN LIFE-CYCLE OF PRODUCT

**1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.**

REC is conscious of the need for sustainable development in the country and our Project Finance business incorporates social and environmental concerns in its lending operations. The Company provides concessional interest rate loans and other financial support for providing access to electricity to all rural households under DDUGJY initiative of Government of India. Further, there is a policy for providing finance at concessional rates for development of North-Eastern states and Clean & Renewable Energy projects.

REC has also taken up construction of toilets in schools under ‘Swachh Vidyalaya Abhiyaan’ under its CSR initiatives. Further, the Company has taken up the initiative of replacing all conventional light fittings / CFL with energy efficient LED lights at its offices.

**2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):**

Considering the nature of business of the Company and the products/initiatives referred to above, the questions below are not applicable to REC:

**i. Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain?**

As our products are financial services, the major resource consumed is paper. During the year, REC focused on reducing consumption of paper through printing and managing its paper procurement practices. REC has also outsourced the mechanism to collect waste papers from premises of the Company for recycling of the same. Further, the offices of REC have been made more energy-efficient by replacement of all conventional light fittings / CFL with energy efficient LED lights.

**ii. Reduction during usage by consumers (energy, water) has been achieved since the previous year?**

As the REC’s products are financial services, resource consumption like energy and water by consumers was minimal and efforts were made to further reduce it.

**3. Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably?**

REC, being a Financial Institution, is relatively less resource intensive in terms of material inputs. Our major material requirements are office, communications and IT related equipments. Despite the limited scope of our procurement needs, we continue to take initiatives to ensure responsible sourcing in our supply chain. We have detailed procurement guidelines prescribing the procedure for our major procurements.

**4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

REC, being a Financial Institution, is relatively less resource intensive in terms of material inputs. However, we prefer locally available goods and services, other considerations being comparable. We are also following the Government of India’s directives in respect of reservation for Micro, Small & Medium Enterprises in procurements.

5. **Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.**

The Company, being a Financial Institution, has limited applicability of mechanism to recycle products and waste. However, the Company has outsourced the mechanism to collect waste papers from the premises of the Company for recycling of the same.

Further, we are following e-Waste (Management and Handling) Rules, 2011 as notified by the Ministry of Environment & Forests (MoEF), Government of India with the specific aim of minimizing e-waste and responsible disposal of the entire quantum of e-waste only through Government/ Pollution Control Board registered e-waste recyclers.

### Principle 3 - EMPLOYEE WELL-BEING

1. **Please indicate the Total number of employees.**

As on March 31, 2015, the Company had 601 employees.

2. **Please indicate the Total number of employees hired on temporary/contractual/casual basis.**

During the financial year 2014-15, the Company had not hired any employee on temporary/ contractual/ casual basis. However, the Company utilizes the services of temporary staff through placement agencies based on requirement, from time to time.

3. **Please indicate the Number of permanent women employees.**

As on March 31, 2015, the Company had 99 permanent women employees.

4. **Please indicate the Number of permanent employees with disabilities**

As on March 31, 2015, the Company had 10 permanent employees with disabilities.

5. **Do you have an employee association that is recognized by management?**

Eligible employees of the Company are Members of the two representative bodies i.e. REC Employees Union or REC Officers Association.

6. **What percentage of your permanent employees are members of this recognized employee association?**

All regular employees of the Company are members of either non-supervisory employees Union or Executives Association.

7. **Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.**

The Company has not received any complaints relating to child labour/forced labour/involuntary labour or sexual harassment in the last financial year and no complaint was pending as on March 31, 2015. Further, the Company neither engages in any form of child labour/forced labour/involuntary labour nor adopts any discriminatory employment practices. The Company has a proper framework for dealing with instances relating to sexual harassment. In line with provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act 2013, an 'Internal Complaints Committee' has been constituted in the Company for redressal of complaint(s) against sexual harassment of women employees. The Committee is headed by a senior level woman official of the Company and includes an NGO representative as one of its members. Anti-sexual harassment stance of the Company is also outlined in REC (Conduct, Discipline and Appeal) Rules.

8. **What safety & skill up-gradation training was provided in the last year?**

**Permanent Employees**

**Permanent Women Employees**

**Casual/Temporary/Contractual Employees**

**Employees with Disabilities**

Considering the nature of business of the Company, the question has limited relevance in respect of safety.

Employee training and development is an essential element of the Company's strategy. REC has a proper training procedure and it does not differentiate on any parameters in terms of identifying and imparting training to its employees. REC's 73.21 % permanent employees, 78.78 % permanent women employees and 100 % permanent employees with disabilities, received technical skill up-gradation, spiritual, health and attitudinal training during the financial year 2014-15, which amounts to 1,083 training man days.



The Company also has a training institute viz. “Central Institute for Rural Electrification” (CIRE) in Hyderabad, where various training programmes designed to meet the changing skill requirements of its employees are conducted. These training programmes include orientation sessions for new employees, programmes conducted by various functional academies, leadership mentoring programmes and other management development programmes for mid-level and senior executives.

#### Principle 4- STAKEHOLDER ENGAGEMENT

**1. Has the company mapped its internal and external stakeholders?**

Yes.

**2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders?**

Yes, the Company has identified the disadvantaged, vulnerable & marginalized stakeholders. REC extends certain facilities to Micro, Small & Medium Enterprises (MSME) registered with National Small Industries Corporation such as issue of tender sets free of cost, exemption from payment of earnest money, waiver of security deposit upto monetary limit for which unit is registered and opportunities for MSMEs owned by SC/ST.

Further, REC has adopted employee oriented policies relating to staff and their dependents, in line with the general laws and regulations and sound ethical practices followed nationally, covering areas such as employee benefits, commitment to equal opportunity in recruitment and prevention of sexual harassment at the workplace which endeavors to provide an environment of care, nurturing and opportunity to accomplish professional aspiration. The Company is also following the guidelines/ directions issued by Government of India, from time to time, in respect of reservation for women and persons belonging to SC/ST/OBC/PH categories in recruitment.

Further, under Corporate Social Responsibility (CSR) and Sustainability initiatives, the Company has laid emphasis on providing job-oriented Skill Development Training to youth from economically weaker sections of society, programmes for improving access to education to under-privileged students, setting up/ up-gradation of infrastructure / facilities in select health care institutions and distribution of assistive aids, appliances and artificial limbs to select persons with disabilities from weaker sections of society.

**3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.**

Yes, the Company regularly undertakes initiatives to engage with its internal and external disadvantaged, vulnerable and marginalized stakeholders. REC also broadly follows the principles of “The UN Global Compact” in the areas of human rights, labour, environment and anti-corruption, which enjoy universal consensus. Further, in order to encourage participation by MSMEs including Micro and Small enterprises owned by SC/ST, all the directives mentioned in the Public Procurement Policy Order, 2012 have been included in REC procurement guidelines.

Each year, the Company sets aside a percentage of its net profit for CSR and Sustainability initiatives to fund and support socially beneficial projects with sustainability as a guiding principle to reach a wide spectrum of beneficiaries with a view to empower economically and socially backward communities, elderly persons, differently abled persons, children, youth etc. Some of such initiatives undertaken during the financial year 2014-15, are as under:

1. Supporting special education and employment enhancing vocation skills, especially among children, women, elderly and differently-abled and livelihood enhancement projects;
2. Programmes for providing coaching to select underprivileged students for entrance to engineering institutes, development of infrastructure in schools, including school for differently-abled children;
3. Setting up of solar PV smart mini grids, solar micro-grids, LED based solar street lights and distribution of solar lanterns in select un-electrified/ poorly electrified villages in select districts etc;
4. Projects for safe drinking water facilities in select rural areas in select states, mobile health care vans, setting up/ up-gradation of infrastructure / facilities in select health care institutions, distribution of assistive aids, appliances and artificial limbs to select persons with disabilities from weaker sections of societies etc.

#### Principle 5- PROMOTION OF HUMAN RIGHTS

**1. Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others?**

REC is an active member of “The UN Global Compact” and follows its principles in the areas of human rights, labour,

environment and anti-corruption, which enjoy universal consensus and are derived from the Universal Declaration of Human Rights, International Labour Organization's Declaration on Fundamental Principles and Rights at Work, Rio Declaration on Environment & Development and United Nations Convention against Corruption.

Considering the nature of business of the Company, human rights cover the Company and its subsidiary companies only and to protect the human rights of employees, REC has adopted employee oriented policies, in line with the general laws and regulations and sound ethical practices followed nationally, which endeavors to provide a congenial working environment for its employees.

Further, the Company believes that a sustainable organization rests on a foundation of ethics and respect for human rights and the Company ensures diversity of workplace through efforts to recruit, develop and retain the most talented people from a diverse candidate pool. It upholds the principle that advancement is based on talent & performance and there is a commitment to equal opportunity. The Company also emphasizes on safe social environment, human well-being including a safe natural environment. It discourages conducts that implies granting or withholding favors or opportunities as a basis for decisions affecting an individual, in return for that individual's compliance.

**2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

The Company did not receive any complaint in the area of human rights violations from stakeholders.

**Principle 6- ENVIRONMENTAL PROTECTION**

**1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.**

The Company encourages its Group/Joint Ventures/Suppliers/Contractors/NGOs/others to participate in initiatives focused on environment protection and sustainability and as such, the policy of the Company pertaining to environmental protection is applicable to all our group companies. During the financial year 2014-15, RECTPCL, a wholly owned subsidiary of REC, has made contribution to Clean Ganga Fund set up by the Central Government for rejuvenation of River Ganga, under its CSR initiatives. Furthermore, clients (borrowers) are also required to be compliant to environment & social conditions in their operations.

**2. Does the Company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.**

REC has diversified its business activities by introducing special schemes of financing to promote Renewable Energy projects across the country with a view to address global environmental issues such as climate change, global warming etc. In furtherance of the same, the Company has taken initiative for replacement of all conventional light fittings / CFL with energy efficient LED lights in its offices and awareness is created amongst its employees on conserving energy. Further, the Company has also contributed funds for setting up solar micro grids and LED based solar street lighting systems under its CSR initiatives.

**3. Does the Company identify and assess potential environmental risks? Y/N**

The above question is not applicable to the Company as it is not a manufacturing company. However, REC identifies and assesses potential environmental and social risks in all the infrastructure projects which are financed by REC. The Company has been in the forefront of integrating environmental risk assessment and mitigation into its overall investment risk assessment process. As part of the project appraisal, environment related issues are identified and detailed due diligence is carried out that includes site visits, secondary information collection and analysis, review of applicable compliances and consents.

**4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?**

The above question is not applicable directly to the Company as it is not a manufacturing Company. However, REC has diversified its business activities by introducing special scheme for financing to promote Renewable Energy projects across the country with a view to address global environmental issues such as climate change, global warming, reduction of greenhouse gas emissions etc.



5. **Has the Company undertaken any other initiatives on-clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.**

Yes. REC grants loans at concessional interest rates for development of Renewable Energy Projects. Further, the offices of REC have been made more energy-efficient by replacement of all conventional light fittings / CFL with energy efficient LED lights. REC is the Nodal agency for Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) - Scheme of Rural Electricity Infrastructure and Households Electrification which also provides grants for Decentralized Distributed Generation (DDG) projects from conventional or renewable non-conventional sources such as Biomass, Biogas, Micro Hydro, Wind, Solar etc. for villages where grid connectivity is either not feasible or not cost effective.

Further, the Company has also contributed funds for setting up solar micro grids and LED based solar street lighting systems under its CSR initiatives. For details of the Company's related initiatives, please refer to 'Report on Corporate Social Responsibility Activities', which forms part of this Annual Report.

6. **Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

The above question has limited relevance to the Company as it is not a manufacturing Company. However, the Company complies with applicable environmental regulations in respect of the premises and operations.

7. **Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of financial year.**

REC has not received any show cause/legal notices from CPCB/SPCB.

#### Principle 7- RESPONSIBLE PUBLIC POLICY ADVOCACY

1. **Is your Company a member of any trade and chamber or association? If yes, name only those major ones that your business deals with.**

Yes. REC is a member of World Energy Council, Federation of Indian Chambers of Commerce and Industry (FICCI), Central Board of Irrigation & Power (CBIP), Standing Conference of Public Enterprises (SCOPE), Associated Chambers of Commerce and Industry of India (ASSOCHAM), Power HR Forum, India CFO Forum, All India Management Association (AIMA), Institute of Public Enterprises (IPE) and UN Global Compact.

Further, CMD and Whole-time Directors of the Company participate in various committees/ working groups constituted by the Ministry of Power, Government of India.

2. **Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes / No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)**

The Company has raised issues relating to clean technology, energy efficiency and renewable energy on different platforms of above associations from time to time.

Further, the Company is also working on several CSR and Sustainability initiatives for setting up of sanitation, water & hygiene facilities in select schools and villages, safe drinking water facilities in select rural areas in select states, setting up/ up-gradation of infrastructure / facilities in select health care institutions, setting up of girls hostel in technical institute, livelihood enhancing women-empowerment programmes, setting up of solar PV smart mini grids, solar micro-grids and LED based solar street lights and distribution of solar lanterns in select un-electrified/ poorly electrified villages in select districts and programme for farmer-centric integrated watershed development for improving rural livelihoods.

#### Principle 8- INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

1. **Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.**

REC is the Nodal Agency for overseeing the implementation of Government of India's flagship programme i.e. Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) with the objective of providing 24x7 Power Supply for non-agricultural consumers, reduction in AT&C Losses and providing access to electricity to all rural households. Further, REC also extends financial assistance for intensive electrification of villages and energization of agricultural pumpsets.

Further, DDUGJY also provides grants for Decentralized Distributed Generation (DDG) projects from conventional or renewable non-conventional sources such as Biomass, Biogas, Micro Hydro, Wind, Solar etc. for villages where grid connectivity is either not feasible or not cost effective. In XII five year plan, DDG will also be extended to grid connected areas to supplement the availability of power in areas where power supply is less than six hours a day.

REC also takes up programmes/initiatives/projects in pursuit of the principle of inclusive growth and equitable development in pursuance of its CSR and Sustainability Policy. Detailed information about the specified programmes and initiatives undertaken during the financial year 2014-15 in pursuit of the Policy, has been given in 'Report on Corporate Social Responsibility Activities', which forms part of this Annual Report.

**2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?**

REC is the Nodal Agency for overseeing the implementation of Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) - Scheme of Rural Electricity Infrastructure and Households Electrification. The implementation of DDUGJY involves various agencies like Distribution Utilities, Central Public Sector Undertakings, Turn-key contractors, Panchayati Raj institutions, franchisees, DDG developers and various districts level committees.

Further, most of the CSR projects/initiatives of the Company are being carried out with the help of specialized agencies in line with their focus areas of operations, which are either Government Organization/Semi-Government/PSU/Autonomous Organization/Section 8 Companies or empaneled Agencies with Indian Institute of Corporate Affairs (IICA)/The Tata Institute of Social Sciences (TISS)/government departments and/or those having past work experience with Government/ Semi-Government/PSU/ Autonomous Organizations for similar works.

**3. Have you done any impact assessment of your initiative?**

Yes, REC continuously seeks feedback to understand the impact of its initiatives which also includes visits by its own teams to the various projects funded by the Company. Further, impact assessment of RGGVY programme (subsumed in DDUGJY) - Scheme of Rural Electricity Infrastructure and Households Electrification was conducted through various specialized agencies to assess the impact and the outcome of the programme on the socio-economic fabric of rural development across the nation. Also, under the CSR and Sustainability Policy, there is a system of reviewing the Company's CSR initiatives wherein progress of major initiatives is monitored and evaluated along with its impact.

**4. What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?**

REC, being a Financial Institution, contributes to community development projects primarily by way of providing financial assistance for intensive electrification of villages & energization of agricultural pumpsets. During the financial year 2014-15, a total of 23 intensive electrification schemes were sanctioned by the Company involving a loan outlay of ₹ 170.48 crore. Further, 2,56,026 nos. of electric irrigation pumpsets were reported to be energized and loan assistance of ₹ 647.09 crore was sanctioned for 62 schemes, during the year.

Further, during the financial year 2014-15, the Board of Directors of the Company approved a budget of ₹ 103.25 crore, i.e. 2% of the net profit of the Company for the last three financial years towards CSR and Sustainability activities. During the year, the Company has undertaken various CSR & Sustainability initiatives in the fields of job-oriented skill development programmes, development of infrastructure in schools, setting up of sanitation, water & hygiene facilities in select schools and villages including participation in 'Swachh Vidyalaya Abhiyaan', safe drinking water facilities, setting up/ up-gradation of infrastructure / facilities in select health care institutions, setting up of girls hostel in technical institute, livelihood enhancing women-empowerment programmes, setting up of solar PV smart mini grids, solar micro-grids and LED based solar street lights and distribution of solar lanterns in un-electrified/ poorly electrified villages and programme for farmer-centric integrated watershed development for improving rural livelihoods.

During the financial year 2014-15, REC has incurred expenditure for an amount of ₹ 103.25 crore (including ₹ 57.21 crore provided for in the Books of Accounts) towards approved CSR projects under implementation during the financial year. Further, the amount of ₹ 57.21 crore provided for, during the financial year 2014-15 has since been paid during the financial year 2015-16.

For details of projects undertaken, please refer to 'Report on Corporate Social Responsibility Activities', which forms part of this Annual Report.

- 5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words or so.**

Yes, steps are taken by the Company to gauge the impact of the community development projects and to ensure that community development initiative is successfully adopted by the community.

Further, the Company, under its CSR initiatives, encourages the active engagement of key stakeholders such as the community, Government Agency/Department, NGOs and other local institutions in the project planning and implementation to facilitate developing and building community ownership while ensuring the sustainability of the programmes. Feedback of the community is suitably incorporated in further developing such programmes in same or other locations.

#### Principle 9 - CUSTOMER VALUE

- 1. What percentage of customer complaints/consumer cases are pending as on the end of financial year?**

All the complaints received from various stakeholders in the reporting period have been resolved, except one equity shareholder complaint which has been resolved since then. Further, there are three cases relating to investors in bonds, pending in various consumer courts.

- 2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./Remarks (additional information)**

The above is not applicable, as the Company is not a manufacturing Company. However, the Company ensures that adequate disclosures are made relating to its products and services with respect to financing of projects. In this regard, the Company has extended the benefit of ERP directly to Borrower by developing an online "Borrower Portal" to facilitate them in knowing status of loans and schemes on real time basis.

- 3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so.**

REC, together with its subsidiary companies, is committed to highest possible standards of ethical practices and moral & legal business conduct. However, during the financial year 2014-15, upon an information filed by an informant (name not disclosed) against RECPDCL, a wholly owned subsidiary of REC, the Competition Commission of India (CCI) vide its prima-facie order dated January 13, 2015 has ordered an investigation against the Company and RECPDCL, for allegedly protecting RECPDCL's market for consultancy services in power projects in India for DPR preparation. The proceedings are pending before CCI.

- 4. Did your Company carry out any consumer survey/ consumer satisfaction trends?**

Yes. In terms of the Memorandum of Understanding (MoU) signed with Ministry of Power, Government of India, REC was given a parameter "Conduct of Customer Satisfaction Survey" for the financial year 2014-15. The Company engaged M/s Administrative Staff College of India, Hyderabad for conducting Customer Satisfaction Survey of its esteemed Customers across the country comprising Central and State Government Power entities and Private Power Entities in the year 2014-15. The overall Customer Satisfaction Index (CSI) score of the Survey conducted is 85.7, which by average American Customer Satisfaction Index (ACSI) is among the best in Banking Services.

Further, REC believes in providing best services to its customers. Time to time meeting (s) with customers are organized to understand their expectations and essentially to gauge our competitiveness in the business. Feedbacks received from customers are implemented to further enhance quality of service.

## ANNEXURE TO BUSINESS RESPONSIBILITY REPORT

P1	<p>Sl. No. 3 - The Company has a Policy for Prevention of Fraud in REC, Code of Business Conduct and Ethics and Whistle Blower Policy. The Policy for Prevention of Fraud is broadly to provide a system for detection and prevention of fraud, reporting of any fraud that is detected or suspected and fair dealing of matters pertaining to fraud. Further, as per the requirement of Corporate Governance under the Listing Agreement, the Company framed Code of Business Conduct and Ethics based on professional and ethical standards, which the Company believes all its employees should adopt. Further, as an integral part of Vigil Mechanism, the Whistle Blower Policy of REC has been formulated with a view to empower the Directors and employees of REC and / or its subsidiary companies, to detect and report their genuine concerns or grievances about unethical behavior, actual or suspected fraud or violation of Company's Code of Conduct or Ethics Policy. Further, the Company has also formulated a 'Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions' ("RPT Policy") which prescribe adequate procedures and disclosures to be made before entering into transactions with such parties.</p> <p>Sl. No. 6 - The links of relevant Policies approved by the Board of Directors of the Company are given below:-</p> <table border="1"> <thead> <tr> <th>Name of the Policy</th><th>Weblink</th></tr> </thead> <tbody> <tr> <td>Policy for Prevention of Fraud</td><td><a href="http://recindia.gov.in/download/prevention_fraud_policy.pdf">http://recindia.gov.in/download/prevention_fraud_policy.pdf</a>.</td></tr> <tr> <td>Whistle Blower Policy</td><td><a href="http://recindia.nic.in/images/pdf-files/Whistle_Blower_Policy.pdf">http://recindia.nic.in/images/pdf-files/Whistle_Blower_Policy.pdf</a>.</td></tr> <tr> <td>Code of Business Conduct and Ethics</td><td><a href="http://recindia.nic.in/download/Code_Business_Conduct_Ethics.pdf">http://recindia.nic.in/download/Code_Business_Conduct_Ethics.pdf</a>.</td></tr> <tr> <td>Fair Practice Code</td><td><a href="http://recindia.nic.in/download/fair_practice_code.pdf">http://recindia.nic.in/download/fair_practice_code.pdf</a>.</td></tr> <tr> <td>Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions</td><td><a href="http://recindia.nic.in/images/pdf-files/Policy_Related_Party_Transactions_&amp;_Dealing_with_RPT.pdf">http://recindia.nic.in/images/pdf-files/Policy_Related_Party_Transactions_&amp;_Dealing_with_RPT.pdf</a>.</td></tr> <tr> <td>Policy on Materiality of Subsidiaries</td><td><a href="http://recindia.nic.in/download/Policy_Determining_Material_Subsidiaries.pdf">http://recindia.nic.in/download/Policy_Determining_Material_Subsidiaries.pdf</a>.</td></tr> </tbody> </table> <p>The other policies are internal documents and accessible only to employees of the organization.</p>	Name of the Policy	Weblink	Policy for Prevention of Fraud	<a href="http://recindia.gov.in/download/prevention_fraud_policy.pdf">http://recindia.gov.in/download/prevention_fraud_policy.pdf</a> .	Whistle Blower Policy	<a href="http://recindia.nic.in/images/pdf-files/Whistle_Blower_Policy.pdf">http://recindia.nic.in/images/pdf-files/Whistle_Blower_Policy.pdf</a> .	Code of Business Conduct and Ethics	<a href="http://recindia.nic.in/download/Code_Business_Conduct_Ethics.pdf">http://recindia.nic.in/download/Code_Business_Conduct_Ethics.pdf</a> .	Fair Practice Code	<a href="http://recindia.nic.in/download/fair_practice_code.pdf">http://recindia.nic.in/download/fair_practice_code.pdf</a> .	Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions	<a href="http://recindia.nic.in/images/pdf-files/Policy_Related_Party_Transactions_&amp;_Dealing_with_RPT.pdf">http://recindia.nic.in/images/pdf-files/Policy_Related_Party_Transactions_&amp;_Dealing_with_RPT.pdf</a> .	Policy on Materiality of Subsidiaries	<a href="http://recindia.nic.in/download/Policy_Determining_Material_Subsidiaries.pdf">http://recindia.nic.in/download/Policy_Determining_Material_Subsidiaries.pdf</a> .
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P2	<p>Considering the nature of the Company's business, this Principle has limited applicability to the Company. However, the Company strives to follow sustainable business practices with focus on economic, environmental and social concerns in order to achieve the twin-objectives of growth and sustainability. The Company complies with regulations governing its products and services and has taken initiatives to promote inclusive growth and environmental sustainability.</p> <p>Sl. No. 6 - The Corporate Social Responsibility and Sustainability Policy is available on the website of the Company at the link : <a href="http://recindia.nic.in/images/pdf-files/CSR_Sust_Policy.pdf">http://recindia.nic.in/images/pdf-files/CSR_Sust_Policy.pdf</a>.</p>														
P3	<p>Sl. No. 3 - In line with the general laws and regulations and sound ethical practices followed nationally, the Company has adopted employee-oriented policies covering areas such as employee benefits and prevention of sexual harassment at the workplace which endeavors to provide an environment of care, nurturing and opportunity to accomplish professional aspirations.</p> <p>Sl. No. 6 - These policies can be viewed physically or online only by the employees of the organization.</p>														
P4	<p>The principle enunciates the aspect of being responsive towards all stakeholders especially those who are disadvantaged, vulnerable and marginalized and the Company does not have a specific policy in place for this. However, the Company has set processes in place to achieve the objectives. In addition, the Company works towards inclusive growth in pursuance of its Corporate Social Responsibility &amp; Sustainability Policy, through interventions in areas like Skill Development leading to creation of employment opportunities, Education, Health Care including initiatives for care of elderly and persons with disabilities, women empowerment programmes, Promotion of Non-Conventional Energy sources etc.</p> <p>Sl. No. 6 - The Corporate Social Responsibility and Sustainability Policy is available on the website of the Company at the link : <a href="http://recindia.nic.in/images/pdf-files/CSR_Sust_Policy.pdf">http://recindia.nic.in/images/pdf-files/CSR_Sust_Policy.pdf</a>.</p>														

P5	<p>Sl. No. 3 - The Code of Business Conduct &amp; Ethics (Code) for Board Members and Senior Management which has been adopted by the Company addresses the requirements of this principle. The Code emphasizes fair employment practices &amp; diversity, fair competition, prohibition of harassment &amp; intimidation and safety at the workplace.</p> <p>Sl. No. 6 - The Code of Business Conduct and Ethics is available on the website of the Company at the link : <a href="http://recindia.nic.in/download/Code_Business_Conduct_Ethics.pdf">http://recindia.nic.in/download/Code_Business_Conduct_Ethics.pdf</a>.</p>
P6	<p>The aspects outlined under this Principle are not relevant to the nature of business of the Company. The Company complies with applicable environmental regulations in respect of its premises and operations. Further, the Company participates in initiatives towards addressing environmental issues. The Company also requires the borrowers of project loans to comply with the various national environmental standards/ requirements.</p>
P7	<p>While there is no specific policy outlined for this principle, the Company is working with the State Governments and other organizations to promote initiatives in the field of Skill Development leading to creation of employment opportunities, Education, Health Care, Rural Development Projects and Promotion of Non-Conventional Energy sources. Further, the Company provides funding for research &amp; development.</p> <p>The CMD and Whole-time Directors of the Company participate in various committees/ working groups constituted by the Ministry of Power, Government of India.</p>
P8	<p>REC strives to ensure inclusive growth and equitable development in pursuance of its Corporate Social Responsibility and Sustainability Policy. During the financial year 2014-15, REC has taken various initiatives in this regard including livelihood enhancing women-empowerment programmes, setting up/up-gradation of infrastructure / facilities in select health care institutions, safe drinking water facilities in select rural areas in select states, setting up of solar PV smart mini grids, solar micro-grids and LED based solar street lights, programme for farmer-centric integrated watershed development for improving rural livelihoods and distribution of solar lanterns in select un-electrified/ poorly electrified villages in select districts.</p> <p>Sl. No. 6 - The Corporate Social Responsibility and Sustainability Policy is available on the website of the Company at the link : <a href="http://recindia.nic.in/images/pdf-files/CSR_Sust_Policy.pdf">http://recindia.nic.in/images/pdf-files/CSR_Sust_Policy.pdf</a>.</p>
P9	<p>Sl. No. 3- The Company has Fair Practices Code and Grievance Redressal Form for Loans which conforms to the guidelines issued by Reserve Bank of India in this regard.</p> <p>Sl. No. 6- The above Code /Form can be viewed online on <a href="http://recindia.gov.in/download/fair_practice_code.pdf">http://recindia.gov.in/download/fair_practice_code.pdf</a> and <a href="http://recindia.gov.in/download/griev_redressal_form_loans.pdf">http://recindia.gov.in/download/griev_redressal_form_loans.pdf</a>; respectively.</p>
	<p>All policies and processes are subject to audits and reviews done internally in the Company from time to time.</p>