



Internal Guidelines on **Corporate Governance**

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INTRODUCTION

REC Limited (REC) is a Government company under the aegis of the Ministry of Power, Government of India. REC is registered with the Reserve Bank of India as a Non-Banking Financial Company, categorized as Infrastructure Finance Company. REC's equity shares and other securities are listed on stock exchanges.

Pursuant to RBI's norms for NBFCs viz., Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and other applicable statutory provisions, as amended from time to time, the Company has formulated these *Internal Guidelines on Corporate Governance*.

CORPORATE GOVERNANCE PHILOSOPHY

Corporate Governance at REC is managing the business in an ethical and responsible manner geared to sustainable value creation for stakeholders within the prevalent regulatory framework. The Company believes in adopting the best practices that are followed in the area of Corporate Governance across the globe. The Company has a strong legacy of fair, transparent and ethical governance practices. The cardinal principles of independence, accountability, responsibility, transparency, credibility, sustainability and fair and timely disclosures etc., serve as the means for implementing the Company's philosophy of Corporate Governance in true letter and spirit. The Company's systems, policies and frameworks are regularly reviewed and upgraded to meet the challenges of a dynamic business environment.

The Corporate Governance framework at REC is based on the following guiding principles:

- Compliance of law, rules and regulations in true letter and spirit;
- Appropriate systems and practices to protect, promote and safeguard the interests of all its stakeholders; and
- Establishing a climate of trust and confidence among various stakeholders by means of transparent and timely disclosure of all material information.

The above principles help in achieving the following objectives:

- To protect and enhance shareholder value;
- To protect the interest of all other stakeholders such as customers, employees and society at large;
- To ensure transparency and integrity in communication and to make available full, accurate and clear information to all concerned;
- To ensure accountability for performance and customer service and to achieve excellence at all levels; and
- To provide corporate leadership of the highest standard for others to emulate.

GOVERNANCE STRUCTURE

The Governance structure at REC comprises of the Board of Directors, supported by various Committees, which shall follow a methodized process of collective decision-making. Further, matters requiring approval of the shareholders shall be taken to the general meeting / through

postal ballot, as per applicable statutory requirements from time to time and in line with the Secretarial Standards.

The Board of Directors shall provide strategic vision and direction to the business and operations of the Company and oversee the fulfilment of corporate objectives. The Board members are committed to ensure that REC is in compliance with the highest standards of Corporate Governance. The Board shall meet as often as required, to review the operations and take business decisions.

The Board is supported by the following Committees:-

1. Audit Committee
2. Nomination & Remuneration Committee
3. Stakeholders Relationship Committee
4. Risk Management Committee
5. Corporate Social Responsibility Committee
6. Committee for Investment/Deployment of Surplus Funds
7. Asset Liability Management Committee
8. IT Strategy Committee

The terms of reference of all Committees shall be as approved / amended by the Board from time to time, which would be available on the website and/or in the Annual Report of the Company. The Committees shall meet as often as required or as prescribed under law. The quorum, secretary, invitees etc. of various Committees shall be as decided by the Board from time to time. Further, minutes of all Committees shall be placed at the subsequent meetings of the Board.

In addition to the aforesaid Committees, the Board may constitute additional committees of Directors / Senior Officials, to look into specific operational matters from time to time.

CODE OF CONDUCT

The Company has a “Code of Business Conduct and Ethics for Board Members and Senior Management”, which is applicable to all Directors, Key Managerial Personnel and Senior Management Personnel of the Company. The Code is aligned with the Company’s mission / vision and objectives, and aims at enhancing ethical and transparent process in managing the affairs of the Company. The Directors, Key Managerial Personnel and Senior Management Personnel shall affirm compliance with the said Code on an annual basis.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

In accordance with statutory provisions, the Company has put in place a Whistle Blower Policy, which enables the Directors / employees of REC and/or its subsidiaries to raise concerns regarding any alleged malpractice or wrong doing, which could affect the business or reputation of the Company. The policy incorporates necessary system to provide protection to the complainant, wherever required. In addition thereto, the Company has also adopted Whistle Blower Policy (PIDPI Resolution) issued by the Central Vigilance Commission.

OTHER POLICIES

In line with the statutory provisions of the Companies Act, 2013, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, DPE Guidelines on Corporate Governance for CPSE and RBI’s norms for NBFCs, the Company has formulated various policies pertaining to Corporate Governance, including but not limited to the Policy for Prevention of Fraud, Code of Conduct for Regulating, Monitoring and Reporting Trading by Designated Persons and their Immediate Relatives and for Fair Disclosure, Policy on Materiality of Related Party Transactions

and Dealing with Related Party Transactions, Policy on Materiality of Subsidiaries, Policy on Criteria for Determining Materiality of Events or Information for Disclosure to Stock Exchanges, Fair Practices Code etc., to name a few, which are available on the website of the Company.

DISCLOSURES

The Company is committed to make adequate and timely disclosures to all its stakeholders including regulators, statutory authorities, stock exchanges, shareholders, other security holders and general public, through the channels of communication stipulated by law, corporate website, Annual Report, direct communication and/or media announcements etc., in line with the applicable statutory provisions and the relevant policies of the Company from time to time.

The Report on Corporate Governance section of the Annual Report shall bring out the activities, initiatives and efforts made by the Company towards Corporate Governance.

AUDITORS

The Statutory Auditors of the Company are appointed by the Comptroller & Auditor General of India (C&AG). Further, the Company shall appoint Secretarial Auditor(s) as required under the applicable statutory provisions to conduct secretarial audit of the Company. The Company shall also have Internal Auditors appointed in line with the applicable statutory provisions / RBI norms from time to time.

COMPLIANCE OFFICER

The Company Secretary shall be the Compliance Officer of the Company for the purpose of these Guidelines.

REVIEW

These Guidelines may be reviewed from time to time and amended if required, including in view of changes in the regulatory environment, if any.
