

Communication on Progress

#1 Businesses should support and respect the protection of internationally proclaimed human rights.

Commitment /Policies

REC as an organization is committed to safeguarding the basic human rights provided by The Constitution of India under tenets of a Welfare State.

Action Taken

REC endows on all its employees the right to freedom of opinion, expression, peaceful assembly and association. Every employee in the Organization has the right to life, liberty, security and legal recourse. Exhaustive framework of policies related to social security schemes, post retirement medical benefits and maternity and child care leave (for women employees) exists in REC. A Grievance redressal committee looks after the task of resolving employee grievances that could not be resolved at departmental level. It is headed by a top management functionary. A women cell also exists which looks after issues affecting welfare of women employees.

Outcomes

The quick redressal of the issues has led to further strengthening of belief of ownership amongst employees. **Zero (0)** grievances were received from employees during FY 2012-13.

Plans for upcoming Year

REC shall endeavor and make all out efforts to take necessary and appropriate measures in future in its commitment to the cause of its employees.

#2 Businesses should ensure that they are not complicit in Human Rights abuse.

Commitment/Policies

REC has established a separate committee for examination and redressal of employee grievances (namely REC Grievance cell) which ensures prompt and

timely disposal of employee grievances. A Complaints Committee to redress complaints against Sexual Harassment of women employees also exists in REC.

REC commits itself to promote and protect human dignity and maintain/uphold the human rights of all employees such that these rights are not infringed upon arbitrarily.

Action Taken

The Grievance Cell acts as an Ombudsman which settles issues raised by the employees related to human rights abuse (if any).

Organization's efforts are reflected in low attrition rate (<2% for FY '12-13) of employees as also **zero (0)** grievances received during the year 2012-13.

Outcomes

It has boosted the Employees' faith in the efforts made by the Organisation for their betterment. It has also helped in attracting new and retaining existing employees.

Plans for Upcoming Year

REC shall continue its strive in the upcoming year also to adopt noble measures and incorporate new ideas which go on to further strengthen the cause of Work with Dignity.

#3 Businesses should uphold the freedom of association and the effective recognition on the right to Collective Bargaining

Commitment/Policies

REC as an Organization attaches considerable importance to the rights of Employees/ Labour. It believes with conviction to recognize the employees' right to Collective Bargaining.

Action Taken

REC continues to uphold the right of association of employees and encourages collective bargaining as a medium of discussion and settlement of matters concerning employees. The Unions exist in the Organisation and decisions related

with the employees' Service Terms/ Working conditions and Environment/Welfare and the like are not made /enforced without their active involvement. The compensation and service conditions of non-executive employees are decided mutually through collective bargaining. In order to maintain continuous and uninterrupted communication with the employee representatives, a conscious decision has been taken to have formal meetings with both REC Employees' union and REC officers' Association on quarterly basis.

Accordingly during the year 2012-13, a total of **four (4)** meetings have been held with the Union / association and majority of contentious issues as also other issues concerning employee welfare and service conditions have been discussed and amicably settled.

Outcome

Employee relations have continued to be harmonious and cordial in REC with **zero(0)** loss of man-hours on account of industrial unrest. REC was also ranked amongst **Top 50 employers in India (in category of less than 1000 employees)** in the year 2012 by Great Places to Work for Institute and the Economic Times.

Plans for upcoming Year

REC in accordance with prevailing norms shall continue to encourage the cause of improving well being of its employees through the existence of Unions in the coming year also.

#4 Businesses should make efforts in elimination of all forms of Forced & compulsory Labour

Commitment/Policies

REC being a Public Sector Enterprise is committed to follow the provisions of Bonded labour System (Abolition) Act 1976 and other Government rules.

Action Taken

REC has never been implicated for violations of these legal provisions in Indian courts of law.

Outcomes

REC has never been implicated for any violation of the norms.

Plans for the upcoming Year

REC repeats its commitment to maintain the status in future also.

#5 Businesses should take measures for effective abolition of Child Labour**Commitment/Policies**

REC as an enlightened and socially conscious Employer is committed not to engage Child Labour and supports effective abolition of the same.

Action Taken

The organization is committed to follow governmental and legal provisions on prohibition of employment of "Children".

Outcomes

REC is seen by the Stakeholders viz. Suppliers/Employees/Customers/Society as an Organisation adhering to Egalitarian norms of the Society.

As on date, no regular employee of REC is below the age of 18 years.

Plans for the upcoming Year

REC repeats its commitment to maintain the status in future also.

#6 Businesses should take measures in elimination of discrimination in respect of Employment and Occupation**Commitment/Policies**

The Organization is committed to the cause of women employees, members of marginalized sections, differently abled persons such that no discrimination in respect of employment and occupation whatsoever is made

Action Taken

During the course of recruitment drives, relaxation(s), as prescribed by Government of India, are afforded to the candidates belonging to marginalized sections (Scheduled Caste / Schedules Tribe/ Other Backward Classes) of society. Further employees from such marginalized sections are also given benefit of relaxations as per government norms during promotions process (upto a certain level in organizational hierarchy).

Outcomes

The efforts are visible in the way that the family of the Organization represents all hues of the Society with equal opportunity to one and all.

As on date, Women constitute about 15% of our workforce. Further persons belonging to Scheduled Caste / Schedules Tribe/ Other Backward Classes constitute approximately **23%** of REC's workforce.

Plans for the upcoming Year

REC in accordance with prevailing norms shall continue to encourage the cause of discouraging such discrimination.

#7 Businesses should support a precautionary approach to Environmental challenges.

Commitment/Policies

REC believes with conviction that efforts are required to rein in the unstinted damage to environment and brace itself for future environmental challenges.

Action Taken

During the year 2012-13, REC through its training institute, the Central Institute for Rural Electrification (CIRE) conducted a number of training programs on the subject of Sustainable Development and environment to create awareness among its stakeholders / power utilities from various states in the country. Apart from the ongoing efforts, REC has sensitized its Employees and Stakeholders about its concern towards Environmental challenges and the stress laid by the organization on the issue.

Outcome

These short duration residential training programs created awareness on the subject and were well received by over 110 participants who attended the programs. The outcomes of these measures would manifest in coming months/years.

Plans for the upcoming Year

REC would make every effort to enlarge the scope of these activities as a part of its contribution to cause of environment.

#8 Businesses should undertake initiatives to promote greater environmental responsibility

Commitment/Policies

REC as an environmentally responsible Organization believes in and gives active support through various policy interventions/ Studies to the initiatives related with environment protection

Action Taken

During the Financial Year 2012-13, in line with the principles of Sustainable Development, the Company has implemented Sustainable Development (SD) projects in broad areas of "Energy Audit", "Energy Management", "Bio-diversity Conservation", and "Water Management" in the campus of its training Institute i.e. Central Institute of Rural Electrification (CIRE) at Hyderabad. These projects were aimed at making CIRE campus, energy efficient and eco-friendly.

(i) Energy Audit of CIRE Building - The National Productivity Council (NPC) was engaged for conducting 'energy audit' of the entire CIRE campus. The NPC report has recommended a number of measures for reduction of energy consumption of the campus.

(ii) Energy Management- For the purpose of green energy generation and demonstration, CIRE implemented projects like (a) 40 kWp Solar Photo Voltaic (SPV) power plant on the roof top, (b) 5 kWp Solar Water Pumping System (c) 25 Nos. Solar LED Street Lights and 1kWp Power pack.

(iii) Bio-diversity Conservation - Afforestation and greening of including

professional landscaping of 2500 Sq Mtr area and planting of 1400 saplings was undertaken through CPWD

(iv) Water Management- Rainwater harvesting measures / digging of 2 nos large rain water harvesting pits was taken up

Outcomes

As Projects have recently been implemented and only few months have passed after completion, the outcomes accrued from these initiatives are yet to be assessed.

Plans for the upcoming Year

In its adherence to Environmental concern, REC would comply with the norms established by Govt. of India from time to time.

#9 Businesses should encourage the development and diffusion of environmentally friendly technologies.

Commitment/Policies

REC is committed to promote technologies which are helpful in reducing burden on natural resources.

Action Taken

Continuing its focus on financing renewable energy projects during 2012-13, REC approved loans to 11 new, grid-connected Renewable Energy projects with installed generation capacity aggregating 126.60 MW, comprising of 4 Solar Photo-voltaic projects (50MW); 1 Solar Thermal Project (25 MW); 1 biomass project (10 MW), 1 Wind Project (6.8 MW) and 4 Small Hydro projects (34.8 MW). The total cost of these projects aggregated Rs 1824.75 Cr against which an amount of Rs 580.06 Cr was sanctioned. Loans disbursed to renewable energy project amounted to Rs 240 Cr

Outcomes

During 2012-13, the Company also purchased 16400 non-solar Renewable Energy Certificates (RECs) on voluntary basis, which is represented by neutralization of carbon foot print equivalent to 16.4 Million Units of conventional energy, or

avoided Green House Gas (GHG) emission equivalent to 13120 tons carbon dioxide (CO₂) approximately. The non-solar RECs accrue to those green power generating projects in India viz Wind, biomass, Small Hydro Projects who sell the electricity generated at non-preferential tariffs. Each non-solar REC represents 1000 kWhr of green electricity.

Plans for the upcoming Year

REC would make all efforts to take further, its resolve towards establishing Green Energy initiative and also develop Renewable Energy Projects in its bid to encourage environmentally friendly technologies.

#10 Businesses should work against all forms of corruption, including extortion and bribery

10(i)

Commitment/Policies

REC is committed to adherence to Fair practices in conduct of its Business and root out corruption including extortion and bribery.

Action Taken

1. REC has observed continuous compliance of the **“Revised Code for Prevention of Insider Trading in REC Equity Shares / Securities”**. Pursuant to the revised Code, all Directors, officers and Designated Employees who buy or sell any number of shares of the Company shall not enter into an opposite transaction i.e. sell or buy any number of shares during the next six months following the prior transaction. All Directors, Officers and Designated Employees shall also not take positions in derivative transactions in shares of the Company at any time. In the case of subscription in the Primary Market (Initial Public Offers), the above mentioned entities shall also hold their investments for a minimum period of 30 days. Their holding period would commence when the Securities are actually allotted. The non-compliance of the Code shall attract severe Penalty / disciplinary action against the Employee/Director/Officer.

2. REC has adopted revised **“Code of Business Conduct & Ethics for Board Members and Senior Management”** on 8th September, 2010, with the objective of enhancing ethical and transparent process in managing the affairs of the Company

with highest standards of personal and professional integrity, honesty and ethical conduct.

This Code has been framed specially in compliance of the provisions of Clause 49 of the Listing Agreement with Stock Exchanges and as per the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010, issued by Department of Public Enterprises (DPE).

The Board Members and Senior Management are required to take pledge of the following practices in conducting their official business:

To strive continuously to bring about integrity and transparency in all spheres of the activities.

Work unstintingly for eradication of corruption in all spheres of life.

Remain vigilant and work towards growth and reputation of the Company.

Bring pride to the organization and provide value-based services to Company's Stakeholders.

Do duty conscientiously and without fear or favour.

3. REC has implemented **Fair Practices Code** duly approved by its Board of Directors which was framed based on the guidelines laid down by the Reserve Bank of India. A grievance redressal mechanism has also been established for resolution of disputes arising in respect of the matters covered in the code. The same is modified /amended from time to time as per the modifications in the guidelines issued by RBI on FPC.

Outcomes

The non compliance cases have been negligible.

Plans for the upcoming Year

REC has planned to take up issues relating to framing of Bill Payment Policy, Random Scrutiny of tenders/contracts awarded for procurement of Goods and Services/ projects sanctioned for grants under Corporate Social Responsibility (CSR) and to conduct training programme to REC employees on Ethics, Corporate Governance and other Vigilance related issues.

10(ii)

Commitment/Policies

REC has its own Conduct, Discipline & Appeal Rules which define bribery, corruption etc. as a misconducts on the part of the Employee. REC adheres to the rules, regulations, instructions, manuals etc. issued by the Central Vigilance Commission and/or Ministry of Power. The rules being issued by the CVC are available for Public on their website as well as on the website linked with REC's website.

Action Taken

Not Applicable

Outcomes

Not Applicable

Plans for the upcoming Year

Vigilance division has planned to take up issues relating to framing of Bill Payment Policy, Random Scrutiny of Tenders/Contracts awarded for procurement of Goods and Services/ projects sanctioned for grants under Corporate Social Responsibility (CSR) and to conduct Training programme to REC employees on Ethics, Corporate governance and other Vigilance related issues.

Further, REC in its Annual Disclosure report/Annual Report has also added a detailed feature on Business Responsibility Report (BRR) for the Financial year 2012-13 (Pl. refer Annexure-III at page no. 73 of Annual Report 2012-13 of Rural Electrification Corporation Limited attached).