

Annexure-II

Sub: RBI Guidelines on Corporate Governance for Non-Deposit Taking NBFCs.

Applicability/Compliance status in respect of Guidelines on Corporate Governance issued by Reserve Bank of India vide its Notification No.RBI/2006-2007/385 dated 8th May 2007, as applicable to REC, as a Non-Deposit Taking NBFCs with an asset size of Rs.100 crore and above (NBFC-ND-SI).

Sl.No.	Nature of Compliance	Applicability to REC/Compliance Status
1.	<p>1. Constitution of Audit Committee:</p> <p>2. Constitution of Nomination Committee:</p> <p>3. Constitution of Risk Management Committee:</p>	<p>REC has already constituted an Audit Committee of the Board, in compliance with the requirement of the Companies Act, 1956 and on the lines of Model Listing Agreement notified by SEBI.</p> <p>Since REC is a Government Company, Directors on the Board are appointed by the Government of India in the Ministry of Power, in terms of the Articles of Association of REC, as applicable at present.</p> <p>Board of REC at their 314th Meeting held on 17th April, 2007 has approved Risk Management Policy to be adopted by the Corporation on trial basis for a period of 6 months and thereafter Policy will be reviewed with suitable modification as may be necessary and placed before the Board for review.</p> <p>As a part of Risk Management Policy, Asset Liability Management Committee (ALCO) has been formed, comprising of CMD, Functional Directors, GM(F) of Resource Division/IPO, GM(F) relating to Asset Liability Division , GM(Loan), GM(Appraisal) & GM (CAT) . Chief Manager (ALM) will be the Secretary to ALCO.</p>



4. Disclosure and transparency

The following information is required to be put up by the NBFC to the Board of Directors at regular intervals as may be prescribed by the Board in this regard:

- Progress made in putting in place a progressive risk management system, and risk management policy and strategy followed.
- Conformity with corporate governance standards viz. in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions etc.

5. Connected Lending :

This relates to credit facilities to the Directors, loans and advances to relatives of the NBFC's Directors or to the Directors of other companies and their relatives and other entities, time frame for recovery of such loans, etc.

As stated in column-3 above, since the Risk Management Policy has been adopted for a trial period of 6 months, progress made in this regard will be reported to the Board after the expiry of 6 months for review.

Regarding compliance with Corporate Governance Standards, as envisaged in the Model Listing Agreement notified by SEBI, a Report on Corporate Governance is submitted to the Board annually which forms part of the Directors' Report to the Shareholders at the Annual General Meeting of the Corporation.

As a part of Corporate Governance, a compliance requirement has been put in place wherein Quarterly Report regarding compliance with all laws applicable to the Corporation will be put up to the Board for review and taking effective steps in any non-compliance cases.

Other than loans and advances that may be granted to Functional Directors at par with other employees under the Company Rules, no other loan/credit facilities are extended to Directors of the company or their relatives.

Hence Compliance with this para is not applicable to REC.