



6.2 REC Green Finance Framework:

Our Green Finance Framework is aligned with the United Nations Sustainable Development Goals, ensuring that every initiative contributes to global sustainability priorities. The Framework is aligned with the Climate Bonds Standard version 3.0, The Green Bond Principles 2021, published by the International Capital Market Association (ICMA), and The Green Loan Principles 2021, published by the Loan Market Association (LMA), the Association of Pensions and Life Insurance of Asia (APLMA), and the Loan Syndications and Trading Association (LSTA).

The Green Bond Framework of REC is drafted in alignment with the GBP's and GLP's four core components: Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting, all of which aim to establish standard methodologies and best practices across capital markets. Given the evolving guidance and best practices in sustainable finance, we are committed to updating our strategy as needed over time to ensure it remains rigorous and aligned with market standards.



Exclusion List

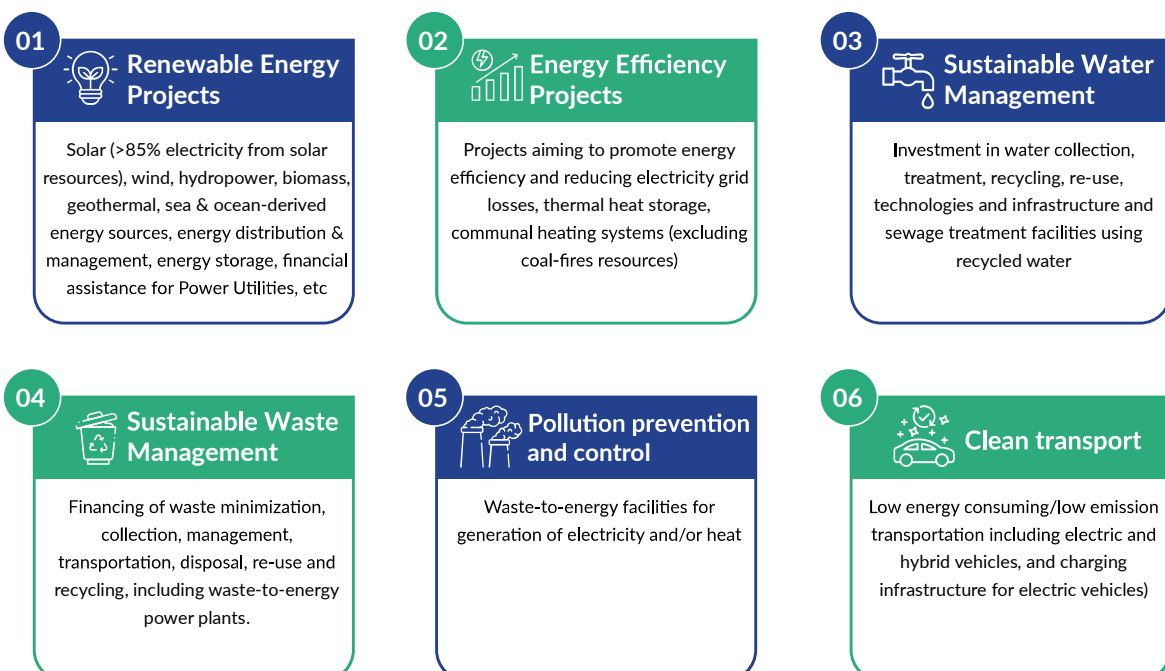
Our Green Finance Framework shapes how we integrate ESG principles across our lending operations. We treat environmental, social, and governance factors as core components of risk assessment—knowing that sound ESG practices mitigate credit risks and open up high-quality loan prospects. In accordance with our Green Finance Framework, the following industries and activities will be considered for green financing, along with the exclusion list of the activities that will not be considered for funding green.

Under the Green Finance Framework, REC affirms that it will explicitly exclude funding towards any projects associated with

- Coal or gas-fired power generation assets.
- Landfill operations and any incineration of any unsorted waste assets.
- Exploration and development of new oil and gas fields
- Coal mining and transportation
- Fossil fuel-related activities, including refining and transportation of fossil fuel, as well as underlying investments in research and development.
- Heat or Power facilities with emissions intensity above 100 gCO₂e/kWh.
- Nuclear power generation assets

Eligibility Criteria for Green Projects

The following are the Eligible Green Project categories:





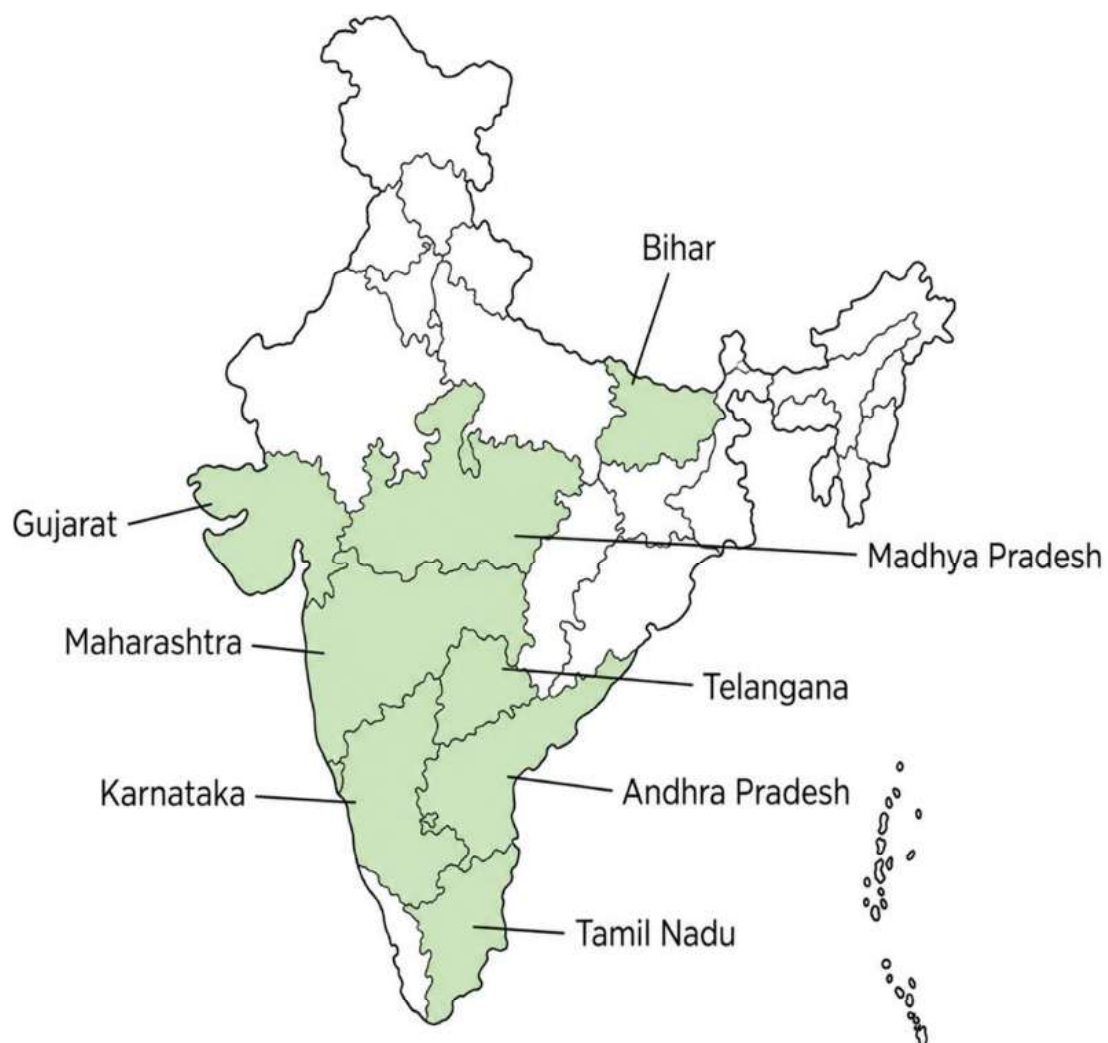
6.3 Leveraging Green Bonds for Low-Carbon Growth

REC Limited has issued four major green bonds till date: ECB-25, ECB-59, ECB-66, ECB-79 as part of its commitment to financing India's clean energy transition and sustainable infrastructure totalling to RS.16,672 Cr and the proceeds has been allocated across 18 projects. The entire amount has been fully deployed. Impact assessments have been completed for 9 projects, while the remaining projects are still under construction and have not yet undergone impact assessment.

S.No.	Bond Series Reference	Year of Raising	Underlying Currency	Amount FX (million)	Amount INR (₹Cr)
1	ECB-25	2017	USD	450	2,915.49
2	ECB-59	2023	USD	750	6,135.15
3	ECB-66	2024	JPY	61100	3,437.19
4	ECB-74	2024	USD	500	4,184.85

These funds have been deployed across a wide range of green and sustainable initiatives, including Solar Energy, Wind Energy, Solar-Wind Hybrid Projects, Low-Carbon Transport Solutions.

The financed projects are spread across India, engaging across different geographies/company regions and climatic zones, thereby supporting region-specific renewable potential and development goals. These initiatives align with national priorities outlined in India's climate commitments and energy transition roadmap.





Third Party Verification

REC Green Bond framework is published on its website (<http://www.recindia.nic.in/>). REC engage Climate Bonds Initiative approved verifier to provide a verifier's report on the conformance of Green Financing Instruments with pre and post-issuance requirements of the Climate Bond Standard. REC also get post issuance reviewed by such verifier, on the basis of which certification will be obtained from the CBI to assure that the use of proceeds allocation, ongoing eligibility of the projects and assets, adequacy and output of the Issuer's internal control and systems and use of funds allocated are as per the framework established.

6.4 ESG Integration in Lending

REC plays a critical role in identifying and evaluating the potential environmental risks associated with various projects by effectively integrating Environmental, Social, and Governance (ESG) considerations into its operational framework. To mitigate its exposure to ESG-related risks, REC employs a comprehensive approach in evaluating both projects and entities. This includes the development of a detailed ESG checklist and conducting thorough due diligence processes, which encompass site visits and a meticulous review of applicable compliance standards as part of the appraisal procedure.

In the loan appraisal process, REC performs a rigorous analysis to determine if there are any significant ongoing litigations involving the borrower, promoters, or the directors of the borrowing company. Additionally, the qualifications and experiences of the directors associated with the promoter company are evaluated to ensure they possess necessary expertise to manage the responsibilities effectively. The company adheres to a well-defined ESG Policy framework, which serves as a crucial guiding document for all ESG initiatives and activities undertaken by REC. This framework clearly articulates the company's strong commitment to ESG principles by embedding environmental impact assessments into its operational strategies, financial decisions and risk management processes.

Moreover, REC is committed to incorporating sustainability into its financial decision-making. To facilitate the financing of clean energy projects, REC incorporates specific conditions related to Environmental, Health, Safety, and Social (EHSS) aspects into its loan agreements and sanctions ensuring that such projects align with its sustainability objectives and comply with best practices in environmental stewardship.



- Lending teams utilize REC's proprietary ESG Due Diligence Toolkit to evaluate material ESG topics in the context of a prospective borrower's unique business, operations, and industry.
- A detailed ESG checklist and conducting thorough due diligence processes, which encompass site visits and a meticulous review of applicable compliance standards as part of the appraisal procedure.

Borrower ESG Incentivization framework

Starting from April 2026, REC has introduced a Borrower ESG Incentivization Framework for ESG compliant RE Borrowers to strengthen sustainability integration across India's power sector. The framework evaluates both corporate and project-level ESG performance for borrowers in renewable and low-carbon infrastructure segments such as solar, wind, hybrid, hydro/pumped storage, and electric vehicle charging. Its primary objective is to reward ESG-compliant borrowers by linking financial incentives to their sustainability performance, thereby encouraging responsible business conduct and resilience against environmental and social risks.

The scoring system, totalling 100 marks, is divided into two pillars—Borrower/Promoter Metrics (40%) and Project-Specific Metrics (60%)—covering areas such as corporate ESG policies, board diversity, transparent disclosures, resource efficiency, biodiversity management, and climate risk resilience. Based on the final score, borrowers are graded into four tiers: ESG Leader (≥ 85), Strong (65–84), Average (45–64), and Below Average (< 45), with corresponding interest rate incentives ranging from 10 to 0 basis points.

Each project undergoes an annual review to ensure that incentives remain aligned with evolving ESG maturity. The evaluation includes parameters such as board-approved ESG and sub-policies, statutory compliance, independent ESG ratings, sustainability disclosures, environmental and social impact assessments, community engagement, health and safety planning, and climate adaptation measures.