

Strategic Resilience: Integrated Risk Management (IRM)

At REC Limited, risk management is not a standalone function, but a well-defined process embedded across every organizational level. Our Board-approved **Integrated Risk Management (IRM) Policy** ensures that we proactively identify, assess and mitigate uncertainties to enhance decision-making and preserve stakeholder trust.

1. Core Risk Categories & Mitigation Strategies

REC employs specific, robust mechanisms to manage the diverse spectrum of risks inherent in the power-finance sector:

- *Credit Risk*: Mitigated through a rigorous appraisal process and detailed risk assessments before any capital commitment, ensuring the high quality of our loan book.
- *Liquidity Risk*: Managed via dynamic resource mobilization strategies aligned with our projected financial obligations to ensure seamless operations.
- *Market Risk*: Overseen by the Asset Liability Management Committee (ALCO), which regularly reviews positions and manages interest rate and currency risks through established Hedging and ALM policies.
- *Operational Risk*: Systematically categorized as 'High', 'Moderate', or 'Low' using a comprehensive corporate risk register, ensuring targeted mitigation for critical processes.

2. ESG & Climate Risk Governance

Recognizing the shifting global landscape, REC has integrated sustainability into its risk framework:

- *ESG Policy Implementation*: Our dedicated ESG Policy addresses climate change strategies and governance practices, ensuring long-term resilience against environmental and social shifts.
- *Climate Strategy*: We focus on de-risking our portfolio by aligning our governance with evolving global climate standards.

3. Risk-Based Internal Audit (RBIA)

In compliance with the **RBI mandate** for large NBFCs, REC has operated under a Board-approved RBIA framework since April 2022.

- *Independent Assurance*: RBIA provides the Board and Audit Committee with independent assurance on the effectiveness of our internal controls and risk management systems.
- *Proactive Resilience*: By utilizing a dynamic risk matrix and an annual audit plan, the RBIA prioritizes high-impact areas. This ensures that the company's risk management processes are focused on the most critical priorities, fostering an environment that is both proactive and resilient.

4. Risk Governance Structure

Our risk management architecture ensures top-down oversight and bottom-up accountability:

- *Risk Management Committee*: Monitors the implementation of the IRM policy and ensures that emerging risks (like cybersecurity or transition risks) are addressed.
- *Functional Units*: Every department is responsible for the identification and reporting of risks within their specific domain.