



## **Policy on diversity and skills of the Board, criteria for appointing senior management personnel and remuneration to Directors, KMPs and other employees**

# REC Limited

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### **1.0 INTRODUCTION**

- 1.1 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.
- 1.2 Pursuant to the applicable statutory provisions of the Companies Act, 2013, SEBI LODR Regulations, DPE Guidelines on Corporate Governance for CPSEs and other applicable laws, as amended from time to time, the Company has formulated this ***Policy on diversity and skills of the Board, criteria for appointing senior management personnel and remuneration to Directors, KMPs and other employees***, which has been approved by the Board of Directors, on recommendation of the Nomination & Remuneration Committee.
- 1.3 In line with the requirements of SEBI LODR Regulations and other applicable laws, it shall be the constant endeavour of the Company that persons of diverse background with high standards of knowledge, skills and expertise are appointed on its Board. Further, well-qualified, experienced and competent personnel are appointed in its senior management, in line with laid down criteria. This policy, *inter-alia*, encapsulates the above.

### **2.0 DEFINITIONS**

- 2.1 In this Policy, unless repugnant to the subject or context of its usage, the following expressions shall carry meanings hereunder assigned to them, namely:
- **'Board of Directors'** or **'Board'** shall mean the collective body of Directors of the Company;
  - **'Company / REC'** shall mean REC Limited (CIN L40101DL1969GOI005095);
  - **'Director'** shall mean a Director on the Board of the Company;
  - **'Functional Director'** includes the Chairman & Managing Director / Managing Director, Director (Finance) and Director (Technical) of the Company;
  - **'Independent Director' / 'Non official (Independent) Director'** shall mean an Independent Director of the Company within the meaning of the Companies Act, 2013, SEBI LODR Regulations or other applicable laws, as amended from time to time;
  - **'Key Managerial Personnel (KMP)'** shall mean the Key Managerial Personnel of the Company as defined under the Companies Act, 2013, which includes Functional Directors and Company Secretary of REC;

- **‘MoP / Administrative Ministry’** shall mean the Ministry of Power, Government of India, which is the administrative ministry of REC;
- **‘Nomination & Remuneration Committee (NRC)’** shall mean the Nomination & Remuneration Committee of Directors of REC, constituted as per the provisions of the Companies Act, 2013, SEBI LODR Regulations, DPE Guidelines on Corporate Governance for CPSEs and other applicable laws;
- **‘Policy’** shall mean this “Policy on diversity and skills of the Board, criteria for appointing senior management personnel and remuneration to Directors, KMPs and other employees” of REC;
- **‘SEBI LODR Regulations’** shall mean SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, as amended from time to time;
- **‘Senior Management’** shall mean the senior management personnel of the Company as defined under the Companies Act, 2013, SEBI LODR Regulations etc. and shall include the CVO, Company Secretary and all Officials at E-9 (Executive Director i.e., ED) level of REC.

### **3.0 DIVERSITY & SKILLS OF THE BOARD**

- 3.1 As per the Articles of Association of the Company, the minimum and maximum number of Directors on the Board shall be 3 (three) and 15 (fifteen) respectively.
- 3.2 In terms of SEBI LODR Regulations for listed entities and other applicable laws, the Board shall comprise of not less than 6 (six) directors and shall comprise of an optimum combination of Executive and Non-Executive Directors, including Independent Director(s) and Woman Director(s), as nominated / appointed / reappointed by the President of India from time to time.
- 3.3 The Company recognizes that diversity in perspective, occupational experience, gender and cultural background of Directors would expand the competence of the Board as a whole; and balance the skills & judgment exercised by the Directors, leading to better Corporate Governance.

To add to the Board’s diversity, it shall be desirable that Non-official (Independent) Directors appointed on the Board are from any of the following backgrounds:

- ❖ Retired CMDs / CEOs of Schedule A CPSEs
- ❖ CEOs of reputed private listed companies
- ❖ Banking, finance or accountancy professionals
- ❖ Academicians, Professors, Heads of Departments or Directors of academic institutes with teaching or research experience in the fields of management, finance, marketing, technology, human resources or law
- ❖ Professionals of repute with experience in the fields relevant to the Company’s area of operations
- ❖ Persons of eminence with proven track record in industry, business, agriculture or management.

- 3.4 The Company also recognizes that appointment of Board members with knowledge, skills & expertise in, *inter-alia*, some of the area(s) specified below,

would enable the Board to function effectively, enhance the Company's competitive position and aid the value creation for its stakeholders:-

- Financial Management
- Power Sector Domain Expertise
- Project Appraisal
- Corporate Planning & Strategy
- Risk Management
- Leadership
- Environmental Concern
- Social Concern
- Board Practices & Governance
- Business Development

3.5 In view of the above, the matters of suitable nomination / appointment / reappointment of Directors on the Board, in line with the abovementioned parameters of diversity and skills, shall be taken up with the administrative ministry i.e., Ministry of Power, Government of India for needful consideration.

#### **4.0 APPOINTMENT/REMOVAL OF DIRECTORS ON THE BOARD**

4.1 Being a Government company within the meaning of the Companies Act, 2013 and in terms of Article 91 of the Articles of Association of the Company, all Directors on the Board of REC are nominated / appointed / reappointed by the President of India acting through the administrative ministry i.e., MoP.

4.2 The nomination / appointment / reappointment of Directors and their eligibility criteria, qualifications, experience and selection procedure etc., is also subject to the prescribed norms of Department of Personnel & Training (DoPT), Department of Public Enterprises (DPE), Public Enterprises Selection Board (PESB) etc., as applicable from time to time, the compliance of which is taken care at the end of the administrative ministry.

4.3 Being a NBFC, *inter-alia*, the appointment of Directors in REC shall be also subject to due diligence as per the *Policy on fit & proper criteria of Directors of the Company*.

4.4 The appointment or removal of Directors of the Company shall be approved by the Board of Directors on the recommendation of NRC and subject to such other approvals etc., as may be required under applicable statutory provisions.

4.5 Case(s) where the administrative ministry has assigned 'additional charge' of CMD/Director of REC to any existing Director of the Company for an interim period i.e., till the time a regular incumbent is appointed, then in such cases this Policy will not be applicable.

#### **5.0 CRITERIA FOR APPOINTING SENIOR MANAGEMENT PERSONNEL**

5.1 A person may be appointed into a Senior Management position in the Company, i.e., as CVO, Company Secretary or at E-9 (Executive Director i.e., ED) level, by way of either direct recruitment, deputation or promotion.

5.2 The criteria for appointment of a person into senior management position by way of direct recruitment or deputation, shall be as per the detailed guidelines of the

Company under '*REC Recruitment Rules*', as notified by the HR Division from time to time. Further, deputation cases shall also be governed by the applicable norms of Government of India. The criteria for appointment of a person into senior management position by way of promotion, shall be as per the detailed guidelines of the Company under '*REC Promotion Policy for Executives*', as notified by the HR Division from time to time.

- 5.3 All appointments into senior management positions or removals therefrom shall be recommended by the NRC to the Board, except for cases of assignment of additional charge for an interim period. Further, removal shall not include the cases of death, retirement on attaining the age of superannuation, resignation, voluntary retirement and repatriation of the deputationist on closure of term or on the Order(s) of the Government.

## **6.0 REMUNERATION TO DIRECTORS, KMPs AND OTHER EMPLOYEES**

- 6.1 Being a CPSE, the remuneration of Functional Directors, Key Managerial Personnel and other employees of the Company, including Senior Management Personnel, shall be as per the extant guidelines on pay, perquisites, allowances etc. issued by the Department of Public Enterprises (DPE) and/or Government of India from time to time.

- 6.2 Further, as per DPE norms, the annual bonus / variable pay pool and policy for its distribution across the Board and below Board-level executives shall be decided by NRC; and for Non-Executive cadres it shall be decided by the Board.

- 6.3 The Directors and employees shall be entitled to welfare measures, functional allowances, compensation and benefits, as approved by the Board of Directors / CMD from time to time and as per extant rules and policies of the Company.

- 6.4 Non-executive Directors (including Independent Directors) shall be paid sitting fees for attending the meetings of Board or Committees thereof. The sitting fees shall be as decided by the Board from time to time, in terms of the applicable provisions of the Companies Act, 2013. However, the Government Nominee Director shall not be entitled to receive any sitting fees from the Company, as per norms of the Government of India.

## **7.0 REVIEW AND AMENDMENTS**

- 7.1 This policy may be reviewed by the NRC/Board from time to time and amended if required, including in view of changes in the regulatory environment, if any.

- 7.2 The Chairman & Managing Director is authorized to carry out minor modifications in this policy and to approve such changes, as may be required in order to comply with the applicable / amended provisions of law or to comply with any direction, circular etc. issued by the Regulator(s); and to settle any issue with respect to interpretation of this policy. .

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