



Formal Statement of Board Charter defining the roles and responsibilities of the Board and individual directors of REC.

Clause 3.5 of the Guidelines on Corporate Governance for CPSEs issued by DPE provides as under:-

“A clear definition of the roles and the division of responsibilities between the Board and the Management is necessary to enable the Board to effectively perform its role. The Board should have a formal statement of Board Charter which clearly defines the roles and responsibilities of the Board and individual directors. The Board of each CPSE may be encouraged to articulate the corporate governance objectives and approach (within the broad parameters of the guidelines and the general perception of business risk) to satisfy the expectations of its majority shareholders and other stakeholders.”

The Board, as a main functionary, is primarily responsible for efficient management of the affairs of the company and to ensure value creation for its stakeholders. Therefore, the foremost requirement of good governance is the clear identification of powers, roles, responsibilities and accountability of the Board, CEO/Chairman of the Board and other Directors in the form of a Board Charter. Accordingly, in pursuance of Clause 3.5 of the DPE Guidelines on Corporate Governance for CPSEs, it is proposed to have in place a formal statement of Board Charter which clearly defines the roles and responsibilities of the Board and individual directors.

Responsibilities of the Board

Section 291(1) of the Companies Act, 1956 provides for general powers of the Board and restrictions thereon. It states that subject to the provisions of the Companies Act, the Board of directors of a company shall be entitled to exercise all such powers, and to do all such acts and things, as the company is authorised to exercise and do; Provided that the Board shall not exercise any power or do any act or thing which is directed or required, whether by this or any other Act or by the Memorandum or Articles of the Company or otherwise, to be exercised or done by the company in general meeting.

Further, Section 292(1) of the Companies Act, 1956 provides that certain powers to be exercised by Board only at meetings. These powers are:

- (a) The power to make calls on shareholders in respect of money unpaid on their shares;
- (aa) The power to authorise the buy-back of shares;
- (b) The power to issue debentures;

- (c) The power to borrow moneys otherwise than on debentures;
- (d) The power to invest funds of the company; and
- (e) The power to make loans.

The provisos' and explanations under this Section enables the Board to delegate some of the above powers at (c), (d) and (e) above to other functionaries by means of resolutions passed at meetings of the Board.

Further, Section 293(1) of the Companies Act, 1956 provides for certain restrictions on powers of Board, which shall not be exercised without the consent of the company in a general meeting.

Similar provisions are also provided in Article 83(1) and (2) of the Articles of Association of REC.

Article 84 of the Articles of Association of REC provides for Specific powers to Directors/Board.

Article 84A of the Articles of Association provides for Delegation of Powers to Chairman/CMD. It states that subject to the provisions of Section 292 of the Companies Act, the Directors may, from time to time, entrust and confer upon Chairman/CMD, a Committee or Sub-Committee of the Board or a Functional Director, for the time being, such of the powers as they may think fit and may confer such powers for such time and to be exercised for such objects and purposes and on such terms and conditions and with such restrictions as they may think expedient and may, from time to time, revoke, withdraw, alter or vary all or any of such powers.

Article 84B of the Articles of Association provides for Delegation of Powers by Chairman/CMD. It states that the Chairman/CMD may sub-delegate any of the powers delegated to him by the Board to any officer or other employees of the Company.

The Board of Directors shall also be responsible for compliance with all other matters as per applicable provisions of the Companies Act, 1956 and compliance with all applicable statutory and regulatory requirements including all procedural and disclosure requirements, both present and future.

Appointment of Chairman / Chairman and Managing Director (CMD) and other Directors.

As per Article 82(1) of the Articles of Association of REC, the Chairman / CMD of the Company shall be appointed by the President of India on such terms and conditions, remuneration and tenure as the President may determine from time to time. As per Article 82(2), the President may also appoint whole time functional Directors and other Directors in consultation with the Chairman/CMD. No such consultation will however be necessary in case of appointment of Directors representing the Government.

Responsibilities of Chairman/CMD and Individual Directors.

1. Whole time Functional Directors.

A. Chairman and Managing Director (CMD).

CMD is the Chief Executive of the Corporation and accountable to its Board of Directors and the Government of India. He is responsible for the efficient functioning of the Corporation for achieving its corporate objectives and also for achieving performance parameters in terms of Memorandum of Understanding signed between the Company and the Ministry of Power, Government of India, on year to year basis.

As per Article 91, the Chairman/CMD appointed by the President shall ordinarily preside over the Board Meetings. Further, as per Article 60, the Chairman of the Board of Directors shall be entitled to take the chair at every general meeting of the Company.

B. Director (Finance).

Director (Finance) is a member on the Board of Directors and reports to the CMD. He is responsible for organisational and financial planning, formulation of financial policy, financial accounting, management control systems, cash and funds management, tax planning, mobilization and management of resources, liaison with financial institutions and capital markets. He supervises treasury functions, lending operations and advise on corporate risk management matters concerning the financial performance of the Corporation.

C. Director (Technical).

Director (Technical) is a member on the Board of Directors and reports to the Chairman and Managing Director. He is responsible for business plan, product marketing, identification of new opportunities of business, providing specialized technical expertise and guidance in appraisal, monitoring and control over implementation of Projects in generation, transmission and distribution areas including rural electrification projects, System improvement and Conservation of Energy Projects, Research and Development, Standardization, Development of Technical manpower and training, technical consultancy service activities, etc.

2. Part-time Independent Directors.

Independence of the Board is essential for sound corporate governance as envisaged in Clause 49 of the Listing Agreement with the Stock Exchanges. This goal is expected to be achieved by associating sufficient number of Independent Directors. In terms of Clause 49 of the Listing Agreement, Government of India has appointed 4 Independent Directors on the Board of REC. These Independent Directors are not vested with any executive powers and responsibilities, unlike whole time Functional Directors, and they mainly attend the

meetings of the Board and other Board Committees where they are nominated as Chairman/Members by the Board, as and when such meetings are convened.

The role and presence of Independent Directors on the Board is widely considered as a means of protecting the interests of shareholders and all other stakeholders, and to bring an element of objectivity and independence in examination, deliberation, and decision making in respect of matters brought before the Board. Since the Independent Directors are reputed professionals drawn from diverse fields of expertise, the quality of decision making and corporate governance is enhanced by having a more broader perspective. The Independent Directors are collectively responsible for the deliberations and decisions taken by the Board from time to time.

3. Part-time Official / Government Director.

As stated above, under Article 82(2), the President may also appoint Directors representing the Government. In the case of REC, there is one Director appointed by the President, who is representing the Government, which is the majority shareholder. As in the case of Independent Directors, the Director representing the Government is also not vested with any executive powers and responsibilities, unlike the whole time Functional Directors, and the Director mainly attends the meetings of the Board and other Board Committees where he is nominated as Chairman/Member by the Board, as and when such meetings are convened. The role and responsibilities of Part-time official Government Director are similar to those enunciated above for Part-time Independent Directors.