

SCHEME FOR PERFORMANCE RELATED PAY

As per DPE Instruction

Vide

- (i) DPE O&M dated 26th Nov., 2008.
- (ii) DPE O&M dated 9th Feb., 2009.
- (iii) DPE O&M dated 2nd April, 2009.
- (iv) 2nd Pay Revision Committee recommendation of CPSUs (chapter-6).

1.0 Title

The Scheme shall be called "Scheme for Performance Related Pay".

2.0 Objective

- 2.1 Promoting motivation, morale and team spirit among the employees to achieve the goals of the organization.
- 2.2 Inculcating performance oriented culture across the organization.
- 2.3 Encouraging high level performance by employees linking their performance to pay.
- 2.4 Motivating employees for maximizing MoU score of the organization and achieving the targets set in MoU.
- 2.5 Retaining talents within the organization.

3.0 Factors for Performance Related Pay

Following are the factors for Performance Related Pay :

- 3.1 Rating of the performance based on Memorandum of Understanding (MOU) entered between NHDC and NHPC for the corresponding year. MOU is a performance measuring tool containing number of parameters including weightages assigned to each parameter.
- 3.2 Profitability of the Company during the corresponding year.
- 3.3 Incremental Profit of the Corporation i.e. increase in profit in comparison to previous year's profit.
- 3.4 Performance of the individuals in achievements of the company Targets.

4.0 Scope and Coverage

The improved performance is a result of collective contribution therefore Performance Related Pay / Variable Pay Scheme is designed covering whole time Directors and all levels of executives who are directly and indirectly contributing to the performance of the business.

The scheme shall be applicable to :-

Whole time Directors, all NHDC Executives including Trainee Engineer / Officer who are on regular rolls of the Corporation including Executives of other organizations who have been deputed to NHDC but excluding Trainees, Apprentice, Executives of NHDC who are on deputation to other organizations & Executives on Fixed Tenure Basis (FTB).

5.0 Features of the Scheme

5.1. The PRP has been directly linked to the MOU rating, Profits of the Organization and individual performance of the executives. The percentage ceiling of PRP for different levels of Executives termed as Grade Factor and expressed as percentage of Basic Pay are indicated below :-

| Grade | PRP Percentage of Basic Pay (Grade Factor) |
|--------------|---|
| CMD | 200% |
| Director | 150% |
| E9 to E7 | 70% |
| E6 & E5 | 60% |
| E4 & E3 | 50% |
| E2A to E1 | 40% |

5.2. The PRP shall be based on the Physical and Financial Performance and will come out of the profits of the organization. 60% of the PRP shall be given with the ceiling of 3% of the Profit Before Tax (PBT) and 40% of the PRP shall be from 10% of the Incremental Profit. Incremental profit shall mean increase in profit as compared to previous year's profit. The total PRP shall be limited to 5% of the year's PBT, which shall be for Executives & non-unionized supervisors. The Scheme for PRP shall begin from the Financial Year 2007-08. As per the DPE Guidelines, there shall be no incremental profit for the year 2007-08 as it will be the first year of the introduction of scheme for PRP. The amount available for PRP shall be 3% of PBT of 2007-08. For the purpose of calculating the incremental profit, the starting year would be 2007-08.

6.0 PRP will be based on

- i) Company Performance / MOU Rating (Mo).
- ii) Individual Performance factor (Pi).

6.1. Company Performance / MOU Rating (Mo).

The PRP shall be payable on the eligibility levels depending on the achievement of Memorandum of Understanding (MoU) rating. Different eligibility of PRP in percentage against different MOU rating is given hereunder :-

| MOU Rating | Eligibility of PRP | Mo |
|-------------------|---------------------------|-----------|
| Excellent | 100% | 1.00 |
| Very Good | 80% | 0.80 |
| Good | 60% | 0.60 |
| Fair | 40% | 0.40 |
| Poor | NIL | 0.00 |

In case Company achieves "Poor" MoU Rating, no PRP shall be admissible.

6.2. KRA / PAR Rating of Individuals (Pi).

6.2.1. As per DPE recommendation, KRA Score of performance rating shall come from Performance Management System (PMS) and shall be converted to Score of 100 as given below :

| Individual PMS Score | Individual Performance Rating Pi |
|----------------------|----------------------------------|
| 100 – 81 | 1.00 |
| 80 – 61 | 0.80 |
| 60 – 41 | 0.60 |
| 40 – 21 | 0.40 |
| 20 and below | 0.00 |

6.2.2. Figures regarding PMS Score after rounding off to two decimal places shall be converted to nearest whole number e.g. 85.50 shall be treated as 85 and 85.51 shall be treated as 86.

6.2.3. Wherever KRA Scores as mentioned above are not available, PAR ratings in the form of Outstanding, Very Good, Good, Satisfactory and Unsatisfactory (Poor), the following criteria shall be followed :

| PAR Rating | Individual Performance Rating Pi |
|-----------------------|----------------------------------|
| Outstanding | 1.00 |
| Very Good | 0.80 |
| Good | 0.60 |
| Satisfactory | 0.40 |
| Unsatisfactory (Poor) | 0.00 |

6.2.4. In case of employee having KRA Score as 20 and below or PAR rating as Unsatisfactory (Poor), no PRP shall be admissible.

7.0 Methodology of calculation and quantum of PRP payment :

7.1. The PRP shall be worked out based on the following formula for all levels of executives.

Total PRP = PRP from Current Year Profit + PRP from Incremental Profit.

PRP from Current Year Profit=0.60 x Annual Basic Pay x Mo x Pi x Grade Factor x $\frac{\text{Available Amount}}{\text{Required Amount}}$

PRP from Incremental Profit=0.40 x Annual Basic Pay x Mo x Pi x Grade Factor x $\frac{\text{Available Amount}}{\text{Required Amount}}$

Where

- Mo = Company Performance / MOU Rating (as mentioned at S.No.6.1)
- Pi = Individual Performance (as mentioned at S.No.6.2).
- Grade Factor (as mentioned at S.No.5.1).

Maximum limit of Available Amount to Required Amount shall not be more than 1.

7.2. Calculation of available amount and required amount.

7.2.1. Calculation of required amount :

- PRP amount of each individual is calculated taking maximum entitled percentage of PRP of each level defined by DPE on the actual performance of Company and Individual.
- Total PRP amount required is calculated for all the Executives & Supervisors by adding PRP amount.
- This total amount is divided in the proportion of 60% and 40%.
- 60% portion of total PRP Amount is taken as “Required Amount” in PRP available from Profit Before Tax (PBT) for the year.
- 40% portion of total PRP Amount is taken as “Required Amount” in PRP available from Incremental Profit for the year.

7.2.2. Calculation of available amount :

- 3% of current years PBT is taken as “Share of PBT from Current Year’s Profit available for PRP”.
- 10% of Incremental profit is calculated.
- Total amount of PRP needs to be restricted to 5% of PBT of the current year, hence in case 10% of incremental profit is more than 2% of PBT of current year, then the amount whichever is less (10% of incremental or 2% of current year PBT) shall be taken as “Amount available from incremental profit”.

7.2.3. Illustration :

- Total Amount Required for PRP = Rs. 52.725 Cr.
- 60% of Amount Required (for Current Year PBT Portion) = 31.635 Cr.
- 40% of Amount Required (for Incremental PBT Portion) = 21.090 Cr.
- Current year PBT = Rs. 2402.08 Cr.
- Previous year PBT = Rs. 1178.34 Cr.
- 3% of Current year PBT = 72.0624 Cr.
- 10% of Incremental Profit = 10% of (Rs.2402.08 Cr. – 1178.34 Cr) = Rs.122.374 Cr.
- 2% of Current year PBT = Rs. 48.0416 Cr.
- Available Amount for Current Year PBT portion = Rs. 72.0624 Cr.

- Available Amount for Incremental PBT portion = Rs. 48.0416 Cr.
(Minimum of Rs. 122.374 Cr. And Rs. 48.0416 Cr)
- Ratio of Available to Required Amount for Current Year PBT = $(72.0624 / 31.635)$
= 2.278 (Restricted to 1).
- Ratio of Available to Required Amount for Incremental PBT = $(48.0416 / 21.090)$
= 2.278 (Restricted to 1).

8.0 Procedure

- 8.1. MoU rating of the organization of corresponding year shall be provided by Planning Division, Corporate Office.
- 8.2. Corporate HR shall provide level – wise KPA/PAR rating of all individuals of corresponding year.
- 8.3. Annual Basic Pay of individuals, “Profit before Tax” of Corresponding and Previous year shall be provided by Corporate Finance Division.
- 8.4. With the aforesaid data, the % PRP Amount shall be calculated w.r.t. Annual Basic of all executives by Finance Division for payment after approval of the Competent Authority.
- 8.5. Total Performance Related Payments in a Financial Year shall be limited to ceiling specified by DPE from time to time. Presently, limit / ceiling of PRP prescribed by DPE is defined vide their OM No. 2(70)/08-DPE(WC) dated 26th November, 2008.

9.0 General conditions

- 9.1. The period of Training in India / abroad for not more than six weeks continuously, shall be counted for the purpose of PRP. In case, the training period is more than six weeks continuously, then employees shall be eligible for PRP on pro-rata basis.
- 9.2. Employees sponsored for full time courses more than six weeks, shall be eligible for PRP on pro-rata basis for the period of presence of duty.
- 9.3. The employee will be entitled to PRP on a pro-rata basis for actual period of attendance. The PRP shall not be paid for the period of leave without pay (LWP) / Extra Ordinary Leave (EOL) / Maternity Leave / Sick Leave / Child Care leave / Unauthorized absence. In case of resignation / VRS / lien / death, PRP shall be paid on pro-rata basis.
- 9.4. The incentive for an executive who’s PAR has not been accepted / received as yet, shall be paid after completion of his PARs.
- 9.5. Bell curve approach would be adopted for grading of Executives so that not more than 10 to 15% executives are “Outstanding / Excellent”. Similarly 10% of the Executives should be graded as “Below Par”. Bell Curve Approach” to be adopted for grading of Executives for the purpose of distribution of PRP

through a methodology from the year 2010-11 onwards in line with Holding Company i.e. NHPC Ltd.

- 9.6 The payment of PRP to the executives who are suspended pending enquiry shall be withheld till conclusion of enquiry. The period of suspension shall not be counted for the calculation of PRP unless exonerated after conclusion of disciplinary proceedings. PRP shall be payable for the suspension period subject to the condition that the period of suspension is treated as on duty.
- 9.7 The amount of PRP shall neither be termed as pay nor allowances, nor wages. Accordingly, this amount shall not count for any service benefits i.e. computation of House Rent Allowance, Compensatory Allowance, cash compensation, encashment of leave, pay fixation, Provident Fund, Pension or Gratuity, etc.
- 9.8 The figures of achievement and other records as maintained by the management shall be final and binding based on the experience of running the scheme.
- 9.9 The amount paid on account of Productivity Linked Group Incentive (PLGI) and Special Incentive / Ex-gratia in lieu of payment of Bonus Act (PLI) shall be adjusted from PRP. In case, the amount of PRP is less than the amount paid on account of PLGI + PLI, no recoveries shall be made.
