

# *United Power Generation & Distribution Co. Ltd.*



## *Nomination and Remuneration Policy*

*[As per Condition: 6. (5)(c) of the Notification on **Corporate Governance Code** issued by the Bangladesh Securities and Exchange Commission  
Vide: BSEC/CMRRCD/2006-158/207/Admin/80 Dated: 3 June 2018]*

## 1. Introduction

### **Preamble**

Nomination and Remuneration Policy ("the Policy") has been formulated in compliance with Notification No. BSEC/CMRRCD/ 2006-158/207/Admin /80, Date: June 03, 2018 on Corporate Governance Code of Bangladesh Securities and Exchange Commission (BSEC), condition no. 6(5)(c). This Policy provides directions and guidelines to the Nomination and Remuneration Committee (NRC) to determine attributes and qualifications for appointment as well as determine remuneration package for the Board Members and Top Level Executives and/or Key Management Personnel of the Company, as it is designated to consider by the Board, to ensure that Top Level Executives and/or Key Management Personnel are provided with appropriate remuneration and incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of United Power Generation & Distribution Co. Ltd. (UPGDCL). The Company also recognizes that distinctive Board Members and Top-Level Executives/Key Management Personnel with vast experience and expertise, outlined in the Policy, will help attain its strategic objectives efficiently.

### **Scope of the Policy**

This Policy shall be applicable and binding on the Board Members and Top-Level Executives/Key Management Personnel and to the same extent for identifying the Company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria, and developing, recommending and reviewing annually the Company's human resources and training policies;

### **Effective Date:**

The policy shall be effective from 1<sup>st</sup> July 2021 and onwards.

### **Terms of References**

In this Policy, the following terms shall have the following meanings:

- i. "**Policy**" shall mean the Corporate Governance Code issued by the Bangladesh Securities and Exchange Commission vide BSEC/CMRRCD/2006-158/207/Admin/80 Dated: 3 June 2018.
- ii. "**Board**" shall mean the Board of Directors of the Company.
- iii. "**Directors**" shall mean directors on the Board.
- iv. "**Company**"/UPGDCL shall mean United Power Generation & Distribution Co. Ltd.
- v. "**Nomination and Remuneration Committee (NRC)**" means the committee constituted by Board of United Power Generation and Distribution Company Ltd. in accordance with the provisions of Section 6(2) of the Bangladesh Securities and Exchange Commission Notification 2018.

- vi. **"Independent Director"** means a Director referred to in sub-section (2) of Section 1 of the Bangladesh Securities and Exchange Commission Notification 2018.
- vii. **"Top-Level Executives"/"Key Managerial Personnel"**- Key Managerial Personnel or KMP means-
  - a. Managing Director (MD) or Chief Executive Officer (CEO),
  - b. Additional or Deputy Managing Director (AMD or DMD),
  - c. Chief Operating Officer (COO),
  - d. Chief Financial Officer (CFO),
  - e. Company Secretary (CS),
  - f. Head of Internal Audit and Compliance (HIAC),
  - g. Head of Administration and Human Resources or equivalent positions and same level or ranked or salaried officials of the company.

## **2. Role of the NRC**

The NRC will consult with the Board to develop nomination criteria or a policy to determine the qualifications, desirable qualities, experience, and independence of board members and top-level executives/key management personnel, as well as a policy to formalize the process of reviewing the compensation packages of board members and top-level executives/key management personnel.

- a. NRC shall be independent and responsible or accountable to the Board and to the shareholders.
- b. NRC shall oversee, among others, the following matters and make report with recommendation to the Board:
  - i. formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following:
  - ii. the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;
  - iii. the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - iv. remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;
  - v. devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;
  - vi. identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;
  - vii. formulating the criteria for evaluation of performance of independent directors and the Board;

- viii. identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and
- ix. developing, recommending and reviewing annually the company's human resources and training policies;

### **3. Nomination, Appointment and Evaluation Criteria of Board Members**

NRC ensures the compliance of the applicable provisions of the Companies Act 1994, Corporate Governance Code of BSEC and Articles of Association and Code of Conduct of the Company and other relevant laws, rules and regulations as applicable regarding qualification, nomination and appointment and positive attribute relating to the evaluation of performance of the Members of Board of Directors. And adopt best practices to manage the affairs of the company smoothly. Further to ensure good corporate governance is achieved.

- a. The NRC shall keep under review the leadership needs of the organization, both Executive and Non-Executive Board Members including Independent Directors with a view to ensuring the continued ability of the organization to compete effectively in the marketplace, and shall make recommendations to the Board regarding plans for succession both for Executive and Non-Executive Directors including Independent Directors.
- b. The NRC shall be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise. In the case of an individual recommended to fill a Board vacancy created by an increase in the size of the Board, the NRC shall also recommend to the Board the class of directors (executive or non-executive or independent director) in which the individual should serve, if appropriate.
- c. In recommending a candidate for appointment to the Board including independent directors, the NRC shall consider the criteria, objectives and procedures for selecting Board members including factors such as independence, diversity, age, future succession planning, integrity, qualification, skills, expertise, breadth of experience, knowledge about the Company's business and industry, and willingness to devote adequate time and effort to Board responsibilities in the context of this evaluation, prepare a description of the role and capabilities required for a particular appointment if required.
- d. The Corporate Governance Code states that an Independent Director is one who has no relationship with the Company, its related companies, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of a director's independent business judgment with a view to protecting and reinforcing the best interests of the Company. The NRC should follow this definition when determining the meaning and tests of independence of an Independent Director.
- e. The NRC shall review the appropriateness of continued service on the Board of members whose business or professional affiliations or responsibilities have

- changed or who contemplate accepting a directorship on another public company board or an appointment to a committee of another public company board.
- f. The NRC shall identify Board members qualified to fill vacancies on any committee of the Board (other than the NRC) and recommend that the Board appoint the identified member or members to the relevant committee.
  - g. The NRC shall ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.
  - h. The NRC shall coordinate the annual evaluation of the structure, organization, policies, performance and effectiveness of the Board and its committees.
  - i. The NRC shall make recommendations to the Board regarding plans for succession for both executive and non-executive directors.
  - j. The Board shall seek approval of the appointment of any director, where applicable, from shareholders at the General Meeting.
  - k. The NRC shall nominate and recommend for appointment of any director who can direct the Company in implementing the best corporate governance practices.
  - l. The NRC while recommending for appointment of any directors including independent directors, shall ensure Companies Act 1994, Corporate Governance Code of BSEC and Memorandum and Articles of Association and Code of Conduct for Chairperson, Board of Director and Chief Executive Officer dated 27 October 2021 of the Company and other relevant laws, rules and regulations as applicable.
  - m. The term of holding office of a Director shall be in compliance with the Companies Act 1994, the Corporate Governance Code by BSEC and Code of Conduct Chairperson, Board of Director and Chief and Chief Executive Officer.
  - n. The removable and retirement of office of a Director shall also be in compliance with the Companies Act 1994, the Corporate Governance Code by BSEC and Code of Conduct.
  - o. The performance appraisals of Executive Directors shall be conducted mainly focusing on performance of duties and responsibilities, professional conduct, strategic thinking and leadership role usually on a yearly basis that shall be evaluated by NRC.
  - p. The performance evaluation of Non-Executive Directors and independent directors shall be carried out once in a year focusing mainly on the frequency of attendance in the Board and Committee meetings, competence to contribute in the decision-making process of the Board and Committee meetings, ability to be involved in a

constructive discussion in regards to the business operations towards achieving strategic objectives and relationship and coordination with other Board members.

**4. Nomination, Appointment and Evaluation Criteria of Top-Level Executives / Key Management Personnel**

In order to contribute to and drive business initiatives and achieve the competitive advantage, NRC lays forth the guiding principles for finding competent and knowledgeable resources within the organization.

- a. The NRC shall at least annually (1) review and approve the corporate goals and objectives relevant to the compensation of the Top Level Executives/ Key Management Personnel, (2) evaluate the performance of the Top Level Executives/Key Management Personnel in light of these goals and objectives and (3) set the Top-Level Executives/Key Management Personnel compensation level based on this evaluation including salary, allowances, bonuses, awards, the incentives opportunity, the long-term incentive opportunity, and any special or supplemental benefits.
- b. The NRC shall review and recommend to the Board on the employment contract of the Top-Level Executives/Key Management Personnel.
- c. Whiling recommendation for the appointment of Top Level Executives/Key Management Personnel according to the Company's requirement to the Board (as applicable), the NRC, in consultation with the management and in the context of Human Resources Policy and the Code of Conduct and Ethics applies to the Management, shall ascertain the identified individual's integrity, qualification, expertise, experience and the ability to give insight in respective sector/ areas through the Company's internal recruitment process.
- d. The NRC while recommending for appointment of Top-Level Executives/Key Management Personnel shall ensure the compliance with the Companies Act 1994, Corporate Governance Code of BSEC and Memorandum and Articles of Association, the Code of Conduct and Ethics applies to the Management, Service Rules and HR Policy Manual of the Company and other relevant laws, rules and regulations as applicable.
- e. The term of holding office of a Top-Level Executives/Key Management Personnel shall be in compliance with the Companies Act 1994, the Corporate Governance Code and the Company's Service Rules and HR Policy.
- f. NRC recommends to appoint Top Level Executives/Key Management Personnel, having proper understanding of business, higher educational background & professional experience with good track record, industry experience, possess high integrity, values and ethics, overall having good communication and leadership skills.

- g. The removable and retirement of the office of a Top-Level Executives/Key Management Personnel shall be in compliance with the Companies Act 1994, the Corporate Governance Code and the Company's Service Rules and HR Policy.
- h. The performance evaluation of Top-Level Executives/Key Management Personnel shall be carried out once in a year focusing mainly on the performance in line with achieving yearly operational and financial goals or budgetary numbers and such other criteria set by NRC.

#### **5. Remuneration Criteria of Board Members and Top-Level Executives/Key Management Personnel.**

NRC sets out the guiding principles to attract and retain the right talent required in the board and top-level executives of United Power Generation and Distribution Company Ltd. (UPGDCL) to drive the company's long-term objectives. Remuneration policies and decisions are made through a transparent and independent process.

- a. The basic pay, allowances, festival bonus, and any other perks and incentives that the Committee may deem suitable are all included in the executive director's compensation package. The Committee may recommend to the Board changes to the current compensation system, which must also get shareholder approval at the General meeting (if applicable).
- b. Non-Executive Directors and independent directors shall be remunerated by way of only Board and Committee meeting attendance fees, in compliance with applicable laws and regulations including any board decisions thereon.
- c. The remuneration of Top-Level Executives/Key Management Personnel usually comprise of basic salary plus any allowance, festival bonus, incentive bonus, earned leave encashment, annual increment as recommended by NRC and in line with yearly operating budget, gratuity, provident fund, group life insurance, etc.
- d. The NRC shall ensure that there are policies and procedures for expenditure claims as well as proper delegations of authorizations for approval to Board Members and Top-Level Executives/Key Management Personnel.
- e. The NRC shall review and note annually the remuneration trends across the Company, having regard to any major changes in employee benefits structure, and review the ongoing appropriateness and relevance of the remuneration policy adopted by the NRC and the Company.
- f. NRC shall decide on how the performance of the company in achieving its targets is linked to the compensation elements.
- g. Annually, the NRC shall review executive compensation trends and practices at peer corporate organizations and, when appropriate, modify its own policies and practices to reflect current market trend.
- h. The executive compensation should set at a competitive level for similar roles within comparable markets to recruit and retain high quality executive directors

and top-level executive. Individual pay levels should reflect the performance of the individual, skills and experience as well as responsibility undertaken. It is the remuneration committee's duty, when recommending incentive schemes, to ensure that the linkage between pay and performance is robust.

- i. The NRC shall oversee the implementation and administration of the compensation plans for Board Members Top Level Executives/Key Management Personnel of the Company, including pension, savings, incentive and equity-based plans (if any), and setting the targets for any performance related-pay schemes of the Company; provided that the NRC shall not exercise any of its authority with respect to any of its members.
- j. The NRC is responsible for ensuring that performance-based remuneration effectively emphasizes the long-term success of the Company and cannot be influenced through short-term reporting procedures.

**6. Amendment:**

- A. Based on the NR Committee's recommendation(s), the Board will adopt any revisions to this Policy.
- B. The Board or NR Committee may decide to review this policy as often as they see fit.
- C. In compliance with the applicable Acts, Rules and Regulations, disclosures of this Policy may be made as necessary.

**7. Publication:**

Pursuant to Condition 01 (7) (b) of Corporate Governance Code Notification BSEC/CMRRCD/2006-158/207/Admin/80 Dated: 3 June 2018 of Bangladesh Securities and Exchange Commission, this Policy and any amendments thereto shall be published/posted on the website of the Company i.e. [www.unitedpowerbd.com](http://www.unitedpowerbd.com).

*my function*