

# **Incentive Scheme for Chief Executives/Functional Directors of sick CPSEs for which Government have approved the revival package. (DPE OM No. 18(11)/2005-GM-GL dated 17th December 2008)**

## **CHAPTER II** **PERSONNEL POLICIES**

### **(h)Matters related to Board of Directors**

**71. DPE/Guidelines/II(b)/44  
Incentive Scheme for Chief Executives/Functional Directors of sick CPSEs for which Government have approved the revival package.**

The National Common Minimum Programme (NCMP), inter-alia, states that every effort will be made to modernize and restructure sick public sector companies and revive sick industry. The Government has considered the issue relating to restructuring of CPSEs and also the ways and means for funding the scheme for revival of such CPSEs as well as providing strong and effective top management team for them. In this context, it was felt that there was a need to attract Board level executives capable for turning around sick CPSEs and give them continuity of tenure for the revival package to succeed. In this regard instructions were issued vide O.M. No.18(11)/2005-GM-GL-88 dated 24th July, 2007, which inter alia, provided that Chief Executives and Functional Directors of those CPSEs which are able to achieve the projected targets of the revival plan would be considered for suitable incentive.

2. The Government has considered the above matter and has decided to introduce an incentive scheme for Chief Executives/Functional Directors of sick/loss making CPSEs for which Government has approved the revival package. The details of the incentive scheme are as under:-

(i) This scheme is applicable only to the whole-time Chief Executives/Functional Directors of sick/loss making CPSEs for which Government has approved the revival package and the CPSEs have timely achieved the projected targets of the revival plan.

(ii) The whole- time Chief Executive/Functional Directors of the CPSEs referred in this scheme are *jointly* entitled to share the profit of their concerned CPSEs at the rates mentioned below.

**S. No.**  
**Schedule of the CPSE**  
**Percentage of profit payable as group incentive to the whole- time Chief Executive and Functional Directors under the proposed scheme.**

Schedule – A	1
	1%
Schedule – B	2
	1.5%
Schedule – C	3
	2%
Schedule – D & Un-categorized	4
	2.5%

*The above share of profit is subject to the conditions stipulated in the succeeding sub paras.*

(iii) The total *group* incentive payable under this scheme to the whole-time Chief Executive/Functional Directors should not exceed Rs.10 lakh per annum.

(iv) The total amount of *group* incentive payable to the whole-time Chief Executive/ Functional Directors shall be distributed among them in the following manner.

(a) In the case of Schedule ‘A’ and ‘B’ CPSEs, the total amount of incentive available for distribution will be distributed among the whole-time Chief Executive and all whole-time Functional Directors in the ratio of 4 : (3 X Number of Functional Directors) subject to the ceiling mentioned in the Table given below.

(b) In the case of Schedule ‘C’ and ‘D’ and ‘Un-categorized’ CPSEs, the total amount of incentive available for distribution will be distributed among the whole-time Chief Executive and all whole-time Functional Directors in the ratio of 7 : (5 X Number of Functional Directors) subject to a ceiling mentioned in the Table given below.

**S. No.**  
**Schedule of the CPSE**  
**Maximum Incentive payable to Whole-time Chief Executive**  
**(Rs. per annum)**  
**Maximum Incentive payable to Whole-time Functional Directors**  
**(Rs. per annum per person)**

Schedule – A	1		
		2,40,000	
		1,80,000	

	2	
Schedule - B		2,40,000
		1,80,000
	3	
Schedule - C		2,10,000
		1,50,000
	4	
Schedule – D & Un-categorized		2,10,000
		1,50,000

*If any whole-time Chief Executive/Functional Director was employed for a part of the Financial Year, he/she shall be paid incentive on proportionate basis.*

(v) The term ‘Profit’ for the purpose of this scheme means Profit before Tax before prior period adjustments and extraordinary items like waivers/ concessions/subsidy/write-offs/grants received from Government/ banks/Financial Institutions. However, subsidy if any received by the CPSE as a part of the scheme administered by the Government will be considered for computing the profit.

(vi) The incentive for a particular year will be computed based on the audited accounts of that year and the same will be paid by the Company as a lump sum in the succeeding year. For example the incentive for the year 2007-08 will be computed on the basis of the audited accounts of the year 2007-08 and the same will be paid during 2008-09.

(vii) The Scheme is effective from the year 2007-08. The incentive under this scheme should be paid only after the same is approved by the Remuneration Committee and also by the Board of Directors.

(viii) The Scheme will be valid for 5 years and will be reviewed thereafter.

3. The proposals in this regard, after approval of the Board, may be submitted by the CPSEs to their concerned administrative Ministry/Department for approval. The concerned administrative Ministry/Department, with the concurrence of its FA, may take the final decision in this regard.

4. The Government has since approved the implementation of Performance-Related Pay (PRP) as part of the salary revision of CPSE executives including Chief Executive and Functional Directors of profit making CPSEs vide DPE O.M. No.2(70)/08-DPE (WC)-GL-XVI/08 dated 26.11.2008. The Chief Executives and Functional Directors of those sick and loss making CPSEs referred in para 2 of this O.M. have the option to opt for any one of the two schemes, i.e., either the PRP approved by the Government or the proposed incentive scheme in respect of sick and loss making CPSEs.

**(DPE OM No. 18(11)/2005-GM-GL dated 17th December 2008)**

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