No.3 (12)/2012-DPE (MoU)  
Government of India  
Ministry of Heavy Industries & Public Enterprises  
Department of Public Enterprises  
(MoU Division)  

Public Enterprises Bhawan.  
Block No.14, CGO Complex.  
Lodhi Road, New Delhi  
Dated: 10th January 2013

OFFICE MEMORANDUM

Sub: Additional information for MoU 2013-14

Department of Public Enterprises (DPE) has issued Guidelines for Memorandum of Understanding (MoU) between CPSE and Government Department /Ministry for the year 2013-14 vide O.M. No. No.3 (12)/2012-DPE (MoU) Dated 12th November, 2012 and the undersigned is directed to convey the following matters in addition to the Guidelines.

A. The CPSE has to give following information for fixation of Targets in MoU 2013-14 by 18th January 2013:

1. List of projects completed, projects pending with time and cost overruns, percentage of milestones achieved within stipulated time, milestones of the ongoing projects that cannot be completed in the year, etc.

2. In addition to the financial performance of the CPSEs, quantifiable physical targets are significant because they reflect productivity and efficiency of a CPSE. The Task Force will like to assign adequate weightage to physical targets in the MoU of CPSE. Therefore, the segment wise details of physical production /achievement of last three years have to be submitted by the CPSEs to the DPE/Task Force.

B. The following points have to be included in the MoU 2013-14 as a footnote.

1. Non-compliance of Corporate Governance will also be penalized by way of negative marking and the MoU Score will be increased in the following manner in accordance with DPE OM 18(8)/2005-GM. Dated 22nd June 2011.
<table>
<thead>
<tr>
<th>Sl.</th>
<th>Annual Score</th>
<th>Grading</th>
<th>Penalty Marks</th>
<th>Difference in Score From ‘Excellent’ Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>85% and Above</td>
<td>Excellent</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>02</td>
<td>75%-84%</td>
<td>Very Good</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>03</td>
<td>60%-74%</td>
<td>Good</td>
<td>0.5</td>
<td>0.02</td>
</tr>
<tr>
<td>04</td>
<td>50%-59%</td>
<td>Fair</td>
<td>0.5</td>
<td>0.02</td>
</tr>
<tr>
<td>05</td>
<td>Below 50%</td>
<td>Poor</td>
<td>1.0</td>
<td>0.04</td>
</tr>
</tbody>
</table>

If a CPSE fails to submit the Self evaluation report in the format enclosed with the OM, its Grading will be treated as poor and score will be inflated accordingly.

2. CPSEs have to give a Certificate regarding Implementation of Guidelines issued by DPE as per OM No. DPE/14(38)/10-Fin Dated 28th June 2011 and also a certificate from their auditors/Chartered Accountant in Practice. Non-compliance of DPE Guidelines determined on the basis of certificate submitted will be penalized up to 1 mark at the discretion of Task Force at the time of MoU Evaluation. (In other words, the MoU Ratings can be increased by 0.04).

C. Following new features are included in the MoU 2013-14.

1. The formal risk management training courses to Senior Management Personnel will be introduced as MoU Parameter under Human Resource Management in MoU 2013-14 as directed by Cabinet Secretary.

2. The option for funding R & D Activities with Department of Science & Technology in their Technology Development Fund and National Energy Board will also be incentivized as a MoU Parameter.

3. The CAPEX Targets as committed by CPSEs in the meeting taken by Principal Secretary to Prime Minister as on 3rd January 2012 have already been introduced as MoU parameter in the MoUs for 2012-13 and CAPEX as parameter has to be included by the CPSEs as part of their MoU 2013-14 also. Other CPSEs may also like to introduce CAPEX as a MoU parameter.

4. New Guidelines on Corporate Social Responsibility (CSR) and Sustainability (SD) for Central Public Sector Enterprises have been issued by DPE and Parameters for CSR and SD have to be reworked accordingly in the MoU 2013-14. The Methodology to be adopted for the MoU Negotiation and Performance Evaluation are given in Annexure 1 and II.
D. Following information is required from Administrative Ministries/Departments

1. Public enterprises are signing Memorandum of Understanding with their Administrative Ministries/Departments. The performance of these enterprises is assessed with reference to the commitments made and actual assistance given to CPSEs which is to be quantified and a Report along with Performance Evaluation Score of CPSEs is to be submitted by Ministries/Departments to DPE. This will be reviewed by HPC, headed by Cabinet Secretary as provided in OM No. 3(13)-2006-DPE (MOU) dated 30th September 2005.

2. Administrative Ministries/Departments are also requested to submit a brief note giving details of their priorities/expectations from CPSEs under their Ministries for MoU 2013-14 by 18.01.2013 for the use of Task Force.

(Mukesh Kumar Gupta)
Director - MoU
Tel: 011-2436 3038

To:
1. Secretaries to the Government of India (as per list)
2. Chief Executives of CPSEs (as per list)

Copy to:
1. Task Force Chairman/Member (as per list)
2. Member Resource Group of MoU Division (as per list)
3. Coordinating group-MoU Division (as per list)
Annexure -1

Format of CSR & sustainability

1. (i) The degree of involvement of the employees and the top management in internalising the CSR and Sustainability agenda within the organisation could be determined by:

   a) The number of seminars / workshops / training sessions organised to sensitize the employees and changing their mind set / orientation.
   b) The presence of the top management / executives in such meetings / seminars / courses.
   c) The total number of employees covered through such initiatives, indicating also their levels / grades.

1. (ii) Impact of such involvement on products / services / processes and reduction in carbon foot-print.

   The company would have to provide a list of such products / services / processes which are produced or introduced during the year as a result of internalising the CSR & Sustainability agenda.

2. The efforts made and the success achieved in the engagement of key stakeholders through adoption of a good corporate communication strategy could be determined by:

   a) The formulation of a corporate communication strategy.
   b) The level of executives' involvement in the implementation of the communication strategy.
   c) The number of meetings / consultations held with key stakeholders.
   d) Establishment of feedback channels from key stakeholders regarding the performance of the company in social, economical and environmental sustainability.

3. The adoption of sustainability reporting and disclosure procedures and practices

   This would be determined by the publication of annual reports on CSR and Sustainability and frequently updated display of information in this regard on the company’s website.

4. The degree of success in implementing the CSR and Sustainability projects they undertake during the year

   Under this the following information would need to be provided by the CPSEs:
   a) The name of the project
   b) Date of start of the project
   c) Annual targets planned for the year
   d) Budgetary allocation for the planned annual targets
e) Name of the agency for baseline survey / need assessment
f) Name of the agency for implementation of the activity / project
g) Name of the agency selected for monitoring activity / project.
h) The involvement of the CPSE in any or all these activities to be specified.
i) Date of completion of the activities / projects planned for that year.
j) The name of the agency engaged for evaluation of the completed project / activity during the year.
k) Report of the evaluating agency.
l) The social impact assessment report, if any, in cases of activities / projects completed during the year.

5 The expenditure incurred on CSR and Sustainability activities (vis-à-vis the annual budgetary allocation)
In this the total budgetary allocation for CSR and Sustainability activities / projects would have to be shown along with the total expenditure incurred on the projects / activities planned for that year.

6 The effectiveness of the two-tier organizational structure in the process of planning, implementing and monitoring the CSR activities
It could be determined by the

a) Existence of the two tier organization structure with mandatory membership of an Independent Director on the Board level committee.
b) The frequency of meetings held by the Board level committee and by the Group of officers headed by the nodal officer.
c) The range of decisions taken by the two tier structures in planning, implementation and monitoring of CSR activities.
Annexure II

Suggested Allotment of Marks for CSR and Sustainability

<table>
<thead>
<tr>
<th>Sl.</th>
<th>Parameter</th>
<th>Marks for Maharantras</th>
<th>Marks for Other CPSLs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1(i)</td>
<td>The degree of involvement of the employees and the top management in internalizing the CSR and Sustainability agenda within the organization</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>1(ii)</td>
<td>Impact of such involvement on products/services/processes and reduction in carbon foot-print</td>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td>2</td>
<td>The efforts made and the success achieved in the engagement of key stakeholders through adoption of a good corporate communication strategy</td>
<td>0.50</td>
<td>1.00</td>
</tr>
<tr>
<td>3</td>
<td>The adoption of sustainability reporting and disclosure procedures and practices</td>
<td>0.50</td>
<td>1.00</td>
</tr>
<tr>
<td>4</td>
<td>The degree of success in implementing the CSR and Sustainability projects they undertake during the year</td>
<td>5.00</td>
<td>2.00</td>
</tr>
<tr>
<td>5</td>
<td>The expenditure incurred on CSR and Sustainability activities (vis-a-vis the annual budgetary allocation)</td>
<td>0.50</td>
<td>0.50</td>
</tr>
<tr>
<td>6</td>
<td>The effectiveness of the two-tier organizational structure in the process of planning, implementing and monitoring the CSR activities</td>
<td>0.50</td>
<td>0.50</td>
</tr>
</tbody>
</table>

(Note: The weightage for the mandatory parameter Corporate Social Responsibility (CSR) and Sustainable Development (SD) was 10 marks. Now it has been revised to 8 marks for both CSR and SD.)