

# **Good Governance Policy**

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## **GOOD GOVERNANCE POLICY NO 1: ZERO TOLERANCE**

### **POLICY STATEMENT**

Hydropower Investment and Development Company (HIDCL) will adopt zero tolerance policy on compliance of legal provisions, regulatory directives and HIDCL's policy framework.

### **JUSTIFICATION**

Legal and Regulatory compliance along with strict observation of HIDCL's policy framework is a duty and a primary obligation of all stakeholders. The regulations and policies are promulgated with the intention of safety of HIDCL and to achieve its objectives. Non-compliance can expose HIDCL to unwanted risks.

### **OBJECTIVE**

To focus and concentrate on achievement of organizational objectives.

### **ACTION**

1. All the activities and decision making process at HIDCL will have the mission, vision and objectives at its heart.
2. Legal, regulatory and policy compliance shall be the primary focus of HIDCL while carrying all its activities.
3. All authorities, officers and employees engaged in different activities at HIDCL must be fully aware of this policy and shall strictly observe its total compliance.

### **RESULT**

HIDCL will have long term business continuity and sustainability. It will be able to achieve success in its mission, vision and objectives. HIDCL will earn trust and confidence of domestic as well as international stakeholders which is of utmost importance for HIDCL's successful operation.

## **GOOD GOVERNANCE POLICY NO 2: ETHICAL STANDARD**

### **POLICY STATEMENT**

All the authorities, officers and employees at HIDCL will maintain a very high ethical and moral standard in their conduct and behavior.

### **JUSTIFICATION**

High moral and ethical standard is mandatory prerequisite for each and every stakeholder involved and engaged in HIDCL. High moral character will construe to be the core culture of HIDCL.

### **OBJECTIVE**

To effectively fulfill HIDCL's obligation and responsibility as entrusted through its mission and vision.

### **ACTION**

1. HIDCL's directors, officers and employees must have full commitment to exercise authorities and responsibilities with the highest ethical standards and code of conduct to avoid moral aberration, conflict of interest and violation of laws/regulations/policies.
2. HIDCL's directors, officers and employees must be honest, neutral and impartial in all of its decisions.
3. Financial discipline is must for HIDCL's directors, officers and employees and shall avoid all types of corruption.
4. HIDCL's directors, officers and employees will act on the greater interest of the nation.

**RESULT**

HIDCL will be able to successfully fulfill its duty to achieve its mission, vision and objectives. It will earn the faith and respect of all stakeholders.

## **GOOD GOVERNANCE POLICY NO 3: OBLIGATION OF TRUSTEESHIP**

### **POLICY STATEMENT**

HIDCL requires taking into cognition of its role/responsibility of trusteeship for the huge amount of funds that it will be raising in domestic or international market in the form of deposits, debts and other instruments.

### **JUSTIFICATION**

The funds deployed by HIDCL will largely be from various types of deposits/financial instruments raised in domestic or international market or loan funds to be paid back on maturity to various lenders or depositors. Hence, the board of directors, officers and employees involved must have a clear understanding of such fiduciary responsibility.

### **OBJECTIVE**

To take a careful and prudent approach while committing for loan/investment decisions and also while engaging in its various day-to-day operational activities.

### **ACTION**

1. HIDCL has a responsibility to return back the depositor's/lender's fund on maturity with interest and therefore all decision makers have to ask all the time if this fiduciary duty can be fulfilled by committing the funds to the lending proposal.
2. All the authorities/officers/employees will always and all the time review to ascertain if the particular decision will support HIDCL's responsibility to pay back the depositor's or lender's funds.

### **RESULT**

HIDCL will be able to fulfill its commitment towards various sources of funds.

## **GOOD GOVERNANCE POLICY NO 4: PROTECTION OF SHAREHOLDER'S INTEREST**

### **POLICY STATEMENT**

In conducting its business and while making all investment and lending decisions, HIDCL requires to take due care to protect the legitimate interest of its investors including the minority shareholders.

### **JUSTIFICATION**

It is the duty of HIDCL that it conducts its business in a manner that the investment of shareholders is not put at jeopardy and loss. HIDCL holds the responsibility to its investors for safeguard of the equity funds with a prudent approach in all its lending and business operations.

### **OBJECTIVE**

To protect shareholder's interest and building their continued confidence.

### **ACTION**

1. All the authorities/officers/employees are required to conduct in an utmost prudent and professional manner in all its operations.
2. In-depth risk assessment to be conducted while mobilizing various types of deposits and debts; and while making lending or investment commitment.

### **RESULT**

HIDCL will be able to protect the investors' interest and also carry out its business in a sustainable manner.

## **GOOD GOVERNANCE POLICY NO 5: ELIMINATION OF CONFLICT OF INTEREST**

### **POLICY STATEMENT**

HIDCL will take every measure to eliminate the conflict of interest all the time and at all the levels during the process of all its operations and business activities.

### **JUSTIFICATION**

Institutions are in high risk due to conflict of interest. Many institutions are collapsed due to financial losses caused by conflict of interest.

Conflict of interest with promoters, directors, officers and employees is a single source of many distortions and losses. HIDCL shall identify the areas of potential conflict of interest and adopt cautious approach to avoid conflicting roles in order to operate HIDCL as a sustainable institution.

### **OBJECTIVE**

To maintain professionalism and good corporate governance.

### **ACTION**

1. All authorities/officers/employees shall make self-declaration of any situations where conflict of interest exists or may arise. The Board shall make close scrutiny and shall adopt steps to minimize/eliminate any conflicting position.
2. Conflict of interest exists whenever directors, officers or employees benefit directly or indirectly from the approval or operation of services given to a client/vendor/supplier. Direct benefit exists when the party in question accepts gifts or has a direct beneficial ownership in the client company. Indirect benefit exists when the benefit of these transactions passes to the directors, officers or employees' families or business partners. These situations must be avoided in all actions and circumstances to achieve sustainability of HIDCL.
3. HIDCL will take actions to avoid even the appearance of conflict of interest in any manner whatsoever.



**RESULT**

Good corporate governance prevails in all its operation and on initiation, approval and management of resource mobilization and while committing loans and investments. Public confidence will be enhanced.

## **GOOD GOVERNANCE POLICY NO 6: INDEPENDENCE ON RISK PROFILE ASSESSMENT**

### **POLICY STATEMENT**

No undue influence will be exerted external or internal in the process of risk profile assessment and granting recommendations and loan approvals.

### **JUSTIFICATION**

A potential area of abuse arises in investment/lending decision to connected and related parties because of their ability to exert control over or influence over policies and decision-making, especially concerning procurement and lending decisions. This includes both institutions or individuals, typically HIDCL's promoters, major shareholders, subsidiaries, affiliate companies, directors, and executive officers.

HIDCL will require to avoid such encumbrances and undue exert of pressure which limits the freedom of professional judgment in effective procurement of goods/services, risk assessment and lending procedure.

### **OBJECTIVE**

To establish independent, fair and professional judgment in all operations, resource mobilization and risk assessment procedure.

### **ACTION**

1. Make loan proposal specifically based on merit. All the lending process will follow bottom-up approach.
2. Do not hesitate to say '**NO**' to unsound loan/investment proposals and procurements of goods/services, without exception.
3. Risk assessment employees/officers at any levels should not succumb to pressure to give loan unless HIDCL'S interest is fully protected.
4. Project selection procedures must be transparent.

5. HIDCL must meet the deadlines and unnecessary delays in work must be avoided.

<b>RESULT</b>
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Investment and lending decisions as well as procurement of services/goods decisions are made on a rational and merit basis and in compliance to approved policies and procedures with full mitigation of all the risks.

## **GOOD GOVERNANCE POLICY NO 7: MISSION & SUSTAINABILITY FOCUS**

### **POLICY STATEMENT**

All the decisions at all the levels must be tested that such decisions support the mission and sustainability of HIDCL.

### **JUSTIFICATION**

It is extremely important that HIDCL continues to operate and function in a professional manner, which supports HIDCL's long-term continuity with sound health and robust financial & technical capability. This will support HIDCL to contribute for hydropower development in Nepal.

### **OBJECTIVE**

To ensure business continuity of HIDCL as a viable and sustainable institution so that it can serve and achieve its mission.

### **ACTION**

All the authorities/officers/employees and stakeholders will not do any action or pursue any decision, which does not support long-term sustainability of HIDCL.

### **RESULT**

HIDCL will be able to survive as a healthy institution to contribute to its Mission and achieve its objectives for hydropower development of Nepal.

## **GOOD GOVERNANCE POLICY NO 8: ADEQUACY OF INTERNAL CONTROL MECHANISM**

### **POLICY STATEMENT**

HIDCL will function under sound principles of Internal Control mechanism.

### **JUSTIFICATION**

It is important that there are adequate internal controls in all areas of functioning so that there is robust check and balance system.

### **OBJECTIVE**

To establish a sound internal control system.

### **ACTION**

1. No single individual is allowed to initiate and complete a transaction. Each transaction must be completed through maker, checker and approval procedure.
2. Every transaction must be reviewed by internal audit function.
3. There will be appropriate oversight and review mechanism by senior management and the Board of Directors.

### **RESULT**

A sound control environment will be established which will control fraudulent actions and human errors.

## **GOOD GOVERNANCE POLICY NO 9: SEPARATION OF ROLE OF BOARD AND MANAGEMENT**

### **POLICY STATEMENT**

There will be clear segregation of roles and functions of the Board of Directors and management.

### **JUSTIFICATION**

Clear segregation of roles between the board and the management enhances accountability, makes operation smooth with clarity of responsibility.

### **OBJECTIVE**

To define the independence of roles of Board and Management.

### **ACTION**

1. Board of HIDCL will be responsible for defining right policies, ensuring sound risk management system, oversight and monitoring of achievement of HIDCL's mission, vision and objectives.
2. Execution of the policy and total administration will be the responsibility of Management headed by a Chief Executive Officer.

### **RESULT**

Clarity of functioning with improved accountability and transparency.

## **GOOD GOVERNANCE POLICY NO 10: INDEPENDENCE OF INTERNAL AUDIT**

### **POLICY STATEMENT**

Internal audit and Audit committee will function independently and shall take due care that HIDCL's day to day activities are in congruence to its mission, vision and objectives.

### **JUSTIFICATION**

Independence of Internal Audit is crucial to ensure enough check and balance for achievement of HIDCL's objectives.

### **OBJECTIVE**

To allow internal audit function independently.

### **ACTION**

1. The board of directors will constitute audit committee headed by a non executive director.
2. Internal auditor will report to Audit Committee.
3. Board will ensure that internal audit system is at place; internal control mechanism is inbuilt and audit committee having adequate oversight.
4. Audit committee's report will be reviewed by the board on quarterly basis.

### **RESULT**

Risks are identified in timely manner and appropriate corrective measures are adopted.

## **GOOD GOVERNANCE POLICY NO 11: QUALITY OF HUMAN RESOURCES**

### **POLICY STATEMENT**

HIDCL will always ensure that the human resources hiring, maintenance and compensation system is scientific; transparent and nurtures best practices on human resources management.

### **JUSTIFICATION**

HIDCL will require transparent and effective system of human resource management to attract the high caliber of manpower at various levels. It is the quality of employees which will help achieve the set objectives.

### **OBJECTIVE**

To recruit, develop and retain high caliber and result oriented human resources at all levels who can deliver the objectives of HIDCL.

### **ACTION**

1. Build up a transparent and merit based recruitment system.
2. Establish a sound performance management system.
3. Make the human resources trained and developed to achieve HIDCL's objectives.

### **RESULT**

HIDCL shall have a capable and strong team which can deliver its objectives.