

Schedule

Relating to clause (4) of Article 12 of the Memorandum of Association Jalbidhyut Lagani Tatha Bikash Company Limited Policy standards on the operation of the Company

Whereas, it is expedient to do immediately for the management of investment by disbursing loans easily and making simple and easy the availability and mobilization of capital for the implementation, building and operation of hydropower projects, and with a view to establishing a separate Jalbidhyut Lagani Tatha Bikash Company at the initiation of the Government of Nepal;

Now, therefore, the policy standards of this Company with the paid-up capital of 10,000 million rupees shall be as follows:

(a) Capital structure

The structure of the paid-up capital of the Company, with the value of each share being 1,000 rupees shall be as follows:

Promoter's name, address	Number of shares undertaken to be subscribed	Amount
Group "a" (Sub-group a-1)		
Government of Nepal, Ministry of Finance	2,000,000	2000 million
Government of Nepal, Ministry of Energy	1,000,000	1000 million
Government of Nepal, Ministry of Law and Justice	1,000,000	1000 million
Government of Nepal, Office of Financial Comptroller General	1,000,000	1000 million
Total of Sub-group a-1	5,000,000	5000 million
Group "a" (Sub-group a-2)		
Employee Provident Fund	1,000,000	1000 million
National Insurance Corporation	1,000,000	1000 million
Citizen Investment Fund	1,000,000	1000 million
Total of Sub-group a-2	5,000,000	5000 million

Total of group "a"	8,000,000	8000 million
Group "b"		
Public	2,000,000	2000 million
Grand total of group "a' and "b"	10,000,000	10,000 million

(b) Provision relating to the Board of Directors

To make the following provisions relating to the Board of Directors for the operation of the Company in a professional manner and for the attainment by the Company of the objectives envisaged by the State for the development of hydropower:

1. The formation of the Board of Directors shall be as follows:
 - ❖ Five persons from amongst the promoter shareholders
 - Two persons from the Ministry of Finance (secretary or joint secretary)
 - One person from the Ministry of Energy (secretary or joint secretary)
 - One person from the Ministry of Law and Justice and the Office of Financial Comptroller General, on the rotational basis (secretary or joint secretary)
 - One person from the Employee Provident Fund, National Insurance Corporation and the Citizen Investment Fund on the rotational basis, as per the share ownership
 - ❖ One person from the public shareholders
 - ❖ One independent director (chartered accountant or financial analyst or management expert)
 - ❖ One expert director (hydropower)
2. There shall be the following first directors until the first Annual General Meeting of the Company is held:
 - Secretary, Ministry of Energy
 - Deputy Governor, Nepal Rastra Bank
 - Joint Secretary, Ministry of Finance
 - Joint Secretary, Ministry of Law and Justice
 - Administrator, Employee Provident Fund
 - Joint Financial Comptroller General, Office of the Financial Comptroller General
3. The incumbent directors shall not be entitled to make application in the advertisement for the office of chief executive officer of the Company.

4. The Board of Directors shall designate the secretary of the Board. The chief executive officer (or the coordinator of the management group) shall act as the secretary of the Board of Directors until the secretary of the Board is designated.
5. A meeting allowance of Rs. 4,000.00 (four thousand rupees) per meeting shall be provided to the chairperson and members of the Board of Directors pending the holding of the first General Meeting. The remuneration, allowances and facilities once so prescribed shall not be altered until the first General Meeting is held.
6. The Company shall have no executive chairperson or managing director. There shall be no representation from the Board of Directors as the chief executive for the operation of the day-to-day functions.
7. There shall be formed one audit committee consisting of one director of the Board of Directors as the coordinator, two directors as the member to perform the acts including the monitoring of the discharge of day-to-day functions. The officer responsible as the accounts chief of the Company shall act as the secretary of the audit committee. The chairperson shall not be allowed to be involved in the audit committee.

(c) Provisions relating to chief executive and employees:

The management committee and employees of an institution has an important role to play for the effective operation of the institution. It is a great challenge to operate any public institution with high morale and efficiency. This challenge can be met only when full professional competence and high morale can be established in the employees of that institution. To this end, special provision has been made on the functions, duties and powers of the chief executive and employees serving in the Company.

1. The chief executive officer shall be the executive chief of the Company. He or she shall be appointed through open competition. His or her educational qualification and experience shall be as provided in the Articles of Association, and the other matters shall be as specified by the Board of Directors.
2. A special provision shall be made generally for six months until the chief executive officer is appointed. The management group under the special provision shall be formed under the convenorship of a Joint Secretary of the Government of Nepal or a first class officer of the Nepal Rastra Bank, and consist of one under secretary each from the Ministry of Finance and the Ministry of Energy, Government of Nepal. The management group shall act as the chief executive officer in a manner to be accountable to the Board of Directors. These officers who act in the management group shall be deputed full time from their respective institutions.
3. The main functions of the management group shall include the determination of the minimum qualification of the chief executive officer, mode of fulfillment of vacancy and submission of the same to the following vacancy fulfillment committee, and following approval by the vacancy fulfillment committee, publication of an advertisement for the chief executive officer, conducting written or other kind of competitive examination, as well as doing other necessary functions:

- Chairperson, Board of Directors -Coordinator
- Secretary, Public Service Commission -Member
- Secretary, Ministry of Finance -Member
- Dean, Management Faculty, Kathmandu University-Member

The vacancy fulfillment committee shall set its procedures.

4. The Company shall provide a monthly incentive allowance in a sum that is cent percent of the salary being drawn by the coordinator and members of the management group who are on deputation from the institutions they are serving in. Other facilities shall be as specified by the Board of Directors.
5. Other main functions to be performed by the management group shall be to prepare the drafts of personnel bye-laws, financial administration bye-laws of the Company, loan investment and recovery policy, financial resources collection guidelines and work operation manual. Such draft instruments shall come into force only upon being approved by the Board of Directors. It may, as required, appoint other experts as consultants to discharge these functions.

(d) Provisions relating to other employees:

1. There shall be the following post fulfillment committee fir the appointment of officer and assistant level employees, except the chief executive officer.

Chief executive officer or coordinator, management group	-Coordinator
Joint Secretary, Ministry of Finance	-Member
Joint Secretary, Public Service Commission	-Member
Chief, Public Administration Central Department, TU	-Member

2. The management committee shall prepare educational qualification as determined, experience and curriculum and submit the same to the post fulfillment committee for the selection of employees.
3. The ratio of officer level to assistant level employees in the Company shall be 25:1; and out of whom, the ratio of permanent and contract employees shall be 1:3.
4. Provision shall be made to maintain the permanent employees of officer level in a minimum number and make appointment on contract for the expert service. The Company shall determine the curriculum of expert employees to be appointed on contract, and make selection through competitive written examination and interview.
5. The minimum educational qualification of the permanent employees and experts to be appointed at the officer level shall be having passed master's degree in first division in the concerned subject and that of the assistant level employees shall be

having passed bachelor's level in first division. The post fulfillment sub-committee shall determine the qualification of drivers and office assistants.

6. Necessary consultation shall be made with the Public Service Commission for the fulfillment of posts as per the specified qualification and curriculum, and this function shall be got discharged by the Commission.
7. A required number of employees shall be deputed to assist the management group to act pending the appointment of the chief executive officer. The Company shall provide a monthly incentive allowance in a sum that is thirty five percent of the salary being drawn by the other employees so deputed from the institutions they are serving in. Other facilities shall be as specified by the Board of Directors.

(e) Special provisions relating to management contract and fund manager:

1. If the Board of Directors of the Company so considers necessary and appropriate to operate and manage the Company in a strengthened, effective and independent manner, it may appoint on contract a native or foreign competent and efficient person, group or institution who has gained expertise in the operation of such type of company for all or any functions of the management of the Company.
2. In making a management contract, such a contract may be made with any native or foreign organization, expert or other competent person on the basis of proper terms and conditions, and the responsibility of full operation or management of the Company may be assigned to the fund manager.

(f) Provision relating to interest rate:

In the course of bringing about necessary resources for the generation of electricity, promoting investment in this sector, investing loans or shares in the projects selected for the development of electricity and mobilizing, managing and operating the required resources, and in view of evaluating the present economy, condition of capital market, investable capital and lack of competent institutions and the prevailing interest rate of financial institutions, the Company may also make special provision also on the rate of interest in order to attain its objects.

1. The rate of interest on loans to be disbursed by the Company directly or through banks and financial institutions shall be enforced only after getting it decided by the Board of Directors.
2. The minimum rate of interest to be charged in making loan investment, as a bulk loan, in hydropower projects through banks and financial institutions shall not be less than the average rate of interest of one-year fixed deposits offered by commercial banks.
3. In disbursing loans by banks and financial institutions to such projects, they shall not be entitled to collect interest that is more than 1.5 percent, in addition to the rate of interest payable to the Company.
4. Other provisions relating to the rate of interest shall be determined as per necessity, subject to the prevailing law.

(g) Provisions relating to investable fund mobilization and use:

1. In mobilizing investable fund, the Company shall do so through its share capital, loans to be obtained by issuing national bonds and loans and grants obtained from foreign institutions.
2. Prior to commencing the following acts after obtaining the registration certificate by making application for the incorporation of the Company, the Company shall make a request to obtain approval from the Nepal Rastra Bank and commence these acts only after obtaining the approval.
 - To mobilize capital by issuing certificates of deposit of ten million rupees and thereabove to the citizens of Nepal and non-resident Nepalese.
 - To mobilize capital by issuing certificates of deposit of fifty million rupees and thereabove to corporate bodies.
 - To provide bulk loan (unlending) to banks and financial institutions for investment in hydropower projects through them.
 - To disburse direct loans of twenty five million rupees or thereabove to hydropower projects.
3. The Company shall not disburse any type of loan (direct or indirect) to any hydropower projects in which it has made share investment and in debentures.
4. In disbursing loans to hydropower projects through any banks and financial institutions, the Company shall not invest in excess of twenty percent of its total investable fund. In so disbursing loans to hydropower projects, the ration of loans (maximum) to self-capital (minimum) shall be 70:30 while the ration of loans to be provided by the Company and loans to be provided by the concerned banks or financial institutions shall be 70 (maximum) and 30 (minimum).
5. The Company may invest in the shares of hydropower projects. In so making investment in shares, it shall make investment up to a maximum of thirty percent of the paid-up capital of the concerned project and up to thirty percent of its total investable fund in all projects.
6. In disbursing direct loans to hydropower projects or in making investment in bonds, debentures and bills to be issued by projects, such loans or investment shall not exceed forty percent of its total investable fund.
7. Ten percent of the total investable fund shall be maintained as the liquidity.
8. The Board of Directors of the Company may present a special resolution at the General Meeting to review, as required, the percent specified in relation to the use of the investable fund.