



Governance

Statement on Board diversity

CPCL being a Government Company, the appointment of Directors, including Functional, Government, and Independent Directors (except nominees of Naftiran Intertrade Company Ltd. & Indian Oil Corporation Ltd.), is undertaken by the Government of India through a well-defined and structured selection process. This process inherently ensures a high standard of governance, aligning the expertise and competencies of the Board with the Company's strategic objectives.

While CPCL has not independently identified specific core skills, expertise, or competencies under SEBI (LODR) regulations, the Government's selection process inherently integrates these considerations to ensure that Board members possess diverse experience, qualifications, and industry knowledge. This diversity aligns with the Company's strategic vision, governance framework, and operational requirements.

The Company is dedicated to promoting Board diversity across various dimensions, including gender, professional expertise, industry acumen, and cultural background. A genuinely diverse Board will incorporate and effectively utilize a range of diverse abilities, experiences from different regions and industries, backgrounds, racial and gender identities, cultural background, and other unique attributes of its directors. This is in adherence to the Company's Articles of Association, the Companies Act, 2013, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any amendment thereof.

In terms of Articles of Association of Chennai Petroleum Corporation Limited ("Company"), the power to appoint Directors on the Board vests with the Government of India. CPCL being a Government Company, the appointment and terms and conditions of such appointment (including remuneration) is decided by the Government of India. However, the Board of Directors of the Company at the 262nd Meeting held on 27.07.2009 constituted a Remuneration Committee, in line with the DPE Guidelines dated 26.11.2008. The Independent Directors are not paid any remuneration except sitting fees for attending meetings of the Board or Committees thereof. The Board of Directors of the company at the 310th meeting held on 23.05.2016 renamed and reconstituted the Remuneration Committee as Nomination and Remuneration Committee. The terms of reference of the Nomination and Remuneration Committee is as published in the link <https://cpcl.co.in/company/leadership/sub-committees/> under the head Nomination and Remuneration Committee.

The Company acknowledges that a diverse Board is vital to achieving high standards of governance and enhancing the quality of decision-making. The Company is committed to fostering diversity on the Board in terms of, but not limited to, gender, cultural and educational background, ethnicity, professional experience, and industry knowledge. This commitment to diversity is aligned with the Company's broader objectives of promoting innovation, improving stakeholder relations, and enhancing overall business performance. CEO Compensation

CEO Compensation

CPCL being a Public Sector Undertaking, the appointment and terms & conditions of remuneration of Functional Directors are determined by the Administrative Ministry i.e. Ministry of Petroleum and Natural Gas. Certain perquisites, facilities and terms & conditions not specifically spelt out in their appointment letters would be governed in accordance with the rules and regulations of the Company.

The Nomination and Remuneration Committee would review and approve pay and allowances including Performance Related Payment (PRP) payable to Board Level and below Board level executives.

The committee also considers all issues / areas concerning the Human Resource Planning & Management, HR Policies & Initiatives and reviews the Recommendation of Promotions of Senior Management (Chief General Manager Level) and recommend to the board, all remuneration, in whatever form, payable to senior management.

In respect of Fixed compensation, the same is based on the DPE circular dated 3rd Aug 2017 vide O.M no. W-02/0028/2017-DPE(WC)-GL-XIII/17. Copy of circular link is as below

https://dpe.gov.in/sites/default/files/pay_revision_hppc_recomendation.pdf

In respect of variable compensation, CPCL being a public sector enterprise operating in India, the CEO and other Board level functional Director's remuneration in respect of variable pay is based on the predefined corporate performance indicators in the form of yearly MOU Targets entered by a PSU with its holding company based on department of public enterprises guidelines.

It may be noted that few corporate performance indicators include ESG factors as mentioned below. Non achievement of the same will have negative marking in overall evaluation of targets.

Compliance parameters MoU 2023-24:

The aggregate MoU score is subject to compliance with the following parameters as per MoU 2023-24.

S. No.	Parameters	Status
1.	DPE guidelines issued from time to time on CSR expenditure by CPSEs	-1
2.	Compliance of provisions in the Companies Act, 2013 (or SEBI (LODR) regulations in case of listed entities) on Corporate Governance such as: (i) Composition of Board of Directors (ii) Board Committees (Audit Committee etc.) (iii) Holding Board Meetings (iv) Related Party Transaction (v) Disclosures and Transparency	-3
3.	Target as given by NITI Aayog on Assets Monetization Milestones	-1
4.	Procurement of goods or services through MSEs as % of Total procurement of goods and services – 25 %	-1
5.	Procurement of goods or services through SC/ST MSEs as % of Total procurement of goods and services – 4 %	-1
6.	Procurement of goods or services through Women MSEs as % of Total procurement of goods and services – 3 %	-1
7.	Steps and initiative taken for Health & Safety improvement of Human Resources in CPSEs (473 Man-days)	-1
8.	Compliance with provisions related to TReDS as outlined in OM No DPE 7 (4)2007 – Fin dated 04.05.2020	The parameter is considered null or void as per (OM) No.M-03/0003/2020-DPE(MoU) dated 22.07.2024

Material Issues for External Stakeholders

	Impact 1	Impact 2
Material Issue for External Stakeholders	Supply Chain Management	Local Employment
Cause of the Impact	Operations (Coverage of more than 50% of business activities)	Operations (Coverage of more than 50% of business activities)
External stakeholder(s) /impact area(s) evaluated	Supply chain	Society
Topic relevance on external stakeholders	Our suppliers, contractors, and service providers play a crucial role by providing necessary goods, services, and expertise to support our operations. These could be one time or ongoing engagements Type of impact: Positive	Local employment is crucial as it promotes economic growth within the community and helps to secure the social license to operate by investing in the local workforce. It also allows for the transfer of industry knowledge and skills, fostering long-term sustainability in regions where petroleum companies operate. Type of impact: Positive
Output metric	Please see page number 92 of our integrated report FY 24 for more information	Please see page number 72 of our integrated report FY 24 for more information
Impact valuation	-	-
Impact metric	-	-

Risk Management Processes

Our risk management process categorizes risks into high, medium, low, and 'risk at radar' levels, based on the likelihood of occurrence and potential impact. Mitigation plans are tailored accordingly and are integral to our proactive risk management approach. Our company reviews its risk exposure at least biannually and has continuously reviews for new /emerging risk and profile the same for potential impact and mitigation steps. Our risk culture strategy includes regular risk management education for all non-executive directors, focused training on risk management principles throughout the organization, the incorporation of risk criteria in the development of products and services, and financial incentives that incorporate risk management metrics.

Contributions

We did not make any contributions to and spending for political campaigns, political organizations, lobbyists or lobbying organizations, trade associations and other tax-exempt groups



Code of Conduct

In our company, responsibilities, accountabilities, and reporting lines are systematically defined across all divisions with respect to the code of conduct. We have also established a whistleblower policy to facilitate the reporting of concerns related to the code of conduct. The adherence to the code of conduct is linked to employee remuneration, and our employee performance appraisal system incorporates compliance with these codes. Should there be any breach, we are committed to enforcing disciplinary actions, which may include warnings, dismissal, and the application of a zero-tolerance policy.

Social

Workforce breakdown by nationality

At CPCL, 100% of our workforce is of Indian nationality.

Stakeholder engagement program

At our company, we conduct local stakeholder or community impact assessments and maintain clear communication channels for local stakeholders to engage with us. We focus on capacity building to ensure stakeholders can effectively communicate their needs and concerns. Regular surveys and reviews are conducted to gauge local stakeholder perceptions of our engagement strategy. We also hold meetings with local stakeholders to identify emerging concerns, track grievances, and ensure that stakeholder engagement programs are applied consistently across all local operations

Environmental

Business Impacts of Water Related Incidents

CPCL has not experienced any water-related incidents with monetary impacts on costs or revenues in the last four fiscal years.

Biodiversity Commitment

At CPCL, we recognize the intrinsic value of biodiversity and the critical role it plays in maintaining the balance of ecosystems on which our business and communities depend. We are deeply committed to conserving biodiversity and actively managing the risks and dependencies associated with it. Our commitment is to engage proactively with stakeholders, including local communities, environmental groups, and regulatory bodies, to ensure a collaborative approach to biodiversity conservation. We pledge to conduct thorough risk assessments to identify and prioritize areas of significant biodiversity value that may be affected by our operations.

In line with this commitment, CPCL will transparently disclose the priority areas identified and set measurable targets aimed at achieving no net loss of biodiversity. We are dedicated to implementing robust mitigation strategies to minimize our impact on these critical areas. Moreover, CPCL is committed to setting a long-term goal of achieving a net positive impact on biodiversity. This means going beyond minimizing negative impacts to actively contributing to the restoration and enhancement of natural habitats and ecosystems. We understand that our



responsibility extends throughout our entire value chain, and we expect our suppliers and partners to align with our biodiversity values and objectives.

CPCL's approach to biodiversity is holistic, action-oriented, and integral to our sustainability strategy. We are determined to lead by example and make a meaningful contribution to the preservation and enhancement of the world's precious biological diversity.