

PERFORMANCE INCENTIVE SCHEME

PREFACE:

Incentive Scheme in ONGC has been in existence since late 60's and with the passage of time has under gone number of reviews. The last review was w.e.f. 01.04.2003. Keeping the present business scenario in focus ASTO and ONGC Management have realized that the scheme has not in able to achieve the desired objectives as intended in the scheme. The main purpose of the scheme is to motivate the employees to achieve the target set by the Organization.

During the last three years the Oil & Gas sector in the country has undergone a sea change mainly due to the New Exploration Licensing Policy of the Government, new opportunities for Private Sector and a highly competitive environment. Further, the aging Oil and Gas fields, lack of cutting edge technology and latest equipment has been hampering the overall efficiency of ONGC. The increase in international Crude Oil price has resulted in major increase of E&P activities all over the world. The cost of input raw materials as well as services has also increased, resulting in massive increase of operational expenditure which is beyond the control of any organization. However, it is to the credit of all the Ongcians that the physical performance, despite all these hurdles, has not only improved but we have been able to arrest the decline of production from our matured fields. Due to lack of competitive compensation in the form of pays and allowances (as ONGC is compelled to follow the Government guidelines) number of our experienced work force are leaving ONGC to join the private players who have recently mushroomed but are paying salaries that are much higher compared to ONGC. We are left with no other alternative but to enhance the compensation through such incentive schemes. The scheme needs improvement for covering all the employees in our Organization

Number of deliberation took place with the management and it was decided to form a task force of ASTO Representative from various regions to suggest improvement in the present scheme which is in force from 01.04.2003. Accordingly the committee consisting of following members was constituted: -

1. C. R. Das, President - Mumbai, Member Secretary.
2. Amit Kumar, President - New Delhi.
3. Armugham, President - Ankleshwar.
4. B. M. L. Aswal, President – Dehardun.
5. S. K. Chaturvedi,, President – Ahemdabad.
6. Dr. Subodh Singh, President- Mehsana.
7. D. Baburao, President- Rajamundry.
8. K. Vasudevan, President- Chennai.
9. A. K. Sinha, Secretary - Hazira.

Apart from above Shri L. K. Mirchandani, President, CWC, Shri Rajan Pillai, Gen. Secretary, CWC, Shri Sanjay Goel, President-CWC (Elect), Shri Gaurab Das Gen. Secretary, CWC (Elect) were also involved in the deliberation and discussions.

Some of the critical factors that need to be considered for a rational and result oriented incentive policy are:

1. Defining the organizational level where performance will be assessed and rewarded.
2. Defining incentive payout levels
3. Defining the relative weight of performance metrics
4. Defining individual performance
5. Defining how performance can be measured

First meeting of Incentive Committee took place at Mumbai on 20th & 21st April 2006 and the second meeting took place at Chennai on 11th & 12th July 2006. The concluding meeting was held at Mumbai on 28th and 29th August 2006.

Deliberations

I. Drawbacks

1. There is the considerable delay in finalizing and making payments to the officers under this scheme as the whole process is very lengthy and cumbersome. The committee noted that till date incentive payment for 2004-05 has not been finalized even till August, 2006.
2. The parameters and weights for the incentive calculation are not reasonably assigned leading to non payment of incentive despite over achievement in the targets especially the physical target.
3. ONGC has number of areas of working/establishment where the employees are posted in the interest of organization to carry out the given task as per the targets. However, merely because of such posting the employees have been excluded from payment of incentive despite giving the desired performance. This clearly brings out that there is discrimination and lack of proper incentive scheme for such areas.
4. The committee noted that each and every employees of ONGC contributes in one form or the other like carrying out applied R&D project, carrying out special project as part of MDT, earning revenue for ONGC by going on deputation/secondment as per the requirement of the organization and fulfilling joint venture obligations. However, the same employees are discriminated for making the payment of incentive under the existing scheme.

5. Nearly 35% to 40% of the employees are not covered by business unit incentive.
6. The incentive targets are fixed higher than MOU targets which as an exercise are done only after completion of the fiscal year. Hence, the incentive target is not known to the officer before the beginning of fiscal year. In fact last four to five years the trend of MOU targets is increasing and has become very stiff seeing the health of the reservoir and age of the field.
7. Certain parameters which have been considered for calculation in the present scheme like controllable cost reduction etc. have become redundant and actually form a very minuscule percentage of the overall expenditure of ONGC.
8. The system of quality assurance and certification on Job Based Incentive have been made so cumbersome that it has resulted in valuable man hours being wasted in collection of such certificates.
9. The scheme has provided for financial ceilings for making payment. Already the pay of an ONGC officer is stagnating due to the restrictive policy of Government of India and as such the ratio of overall pay package of an ONGC officer with respect to the bench mark of national oil and gas sector is 1:3. Hence, further restriction of performance based payment is totally unjustified e.g. refer clause 6.5.
10. The scheme has tried to develop the distinction between the field and office posting merely by disallowing payment under incentive scheme to officers working in office. In fact this distinction should be in making higher payments to the officer posted in the fields.
11. Due to lackluster R&P policy most of the promotions are delayed. For the individual officer the retrospective effect of promotion is not applied in making the incentive payments. Though the individual continue in the same job even after joining on promotion.
12. In the present scheme the amount of incentive is calculated on the actual pay of an individual or on maximum of the pay scale. Pay means actual basic pay + SP arising out of pay revision w.e.f 1.1.1997 + Stagnation increment. However, the committee found that other Oil and Gas companies consider DA also as part of Pay for calculation of the incentive. (attached as Annexure I)
13. In the present scheme corporate incentive will be payable when over all weighted achievement of the parameters/targets of the corporate is 101% above, since the targets in itself are very stiff and on the upper

side this clause is merely to de-motivate the work force due to non payment even after achieving the targets.

14. Certain clauses in the scheme are resulting in disincentive as this clause penalizes certain officers for no fault of theirs. For e.g. due to late submission of the claim of Job Incentive the concerned I/Cs are penalized 25% of their incentives without going into the reasons for the delay.
15. The committee also studied the payments being made in other National Oil company. It was found that despite these companies having average performance have given higher performance payments to their employees. In fact these companies are sustaining only because of the subsidy sharing by ONGC.

II. Recommendations

1. The present scheme has provided for two types of ceilings – as per clause 6.5 the total amount of performance related payments like Bonus/REH/productivity honorarium etc. under this scheme shall not exceed 35% of annual wage (basic plus DA) and the second one as per the DPE guideline – the organization can go beyond the limit of 50% of the basic pay but should stay within the 5% of distributable profit.

The committee strongly advocates for only one of these financial restriction. Though the scheme intends to motivate the employees to achieve targets through effective utilization of resources, however the scheme fails to achieve the same as on one hand the salaries of the ONGC officers are stagnating and experienced and talented man power are leaving and joining companies that are offering much higher salaries for the same amount of work. Since the pay and allowances are guided by the guidelines of Government of India and the incentive payments are one of the disbursements where ONGC has the leverage to enhance the remuneration of the employees. DPE has also given leverage to Navratna Companies to go beyond the limits set by them. Hence the committee recommends as under –

The Performance Linked Incentives should be limited to 5% of the distributable profit. Para 6.5 of the incentive scheme should be removed.

2. Additional Annual Incentive :

Presently the incentive evaluation is on three tier basis namely:

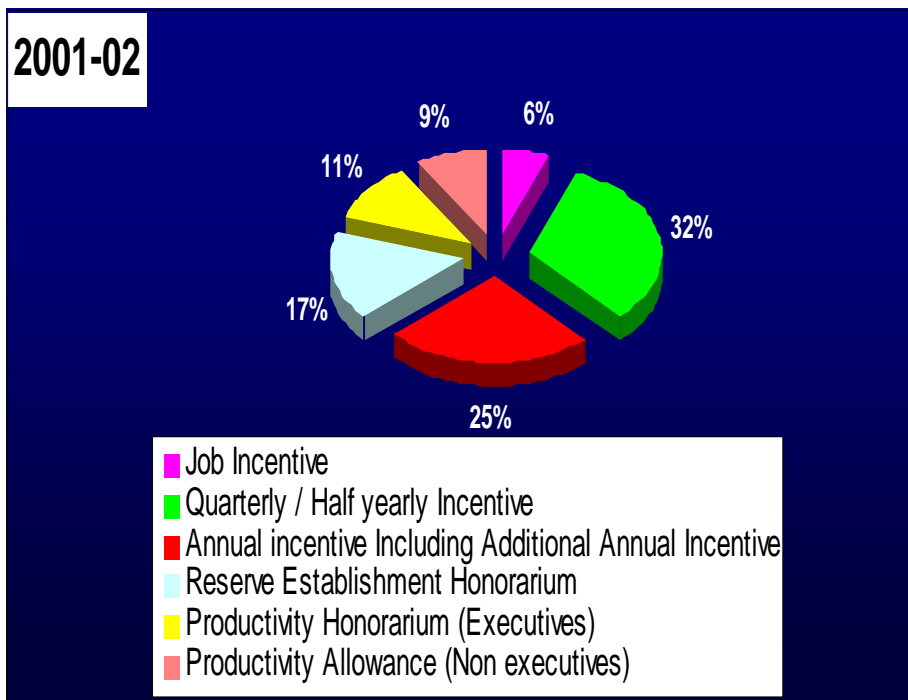
- a) Corporation
- b) Business Unit(Assets/Basins/Plants)
- c) Job

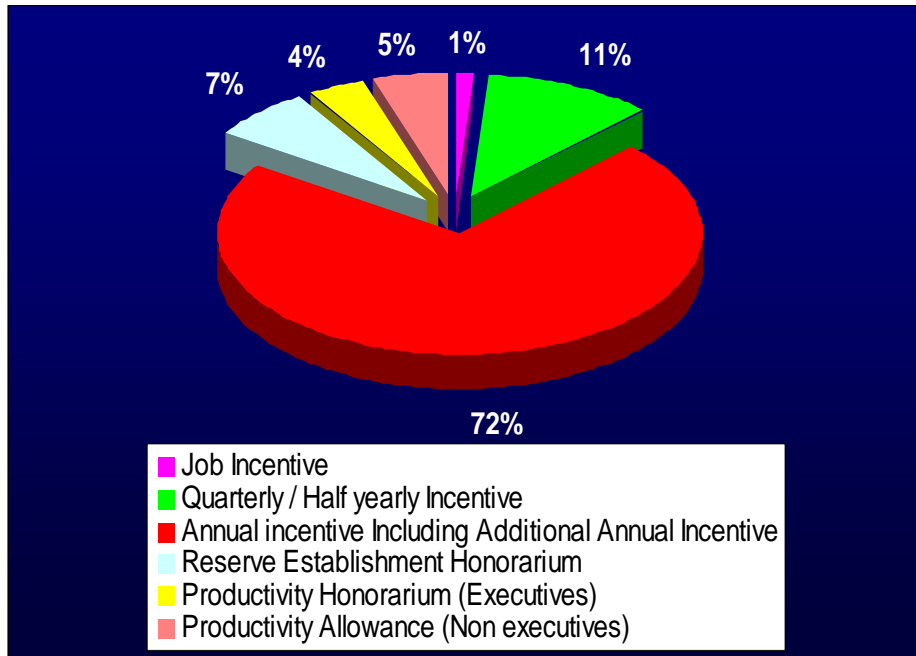
The Corporation incentives are further broken up into two – Annual Incentive and Additional Annual Incentive. The payment of REH is also made under this head.

The committee studied all the data related to payment of incentives that was available to them and carried out detailed analysis. The heads under which the payments have been made are:

1. Reserve Establishment Honorarium.
2. Business Unit Incentive.
3. Job Incentive.
4. Annual Incentive.
5. Additional Annual Incentive.
6. Productivity Honorarium (Executive/Non executive).

The pattern of payments made under the above heads in terms of total payments under various heads as percentage of total payout year wise is for two years i.e. 2001-02 (as per the old scheme) and 2004-05 (as per the new scheme) as depicted in pie charts is as follows:





It is very clear from the above analysis that the payments under additional annual incentive are ranging from 42% to 79% of the payout which has been paid to all the employees of ONGC. The methodology is also not defined in the scheme. Practically the percentage of payouts has been based more on the basis of discussion then on any logic.

As the scheme needs to be more performance oriented hence the committee recommends that the payments under the scheme be divided into two parts – one where the payment on annual basis is made to all the employees of ONGC irrespective of the place of posting which shall be 60% of the of the total 5% distributable profits. The remaining 40% of the distributable profit shall be based on the physical performance calculated on the basis of the modified tables for operational weights as well as job and individual incentives.

The remaining 40% can be evaluated and disbursed under the following heads:

- a) Annual Incentive
- b) Business Unit Incentive
- c) Job Incentive
- d) Individual performance Incentive

The figure of 60% has been arrived at after studying the details of payment made during the past seven years and taking the average of the payments made under the head of additional annual incentive. The tables given below give the details:

Year	97-98	98-99	99-00	00-01	2001-02	2002-03	2003-04	2004-05
Job Incentive	3.15	3.45	4.12	3.82	8.73	9.17	7.59	3.97
Quarterly / Half yearly Incentive	31.2	19.84	17.25	36.04	47.09	65.06	45.49	37.08
Annual incentive Including Additional Annual Incentive	40.34	20.31	20.26	52.04	37.24	313.9	224.23	237.19
Reserve Establishment Honorarium	29.74	24.28	23.81	24.18	24.91	26.37	28.65	22.56
Productivity Honorarium (Executives)	0.73	2.46	7	12.55	16.25	29.27	12.46	12.35
Productivity Allowance (Non executives)	5.62	7.48	5.14	12.38	12.86	8.02	8.05	16.84
TOTAL	110.78	77.82	77.58	141.01	147.08	451.8	326.47	329.99
Distributable Profit (Rs. Crores)	120.51	123.93	163.35	235.26	278.91	473.8	389.89	584.28
Additional Annual Incentive (Rs. Crores) + Annual Incentive	40.34	60.31	100.26	52.04	37.24	313.9	224.23	237.19
% pay out / Distributable kitty	33.474	48.665	61.377	22.12	13.352	66.24	57.511	40.595
Average %								42.917

The overall average of percentage of additional annual incentive and annual incentive payout ranges from 13% to 66 %. The average works out to 42.92 %. Since we need to distribute full 5%, hence we have taken 60%.

Coverage: The evaluation of this incentive is based on the fiscal performance and also on the economic environment as well as market dynamics where the employees as such are being compensated for the huge difference between the salaries of Oil and Gas Sector to the restrictive and stagnating salaries of ONGC, hence this Incentive passed on the profitability of the organization shall be given to all the employees irrespective of their place of posting.

The committee recommends including the persons on deputation to other organizations from ONGC that are being discriminated by the present scheme, for the payment of Additional Annual Incentive (profit sharing). It has been seen that the officers on deputation have opted for the pay scale and salary structure of ONGC. In other companies like GAIL, BPCL, OIL and other national oil and gas companies such discrimination is not there and such officers are considered part of incentive scheme. Copies of salary slips for various organizations are attached as Annexure I.

The deputation/ secondment that happen to the organization have been always in the interest of ONGC and allow the officers to work in different work culture and environment which infact is an intangible benefit to ONGC. The tangible benefit from the deputation/secondment has also been in earning revenues in the form of reimbursement of the expenditure that ONGC makes on the employees who are on deputation/secondment. Approximate earnings from such postings have been to the tune of more than Rs. 1.5 crores per annum. This is actually a fabulous return on investment as our officers are literally getting on the

job training, experience and knowledge enhancement without ONGC spending anything on them.

3. **Annual Incentive:** In the present scheme the annual incentive is evaluated on the basis of the MOU/Non MOU based parameters and weights indicated in table of Operational weights and evaluation methodology. As the MOU targets are the bench mark for judging organization's performance, hence for calculation of the annual incentive also we should take MOU targets only. The MOU targets are in it self very stiff and are increasing every year.

Further, certain parameters that are being used for calculation of weightage have become very redundant and needs to be deleted. The following parameters should be deleted and the weightage shall be redistributed to other important parameters:

- a) no. 10 – Reduction in Gas Flaring
- b) no. 11 – Reduction in energy consumption/wastage
- c) no. 12 – Reduction in Controllable Cost
- d) no.17 – Reduction in OPEX per barrel sold (O+OEG) over previous year.

The committee studied the operational and physical performance of ONGC for last two years and found that most of the Assets/Basins and Plants have achieved zero gas flaring (except for the technical flaring or any flaring due to emergency or operational requirement). Hence this parameter has become redundant.

ONGC's operations are increasing day by day and the cost of energy has also been increasing. Hence this parameter has been rather restrictive and not progressive. The operational areas as such has no control over this parameter as most of the time the priority is maintaining and enhancing the operational efficiency which off course would result in consumption of energy. Hence parameter no. 11 needs to be deleted.

Most of the controllable costs like expenditure on telephones, tours and travels, legal expenses, improvement in colonies and residential accommodation, gardens, hiring of light vehicles, consumables /stationeries etc. form a very miniscule percentage of the overall operational expenditure of ONGC. The committee studied the parameters used by various Oil and Gas companies world over and found that the most of the companies give higher importance to Profitability, HSE/ Environmental Goals etc. rather than cost savings. Hence this parameter is actually not adding any value to the evaluation.

ONGC in its quest to enhance production from the vastly mature and old fields has been going for high tech wells and increased work over jobs (SDST and LDST jobs). This has resulted in increase in our operational

cost mainly due to higher rig cost. More over, the inflationary pressure on the cost of goods and services has been very high. Hence it would be next to impossible to show reduction under this parameter. Only way possible is reduce our operations and efforts to enhance production from our graying fields. Hence this parameter may infact result in reducing our performance rather than enhancing it.

The total weightage available after deletion of above parameters is 0.11. It is suggested by the committee to distribute this weightage in the following existing parameters:

Parameter Number	existing weightage	proposed weightage
a) 1A	0.03	0.04
b) 2	0.10	0.11
c) 6	0.05	0.07
d) 7	0.07	0.09
e) 8	0.02	0.05
f) 18	0.02	0.04

World over in Oil and Gas Companies and Fortune 500 companies follow attainment of 70% as the threshold performance for payment performance based rewards(Source Hewitt TCM report 2004). In case of ONGC even on attainment of 101% achievement, employees are not eligible for annual incentive. Hence, keeping the trend of world over into consideration the committee suggests following threshold and percentages of payout:

98 – 100	5.00 %
100.1 – 101	5.50 %
101.1 – 102	6.00 %
102.1 – 103	6.50 %
103.1 – 104	7.00 %
104.1 – 105	7.50 %
105.1 – 106	8.25 %
106.1 – 107	9.00 %
107.1 – 108	9.75 %
108.1 – 109	10.50 %
109.1 – 110	11.25 %
110.1 – 111	12.00 %
111.1 – 112	12.75 %
112.1 – 113	13.50 %
113.1 – 114	14.00 %
114.1 – 115	14.50 %
More than 115	15.00 %

Coverage: As per Group III defined in clause 8.3

4. Business Unit Incentives:

In the present scheme the business unit incentive is evaluated on the basis of the Performance Contract based parameters and weights indicated in table of Operational weights and evaluation methodology. Hence the evaluation is on the basis of targets in the Performance contracts which are set higher than the MOU targets in most of the cases. However, taking the same analogy as given in evaluation of annual incentive needs to be followed in the case of Business Unit Incentive also. Accordingly following parameters shall be deleted from the evaluation:

- a) no. 14 – Reduction in Gas Flaring
- b) no. 15 – Reduction in energy consumption/wastage
- c) no. 16 – Reduction in Controllable Cost
- d) no. 19 – Reduction in OPEX per barrel sold (O+OEG) over previous year.

The total weightage available after deletion of above parameters is 0.11. It is suggested by the committee to distribute this weightage in the following existing parameters:

Parameter Number	existing weightage	proposed weightage
a) 5A (Conv. Wells)	0.04	0.06
b) 5A (LDST)	0.01	0.02
c) 10	0.05	0.07
d) 11d	0.02	0.04
e) 8	0.05	0.07
f) 20	0.02	0.04

The payout percentages may be as follows:

	Base/Office Duty	Field Duties
98 – 100	5.00 %	7.00 %
100.1 – 101	5.50 %	7.50 %
101.1 – 102	6.00 %	8.00 %
102.1 – 103	6.50 %	8.50 %
103.1 – 104	7.25 %	9.25 %
104.1 – 105	8.00 %	10.00 %
105.1 – 106	8.75 %	10.75 %
106.1 – 107	9.00 %	11.50 %
107.1 – 108	9.75 %	12.25 %
108.1 – 109	10.50 %	13.00 %
109.1 – 110	11.50 %	13.75 %
110.1 – 111	12.50 %	14.50 %
111.1 – 112	13.50 %	15.50 %
112.1 – 113	14.50 %	16.50 %

113.1 – 114	15.50 %	17.50 %
114.1 – 115	16.50 %	18.50 %
More than 115	17.00 %	19.50 %

The committee recommends following areas to be covered for business incentive also in addition to Group II officers defined in clause 8.2 as follows:

Business Unit Incentive for WSS, Ahmedabad:

ONGC being an E&P Company has multi disciplinary activities and the role of each discipline has its own importance. WSS, Ahmedabad provides various stimulation services mainly to Ahmedabad and Mehsana Assets / Basins and as a mother base WSS, Ahmedabad provides technical back up in terms of men, material and equipment to all Assets and Basins spread across the country for the specialized jobs such as hydraulic fracturing and gravel pack. Apart from the stimulation services they are also involved in acidization, surfactant / solvent, nitrogen jobs for activation of the well and water shutoff jobs to reduce the water cut. Considering the activities of WSS, it can be very easily understood that they play vital role in enhancement of production of oil and gas and in term generation of revenue for the organization. They also take care of the health of the wells which is very important in sustaining the production. They also have specified work programme during the year 2002-03 it carried out 1155 jobs for Ahmedabad Asset, 813 jobs for Mehsana Asset, 35 jobs for Ankleshwar Asset, 227 jobs for Ahmedabad, Mehsana, Cambay basins and 12 jobs for others which include the jobs of CR, SR, NR, private oil field operators, etc. Thus the cumulative achievement for the year was 2242 against the plan of 2173 jobs which is an achievement of more than 103 percent.

It is also pertinent to mention here that WSS Ahmedabad was considered part of erstwhile OBG Ahmedabad till 1995-96 and paid all incentives at par with Ahmedabad, thereafter WSS was considered as part of the Basin for incentive purpose as it was catering the needs of Ahmedabad, Mehsana, Ankleshwar, Cambay and Rajasthan projects. This arrangement continued till issue of revised performance incentive scheme dated 1/3/04. Further, even after coming in existence of the said scheme the WSS of Mumbai is being paid incentive under Business Unit based on the performance of different Assets, Basins working in Mumbai for which WSS, Mumbai is working.

This issue was discussed in detail by the Incentive Committee of ASTO and they firmed up their opinion that it is a case for inclusion of WSS, Ahmedabad as per its CRC set up in the revised performance incentive scheme and accordingly the criteria is to be firmed up for payment of Business Unit Incentive to WSS, Ahmedabad. WSS, Ahmedabad is carrying out 97% exclusively for Ahmedabad and Mehsana Asset while

about 3% for other Assets on need basis. Out of Total jobs carried out for these two Assets, contribution to Ahmedabad Asset is 55.7% and for Mehsana Asset is 44.3%. Therefore following formula is proposed for payment of incentive to WSS, Ahmedabad:

Ahmedabad Asset declared incentive	% of WSS jobs for Ahmedabad Asset	Mehsana Asset declared incentive	% of WSS jobs for Mehsana Asset	Weighted average for WSS, Ahmedabad
A%	55.7%	B%	44.3%	$A \times 0.55 + B \times 0.45$

Business Unit Incentive for Joint Ventures at Mumbai, Chennai and Vadodara:

In the changed economic environment to work as a commercial entity, ONGC though a Public Sector company was assigned a lead responsibility to assist JV in Oil Field operations during transfer period. This culminated in the formation of joint venture operations group (JVOG) comprising of various disciplines.

The JV group set up within ONGC was given the responsibility of monitoring day to day operation of these fields and protects ONGC's interest in the JVs in most effective and efficient manner as well as to ensure adoption / use of prudent reservoir management practices and sound HSE policies. This group has also played a key role in bringing these fields to current stage which includes two fields namely mid and South Tapti and PY-3 on production and significant increase in production from Panna-Mukta and Ravva fields.

It is significant to mention that offshore JVs are contributing nearly 16% of ONGC's total oil production and 17% of total gas production. The JV group is involved in the activities similar to that of any producing Asset under production sharing contracts PSC i.e., day to day obligations for smooth operations, viz.

E&P activities:

1. Data acquisition, processing and interpretation,
2. Reservoir pressure maintenance and simulation,
3. Workover of Wells
4. Drilling of infill / Exploratory / development wells for enhanced recovery or maintenance of place of production,
5. Achievement of physical production and sales targets,
6. Maintaining high standards of safety environment and personnel health,

7. Approval of work programme and budget and periodical review thereof for mid course correction.

Financial Activities:

1. Timely payment of statutory levies,
2. Payment of cash calls for smooth and uninterrupted operation,
3. Control over operating cost (\$bbl O + OEG). Average operating cost of JV is in the range of 1.5 – 1.8 \$ per bbl.
4. Maintenance of sales records / Revenue receipts in respect of ONGC's own share in the PSC agreement.
5. Preparation and compilation of advance Tax in respect of ONGC's share in the profit sharing contract.
6. Preparation of annual accounts viz., Profit and Loss account and Balance Sheet in respect of ONGC's share in the Joint Venture

Commercial Activities:

1. Evaluation of tenders and award of contracts,
2. Finalization of oil and gas sales contracts.

Western Offshore JVs, ONGC is also directly involved in the joint operatorship of the fields and has a lead responsibility of contracts, procurement and projects as well as chairmanship of the operator Board. JV's has contributed in timely finalization and implementation of various scheme, viz., development plan, drilling of wells, infill wells, construction of platform, hiring of various services etc by concerted efforts and interaction with in-house agencies of ONGC.

Keeping the facts submitted as above, incentive committee of ASTO recommends that they should also be covered for business unit incentive like all other Assets. After detailed discussion the Incentive Committee has finalized parameters for computation of performance:

Proposed Draft parameters for computation of Performance Offshore Joint venture – PSC

Sl. No.	Parameters	Weights
1	Crude oil production(after adjustment of Reconciliation Factor)	0.25
2	Gas Production	0.15
3	Gas Sales	0.15
4	Achievement of 2D/3D	0.05
5	Availability of installations	0.10
6	Compliance of Safety Audit Observations	0.15
7	Safety (No. of major and fatal accident / 1000 employee / year	0.15
	Total	1.00

5. Job Incentives:

- a) The present system of certification of Jobs for Job Incentive is very cumbersome and requires changes. The process of certification though justified needs to be a seamless process where each and every certification authority should know the norms and carry out certification as per the norms. As ONGC's operations have now been put on the system hence the committee suggests that the certification process be mapped on the ICE system where the certifying authority can release the certificates just like we do the Purchase requisitions and Purchase Orders.
- b) The time norms require regular reviews due to changing environmental conditions, aging equipment and rigs and over matured fields, delay in site preparation activities due to force majeure and conditions beyond the control of ONGC officers. Hence the committee is of the opinion that the review of the time norms be carried out immediately. Further, it is seen that the time saved has been restricted to 15% of the Norm days without any justification. The committee opines that this restriction should be removed.
- c) Following areas also needs to be covered under the Job Incentives as the officers working in these areas though carrying out work related to the jobs of ONGC are not covered by the scheme;

Job Incentive for the Work being undertaken as Projects:

Various teams of ONGC are taking up different projects for example Capital Projects, Modification and revamping projects, IT projects etc. These projects have defined goals and objectives to achieve in a time bound manner.

These Projects are taken up for either enhancing the overall physical performance of ONGC, streamlining the system and procedures, adding new capital assets, putting new field on production, strategic IT initiatives like ICE, SCADA which helps in improving the operational efficiency of ONGC. These projects are totally time based and the timely completion of such projects has major repercussions on the overall performance of ONGC. Such projects include planning, designing, implementing and monitoring the Projects so that implementation is carried out as per the plan. On completion of such projects value is added to the company. Considering the contribution of such projects and the team working on these projects the committee recommends that such teams need to be covered for Job incentive. The evaluation of the incentive can be tabulated as follows:

1. Number of Projects assigned during the period as per Performance Contract (A)
2. Number of Projects completed (B)
3. Planned time (C)
4. Actual time (D)

$$\text{Completion Index} = D / C * 100 \%$$

The payment can be made as per the percentage achieved which is as follows:

Completion Index	Percentage of Payment
98 – 100	5.00 %
100.1 – 101	5.50 %
101.1 – 102	6.00 %
102.1 – 103	6.50 %
103.1 – 104	7.25 %
104.1 – 105	8.00 %
105.1 – 106	8.75 %
106.1 – 107	9.00 %
107.1 – 108	9.75 %
108.1 – 109	10.50 %
109.1 – 110	11.50 %
110.1 – 111	12.50 %
111.1 – 112	13.50 %
112.1 – 113	14.50 %
113.1 – 114	15.50 %
114.1 – 115	16.50 %
More than 115	17.00 %

Job Incentive for Institutes:

ONGC is having two kinds of Institutes namely

- (a) Project Institutes (IOGPT, IEOT, IRS, IDT, KDMIPE, etc.)
- (b) Training Institutes (RTI, ONGC Academy, SMP, IPSHEM)

(a) Project Institutes: Institutes which are involved in the activities like designing & delineating of fields, sustaining the pressure of reservoir, optimum utilization of reservoir, designing of field equipments for off shore, plants, drilling rigs and on shore and off shore pipelines etc. They are also involved in Geo scientific work starting from seismic activities to development of field and also carrying out the research work related to enhancement of oil and gas production of various fields.

These kind of Institutes generally have there annual program in which they are assigned different projects to be completed within stipulated

time. The annual work program is approved by the concerned Director in the beginning of the year in which date of commencement and completion of different projects is indicated and accordingly work is accomplished by the teams involving various levels of officials.

It is evident from the para 1 that, these Institutes are directly/indirectly involved in enhancement of oil and gas production and in turn help various assets/ basins to meet their incentive targets and generate revenue for the company. Some times these Institutes take up the unplanned jobs which are also to be completed within specified period.

The issue of incentives (B.U. & Job incentive) for Institutes was discussed at length by the members of the Incentive Committee ASTO and finally the committee reached to the conclusion that it is not appropriate to deprive these Institutes of the incentives being taken by assets/ basins, the performance of which is linked with the performance of these Institutes.

Following formulae has also been worked out by the committee for payment of Business Unit Incentive.

$A = \text{Nos. of Planned projects Completed in schedule time} / \text{Nos. of Planned projects assigned}$

$B = \text{Nos. of unplanned projects Completed in schedule time} / \text{Nos. of unplanned projects assigned}$

$A \times 0.9 + B \times 0.1 = \text{B.U. I. for the year}$

b) Training Institutes helps individual employees to acquaint themselves with the latest technologies and environment in which company is functioning. They are also responsible for increase the skill of the employees without which company cannot compete with their competitors playing in same field. The role of training institute cannot be denied and employees working in different training institutes should be suitably rewarded. The Committee discuss the issue and finally resolved that these employees should also get Business Unit Incentive at par with other Asset / Basin's employees as they are directly / indirectly responsible for meeting the incentive targets of these Assets and Basins. Further these institutes are also saving the cost as if the employees are given same training with the help of other Agencies Company would have spent much more amount.

The Committee also worked out the formula which is as under:

$A = \text{cost involved in house training} / \text{cost through outside agencies}$

B = number of completed trainings / number of planned trainings

C = Number of employees given training / number of employees planned for training

Incentive = A % x .4 + B % x .3 + C % x .3

6. Individual Performance Incentive:

In ONGC, most of the jobs are of the nature of multidisciplinary team tasks involving a cross section of talent with different levels of skills and expertise for the successful accomplishment of tasks. However, the creative and innovative skills and the behavioral trends of individuals vary greatly even in the most cohesive team environment. Keeping this in view, we feel that a Performance based rewards scheme for Individuals is most essential in today's competitive environment to motivate and consciously nurture the creative talents and influence favorable behavioral trends. The successful implementation of such a scheme would definitely help stem the flight of talent that ONGC is currently witnessing due to increased competition and expansion in the E&P activities globally. Some of the most popular Individual Incentive schemes in vogue are:

1. Appraisal / Performance related incentive:

Top performers with consistently high rating (>98% for two consecutive years) may be rewarded with bonus a percentage of pay. This may result in higher performance within the organization, provide a tangible means of recognizing significant achievements, and establish a link between extra pay and extra performance and influence favorable behavioral trends.

2. Competence and skill based bonus:

In knowledge based industry like ours where the frontiers of scientific and technological advancements are ever expanding, requiring constant real time up gradation of skills, individuals who proactively improve their competency and skill levels and deploy the same in organizational tasks with tangible improvements in results need be rewarded.

3. Market based bonus:

Critical areas like E&P, Directional drilling, Production and reservoir engineering ONGC is facing serious flight of talent due to the phenomenal rise in compensation being offered by private and MNC players. It is imminent that ONGC has to device means of compensating the critical talent pool to retain the competitive advantage. Market based bonus proposed to address the issue whereby the individual would be rewarded on successful completion of

job at par with the industry fair rate basis (i.e. the rate at which the task would have been established had it been outsourced)

4. Creativity, R&D and Innovative initiative awards:

To encourage and inculcate a culture of creativity, innovation and out of the box thinking, individuals excelling by contributing to international journals and conferences, taking patents, innovating operational practices should be appropriately rewarded.

5. Discovery bonus, Recovery improvement & Sick well revival bonus:

Individuals, who are instrumental in new discoveries, turn around of sick and declining wells should be recognized and appropriately rewarded.

6. Mentor bonus:

Individuals with established expertise in each field should be identified as Mentors and should be encouraged to train and develop individuals in live project environment and on certification of trainees the mentors should be rewarded substantially. This would encourage transfer of critical talent in a more formalized manner.

7. Knowledge management & best practice initiative bonus:

ONGC's KM initiative is at a nascent stage. We feel that vast potential exists in converting the tacit knowledge of individuals into institutional knowledge to avoid reinvention of wheel. A formal knowledge portal should be created and individuals should be encouraged to contribute their best practice and basin or area specific intricacy and innovative approach on this portal. The best contributions should be rewarded.

At present the individual rewards in ONGC in the form of C&MD & Directors Awards, Merit awards are too few and they neither provide adequate monetary rewards nor are counted for career progression of individuals. By implementation of the above schemes the vast scope of tapping the true potential of the human resource of ONGC and channelizing the same towards the organizational as well as individual growth.

General Points:

1. The Committee opines since the parameters are defined, targets have been clearly defined and the performance contracts have been signed. Hence Corporate Incentive group need not be involved. However, management can identify and nominate one person at the asset, basin and plant level itself for monitoring or one person can be authorized for entire region. This will improve the time taken for evaluation as one person can not be deployed across the organization.

2. The committee opines there are number of support personnel from P&A, F&A and stores etc. who are also posted in field and are having the same shift pattern as direct personnel should also be covered in Group I only.
3. Instances of non payment of Job incentive in Western Offshore were brought to the notice of the committee. The committee felt that such state of affairs in the highest producing region of ONGC is very demoralizing and hence the payments under the Job Incentives schemes needs to be immediately paid for all the Jobs carried out as per the norms since the inception of the scheme w.e.f. 1st April, 2003, if not paid so far.

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President - New Delhi.

(K. Vasudevan)
President- Chennai.

(S. K. Chaturvedi)
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President – Dehardun.

(Dr. Subodh Singh)
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