

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**RAJYA SABHA
STARRED QUESTION NO. 54
ANSWERED ON TUESDAY, JULY 25, 2023**

APPOINTMENT OF INDEPENDENT DIRECTORS IN PSUs

QUESTION

54 Shri Pramod Tiwari :

Will the Minister of Corporate Affairs be pleased to state:

- a) the number of Public Sector Undertakings (PSUs) where independent directors were appointed during the last five years;
- b) the names, educational qualifications and subject specializations of people appointed by Government as independent directors in different PSUs; and
- c) the criteria Government adheres to while appointing independent directors in PSUs?

ANSWER

**THE MINISTER OF FINANCE &
CORPORATE AFFAIRS**

(SMT. NIRMALA SITHARAMAN)

(a) to (c): A statement is laid on the Table of the House:

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF THE STARRED QUESTION NO.54 ANSWER IN RAJYA SABHA ON 25/07/2023.

(a): The term PSU is not defined under the Companies Act, 2013 (the Act). As per Section 2(45) of the Act, Government company is defined as under:-

“Government company means any company in which not less than fifty-one per cent. of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary company of such a government company”.

As per available data, 2443 Independent Directors were appointed in 545 Government Companies during the period from 01.01.2018 to 30.06.2023.

(b): The details of the Independent Directors appointed are available on the website at the following link (<https://www.mca.gov.in/content/mca/global/en/parliament-questions-assurances/parliament-questions/rs-pq.html>).

(c): The Companies Act, 2013 does not specifically provide any criteria for appointment of Independent Directors in Government Companies. However, Section 149(4) of the Companies Act, 2013 mandates appointment of independent directors by listed companies. Further, as per Rule 4 of Companies (Appointment and Qualifications of Directors) Rules, 2014 the following class of companies shall have at least two independent directors: -

- (i) the Public Companies having paid up share capital of ₹ 10.00 crores or more; or
- (ii) the Public Companies having turnover of ₹ 100.00 crores or more; or
- (iii) the Public Companies which have, in aggregate, outstanding loans, debentures and deposits, exceeding ₹ 50.00 crores;

Insofar as Central Public Sector Enterprises (CPSEs) are concerned, the criteria for selection / appointment of Non-Official Directors on their Boards as issued by the Department of Public Enterprises (DPE) under the Ministry of Finance, is attached at Annexure-I. The DPE is the nodal Department for all CPSEs and formulate policies pertaining to them. CPSEs refers to those Government companies and Statutory Corporations set up under different statutes of the Parliament wherein more than 50% of the share in equity is held by the Central Government [Source: Public Enterprises Survey, 2018, DPE].

ANNEXURE-I REFERRED TO IN REPLY TO PART (C) OF RAJYA SABHA STARRED QUESTION NO. 54 FOR 25.07.2023

Criteria for selection/appointment of non-official Directors on the Boards of CPSEs as laid down by the Government

(A) Criteria of Experience

- (i) Retired Government officials with a minimum of 10 years experience at Joint Secretary level or above.
- (ii) Persons who have retired as CMD/CEOs of CPSEs and Functional Directors of the Schedule 'A' CPSEs. The ex-Chief Executives and ex- Functional Directors of the CPSEs will not be considered for appointment as non-official Director on the Board of the CPSE from which they retire. Serving Chief Executives/Directors of CPSEs will not be eligible to be considered for appointment as non-official Directors on the Boards of any CPSEs.
- (iii) Academicians/Directors of Institutes/Heads of Department and Professors having more than 10 years teaching or research experience in the relevant domain e.g. management, finance, marketing, technology, human resources, or law.
- (iv) Professionals of repute having more than 15 years of relevant domain experience in fields relevant to the company's area of operation.
- (v) Former CEOs of private companies if the company is (a) listed on the Stock Exchanges or (b) unlisted but profit making and having an annual turnover of at least Rs.250 crore.
- (vi) Persons of eminence with proven track record from Industry, Business or Agriculture or Management.
- (vii) Serving CEOs and Directors of private companies listed on the Stock Exchanges may also be considered for appointment as part-time non-official Directors on the Boards of CPSEs in exceptional circumstances.

(B) Criteria of Educational Qualification

Minimum graduate degree from a recognized university.

(C) Criteria of Age

The age band should be between 45-65 years (minimum/maximum limit)

This could, however, be relaxed for eminent professionals, for reasons to be recorded, being limited to 70 years.

(D) Reappointment

The non-official Directors, will not be re-appointed in the same CPSE after completing a maximum of two tenures, each tenure being for a period of three years.

(E) Appointment in number of CPSEs at the same time

One person will not be appointed as non-official Director on the Boards of more than three CPSEs at the same time

(F) Directorship in private companies

A person being considered for appointment as non-official Director on the Board of CPSEs should not hold directorship in more than 10 private companies.