

GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
LOK SABHA
UN-STARRED QUESTION NO. 549
ANSWERED ON MONDAY, July 24, 2023/Sravana 2, 1945(Saka)
APPOINTMENT OF INDEPENDENT DIRECTORS IN PSUs

QUESTION

549. SHRI SAPTAGIRI SANKAR ULAKA:

DR. AMAR SINGH:

SHRI T.N. PRATHAPAN;

ADV. DEAN KURIAKOSE:

DR. A. CHELLAKUMAR:

SHRI VINCENT H.PALA:

**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 details of the name, educational qualifications and subject specialization of people appointed by the Government as independent Directors in different PSUs;**
- (c) whether the Government is aware that independent Directors who have direct or indirect affiliation with the political parties have been appointed and if so, the details thereof and the reasons therefor; and**
- (d) the criteria adhered to by the Government while appointing independent Directors in PSUs?**

ANSWER

The Minister of State (Independent Charge) of the Ministry of Statistics and Programme Implementation; Minister of State (Independent Charge) of the Ministry of Planning and Minister of State in the Ministry of Corporate Affairs.

(Rao Inderjit Singh)

- (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/lok-sabha.html>).

(c) : No such data maintained in the Ministry of Corporate Affairs (MCA).

(d) : 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, 20a 18, DPE].

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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.