

CHAPTER II **PERSONNEL POLICIES**

(b) Composition of Board of Directors

28. DPE/Guidelines/II(b)/28

Composition of Board of Directors of Public Sector Enterprises

The undersigned is directed to refer to this Department's O.M. No. 18(6)/91-GM dated 16.3.92 on the subject mentioned above wherein it was, inter-alia, stated that every Board should have some non-official Directors whose number should be at least 1/3rd of the actual strength of the Board.

The Committee on Public Undertakings (1998-99) in its fourth Report on "Senior level posts in Public Undertakings – Appointment and related matters" has expressed the opinion that shortage of non-official Directors on the Board deprives the undertakings of expert guidance of seasoned professionals and technocrats. This is particularly true in the case of sick/potentially sick undertakings or those, which are to be restructured. The Committee has, therefore, recommended that the strength of non-official Directors in PSUs should be brought to the level stipulated in the guidelines without further loss of time and at the same time care should be taken that persons having vested interests directly or indirectly in the particular industry are not inducted into the Boards of PSEs.

The administrative Ministries/Departments are requested to take immediate action to appoint non-official Directors on the Boards of those PSUs where adequate number of such Directors are not in position at present. As the administrative Ministries/Departments are aware, it is always to be ensured that only such persons who do not have any conflict of interest with the functions of the concerned PSU are appointed as non-official Directors.

(DPE O.M. No. 2(20)/99-GM dated 25th January, 2000)