

2. Induction of non-official (independent) Directors on the Boards of Public Sector Enterprises (PSEs)

The undersigned is directed to refer to this Department's O.M. No. 18(6)/91-GM dated 16.3.1992 and O.M. No. 18(6)/2000-GM dated 26.11.2001 on the subject mentioned above wherein it was, inter alia, provided that at least one-third of the Directors on the Board of a PSE should be non-officials and in the cases of listed companies headed by executive Chairman at least half of the Directors should be independent Directors.

This Department has also issued guidelines containing the criteria for appointment of non-official independent Directors vide O.M. No. 18(10)/2003-GM dated 11.3.2004 as amended on 10.11.2005.

2. The Secretary, Department of Public Enterprises in his D.O. letters of even number, dated 1.12.2004 and 16.12.2004 emphasized the need for induction of adequate number of independent Directors on the Boards of all PSEs. It was also mentioned therein that proposals, complete in all respects, should be sent to DPE so that panel of independent Directors may be prepared for each PSE. In the D.O. Letter No. 18(8)/2005-GM dated November 11, 2005 addressed to Secretaries of different Ministries, the need for compliance with the SEBI guidelines appointment of independent Directors in listed companies by 1.1.2006 was emphasized.

3. The Search Committee, which selects independent Directors for Navratna and Miniratna PSEs, has desired that immediate steps may be taken to fill up the vacancies of independent Directors. The Committee has further desired that proposals for selection should be placed before it at least six months in advance of the date of occurrence of vacancies.

4. In case there is any difficulty in identifying eligible persons for consideration, names can be drawn from the data bank maintained by this Department. The data bank is available on DPE website: www.dpe.nic.in.

5. As this issue has gained considered importance in the recent past and a number of questions are often raised in the Parliament as well, it is requested that immediate action may be taken to fill up the posts of independent Directors. The position indicating the number of vacancies of independent Directors in each PSE and the steps taken for filling up the vacancies may kindly be intimated to this Department at your earliest convenience.

(DPE O.M. No. 9(32)/2004-GM-GL-76 dated 9th December, 2005)