

## **CHAPTER II** **PERSONNEL POLICIES**

### **(b) Composition of Board of Directors**

#### **9. DPE/Guidelines/II(b)/9**

##### **Appointment of persons designated as Special Directors, Executive Directors**

The undersigned is directed to say that recently the Department of Company Affairs have issued a circular on the above subject pointing out that the practice of designating executives of the companies who are not Members of the Board as Special Directors, Executive Directors, etc., is patently wrong. This is for the reason that the holders of such designations give an impression to public at large that they are full-fledged Directors and entitled to act as such on behalf of the company. Accordingly, the Department of Company Affairs have advised companies to desist from giving such designations to their executives, as it can have the effect of misleading the public.

2. A copy of the circular letter (No. 1/1/82/CLV/No. 23/44/79-CL.II dated 20.1.83) issued by the Department of Company Affairs is enclosed for information and necessary action. The action taken may also kindly be communicated to the BPE.

**(Copy of letter No. 1/1/82/CLV/No. 23/44/79-CL.II dated 20.1.1983 regarding appointment of persons styled as Special Directors, Executive Directors, etc.)**

Instances have come to the notice of the Department where companies have designated executives who are not members of the Board as Special Director, Director (Administration) etc. Such designations give an impression to public at large and those dealing with these companies and the executives that they are full fledged directors entitled to act as such on behalf of the companies. If in fact these executives are not directors on the Board of the companies, it will be patently wrong on the part of Companies to designate them as directors.

The Department is therefore constrained to advise companies to desist from giving designations to their executives, which tend to mislead.

I am directed to request you to bring this to the notice of all your constituents/members for information and compliance. The action taken on this communication may kindly be intimated to this Department.

**(BPE No. 18/5/83-BPE(GM-II) dated 15th November, 1983)**