

CHAPTER II **PERSONNEL POLICIES**

(b) Composition of Board of Directors

11. DPE/Guidelines/II(b)/11

EARC Report on Government and Public Enterprises: Top Management and the Boards—recommendation regarding three years term with rotational retirement for part-time non-official Directors.

In its Report "Government and Public Enterprises: Top Management and the Boards" the Economic Administration Reforms Commission recommended as under:—

"8.7 The practice of part-time non-official Directors retiring at the end of each Annual General Meeting should be discontinued; they should be given a spell of three years at a time with rotational retirement".

2. The above recommendation was considered by the Committee of Secretaries at its meeting held on 25th June, 1984. The Committee accepted the recommendation and suggested that the tenure of three years for part-time non-official Directors should be without prejudice to the right of Government to terminate the directorship of the person concerned at any time. It was also suggested that a suitable phraseology for the orders of appointment of part-time non-official Directors might be evolved by the Bureau of Public Enterprises keeping in view the provisions of the Company Law in their applicability to public sector enterprises, and circulated to all the Ministries.

3. The concerned administrative Ministries/Departments are requested to advise the public sector undertakings (incorporated under the Companies Act 1956) under their administrative control to amend the Articles of Association so as to include a provision for a spell of three years at a time with rotational retirement in respect of part-time non-official Directors. The order of appointment of such part-time non-official Directors may be issued in accordance with the enclosed copy of order, which has been vetted by the Department of Company Affairs.

4. As regards statutory organizations, the concerned administrative Ministries/Departments may consider the desirability of incorporating a provision in the Statutes/Rules of such organizations for providing a three- year tenure at a time with rotational retirement in respect of part-time non-official Directors, so as to have an uniform spell of tenure in all public undertakings/statutory organizations. In that event, the enclosed copy of the order, as vetted and approved by the Department of Company Affairs, could be utilized, with necessary modifications, for appointment of part-time non-official Directors in statutory organizations.

5. Ministry of Steel & Mines, Ministry of Works & Housing, Ministry of Industry etc., are requested to advise the public sector undertakings under their administrative control suitably. A compliance report may kindly be sent to the Bureau of Public Enterprises, Ministry of Finance by the 15th February, 1985.

ENCLOSURE

Subject: Constitution of Board of Directors of the (Name of Enterprises)

In exercise of the powers conferred by Article _____ of the Articles of Association of Name of Company, the President is pleased to appoint the following persons as part-time non-official Directors on the Board of Directors of the Name of the Company from _____ until further orders, but not exceeding a period of 3 years at a time:

1.

2. (Names of Part-time non-official Directors)

3.

2. The appointment of the above part-time non-official Directors shall be at the pleasure of the President and shall be subject to such terms and conditions as may be deemed fit by the President, from time to time in accordance with the Articles of Association of the company.

3. The payment of TA/DA and sitting fees to these Directors for attending meetings of the Board of Directors shall be in accordance with the instructions on the subject issued by the Bureau of Public Enterprises, Ministry of Finance.

(BPE O.M. No. 18(6)/84-GM dated 3rd January, 1985)