

**GOVERNMENT OF INDIA  
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES  
LOK SABHA**

STARRED QUESTION NO:325

ANSWERED ON:02.12.2010

INDEPENDENT DIRECTORS IN CPSES

Bajirao Shri Patil Padamsinha ;Krishnaswamy Shri M.

**Will the Minister of HEAVY INDUSTRIES AND PUBLIC ENTERPRISES be pleased to state:**

- (a) whether the Securities and Exchange Board of India (SEBI) has laid down any stipulations regarding the number of independent directors required for the Central Public Sector Enterprises (CPSEs);
- (b) if so, the details thereof;
- (c) whether a number of CPSEs do not have the required number of independent directors;
- (d) if so, the details thereof and the reasons therefore; and
- (e) the action taken in this regard?

**Answer**

THE MINISTER OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES (SHRI VILASRAO DESHMUKH)

(a) to (e): A statement is laid on the Table of the House.

Statement referred to in reply to Lok Sabha Starred Question No. 325 for answer on 2.12.2010 regarding Independent Directors in CPSEs

(a) and (b) : As per the Clause 49 of the Equity Listing Agreement of Securities & Exchange Board of India (SEBI), all the listed entities including listed Central Public Sector Enterprises (CPSEs) are required to appoint requisite number of independent directors in their Board. Where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors and in case he is an executive director, at least half of the Board should comprise of independent directors. Further, where the non-executive Chairman is a promoter of the company or is related to any promoter or person occupying management positions at the Board level or at one level below the Board, at least one-half of the Board of the company shall consist of independent directors.

(c) and (d) : Of the 47 listed CPSEs, 23 CPSEs do not have required number of Independent Directors as per Clause 49 (I) (A) of Equity Listing Agreement, which specifies the composition of the Board for the listed companies. The list of these 23 CPSEs is annexed. The main reason for delay in appointment of requisite number of Independent Directors on the Boards of these 23 CPSEs is the non-initiation of the proposals for appointment of Independent Directors by the concerned Administrative Ministries/Departments in time.

(e) : The Administrative Ministries/Departments have already been advised to submit the proposals for appointment of non-official Directors at least six months in advance of the date of occurrence of the vacancies. The Government has issued Guidelines on Corporate Governance for CPSEs which require mandatory appointment of requisite number of Independent Directors on the Boards of CPSEs. Further, a proposal providing for definite time-frame for the processes involved in selection and appointment of Independent Directors on the Boards of CPSEs has recently been approved by the Government.