

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

UNSTARRED QUESTION NO:105
ANSWERED ON:22.11.2012
INDEPENDENT DIRECTORS FOR PSES
Shankar Alias Kushal Tiwari Shri Bhisma

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

- (a) whether the Securities and Exchange Board of India (SEBI) has stipulated certain conditions regarding required number of independent directors for Central Public Sector Enterprises(CPSEs);
- (b) if so, the details thereof;
- (c) whether the Government is aware that various CPSEs do not have required number of independent directors;
- (d) if so, the details thereof and the reasons therefor; and
- (e) the steps taken by the Government in this regard?

Answer

THE MINISTER OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES (SHRI PRAFUL PATEL)

(a) and (b) : As per the Clause 49 of the Equity Listing Agreement, all the listed entities including listed Central Public Sector Enterprises (CPSEs) are required to appoint requisite number of Independent Directors on their Boards. 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): As per available information(forthe quarter ended 30.9.2012), 25 listed CPSEs have not complied with Clause 49 (I) (A) of Equity Listing Agreement, which specifies the composition of the Board for the listed companies. The list of these 25 CPSEs is annexed. The main reason for delay in appointment of requisite number of Independent Directors on the Boards of these 25 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 Independent 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. The Department of Public Enterprises held interaction meetings with senior officials of all administrative Ministries requesting them to take immediate steps to fill vacant positions of non-official Directors on the Boards of CPSEs under their respective administrative control.