

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**RAJYA SABHA
UNSTARRED QUESTION NO. 185
ANSWERED ON TUESDAY, THE 26th APRIL, 2015**

APPOINTMENT OF NOMINEE DIRECTORS ON PSU BOARDS

QUESTION

185. SHRI VIJAY JAWAHARLAL DARDA:

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether it is a fact that Government appoints officers of the Ministry as its Nominee Directors on the Boards of the PSU;
- (b) if so, what is the procedure of selecting and appointing such Nominee Directors on the Board;
- (c) whether it is a fact that as per the Act, in the procedure prescribed for the selection and appointment of Directors, the Board has to have pre-eminence and not Government;
- (d) if so, whether Government will consider aligning the selection procedure as per the Act; and
- (e) whether the responsibilities and duties of Nominee Directors are same as other Directors?

ANSWER

THE MINISTER OF CORPORATE AFFAIRS

(SHRI ARUN JAITLEY)

(a) to (b):- The Boards of Central Public Sector Enterprises (CPSEs) comprises of functional, government and non-official Directors. The composition of Boards includes the Government Directors who are nominated from the concerned Administrative Ministry or other concerned Government agencies/Ministries/State Governments. It has also been provided that the choice of the Nominee Director would vest with the administrative Ministry.

(c) to (d):- Section 52 (2) of the Companies Act, 2013 requires that appointment of directors shall be made in the general meeting and is applicable to all the companies. Further, Section 178 (2), (3) and (4) of the Companies Act, 2013 provides for the role of Nomination and Remuneration Committee in identifying persons who are qualified to become directors in accordance with laid down criteria, recommending to the Board appointment of Directors, formulating the criteria for determining qualifications, positive attributes and independence of a Director. However, these provisions are not applicable to Government companies as prescribed vide Ministry of Corporate Affairs notification dated 5th June, 2015.

(e):- A non-executive director including a nominee director shall be held liable only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board Processes, and with his consent or connivance or where he had not acted diligently.
