

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
LOK SABHA
UNSTARRED QUESTION NO. 1059
ANSWERED ON FRIDAY, DECEMBER 04, 2015/
AGRAHAYANA 13, 1937 (SAKA)**

INDEPENDENT DIRECTORS

QUESTION

1059. SHRI VIRENDER KASHYAP:

DR. C. GOPALAKRISHNAN:

**Will the Minister of CORPORATE AFFAIRS
be pleased to state:**

कारपोरेट कार्य मंत्री

- (a) the criteria laid down for the appointment of independent director in the company including Public Sector Undertakings (PSUs);**
- (b) whether the Government is aware that number of companies including PSUs have not appointed women directors in its board;**
- (c) if so, the details thereof and the reasons therefor along with steps taken by the Government in this regard;**
- (d) whether the Government has issued any direction to the listed companies to nominate persons belongs to SC/ST as Director in its board, if so, the details thereof; and**
- (e) the steps taken/being taken by the Government to ensure appointment of women directors on listed companies board?**

ANSWER

THE MINISTER OF CORPORATE AFFAIRS

कारपोरेट कार्य मंत्री

(SHRI ARUN JAITLEY)

(श्री अरुण जेटली)

(a):- Section 149(4) provides that every listed company shall have atleast 1/3rd of total number of directors as independent directors. Clause 49(II) of Listing Agreement further requires that in case the listed company does not have a regular non-executive Chairman, at least half of the Board should comprise Independent Directors. Further, where the regular 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.

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Rule 4 of Companies (Appointment and Qualification of Directors) Rules, 2014 prescribe that unlisted public companies having a paid up capital of Rs. 10 crores OR more, OR turnover of Rs. 100 crores or more, OR having outstanding loans, debentures and deposits exceeding Rs. 50 crores, should have atleast two independent directors. However, if the audit committee constitution requires a higher number, then such higher number of independent directors shall be appointed. These provisions are applicable to Public Sector Undertakings (PSUs) also.

Section 149 (6) read with Rule 5 of Companies (Appointment and Qualification of Directors) Rules, 2014 prescribes the qualifications etc. for an Independent Director. In addition, Department of Public Enterprises has prescribed criteria for selection/appointment of non-official Directors on the Board of CPSEs as per Annexure-I.

(b), (c) and (e):- Yes. The number of companies, category wise, which have not appointed woman directors are as follows:-

(i) listed companies including listed PSUs:- 1707

(ii) unlisted companies including unlisted PSUs:- 329

SEBI had prescribed fines on listed companies (other than PSUs) between Rs. 50,000 and Rs. 1,42,000 depending upon period of default from 1st April, 2015 to 1st October, 2015. Additionally, a per day fine of Rs. 5,000 is being imposed for continued violation after 1st October, 2015. SEBI had requested Government to advise the concerned administrative Ministries to take appropriate steps for ensuring compliance by defaulting listed PSUs. Prosecution has been launched against 121 defaulting unlisted companies(other than PSUs).

(d):- No.

Criteria for selection/appointment of non-official Directors on the Boards of CPSEs as laid down by the Government.

(A) Criteria of Experience

- (i) **Retired Government officials with a minimum of 10 years experience at Joint Secretary level or above.**
- (ii) **Persons who have retired as CMD/CEOs of CPSEs and Functional Directors of the Schedule 'A CPSEs. The ex-Chief Executives and ex-Functional Directors of the CPSEs will not be considered for appointment as non-official Director on the Board of the CPSE from which they retire. Serving Chief Executives/Directors of CPSEs will not be eligible to be considered for appointment as non-official Directors on the Boards of any CPSEs.**
- (iii) **Academicians/Directors of Institutes/Heads of Department and Professors having more than 10 years teaching or research experience in the relevant domain e.g. management, finance, marketing, technology, human resources, or law.**
- (iv) **Professionals of repute having more than 15 years of relevant domain experience in fields relevant to the company's area of operation.**
- (v) **Former CEOs of private companies if the company is (a) listed on the Stock Exchanges or (b) unlisted but profit making and having an annual turnover of at least Rs.250 crore.**
- (vi) **Persons of eminence with proven track record from Industry, Business or Agriculture or Management.**
- (vii) **Serving CEOs and Directors of private companies listed on the Stock Exchanges may also be considered for appointment as part-time nonofficial Directors on the Boards of CPSEs in exceptional circumstances.**

(B) Criteria of Educational Qualification

Minimum graduate degree from a recognized university.

(C) Criteria of Age

The age band should be between 45-65 years (minimum/maximum limit). This could, however, be relaxed for eminent professionals, for reasons to be recorded, being limited to 70 years.

(D) Reappointment

The non-official Directors, will not be re-appointed in the same CPSE after completing a maximum of two tenures, each tenure being for a period of three years.

(E) Appointment in number of CPSEs at the same time

One person will not be appointed as non-official Director on the Boards of more than three CPSEs at the same time.

(F) Directorship in private companies

A person being considered for appointment as non-official Director on the Board of CPSEs should not hold directorship in more than 10 private companies.
