

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
STARRED QUESTION NO. 403
ANSWERED ON FRIDAY, THE 23rd MARCH, 2018/
CHAITRA 2, 1940 (SAKA)**

DUTIES OF INDEPENDENT DIRECTORS

QUESTION

***403. DR. KAMBHAMPATI HARIBABU:**

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

कारपोरेट कार्य मंत्री

- (a) whether the independent directors appointed by the Government on the Boards of various Public Sector Undertakings (PSUs) are more accountable for the good and bad deeds of the companies;**
- (b) if so, the details of the roles and responsibilities of independent directors appointed on PSUs;**
- (c) whether any mechanism is in place to check the duties of the independent directors and if so, the details thereof; and**
- (d) the number of independent directors who have been punished for dereliction of duties during the last five years, PSU-wise?**

ANSWER

**THE MINISTER OF CORPORATE AFFAIRS
कारपोरेट कार्य मंत्री**

**(SHRI ARUN JAITLEY)
(श्री अरुण जेटली)**

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

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF THE STARRED QUESTION NO. 403 FOR ANSWER IN LOK SABHA ON 23.03.2018

(a) to (d):- (i) The role and responsibilities of Independent Directors (IDs) are laid down in Section 149, 177, 178 and 135 read with Schedule IV of the Companies Act, 2013 (the Act) and are aimed at improving the corporate governance standards in the companies. The functions of independent directors, inter-alia, include to bring independent judgment and value addition to the decision making process of the board and its committees; evaluate the performance of board or management; safeguard the interest of all stakeholders including minority shareholders etc. The decisions of Board of Directors of a company are taken collectively and all the directors are accountable for decisions with regard to functioning of the company.

(ii) Since IDs are not involved in day to day functioning of the companies, provisions of Section 149 (12) of the Act provide that an ID 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 process, and with his consent or connivance or where he had not acted diligently.

(iii) Pursuant to provisions of section 134(3)(p) of the Act listed and bigger unlisted public companies are required to disclose, in their Board's report, a statement indicating the manner in which formal annual evaluation has been made by Board of its own performance and that of its committees and individual directors. In case of Government companies, these provisions do not apply in case the directors are evaluated by the Ministry or Department of the Central Government which is administratively in charge of the company, or, as the case may be, the State Government, as per its own methodology.

(iv) It has been stated by the Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises that no independent director of Public Sector Undertakings (PSUs) has been punished for dereliction of duties under the Companies Act during the last three years.
