

F. No. 18(11)/2016-MGMT  
Government of India  
Ministry of Heavy Industries & Public Enterprises  
Department of Public Enterprises

Block No. 14, CGO Complex,  
Lodi Road, New Delhi  
Dated 24<sup>th</sup> January, 2020

**OFFICE MEMORANDUM**

Subject : Role of Government Directors on the Boards of Central Public Sector Enterprises (CPSEs)

The undersigned is directed to refer to this Department's O.M. No. 18(24)/2003-GM dated 4<sup>th</sup> December, 2003 on the subject mentioned above and to state that the guidelines relating to the role of Government Directors on the Boards of CPSEs stand revised as under on the basis of consultations with various stakeholders:

2. The dual role of a Government Director should be clearly recognised i.e. as a Director of the company and representative of the Government. As Director of the company, they are bound to exercise due diligence and act in the best interest of the company while keeping in view the provisions of the Companies Act 2013. The Government being the major shareholder in CPSEs, the other role is to act as representative of the Government of India to protect its interest.

3. The Government Directors, therefore, in addition to functioning in the best interests of the company in which they have been appointed as a Director, are expected to:

- Safeguard the interest of the Government of India in the company in which they are nominated as Director in view of the shareholding/investment held.
- Take formal instructions from the Government on critical issues and to voice them in the meetings of the Board of the company.
- Provide timely feedback on decisions taken by the company to their nominating administrative Ministry/Department/organization.
- Act as a liaison and channel of communication between the Government and the CPSE.

4. Further, in respect of the issues having substantial financial and other consequences to the Government (a) as a shareholder and (b) on the policies of Government arising in the Board meetings, the Government Director should escalate such issues to the concerned administrative Ministry or the Ministry concerned with the issue, take their advice to formally prepare a view point of the Ministry and present the same in the Board of Directors meeting and also get it recorded in the Minutes. The Government Director should also regularly sensitize the Board about the relevant Government Guidelines (including DPE Guidelines) and compliance of the same.

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5. The concerned administrative Ministry/Department shall identify as to what constitutes 'issues having substantial financial and other consequences to the Government' or 'critical/policy issues' in the context of this guideline. The issues such as disposal of immovable assets, decision on dividend/bonus shares, leveraging Government equity for raising loans beyond sectoral norms, incurring capital expenditure beyond delegated powers, foreign collaboration, diversification into new business area, Joint Ventures, mergers and acquisitions, etc. may be considered for inclusion while forming SOP/instructions by the administrative Ministry/Department for Government Directors of CPSEs under their control. However, these issues may not be considered as exhaustive and each administrative Ministry should prepare its list of issues for the CPSEs under its administrative control for guidance of the Government Director.

6. Besides, if the Board of a CPSE decides contrary to the Government policy, the Government Director should voice the concern of the Government and get his/her dissent or disagreement recorded in the Minutes of the Board meeting and report the same to the Ministry/Department. The Government Director shall quarterly submit a report on the issues deliberated by the Board, which in his/her view merit attention of the Government and raise alerts when things are not happening as expected in the company.

7. All administrative Ministries/Departments are requested to take note of the above revised instructions and bring the same to the notice of all concerned including the Government Directors for information and compliance.



(Lokesh Bajpai)  
Director

Tel : 2436-0218

To Secretaries of all administrative Ministries/Departments (by name)

Copy to :-

- (i) Central Vigilance Commission (Shri Anindo Majumdar, Secretary), Central Vigilance Commission, Satkarta Bhavan, GPO Complex, Block 'A', INA, New Delhi - 110 023 - w.r.t. letter No. 019/MSD/002/444056 dated 9<sup>th</sup> January, 2020
- (ii) Prime Minister's Office (Shri Saurabh Shukla, Director), South Block, New Delhi - w.r.t. PMO ID No. 260/31/c/79/2018-FE dated 20<sup>th</sup> December, 2019
- (iii) Department of Personnel & Training, (Dr. C. Chandramouli, Secretary), North Block, New Delhi.
- (iv) Cabinet Secretariat, (Shri Sibi Chakkravarthy M, Deputy Secretary), Rashtrapati Bhavan, New Delhi.

Copy also to :-

- (i) PS to Hon'ble Minister (HI & PE)
- (ii) PS to Hon'ble Minister of State (HI & PE)
- (iii) PPS to Secretary (PE)
- (iv) PPS to AS & FA (HI & PE)

✓ (v) NIC, DPE - with a request to upload the guideline on DPE website