

F. No. PD-18/0001/2026-PD
Government of India
Ministry of Finance
Department of Public Enterprises
(Policy Division)

Public Enterprises Bhawan,
Block No.14, C.G.O Complex
Lodhi Road, New Delhi-110003
Dated: 16th June, 2026

OFFICE MEMORANDUM

Subject: - Consolidated guidelines on the 'matter relating to Boards of Directors' -reg.

The undersigned is directed to refer to the Guidelines issued by Policy Division from time to time on the 'matter relating to Boards of Directors' and to inform that these guidelines have been consolidated and enclosed for ease of reference.

2. This issues with the approval of Secretary, DPE.

Encl. as above


(Neeraj Verma)
Deputy Director
Tel. 011-24364192

To,

Administrative Ministries/Departments
of all the CPSEs

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OFFICE MEMORANDUM

Subject Consolidated Guidelines on the matter relating to Boards of Directors-reg

Reference:

1. **18(11)/2016-MGMT dated 24.01.2020**
2. **9(23)/2014-MGMT dated 16.12.2019**
3. **18(26)/2004-GM dated 14.11.2018**
4. **18(23)/98-GM dated 15.09.2009**
5. **18(26)/2004-GM dated 20.07.2009**
6. **18(23)/2005-GM dated 16.04.2009**
7. **18(23)/2005-GM dated 16th October, 2008)**
8. **18(23)/2005-GM-GL-087 dated 25th October, 2007)**
9. **18(2)/96-GM-G,-81 dated 16.05.2007**
10. **18(6)/98-GMGL-72 dated 20.10.2005**

The Department of Public Enterprises had earlier issued Ten above referred guidelines on Matter related to Boards of Directors. These guidelines have now been consolidated as under for ease of reference:

1. **18(11)/2016-MGMT dated 24.01.2020**

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

The undersigned is directed to refer to this Department's a.M. No. 18(24)/2003-GM dated 4th 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.

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.

18(11)/2016-MGMT dated 24.01.2020

2. 9(23)/2014-MGMT dated 16.12.2019

Subject: Payment of sitting fees and other facilities to Independent (non-official) Directors of Central Public Sector Enterprises (CPSEs)

The undersigned is directed to state that the Government has reviewed the above matter and following guiding principles are prescribed in this regard.

- i. The Boards of Maharatna, Navratna and profit making CPSEs may fix the sitting fees for their Independent Directors within the ceiling prescribed by Ministry of Corporate Affairs.
- ii. In respect of other CPSEs, the Boards of such CPSEs may fix the sitting fees for their Independent Directors in consultation with the administrative Ministry/Department concerned within the ceiling prescribed by Ministry of Corporate Affairs.
- iii. The CPSEs which have made net profit for last three years continuously and have positive net worth will be considered as 'profit making CPSEs' for the purpose of the dispensation at para (i) above.
- iv. The specific dispensation for Maharatna, Navratna and profit making CPSEs shall stand automatically. withdrawn in the event of the CPSE failing to fulfill the requirement of continuous profitability and positive net worth as prescribed in para (iii) above and in such cases the sitting fees for the Independent Directors may be fixed as per procedure in para (ii) above.

(v) The Boards of CPSEs while fixing the sitting fees for their Independent Directors may consider the sitting fees fixed by peer CPSEs in similar category, e.g., Maharatna, Navratna, etc.

(vi) The concerned administrative Ministry/Department may also ensure compliance of Section 197(5) of the Companies Act, 2013 with regard to sitting fees to be mandated by the Boards of concerned CPSES.

(vii) The CPSES will explore other permissible digital modes for participation of Independent Directors in Board/Board Committee meetings. Existing constitution of Board Committees would also be reviewed to reduce the number of members to the minimum prescribed level.

2. All Ministries/Departments are requested to bring the above guiding principles to the notice of CPSEs in their administrative jurisdiction for information and compliance

9(23)/2014-MGMT dated 16.12.2019

3. 18(26)/2004-GM dated 14.11.2018

Subject- Selection through Search-cum-Selection Committee mode instead of the standard PESB route in Central Public Sector Enterprises (CPSEs) .

The undersigned is directed to invite a reference to the Department of Personnel & Training a.M. No. 27(8)EO/2014(ACC) dated 1ih February, 2015 regarding constitution of a Search-cum-Selection Committee for selection to Board level posts in CPSEs. It is stated that the competent authority has approved the following:

"Prior concurrence of OPE and PESB in order to fill up a board level post by the Search-cum-Selection Committee mode instead of the standard PESB route to be dispensed with. Such proposals for exemption may be considered directly by the ACC without routing them through OPE and/or PESB, provided that the concerned administrative Ministry records the reasons in writing with the approval of the Minister-incharge, as to why such exemption is being proposed'.

2. All administrative Ministries/Departments are requested to take note of the above instructions for information and compliance.

18(26)/2004-GM dated 14.11.2018

4. 18(23)/98-GM dated 15.09.2009

Subject: Extension/non-extension of the term of appointment of Chief Executives/Functional Directors beyond the term of appointment approved by the Appointments Committee of the Cabinet (ACC).

The undersigned is directed to refer to the Cabinet Secretariat's instructions dated 10.12.1986 (copy enclosed) on the subject mentioned above laying down the procedure for processing the proposals in this regard.

2. The competent authority has further approved that the administrative Ministry/Department should simultaneously process for CVC clearance and Joint Appraisal by PESB so that CVC comments are available by the time recommendation of Joint Appraisal is received by the Ministry/Department thereby, avoiding delays on account of non-availability of vigilance clearance.

1. All administrative Ministries/Departments are requested take note of the above decision and to take immediate steps to comply with the directions of ACC.

18(23)/98-GM dated 15.09.2009

5. 18(26)/2004-GM dated 20.07.2009

Subject: Procedure for selection to Board level posts in Central Public Sector Enterprises (CPSEs) - obtaining CVC clearance regarding.

The undersigned is directed to refer Ministry of Personnel, PG & Pensions, Department of Personnel & Training O.M. No.27(12)EO/94(ACC) dated 30th July, 1999 laying down the guidelines for processing cases of Board level appointments in CPSEs.

2. The Competent Authority has since approved a revised procedure for obtaining CVC clearance in favour of candidates recommended by the Public Enterprises Selection Board (PES B) for Board level appointments in Public Sector Undertakings (PSUs) so as to reduce delays. The revised procedure would be as given below:

(i) The screened in candidates, called for the interview by the PESB, would submit personal details and details about their postings - during the preceding 10 years, to the PESB. (Prescribed format enclosed at Annex).

(ii) PESB would send the personal details [as in (i) above], of the selected candidates, to the CVC, alongwith its recommendations.

(iii) evc would then collect the requisite details directly from CVOs of the organization where the selected candidate has worked in the preceding 10 years period.

(iv) Based on reports from CVOs concerned and other agencies, the CVC would grant its clearance or otherwise within 15 days of the receipt of PESB recommendation as prescribed vide this office O.M. No.27(12)EO/94(ACC) dated 30.7.1999.

3. The Public Enterprises Selection Board and Central Vigilance Commission are requested take note of the above decision and take

necessary step's to implement the revised procedure with immediate effect.

18(26)/2004-GM dated 20.07.2009

6. 18(23)/2005-GM dated 16.04.2009

Assignment of additional charge of the posts of CMD/MD/Functional Directors of subsidiary Companies.

The undersigned is directed to refer to the Department of Personnel & Training (DOPT) O.M. No. 26(3)EO/2004(ACC) dated 17.8.2005 wherein detailed guidelines regarding procedure to be observed for Board level appointments were issued and were reiterated vide this Department's O.M. of even number dated 27th September, 2005.

2. The Appointments Committee of the Cabinet (ACC) has further directed to adhere to the following guidelines in this regard:-

"The power to approve additional charge in the Central Public Sector Undertakings upto a period of three months has been delegated to the Minister-in-charge, and for the next three months, to the MOS (PP) vide this Department's OM No.26(3)EO/2004(ACC) dated 17.8.2005, subject to the condition that the person should be clear from the vigilance angle. The power to approve additional charge beyond six months vests with the ACC.

The ACC has also approved that in the case of subsidiary CPSEs, the additional charge of the post of MD/CMD should be assigned to the senior most Functional Director of that subsidiary company having vigilance clearance. In case no such Functional Director is in position in the subsidiary CPSE, the additional charge of the post of MD/CMD of the subsidiary company could be automatically assigned to the CMD/ Functional Director of the holding company who is the nominee Director of the holding company on the Board of subsidiary company. However, this assignment should not result in contravention of Section 316 of the Companies Act, 1956."

7. All the administrative Ministries/Departments are requested to take note of the above guidelines for strict compliance. Receipt of this O.M. may please be acknowledged.

18(23)/2005-GM dated 16.04.2009

7. 18(2)/96-G-81 dated 16th May, 2007)

Definition of "internal candidate" for the purpose of selection for appointment to a Board level post in Central Public Sector Enterprises

As per prevailing policy for selection of top posts in Central Public Sector Enterprises (CPSEs), unless markedly better candidates are available from outside, internal candidates, employed in the public sector enterprises will be preferred for appointment to Board level posts. The definition of an internal candidate has a direct bearing on short-listing of candidates for various Board level posts in CPSEs. Government has, therefore, approved the following definition of the 'internal candidate':-

"Internal candidate is one, who is an employee of an enterprises who has put in a minimum of 2 years of continuous service in it, on the date of occurrence of vacancy, and who does not hold a lien in any other PSE/Government. An employee, who holds a lien on a post in a CPSE can also be considered as 'an internal candidate' of that enterprise provided he/she has put in a minimum of 2 years of continuous service in that enterprise, on the date of acquiring lien and the period for which he/she is away from the enterprise is not more than 5 years."

2. All the administrative Ministries/Departments are requested to kindly take note of the above decision for guidance and necessary action.

18(2)/96-G-81 dated 16th May, 2007)

18(23)/2005-GM-GL-087 dated 25th October, 2007)

Subject: Procedure to be observed for Board level appointments for CPSES requiring approval of ACC.

The undersigned is directed to refer to this Department's O.M. of even number dated 27th September, 2005 on the subject mentioned above. In para 4 of the aforesaid OM powers for entrusting additional charge arrangements in all scheduled PSEs have been delegated to the respective Ministries subject to certain conditions.

2 The issue relating to requirement of fresh vigilance clearances for extension of additional charge arrangements in respect of Board level posts in Central Public Sector Enterprises (CPSEs) has been considered by the Government in consultation with Central Vigilance Commission and the following further guidelines have been approved:-

(a) for additional charge of Board level positions in PSUs, for an initial period of up to three months, clearance from the CVO would suffice;

(b) for continuation of the additional charge arrangements, beyond three months, clearance from CVC would be required; and

(c) fresh CVC clearance would be required, if the arrangements continue, beyond one year.

(d) In the cases where additional charge is assigned to either a functionary of another PSU, or an officer from a Ministry, clearance from the CVO would not suffice, and CVC clearance would be necessary.

3. All the administrative Ministries/Departments are requested to take note of the above guidelines for strict compliance. Receipt of this O.M. may be acknowledged.

18(23)/2005-GM-GL-087 dated 25th October, 2007)

8. No. 18(23)/2005-GM dated 16th October, 2008)

Subject: Procedure to be observed for Board level appointments for CPSES requiring approval of ACC.

The undersigned is directed to refer to this Department's O.M. of even number dated 25th October, 2007 on the subject mentioned above wherein the following guidelines on vigilance clearance for entrusting additional charge arrangements in respect of Board level posts in CPSEs had been stipulated.

(a) for additional charge of Board level positions in PSUs, for an initial period of up to three months, clearance from the CVO would suffice;

(b) for continuation of the additional charge arrangements, beyond three months, clearance from CVC would be required; and

(c) fresh CVC clearance would be required, if the arrangements continue, beyond one year.

(d) In the cases where additional charge is assigned to either a functionary of another PSU, or an officer from a Ministry, clearance from the CVO would not suffice, and CVC clearance would be necessary.

2 The issue relating to seeking vigilance clearance in favour of Board level functionaries who are proposed to be entrusted with some additional charge(s) within the same organization or in another organization under the same administrative Ministry/Department has been further considered by the Government in consultation with Central Vigilance Commission and it has been decided that henceforth in such cases clearance from the Commission is not required to be sought for the purpose of additional charge arrangements in respect of Board-level functionaries in PSUs, unless the Department concerned has material in their possession on the basis of which it has reason to believe that vigilance status has changed since the incumbent was last cleared for Board level appointment. The clearance from CVO would continue to be required as stipulated in the foregoing paragraph.

3. The earlier instructions, as mentioned in para 1 above would continue to apply in cases where the Functional Director of a CPSE or an officer from the Ministry is proposed to be given additional charge of MD/CMD of the CPSES.

4. All the administrative Ministries/Departments are requested to take note of the above guidelines for strict compliance. Receipt of this O.M. may please be acknowledged.

No. 18(23)/2005-GM dated 16th October, 2008)

9. 18(23)/2005-GM-GL-087 dated 25th October, 2007)

Subject: Procedure to be observed for Board level appointments for CPSES requiring approval of ACC.

The undersigned is directed to refer to this Department's O.M. of even number dated 27th September, 2005 on the subject mentioned above. In para 4 of the aforesaid OM powers for entrusting additional charge arrangements in all scheduled PSEs have been delegated to the respective Ministries subject to certain conditions.

2 The issue relating to requirement of fresh vigilance clearances for extension of additional charge arrangements in respect of Board level posts in Central Public Sector Enterprises (CPSEs) has been considered by the Government in consultation with Central Vigilance Commission and the following further guidelines have been approved:-

(a) for additional charge of Board level positions in PSUs, for an initial period of up to three months, clearance from the CVO would suffice;

(b) for continuation of the additional charge arrangements, beyond three months, clearance from CVC would be required; and

(c) fresh CVC clearance would be required, if the arrangements continue, beyond one year.

(d) In the cases where additional charge is assigned to either a functionary of another PSU, or an officer from a Ministry, clearance from the CVO would not suffice, and CVC clearance would be necessary.

3. All the administrative Ministries/Departments are requested to take note of the above guidelines for strict compliance. Receipt of this O.M. may be acknowledged.

No. 18(23)/2005-GM-GL-087 dated 25th October, 2007)

10. **18(6)/98-GMGL-72 dated 20.10.2005**

Subject: Cut-off age for Board level appointments in Central Public Sector Enterprises

The undersigned is directed to refer to this Department's OM of even number dated 3.2.1999 and OM No.18(10)/99-GMGL-33 dated 22.8.2001 on the subject mentioned above wherein the decision of the Government that candidates for interview by PESB for Board level appointments in PSEs should not exceed 58 years of age where the age of retirement is 60 and 56 years in the cases where age of retirement is 58 years.

2. The Government has further considered the matter and, in modification to the above mentioned OMs, has decided as under :-

(i) The cut-off age for external candidates for consideration for Board level posts in Public Sector Enterprises should be a minimum of three years service left (on the date of occurrence of vacancy) with reference to superannuation age applicable in the PSE against which the candidate is being considered, and

(ii) For internal candidates, the residual service condition would continue to be two years.

3. All the administrative Ministries/Departments are requested to kindly take note of the above decision for guidance and necessary action.

18(6)/98-GMGL-72 dated 20.10.2005
