



PLANNING AND ECONOMIC AFFAIRS (BPE) DEPARTMENT

**G.o.Ms.No. 81/86/Plg., dated, Thiruvananthapuram,
16th December 1986**

Abstract. - Composition of Board of Directors of Public Sector Undertakings.

ORDER

The Board of Directors is responsible for the proper management of an undertaking in accordance with its objectives. All matters relating to the undertaking except those which are to be specifically decided at the Annual General Meeting as per the Act or those to be referred to Government are decided by the Board. The Chief Executives/Functional Directors etc. Work under the overall control and guidance of the efficient management of an undertaking.

In the absence of common guidelines relating to the composition of the Boards of the Public Sector Undertakings or regarding the number of Directors, the Composition and the strength of the Board varies widely from one undertaking to another. The need for the proper constitution of the Boards of the Public Sector Undertakings was discussed by the conference that Government should issue guidelines fixing the number of Directors and the Composition of the Board. The public Enterprises Board made detailed recommendations to Government in this regard. The High Level Committee on Industry constituted by the State Planning Board also stressed the importance of proper constitution of the Boards in Public Sector Undertakings.

Having considered the above recommendations, Government are pleased to issue the following guidelines for the constitution of the Boards of Directors of Public Sector Undertakings (Directors Boards of Statutory Bodies set up under separate Acts will however be governed by such Acts these guidelines will not apply to them):-

- (1) The Number of Directors may be between 7 and 11.
- (2) It is advisable to have two or three Functional Directors in the areas of Production, Finance, Marketing etc. in major under takings. This may be done having regard to the size need of each undertaking.
- (3) It is advisable to have a Chairman-cum-Managing Directors, but the actual arrangement may depend on the merits and circumstances of each case.
- (4) Government Directors may be at least two in number, one each from the administrative and Finance Departments. Representation may be also be given to the concerned executive department of the Government dealing with the activities of the Undertakings.
- (5) Two or three outside part-time Directors may be nominated for which a panel may be prepared by the Public Enterprises Board.
- (6) The experiment of worker Directors whenever they are now in experience may continue and may be improved by training them and by providing foe longer duration of membership.
- (7) Directors representing financing institutions when appointed will be in additions to be above.

The Commissioners and Secretaries/Secretaries are requested to take appropriate action to implement the guidelines in respect of the Public Sector Undertakings under their control. The Articles of Association may be amended suitably, whenever necessary in due course.

A copy of the Orders reconstituting Boards of Directors along the above lines may be furnished to the Public Enterprises Board.

(By order of the Governor)

S. PADMAKUMAR