

**CHAPTER 3****Corporate Governance****3.1 Corporate Governance**

Corporate Governance is a system of structuring, operating and controlling an organisation with a view to achieving long term strategic goals to satisfy the stakeholder (shareholders, employees, customers, suppliers, government and community) and complying with the legal and regulatory requirements. Corporate Governance is a way of directing and controlling companies. It is concerned with the morals, ethics, values, parameters, conduct and behaviour of the company and management. It is the system by which companies are directed and controlled by the management in the best interests of the shareholders and other stakeholders ensuring greater transparency and better timely financial reporting. The absence of good governance structures and lack of adherence to the governance principles increases the risk of corruption and misuse of entrusted power by the management in public sector.

**3.1.1 Corporate Governance in India**

The direction of Corporate Governance initiatives in India has been dictated mainly by the Companies Act, 1956, Securities and Exchange Board of India (SEBI) and Department of Public Enterprises (DPE). While the various amendments to the Companies Act, 1956 gave the governance direction to the companies in the country as a whole, the DPE had issued guidelines on Corporate Governance for CPSEs providing the path for governance initiatives in the public sector.

**3.1.2 DPE guidelines on Corporate Governance for Central Public Sector Undertakings**

The DPE issued guidelines on Corporate Governance in November 1992 on the inclusion of non – official directors on the Board of Directors. DPE issued further guidelines in November, 2001 providing for inclusion of independent directors on the Board of Directors. To bring in more transparency and accountability in the functioning of CPSEs, the government in June, 2007 introduced the guidelines on Corporate Governance for CPSEs. These guidelines were voluntary in nature. These guidelines were implemented for an experimental period of one year. On the basis of the experience gained during this period, it was decided to modify and reissue the DPE guidelines in May, 2010. These guidelines have been made mandatory and applicable to all CPSEs. The guidelines issued by DPE covered the areas of composition of Board of Directors, composition and functions of Board committees like Audit Committee, Remuneration committee, details on subsidiary companies, disclosures, reports and the schedules for implementation. All references to DPE guidelines in this chapter refer to the DPE guidelines issued in May, 2010 which are mandatory to all CPSEs. DPE has also incorporated Corporate Governance as a performance parameter in the MoUs of all CPSEs. In addition, DPE issued (July 2014) revised guidelines for grading the CPSEs on Corporate Governance, according to which DPE exempted following classes of companies from compliance with the guidelines on Corporate Governance 2013-14 i.e. (a) Closed CPSEs, (b) CPSE under liquidation, (c) CPSE not

undertaking business, and (d) CPSE constituted as SPV. Further, DPE conveyed (February 2015) that deviation from Corporate Governance guidelines would attract negative marking in the performance evaluation of CPSEs under Memorandum of Understanding process from the fiscal year 2015-16.

### **3.1.3 Provisions of the Companies Act, 1956 with regard to Corporate Governance**

The Companies Act, 1956 does not have any direct provisions regarding Corporate Governance but different provisions of the Companies Act, 1956 prescribe certain practices that go in building a robust corporate governance structure. Some of the provisions of the Companies Act, 1956 are indicated below:

- Section 217 (2AA) made applicable with effect from December, 2000 provides for Directors' Responsibility Statement as part of the Board's Report indicating that the applicable Accounting Standards have been followed in the preparation of the accounts and reporting the material departures therefrom, that the companies follow their accounting policies consistently and that all the accounting records are maintained as per the requirements of the Companies Act, 1956.
- Section 292A made applicable with effect from December, 2000 provides for the constitution of Audit Committee as a Committee of the Board in every public limited company having a paid up capital of not less than ₹ 5 crore. The terms of reference of the Audit Committee include all matters related to financial reporting process, internal control and risk management system of the company, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.
- Section 299 requires every director of a company to make disclosure, at the Board meeting, of the nature of his concern or interest in a contract or arrangement (present or proposed) entered by or on behalf of the company. The company is also required to record such transactions in the Register of Contract under Section 301.

For the period beginning 1 April 2014, the above provisions have been replaced by the sections 134, 177 and 184 respectively of new Companies Act, 2013. However, as the present report covers the period upto 31 March 2014, the status of compliance of rules and provisions of Companies Act, 2013 has not been commented upon in this report.

### **3.1.4 SEBI guidelines on Corporate Governance**

The Securities and Exchange Board of India (SEBI) vide its circular dated 21 February 2000 introduced a new clause 49 in the Listing agreement. Clause 49 of the Listing Agreement was amended in October 2004 and the revised clause was made effective from 1 January 2006. Clause 49 of the listing agreement provides for the composition of the Board of Directors, the remuneration of the non-executive directors, composition and functions of the Audit Committee, role of the Board of Directors and Audit Committee of a holding company vis-à-vis the subsidiary, Disclosures and Compliance reports among other things.

### **3.1.5 Review of compliance by selected CPSEs of the Corporate Governance provisions**

As on 31 March 2014, there were 544 CPSEs under the audit jurisdiction of the Comptroller and Auditor General of India. These included 377 government companies, 161 deemed government companies and six statutory corporations. Majority of these CPSEs, including Maharatnas, Navratnas and Miniratnas are earning profit and have improved their financial performance over the years. In the context of the policy of the government to grant more autonomy to the CPSEs, Corporate Governance has become even more important. Under the Maharatna Scheme,

CPSEs are expected to expand international operations and become global giants, for which effective Corporate Governance is imperative.

For the purpose of the review, an assessment framework was prepared based on the provisions contained in the Companies Act, 1956, guidelines issued by the SEBI and DPE. The assessment framework consists of specific questions regarding the composition and functions of the Board of Directors, code of conduct of Board members, composition and the terms of reference of Audit Committees etc.

CPSEs under the Ministry of Commerce and Industry, Ministry of Mines, Ministry of Tourism, Ministry of Urban Development and Ministry of Textiles had been selected for the purpose of reviewing their adherence to the Corporate Governance provisions reflected in their assessment framework. As such, the review covered 34 (excluding closed companies and SPVs) companies under the jurisdiction of the aforesaid five ministries. The period of one year ended March, 2014 was covered in the review. A list of these companies is given in the **Appendix - XVIII**. The findings of the review are presented in the following paragraphs.

## 3.2 Board of Directors

### 3.2.1 Government Nominee Directors

DPE guidelines stipulate that Government Directors should not exceed one-sixth of the actual strength of the Board of Directors and it is preferable to have only one representative on the Board. However, in no case, they should exceed two. In the following companies, Government Directors were more than two in number:

Sl. No.	Name of the CPSE	No. of Government Nominee Directors
1	Karnataka Trade Promotion Organisation	8
2	Delhi Metro Rail Corporation Limited	9
3	National Centre for Trade Information	3
4	J & K Development Finance Corporation Limited	6
5	Aurangabad Textiles & Apparel Parks Limited	5
6	New City of Bombay Manufacturing Mill Limited	5
7	Madhya Pradesh Ashok Hotel Corporation Limited	3
8	Indian Trade Promotion Organisation	4

### 3.2.2 Independent Directors

The Board is the most significant instrument of Corporate Governance. The presence of independent representatives on the Board, capable of challenging the decisions of the management, is widely considered as a means of protecting the interests of shareholders and other stakeholders. In terms of Clause 49 (I) (A) (ii) of listing agreement and the DPE guidelines, where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors and in case he is an executive director, at least half of the Board should comprise of independent directors. The nominee directors are not considered as independent directors.

**3.2.2.1** The review of composition of the Board of Directors of the reviewed companies revealed that J&K Development Finance Corporation Limited had only one independent director as against the requirement of three independent directors on its Board.

**3.2.2.2** In respect of following CPSEs, there were no independent directors on the Board:

Sl. No.	Name of the CPSE
1	Pondicherry Ashok Hotel Corporation Limited
2	Tamil Nadu Trade Promotion Organisation
3	Jute Corporation of India Limited
4	National Jute Manufactures Corporation Limited
5	Karnataka Trade Promotion Organisation
6	Jharkand National Mineral Development Corporation Limited
7	Ranchi Ashok Bihar Hotel Corporation Limited
8	Delhi Metro Rail Corporation Limited
9	National Centre for Trade information
10	PEC Limited
11	Donyi Polo Ashok Hotel Corporation Limited
12	India United Textile Mill Limited
13	Goldmohur Design & Apparel Parks Limited
14	Apollo Design & Apparel Parks Limited
15	The Cotton Corporation of India Limited
16	National Handloom Development Corporation Limited
17	New City of Bombay Manufacturing Mills Limited
18	Madhya Pradesh Ashok Hotel Corporation Limited

### 3.2.3 Non-executive Directors on the Board

Clause 49 (I) (A) (i) of listing agreement and para 3.1.1 and 3.1.2 of DPE guidelines stipulate that the Board of Directors of the company shall have an optimum combination of executive and non-executive directors/functional and non – functional directors with not less than 50 *per cent* of the Board of Directors comprising of non-executive directors. In the following companies, the non – executive directors constituted less than 50 *per cent* of the total Board strength:

Sl. No.	Name of the CPSE	Required	Actual
1	National Jute Manufactures Corporation Limited	2	1
2	The Cotton Corporation of India Limited	3	2

### 3.2.4 Meetings of Board of Directors

DPE guidelines stipulate that the Board shall meet at least once in every three months. At least four such meetings shall be held every year and gap between two meetings shall not exceed three months. During the review, it was noticed that in the case of the following CPSEs, required numbers of four meetings were not held:

Sl. No.	Name of the CPSE	No. of meetings held
1	Tamil Nadu Trade Promotion Organisation	3
2	British India Corporation Limited	2
3	J & K Development Finance Corporation Limited	1

### 3.2.5 Information on activities and affairs of the company

DPE guidelines and clause 49 of the listing agreement have prescribed the minimum information about the activities and affairs of the company that should be furnished to the Board. Such information includes annual operating plans, budgets, quarterly results, minutes of audit committee, information on recruitment and remuneration of senior level officers just below Board level, details of joint venture, foreign exchange *etc.* In respect of the following companies, the required information was not furnished to the Board:

Sl. No.	Minimum information not furnished	Name of the CPSE
1	Quarterly results of the Company and its operating divisions or business segments;	Tamil Nadu Trade Promotion Organisation
		Ranchi Ashok Bihar Hotel Corporation Limited
		Spices Trading Corporation Limited
		Delhi Metro Rail Corporation Limited
2	Minutes of Audit Committee	Handicrafts and Handlooms Export Corporation of India Limited
3	Information on recruitment and remuneration of senior officers just below the board level including appointment or removal of Chief Financial Officer and Company	Karnataka Trade Promotion Organisation
		Delhi Metro Rail Corporation Limited
		Central Cottage Industries Corporation of India Limited
		Apollo Design & Apparel Parks Limited
		National Textile Corporation Limited

### 3.2.6 Risk Management

Enterprise risk management helps management in managing the risk and avoiding damage to the entity's reputation and associated consequences. Considering the significance of risk management in the scheme of corporate management strategies, its oversight should be one of the main responsibilities of the Board/Management. DPE guidelines emphasize that the Board should ensure the integration and alignment of the risk management system with the corporate and operational objectives and also that risk management is undertaken as a part of normal business practice and not as a separate task at set times. In respect of the following companies, risk policy is yet to be evolved:

Sl. No.	Name of the CPSE
1	Spices Trading Corporation Limited
2	Pondicherry Ashok Hotel Corporation Limited
3	Tamil Nadu Trade Promotion Organisation
4	Mineral Exploration Corporation Limited
5	Delhi Metro Rail Corporation Limited
6	India United Textile Mill Limited
7	National Textile Corporation Limited
8	New City of Bombay Manufacturing Mills Limited
9	Aurangabad Textiles & Apparel Parks Limited

### 3.2.7 Filling-up the posts of directors – functional, non-functional and independent

Timely filling up of vacancies in the posts of Directors ensures the availability of required skill and expertise in the management of the company. Any delay in filling of vacancies may hamper the effectiveness of the decision making process. In respect of following companies there was delay of 6 months or more in filling the posts of directors - functional, non-functional, independent etc., as on 31 March 2014:

Sl. No.	Name of the CPSE	Name of the post	No. of months
1	Hindustan Copper Limited	Director (Operations)	8
2	NALCO	CMD	7
		Director (Finance)	8
3	India Tourism Development Corporation Limited	Chairman	Not filled up till 31 March 2014
4	MMTC Limited	CMD	Not filled up till 31 March 2014
5	PEC Limited	Director	17
6	The State Trading Corporation of India Limited	Director (Marketing)	Not filled up till 31 March 2014
		Director (Marketing)	Not filled up till 31 March 2014
7	Central Cottage Industries Corporation of India Ltd	Independent Director	Vacant since May 2010
8	National Textile Corporation Limited	CMD	Vacant since June 2013

### 3.3 Audit Committee

**3.3.1** Clause 49 (II) (A) of listing agreement and Chapter 4 of DPE guidelines stipulate that, there shall be an Audit committee with a minimum of three directors as members of which two-thirds shall be independent Directors. However, in respect of the following companies, there was no audit committee in violation of the DPE guidelines:

Sl. No.	Name of the CPSE
1	Spices Trading Corporation Limited
2	PEC Limited
3	Central Cottage Industries Corporation of India Limited

### 3.3.2 Composition of Audit Committee

In respect of the following companies, two-thirds of the members of the Audit Committee are not Independent Directors as required:

Sl. No.	Name of the CPSE
1	British India Corporation Limited
2	Aurangabad Textiles & Apparel Parks Limited

### 3.3.3 Chairman of the Audit Committee

As per the clause II (A) (iii) of listing agreement and DPE guidelines, the Chairman of the Audit Committee shall be an independent director. In the following cases, the Chairman of the Audit Committee was not an independent director despite the presence of independent directors on the Board of the Company:

Sl. No	Name of the CPSE
1	Aurangabad Textiles & Apparel Parks Limited
2	J & K Development Finance Corporation Limited

**3.3.4** The Company Secretary did not act as the secretary to the Audit Committee in respect of following companies as required under clause 49 II (A) (vi) of listing agreement and DPE guidelines :

Sl. No.	Name of the CPSE
1	National Jute Manufactures Corporation Limited
2	New City of Bombay Manufacturing Mills Limited
3	Aurangabad Textiles & Apparel Parks Limited

### 3.3.5 Meetings of Audit Committee

Clause 49 II (B) of Listing Agreement and para 4.4 of DPE guidelines require that the Audit Committee should meet at least four times in a year and not more than four months shall elapse between two meetings. During review, it was noticed that in respect of following companies, there were less than four meetings in the year 2013-14:

Sl. No.	Name of the CPSE
1	National Jute Manufactures Corporation Limited
2	India United Textile Mill
3	Goldmohur Design & Apparel Parks
4	Apollo Design & Apparel Parks Limited
5	Handicrafts and Handlooms Export Corporation of India Limited
6	The Cotton Corporation of India Limited
7	New City of Bombay Manufacturing Mills Limited
8	British India Corporation Limited
9	Aurangabad Textiles & Apparel Parks Limited
10	J & K Development Finance Corporation Limited

**3.3.6** In violation of DPE guidelines, in the Audit Committee meeting of India Tourism Development Corporation Limited, less than two independent directors were present in three meetings which did not constitute the required quorum.

**3.3.7** Clause 49 (II)(A)(v) of the listing agreement and para 4.1.5 of DPE guidelines contemplate that the Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the Finance function) to be present at the meetings of the Committee. The Audit Committee may also meet without the presence of any executives of the company. The Finance Director, Head of Internal Audit and a representative of the Statutory Auditor may be specifically invited to be present as invitees for the meetings of the Audit Committee as may be decided by the Chairman of the Audit Committee. In respect of the following companies, though the Head of internal Audit and representative of Statutory Auditor were invited, but they were not present in some of the Audit Committee meetings:

Sl. No.	Name of the CPSE	Invitee not attended	Number of meetings not attended
1	National Textile Corporation Limited	Internal Audit Head	1
2	National Handloom Development Corporation Limited	Statutory Auditor	4

### 3.3.8 Review of information by the Audit Committee

Clause 49 (II) (D) of listing agreement and DPE guidelines has delineated the role of Audit Committees. Among them the important one is review of annual/quarterly financial statements with the management before submission to the Board. The Audit Committee should particularly review the director's responsibility statement, changes, if any, in accounting policies and

practices, major accounting entries, significant adjustments made in the financial statements arising out of audit findings, compliance with legal requirements relating to financial statements, disclosure of any related party transactions and qualifications in the draft audit report. It was observed that Audit committees have not reviewed the quarterly financial statements before submission to the Board in respect of the following CPSEs:

Sl. No.	Name of the CPSE
1	India United Textile Mill
2	Goldmohur Design & Apparel Parks Limited
3	Apollo Design & Apparel Parks Limited

### 3.3.9 Adequacy of internal audit function

Para 4.2.7 of DPE guidelines stipulates that the Audit Committee should review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit. However, in the following companies, the audit committee has not reviewed the internal audit functions:

Sl. No.	Name of the CPSE
1	Export Credit Guarantee Corporation Limited
2	J & K Development Finance Corporation Limited
3	Aurangabad Textiles and Apparel Parks Limited
4	New City of Bombay Manufacturing Company Limited
5	India Tourism Development Corporation Limited

### 3.3.10 Whistle Blower Mechanism

Clause 49 (II) (D) (12) of the listing agreement and para 4.2.12 of DPE guidelines require the Audit Committee to review the functioning of the 'Whistle Blower Mechanism' in case the same exists in the company. The Listing Agreement contemplates that the company may establish a mechanism for employees to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. This mechanism could also provide for adequate safeguards against victimisation of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. Once established, the existence of the mechanism may be appropriately communicated within the organization. In the following companies, there was no whistle blower mechanism:

Sl. No.	Name of the CPSE
1	Delhi Metro Rail Corporation Limited
2	India United Textile Mill Limited
3	Goldmohur Design & Apparel Parks Limited
4	Apollo Design & Apparel Parks Limited
5	National Textile Corporation Limited
6	New City of Bombay Manufacturing Mills Limited
7	British India Corporation Limited
8	Aurangabad Textiles & Apparel Parks Limited
9	J & K Development Finance Corporation Limited

**3.3.11** In some of the companies, though whistle blower mechanism exists, the Audit Committee did not review the same:

Sl. No.	Name of the CPSE
1	National Jute Manufactures Corporation Limited
2	The Jute Corporation of India Limited
3	Hindustan Copper Limited

### 3.3.12 Review of specified information

As per Clause 49 (II) (E) of the listing agreement and para 4.5 of the DPE guidelines, the Audit Committee has to mandatorily review certain information reflecting the financial condition of the company. It was observed that in the following companies, the Audit Committee has not carried out such review:

Sl. No.	Information not reviewed by Audit Committee	Name of the CPSE
1	Management Letters/Letters of Internal control weaknesses issued by the Statutory Auditors	The Jute Corporation of India Limited
2	Proposal for changes, if any, in the accounting policies of the Company	NALCO
3	Issues pertaining to interpretation of Accounting Standards	NALCO
4	Internal Audit reports relating to internal control weaknesses	India United Textile Mill Limited
		New City of Bombay Manufacturing Mills Limited
5	The appointment, removal, terms of remuneration of chief Internal Auditor	India United Textile Mill Limited
		National Handloom Development Corporation Limited
		New City of Bombay Manufacturing Mills Limited

### 3.3.13 Review of Audit findings of Comptroller & Auditor General of India

Section 619 of the Companies Act, 1956, authorizes Comptroller & Auditor General of India (CAG) to carry out supplementary audit of accounts of Government Companies. Para 4.2.13 of DPE guidelines stipulates that the Audit committee should review the follow up action on the audit observations of CAG audit. In the following companies, Audit committees have not reviewed the audit Paras/reviews printed in last years' CAG Audit report:

Sl. No.	Name of the CPSE
1	NALCO
2	National Textile Corporation Limited

### 3.3.14 Review of fixation of audit fees

As per Para 4.2.2 of DPE guidelines, Audit Committee should recommend the fixation of audit fees of the Statutory Auditors to the Board of Directors. In the case of following companies the Audit Committee did not recommend the fixation of audit fee:

Sl. No.	Name of the CPSE
1	National Jute Manufactures Corporation Limited
2	The Cotton Corporation of India Limited
3	J & K Development Finance Corporation Limited

### 3.3.15 Discussion with Statutory Auditors

Clause 49 (II)(D) of listing agreement and para 4.2.10 of DPE guidelines provide that Audit Committee should hold discussion with statutory auditors before the audit commences, about

the nature and scope of audit as well as post-audit discussion to ascertain any area of concern. In respect of the following Companies, the audit committees did not hold any such discussion:

Sl. No.	Name of the CPSE	Which Discussion not held
1	Export Credit Guarantee Corporation of India Limited	Pre-audit discussion
2	India United Textile Mill Limited	Pre-audit discussion
3	Goldmohur Design & Apparel Limited Parks Limited	Pre-audit discussion
4	Apollo Design & Apparel Parks Limited	Pre-audit discussion
5	Handicrafts and Handlooms Export Corporation of India Limited	Both pre-audit and post audit discussion
6	National Textile Corporation Limited	Pre-audit discussion
7	The Cotton Corporation of India Limited	Post audit discussion
8	New City of Bombay Manufacturing Mills Limited	Pre-audit discussion
9	Aurangabad Textiles & Apparel Parks Limited	Pre-audit discussion
10	J & K Development Finance Limited Corporation Limited	Both Pre-audit and post audit discussion
11	Indian Tourism Development Corporation Limited	Pre-audit discussion

### 3.4 Code of Conduct for all Board Members

Clause 49 (I) (D) of the listing agreement and Para 3.4 of DPE guidelines stipulates that the Board shall lay down a code of conduct for all Board members should be circulated and also posted on the website of the company and all Board members and senior management personnel shall affirm compliance with the code on an annual basis. In the following cases, model code of business conduct and ethics were not circulated:

Sl. No.	Name of the CPSE
1	Tamil Nadu Trade Promotion Organisation
2	Assam Ashok Hotel Corporation Limited
3	Donyi Polo Ashok Hotel Corporation Limited
4	National Jute Manufactures Corporation Limited
5	Karnataka Trade Promotion Organisation
6	Ranchi Ashok Bihar Hotel Corporation Limited
7	Spices Trading Corporation Limited
8	India United Textile Mill Limited
9	Goldmohur Design & Apparel Parks Limited
10	Apollo Design & Apparel Parks Limited
11	National Textile Corporation Limited
12	New City of Bombay Manufacturing Mills Ltd
13	British India Corporation Limited
14	J & K Development Finance Corporation Limited
15	Aurangabad Textiles & Apparels Parks Limited
16	Madhya Pradesh Ashok Hotel Corporation Limited

**3.4.1** In respect of the following companies, annual affirmation on the code of conduct has not been recorded by the company:

Sl. No.	Name of the CPSE
1	Tamil Nadu Trade Promotion Organisation
2	Assam Ashok Hotel Corporation Limited
3	Donyi Polo Ashok Hotel Corporation Limited
4	National Jute Manufactures Corporation Limited
5	Ranchi Ashok Bihar Hotel Corporation Limited
6	Karnataka Trade Promotion Organisation
7	Spices Trading Corporation Limited
8	India United Textile Mill Limited
9	Goldmohur Design & Apparel Parks Limited
10	Apollo Design & Apparel Parks Limited
11	New City of Bombay Manufacturing Mills Limited
12	J & K Development Finance Corporation Limited
13	Aurangabad Textiles & Apparels Parks Limited

### 3.5 Subsidiary Companies

Chapter 6 of DPE guidelines stipulates that at least one Independent Director of the holding company shall be a director on the Board of Directors of its subsidiary Company. However, there was no independent director on the Board of subsidiary companies from the following holding companies:

Sl. No.	Name of the CPSE
1	India Tourism Development Corporation Limited
2	MMTC Limited
3	The State Trading Corporation of India Limited

Department of Public Enterprises stated (April 2015) that CPSEs are under the administrative jurisdiction of their parent administrative Ministries/Departments. The concerned administrative Ministries/Departments are responsible for ensuring the compliance with provisions of Corporate Governance. DPE plays a coordinating role in creating the mechanism for compliance on this issue, such as the grading of CPSEs on corporate governance on the basis of self-evaluation reports of CPSEs forwarded through concerned administrative Ministries/Departments and providing for negative marking under the MoU mechanism for CPSEs who do not make the requisite grade.

### 3.6 Conclusion:

Out of 34 selected CPSEs, no independent directors had appointed in 18 CPSEs; risk policy was yet to be evolved in nine CPSEs, delays of more than six months were observed in filling vacancies in the Board of Directors of eight CPSEs; less than four meetings of Audit Committee were held in 10 CPSEs; no whistle blower mechanism was put in place in nine CPSEs, and model code of conduct for Board of Directors was not circulated in 16 CPSEs. Thus, DPE guidelines on

Corporate Governance, even though mandatory, were not being complied with by a large number of CPSEs.

### **3.7 Recommendation:**

**GOI may impress upon the respective Administrative Ministries/Departments to ensure compliance of guidelines and give a fillip to the achievement of the objectives of corporate governance in CPSEs.**

The chapter was issued to Ministry of Corporate Affairs in March 2015; reply was awaited (April 2015).