

**Government of Pakistan
Finance Division
Central Monitoring Unit**

No.CMU/FY2024/GU/002

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Subject: DISTRIBUTION OF DIRECTORS APPOINTMENT AND EVALUATION GUIDELINES FOR STATE-OWNED ENTERPRISES (SOES)

In accordance with the requirements of the State-Owned Enterprises (Governance and Operations) Act, 2023 and the SOE Ownership and Management Policy, 2023, CMU has prepared “Directors Appointment and Evaluation Guidelines” for the State-Owned Enterprises. The guidelines are designed to assist the Ministries/ Divisions and SOEs in the transparent and effective appointment, induction, and evaluation of Board of Directors.

2. A copy of the guidelines is enclosed, for use of Ministries/ Divisions and State-Owned Enterprises.

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All Ministries/ Divisions

State-Owned Enterprises (SOEs) Manual
for
BOARD OF DIRECTORS APPOINTMENT, EVALUATION AND
DISCLOSURES

(Reference: Annexure 2, 7 & 8 of SOE Policy)

In pursuance of Para-9 of Annex-7 and Para-8 of Annex-8 of State-Owned Enterprises (Ownership and Management) Policy 2023 (the Policy), the following are hereby issued:

- A. Framework for Board Appointment Process, Director Induction and BNC Process*
- B. Specimen of Board and Director's Evaluation Proforma recommended for the adoption of BNCs*
- C. Guidelines for the disclosure of the Conflict of Interest, 2024 and other matters.*

1. Definitions: Terminology in this framework aligns with definitions in the State-Owned Enterprises (Governance and Operations) Act, 2023. The term "Director" includes all members on an SOE Board, regardless of title.

2. Role of SOE in Selection of Independent Directors: The SOE Board must submit a recommendation to the Board Nominations Committee (BNC) three months before the end of a Director's tenure or when a vacancy arises. This recommendation should cover:

- Existing knowledge, skills, and experience on the Board.
- Desired knowledge, skills, and experience for new Board members.

3. Board Nomination Committee (BNC):

- Working Paper: Prepared by the Ministry and shared with BNC members three days in advance, containing:

- Approved procedures per Section 10(3) of the Act.
- A brief on the SOE's performance.
- Recommendations and candidate CVs (at least three candidates per vacant position).
- Assessment: If the Board fails to recommend candidates, BNC will assess required competencies for the selection process.
- Recommendations: The BNC will submit recommended and alternate candidates to the Cabinet Committee on SOEs (CCOSOE) at least one month before tenure completion or promptly after a vacancy.
- Appointments: Upon CCOSOE and Federal Cabinet approval, the line Ministry will notify

appointments, and the SOE will publish these on its website.

- Induction: The Chair or designated officer will conduct orientation for new directors.

4. Conflict of Interest Guidelines, 2024:

- Directors with an interest in SOE contracts must disclose as per the Companies Act, 2017, and the SOE must maintain a register of interests. **Annexure 3, 4 & 5** have Proforma templates to be followed for SOEs.

- Directors with conflicts must abstain from discussions or voting on related matters, and presence will not count towards a quorum.

5. Board and Director Evaluation Proforma:

- Per Section 10(2)(c) of the SOEs (Governance and Operations) (Amendment) Ordinance, 2024, BNCs are responsible for evaluating both ex-officio and independent Directors.

- Boards should conduct annual performance reviews for the Board and individual Directors, using the recommended Proforma in **Annexure 1& 2**

- BNC-approved evaluations should be shared with the Central Monitoring Unit (CMU) for maintaining a Directors' database.

Board of Directors Survey Form Annexure 1

1. Board Structure and Composition

The Board has the right mix of skills, experience, and diversity to fulfill its responsibilities.

Rating: 1 2 3 4 5

Comments:

The size of the Board is appropriate for the scope of the organization.

Rating: 1 2 3 4 5

Comments:

Board members have a clear understanding of their roles and responsibilities.

Rating: 1 2 3 4 5

Comments:

2. Board Meetings and Processes

Board meetings are well-organized and provide sufficient time for discussion of key issues.

Rating: 1 2 3 4 5

Comments:

Meeting materials are received in advance and are helpful for making informed decisions.

Rating: 1 2 3 4 5

Comments:

The Board's meeting frequency is adequate for addressing strategic and operational issues.

Rating: 1 2 3 4 5

Comments:

Board discussions focus on strategic issues rather than administrative or operational details.

Rating: 1 2 3 4 5

Comments:

Board members are encouraged to express their views and actively participate in discussions.

Rating: 1 2 3 4 5

Comments:

3. Board Effectiveness

The Board has ensured that the organization has achieved its goals & targets as per its business plan

Rating: 1 2 3 4 5

Comments:

The Board effectively oversees the organization's strategic direction.

Rating: 1 2 3 4 5

Comments:

4. Oversight of Management

The Board provides effective oversight of the CEO and executive team.

Rating: 1 2 3 4 5

Comments:

The Board regularly evaluates management's performance and holds them accountable for results.

Rating: 1 2 3 4 5

Comments:

5. Risk Management and Compliance

The Board has a clear understanding of the organization's key risks.

Rating: 1 2 3 4 5

Comments:

The Board ensures that the organization has appropriate policies and controls to manage risks.

Rating: 1 2 3 4 5

Comments:

Compliance with legal and regulatory requirements is adequately overseen by the Board.

Rating: 1 2 3 4 5

Comments:

Any other comments or suggestions on the Board's overall effectiveness?

Comments:

Directors' Evaluation Form Annexure 2

Please rate each question and provide any additional comments where applicable.

Name of Member: _____

1. Strategic Oversight: Long-term Strategic Planning

Description: Assess the member's role in shaping and guiding the SOE's long-term strategic vision and alignment with national and public sector interests.

- Does the member actively contribute to defining long-term goals that align with the SOE's mission and vision?

Rating Scale: 1 2 3 4 5 (Ineffective to Highly Effective)

2. Strategic Oversight: Business Strategy Alignment

Description: Evaluate member's involvement in aligning business strategy with operational capabilities, regulatory standards, and market realities relevant to public service delivery.

- Does the member help align business strategy with market conditions and sector-specific demands?

Rating Scale: 1 2 3 4 5 (Poor to Excellent)

3. Governance: Regulatory Compliance

Description: Reflect on the member's commitment to ensuring compliance with laws, regulations, and policies that govern SOEs.

- Does the member actively advocate adherence to industry regulations and government policies?

Rating Scale: 1 2 3 4 5 (Non-compliant to Fully Compliant)

4. Governance: Ethics and Integrity

Description: Evaluate the member's personal commitment to upholding ethical standards, integrity, and public accountability within the SOE.

- Does the member contribute to fostering a culture of ethical practices and integrity within the Board and organization?

Rating Scale: 1 2 3 4 5 (Poor to Excellent)

5. Governance: Roles and Responsibilities

Assess the members understanding of the clear respective roles of the Board and the Management, and his respect for upholding the separation of the two functions

- Is the member mindful of the clear distinction between the roles of the Board and the Management?

Rating Scale: 1 2 3 4 5 (Poor to Excellent)

6. Financial Stewardship: Budgetary Efficiency

Description: Assess his commitment to fiscal responsibility, efficient budgetary management, and cost-saving measures in the SOE.

- Does the member actively emphasize meeting budget targets while ensuring fiscal responsibility?

Rating Scale: 1 2 3 4 5 (Inefficient to Highly Efficient)

7. Risk Management: Risk Identification and Assessment

Description: Reflect on the member's role in identifying, assessing, and managing risks that may impact the SOE's mission and public service obligations.

- Does the member contribute effectively to comprehensive risk assessments aligned with organizational goals?

Rating Scale: 1 2 3 4 5 (Ineffective to Highly Effective)

8. Board Dynamics and Effectiveness: Meeting Dynamics and Contribution

Description: Reflect on the member's contributions to the effectiveness of Board meetings and their role in facilitating informed discussions and decisions.

- Is the member prepared, punctual, and engaged in all Board meetings?

Rating Scale: 1 2 3 4 5 (Ineffective to Highly Effective)

9. Board Dynamics: Cordiality

Description: Reflect on the member's relationship with fellow members of the Board.

- Does the member enjoy good working relationship with the other members of the Board ?

Rating Scale: 1 2 3 4 5 (Ineffective to Highly Effective)

10. Overall Personal Contribution: Individual Effectiveness and Impact

Description: Assess member's overall impact on the Board in supporting the SOE's mission, achieving strategic objectives, and fulfilling public service expectations.

- Is the member helping the Board in meeting its strategic objectives and supporting the SOE's mission effectively?

Rating Scale: 1 2 3 4 5 (Ineffective to Highly Effective)

Additional Comments and Suggestions

NOTE:

The company secretary shall ensure proper grading is completed along with confidentiality of peer review.

Importance of Recording Related Party Transactions:

Recording related party transactions is essential for maintaining transparency and ensuring that transactions are conducted at arm's length. This register will be reviewed periodically by the audit committee to assess compliance with SOE policies and regulatory requirements. Failure to disclose a related party transaction may result in disciplinary action in accordance with governance protocols.

Importance of Recording Conflicts of Interest:

Identifying and managing conflicts of interest is essential to ensure the integrity and impartiality of the Board of Directors. All declared conflicts of interest will be reviewed periodically to ensure they are managed in alignment with SOE policies and regulatory standards. Failure to disclose a conflict of interest may result in disciplinary action in accordance with governance protocols.
