Government of Pakistan
Finance Division
Central Monitoring Unit
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Subject: **DISTRIBUTION OF DIRECTORS APPOINTMENT AND EVALUATION GUIDELINES FOR STATE - OWNED ENTERPISES (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 updated "Directors Appointment and Evaluation Guidelines" dated 31 October 2024 for the State -Owned Enterprises. These guidelines are designed to assist the Ministries /Divisions and SOEs in the transparent ad effective appointment, induction and evaluation of Board of Directors.

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

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UPDATED GUIDELINES ON
APPOINTMENT, EVALUATION AND
DISCLOSURE FOR BOARDS OF STATE-OWNED ENTERPRISES (SOEs) 2026

1. 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:

1.1 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:

2.1 The role of the Board of an SOE in the selection process of Independent Director(s) on the Board of the SOE is as follows:

(a) In case a vacancy of Independent Director exists on the Board or a casual vacancy arises, the SOE Board must immediately submit a recommendation to the Board Nominations Committee (BNC). This recommendation should cover:

(i) Existing knowledge, skills, and experience available on the Board.

(ii) Desired knowledge, skills, and experience for new Board members.

(b) In case the tenure of the Board is ending, the Board shall submit the following report/recommendations at least three months in advance, for the consideration of the BNC:

(i) A comprehensive report regarding the overall performance of the Board during its tenure vis-a-vis the key objectives set by the Board at the start of its tenure; the strategic policies adopted by the Board in achieving the targets; comparative analysis of financial and non-financial performance of the SOE at the start and end of the tenure of the Board; and any failures and the reasons thereof.

(ii) Performance evaluation of the Board and the Directors;

(iii) Gaps in the skill set possessed by the Board, if any, and recommendations regarding the recommended skill set of the future Board.

3. Board Nomination Committee (BNC)

3.1 Section 10(2) of the State-Owned Enterprises (Governance and Operations) Act, 2023 provides that the Board Nomination Committee shall be responsible for:

(a) Identifying and recommending candidates to the Federal Government for appointment as independent directors which the Federal Government is empowered to appoint on the Board; and

(b) Recommending ex-officio positions to be held by the relevant Divisions or public sector organizations of the Federal Government or, where necessary, a Provincial Government.

3.2 For the BNCs to undertake these functions, the concerned Ministry/Division shall prepare a Working Paper and share it with BNC members at least three days in advance, containing:

i. Approved procedures per Section 10(3) of the Act.

ii. A brief on the SOE's performance.

iii. Proposed candidates along with CVs (at least three candidates per vacant position), while ensuring that they possess relevant experience and skill set that corresponds with the scope and nature of the business of the SOE for which they are being considered.

3.3 If the Board fails to provide recommendations in a timely manner regarding the requisite skills as required in Para 2 above, the BNC will proceed with its own evaluation of the required competencies for the Director(s) of the SOE.

3.4 The BNC recommendations will be submitted to the Federal Government in such manner as provided in the State-Owned Enterprises (Ownership and Management) Policy, 2023, at least one month in advance of the completion of the tenure of the existing Director(s) or as soon as a vacancy has occurred.

3.5 Upon approval of the Federal Cabinet, the line Ministry will notify the appointment of Director(s), and the concerned SOE shall publish it on its official website.

3.6 In case an appointed Director has not already undertaken the Directors Training Program, the CEO shall facilitate to ensure that such Director(s) undertakes the Directors Training Program within three months of his/her appointment.

3.7 The management of the SOE shall arrange orientation for the new Director(s).

4. Conflict of Interest Guidelines

4.1 The Conflict of Interest shall be governed by the relevant provisions of the Companies Act, 2017, Section 19(2) and Schedule V of the SOEs Act, and Para 34 along with Annexure 8 of the SOE Policy. In furtherance thereof, each SOE must maintain a register of interests. Annexure 3, 4 & 5 to these guidelines have Proforma templates to be followed for SOEs.

4.2 Directors with conflicts of interest shall abstain from discussions or voting on related matters and their presence will not count towards quorum of the meeting.

5. Board and Directors' Evaluation

4.3 Section 10(2)(c) of the SOEs (Governance and Operations) (Amendment) Ordinance, 2024, provides as under:

“The Board Nomination Committee shall be responsible for evaluating the performance of ex-officio and independent directors”

4.4 The BNCs may therefore adopt any appropriate method for the evaluation of the performance of the Board as well as for each Director. However, in order to facilitate the BNCs, the Proforma at Annexure 1 and 2 are provided as specimen.

4.5 The performance of the Board and the Directors must be undertaken on annual basis as well at the end of the tenure of the Board/Director(s) or at the time of resignation of a director.

4.6 BNC-approved evaluations should be shared by the line Ministry/ Division with the Central Monitoring Unit (CMU) for maintaining the Directors' database.

Annexure 1

Board of Directors Survey Form

1. Board Structure and Composition

The Board has the right mix of skills, experience, and diversity to fulfil its responsibilities.
Rating:☐ 1☐ 2☐ 3☐ 4☐ 5

The Board has developed and supervised the business plan effectively.

Rating:☐ 1☐ 2☐ 3☐ 4☐ 5

All committee of the Board have performed well.

Rating:☐ 1☐ 2☐ 3☐ 4☐ 5

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

Members contribute to the Board meetings based on the materials and briefings shared with them.

Rating:☐ 1☐ 2☐ 3☐ 4☐ 5

The Board's meeting frequency is adequate for addressing strategic and operational issues.
Rating:☐ 1☐ 2☐ 3☐ 4☐ 5

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

Rating:☐ 1☐ 2☐ 3☐ 4☐ 5

The Board’s values encourage open discussion on key issues.

Rating:☐ 1☐ 2☐ 3☐ 4☐ 5

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

The Board effectively oversees the organization’s strategic direction.

Rating:☐ 1☐ 2☐ 3☐ 4☐ 5

4. Oversight of Management

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

Rating:☐ 1☐ 2☐ 3☐ 4☐ 5

The Board regularly evaluates management’s performance and holds them accountable for results. Rating:☐ 1☐ 2☐ 3☐ 4☐ 5

5. Risk Management and Compliance

The Board has developed the risk management framework.

Rating:☐ 1☐ 2☐ 3☐ 4☐ 5

The Board ensures that the organization has appropriate policies and controls to manage risks. Rating:☐ 1☐ 2☐ 3☐ 4☐ 5

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

Rating:☐ 1☐ 2☐ 3☐ 4☐ 5

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

Comments:

Annexure 2

Directors' Evaluation Form

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 progress

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

2. Strategic Oversight: Business Strategy Alignment

Description: Evaluate member's contribution in the development and supervision of the business plan.

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

3. Governance: Regulatory Compliance

Description: Reflect on the member's capability of guiding the organization for governance and transparency.

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 and integrity.

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

5. Governance: Roles and Responsibilities

Assess the members professional conduct to engage at strategic and supervisory level instead of interfering in the operational matters of the organization.

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

6. Financial Stewardship: Budgetary Efficiency

Description: Assess the member's understanding of financial matters of the SOEs
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.

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.

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.

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 the fiduciary responsibility including punctuality in attending the Board meeting and sharing their expertise for the benefit of the SOE.

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 confidentially of peer review.

Annexure 3

Disclosure of Interest Form

Register for SOE Board of Directors

This enhanced Disclosure of Interest form is for members of the Board of Directors to declare any personal, professional, or financial interests that could potentially conflict with their responsibilities within the State-Owned Enterprise (SOE). All declarations are made to maintain transparency, uphold ethical standards, and ensure compliance with governance policies. Please complete this form to the best of your knowledge and update it promptly should your circumstances change.

Director Name	Position	Interest Type	Description of Interest	Potential Impact on SOE	Date of Disclosure	Signature

Instructions for Completing the Enhanced Form:

1. Director Name: Enter your full name as registered with the SOE.
2. Position: Specify your Board position, such as Chairman, Non-Executive Director, etc.
3. Interest Type: Indicate the type of interest, such as financial, personal, professional, or familial. Examples include investments, advisory roles, ownerships, or relationships that may conflict with board responsibilities.
4. Description of Interest: Provide a comprehensive description of the interest, including details of any financial interests, personal relationships, or other connections that could influence your decision-making.
5. Potential Impact on SOE: Describe any potential impacts that the interest might have on the SOE's operations, policies, or reputation. Consider direct and indirect impacts as well as perceived conflicts of interest.

Annexure 4

Related Party Transactions Register for SOE Board of Directors

This register is designed to record all related party transactions involving the State-Owned Enterprise (SOE) and any parties that may have a relationship with members of the Board of Directors. Maintaining this register helps ensure transparency, accountability, and compliance with governance policies. Please complete this register entry for each transaction that involves a related party.

Transaction ID	Director Name	Position	Related Party Name	Relationship to Director	Description Of Transaction	Date of Transaction	Amount (PKR)

Instructions for Completing the Related Party Transactions Register:

1. Transaction ID: Assign a unique identifier to each transaction for easy reference.
2. Director Name: Enter the full name of the Board member associated with the related party.
3. Position: Specify the position of the Director, such as Chairman, Non-Executive Director, etc.
4. Related Party Name: State the full name of the related party involved in the transaction (e.g., family member, affiliated business).
5. Relationship to Director: Describe the relationship between the Director and the related party (e.g., spouse, business partner, family member).
6. Description of Transaction: Provide a detailed description of the transaction, including the nature and purpose of the transaction.
7. Date of Transaction: Enter the date on which the transaction occurred.
8. Amount (PKR): State the total amount of the transaction in PKR equivalent.

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.

Annexure 5

Conflict of Interest Register for SOE Board of Directors

This register is designed to document all conflicts of interest involving the State-Owned Enterprise (SOE) and members of the Board of Directors. Accurately recording conflicts of interest ensures that potential conflicts are identified, managed, and resolved in accordance with governance policies. Please complete this register entry for each identified conflict of interest.

Conflict ID	Director Name	Position	Nature of Conflict	Description of Conflict	Date Identified	Resolution/Management Plan

Instructions for Completing the Conflict of Interest Register:

1. Conflict ID: Assign a unique identifier to each conflict for easy reference.
2. Director Name: Enter the full name of the Board member associated with the conflict.
3. Position: Specify the position of the Director, such as Chairman, Non-Executive Director, etc.
4. Nature of Conflict: Briefly describe the type of conflict (e.g., financial, personal, familial).
5. Description of Conflict: Provide a detailed description of the conflict, including potential impact on SOE operations and decision-making.
6. Date Identified: Enter the date when the conflict of interest was identified.
7. Resolution/Management Plan: Describe any actions taken to manage or resolve the conflict, such as recusal from decisions, disclosure, or other mitigation strategies.

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.