

# STATE-OWNED ENTERPRISES (SOEs)

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Ownership and Management  
Policy, 2023



Finance Division  
Government of Pakistan

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## Chapter 1: Background and Objectives

1. In pursuance of Section 4(1) of the State-Owned Enterprises (Governance and Operations) Act, 2023 (the Act), the State-Owned Enterprise Ownership and Management Policy (The Policy) is prepared and is notified with the approval of the Federal Government. Section 4(1) of the Act reads as follows:

The Federal Government shall, at least once in every five years, prepare and prescribe a state-owned enterprise ownership and management policy for giving effect to the objectives of this Act, namely: -

- a) that the shareholding responsibilities of the Federal Government with respect to its state-owned enterprises are clarified;
- b) that the Federal Government acts as an informed and active shareholder; and
- c) that fiscal risks associated with state owned enterprises are effectively managed.

2. Moreover, this Policy covers the following aspects of ownership and management of the state-owned enterprises in line with the requirements of section 4(2) of the Act: -

- a) the criteria and rationale for ownership, retention, and establishment of SOEs by the Federal Government;
- b) the role of the Federal Government in the governance of SOEs;
- c) the manner and procedure for exercising the rights of the Federal Government as a shareholder in SOEs, including, without limitation, matters enumerated in sub-section 2 of section 29, subject to the principles laid down in the Act;
- d) clarification of the respective roles and responsibilities of any Division of the Federal Government, under the Rules of Business, 1973, Boards, and other stakeholders involved in the implementation of this Policy;
- e) the role of and manner of operation of the Central Monitoring Unit (CMU);
- f) the form and procedure for management and use of the electronic SOE database, including right of access by the public;
- g) guidelines for Board nominations committee while exercising its functions under section 10 of the Act, including with respect to diversity and adequacy of Board composition;
- h) the process for evaluating the performance of ex-officio and independent directors;
- i) the cooling off period for the appointment of independent directors;
- j) the manner of regulation of conflict of interest of directors, including procedures for identification and reporting of direct and indirect interests of directors and resolving any conflict of interest thereon;
- k) a framework for ensuring competitive neutrality of the State with respect to state owned enterprises;
- l) a public sector obligation management framework;

- m) process of monitoring and managing contingent liabilities of SOEs;
- n) the criteria for excluding a SOE from the ambit of clause (c) of sub-section (1) of section 3 of the Act; and
- o) any other matter required to give effect to the provisions and objectives of the Act.

3. All words and terms used in the Policy shall have the same meaning ascribed to them under the Act.

## Chapter 2: Scope of the Policy

- 4. The Policy shall have application to all SOEs that are included within the scope of the Act.
- 5. The proposal of any state-owned enterprise for complete or partial exemption from the application of the Act under section 3(1)(c) of the Act shall be placed for consideration of the Federal Government in the following manner:
  - a) Detailed justification for seeking complete or partial exemption
  - b) Prior consultation with Finance Division/Central Monitoring Unit
- 6. The complete or partial exemption under Section 3(1)(c) of the Act shall ordinarily not be granted except on the grounds of national security, defence or the SOEs being included in the approved list of SOEs in the privatization program. In any case, the reasons for granting exemption(s) shall be duly notified.
- 7. The Policy will be applicable to the listed SOEs as well as to the non-listed SOEs. However, listed SOEs will continue to comply with the Listed Companies (Code of Corporate Governance) Regulations, 2019 as amended from time to time, notified by the Securities and Exchange Commission of Pakistan (SECP). In case of any contradiction between the Policy and the Listed Companies (code of Corporate Governance) Regulations 2019, the more stringent provisions shall apply.
- 8. **The SOEs that come under the scope of the Act will not comply with Public Sector Companies (Corporate Governance) Rules 2013 except otherwise provided in the Policy.**

Provided that in case there is no specific provision in relation to any matter in the Act, the provisions of the Companies Act, 2017, shall apply mutatis mutandis. Moreover, in case of SOEs falling under sub-section (2) of Section 505 of the Companies Act, 2017, the provisions of the Companies Act, 2017, referred therein shall be applicable to the extent as provided therein to such SOEs except as otherwise provided in the Act.

## Chapter 3: Ownership and Establishment of SOEs

9. The Federal Government shall own or retain those SOEs that are strategic or essential as defined below:

- a) **Strategic SOEs:** Strategic SOEs refers to the SOEs which are completely/partially engaged in strategic functions. The strategic functions refer to the outcomes which have significant strategic, security, or social importance in addition to economic values for the country.
- b) **Essential SOEs:** Essential SOEs refer to the SOEs which are critical for the execution of Government policies and where the private sector is unable to assume those functions due to various reasons including:

- i. Large/intensive capitalization
- ii. Market stabilization / food security
- iii. Sectoral / Market development
- iv. A natural monopoly/oligopoly service provider and there is no effective regulatory oversight of their operations. However, in such cases, the Federal Government may explore transformation options such as outsourcing and management transfer options with sufficient safeguards embedded.
- v. SOEs established or required to be established under any Law/Statute
- vi. Entities established through G2G or inter-governmental arrangements.

10. The following factors will be taken into consideration before establishing a strategic or essential SOE:

- a) There is no private sector firm operating within the relevant sector providing the goods and/or services that the new SOE will provide or the service cannot be procured from private sector firm due to a legal restriction;
- b) The Federal Government needs to establish a particular market in any sector of the economy which will be supported by the creation of the SOE, provided that such SOE shall under no circumstances be given exclusivity in provision of services or goods and shall strictly adhere to the principle of competitive neutrality as required under the Act and this Policy;
- c) If a new SOE has been formed through the corporatization of an existing government function, the new SOE will be clearly categorized as either commercial or non-commercial;
- d) The provision of the good and/or service cannot be procured through a public private partnership.

## SOE Reforms ad Restructuring

11. Each Division of the Federal Government which has SOEs operating within its administrative control under the Rules of Business, 1973, shall categorize the SOEs, in consultation with the respective Boards, in the following manner; and shall submit its recommendations of such categorization to the Cabinet Committee on SOEs within six months of coming into effect of this Policy:

- i. Strategic or Essential SOEs, as defined at Para 9 above;
- ii. Commercial SOEs to be privatized;
- iii. SOEs required to be restructured/reformed and retained in the medium-term; and
- iv. SOEs required to be restructured/reformed prior to privatization;

12. For non-strategic/non-essential SOEs, line Ministries/Divisions will develop a plan, in consultation with the respective Boards and the Privatization Commission where required, to transform these SOEs through different options including but not limited to corporate restructuring, management contracts, joint ventures, public private partnerships, listing on Stock Exchange and outsourcing under applicable laws.

13. a) In case the SOE is facing financial or operational problems, the Federal Government

shall require the Line Ministry, to develop a transformational plan for financial and operational improvement of the SOEs in consultation with the Board, and if required with CMU.

b) If the SOE is unable to perform satisfactorily financially and operationally after repeated efforts to improve performance, the Minister in Charge of the Federal Government shall:

- i. Declare it a sick company in terms of section 292 of the Companies Act, 2017 and any institution, authority, committee, or person may be authorized there under to draw up a plan for the rehabilitation, reconstruction, and reorganization of such SOE.
- ii. Allow the Privatization Commission to determine the next steps for these SOEs, and in this regard, the Federal Government, if it deems appropriate or necessary, may recommend measures to protect the strategic interest of the Federal Government during the transformation process.

## Chapter 4: Institutional Arrangements

### Federal Government

14. The Federal Government shall:

- a) exercise all the powers and rights that shareholders have in relation to the SOE;
- b) the Federal Government shall ensure the establishment of a standing committee of the Federal Cabinet - Cabinet Committee on SOEs (CCoSOEs) - whose responsibility shall be to enforce and monitor the Act, this Policy and other ancillary matters; and
- c) the Federal Government shall ensure the establishment of a CMU in the Finance Division, whose primary responsibility shall be to perform functions as provided in Section 31 of the Act.

### Cabinet Committee on SOEs

15. The CCoSOEs shall be responsible for:

- a) to enforce and monitor the implementation of the SOEs Act, 2023 and other related laws and policies;
- b) matters pertaining to the appointment on the Boards of SOEs;
- c) reform and restructuring proposals pertaining to SOEs;
- d) periodical review of financial and operational performance of SOEs;
- e) consideration and Recommendation to the Cabinet of policies, instructions, guidelines to SOEs;
- f) proposals for issuance of direction to SOEs to perform any public service obligation;
- g) any other related matter envisaged in the SOEs Act, 2023 and other related laws and policies.

### The Line Ministries/Divisions

16. The Division to which the business of the SOE has been allocated under the Rules of Business,

1973 shall coordinate with the Board of such SOE to ensure compliance with the provisions of the Policy and the Act, including, without limitation, with respect to the development of the Business Plan, Statement of Corporate Intent (SCI), the annual and bi-annual Reports, timely establishment of systems of internal controls of the SOE, and reporting to the CMU. The process for developing and approving the Business Plan and SCI are contained at **Annex-1**. In addition, the concerned Division will also be responsible for:

- a) Ensuring that the Business Plans are in line with sectoral policies and the priorities, if any, of the Federal Government;
- b) Assess the fiscal implications, if any, of the business plans for the Federal Government. In case of any such fiscal implications, due consultations with Finance Division and/or Planning and Development Division, whichever be the case, shall be undertaken by the concerned Division and the views of the respective Divisions shall be conveyed to the respective Boards by such Divisions in a timely manner.
- c) Organize timely meetings of the Board Nominations Committee
- d) Review on a periodic basis the operating results and financial performance of the SOE to ensure that targets are being pursued, and bi-annual reports to the CMU are furnished within time and in the form and manner as required by CMU; and
- e) Establish a rigorous performance monitoring mechanism to evaluate the performance of Board members (ex-officio and independent). The framework is at **Annex-2**.

17. No direction will be given to the SOE or Board of the SOE by any Ministry/Division to perform any Public Service Obligation (PSO) or to bar the SOE from performing any operational function without the approval of the Federal Government. Ministries shall not deal with the micromanagement of SOEs. If the relevant sectoral policy gives the mandate to a Ministry/Division or other agencies to act in the emergency situations in a manner prescribed through the said policies, then the line Ministry/Division may carry out such functions under the sectoral or regulatory policy, and the steps taken/directions issued by the Ministry/Division shall be submitted by the Ministry/Division for the ratification of the Federal Government. SOEs shall be compensated under Public Service Obligation (PSO) framework if the directions issued by the Ministry/Division imposes financial burden on SOEs and such financial burden is not part of the routine repair, maintenance and service delivery functions of the said SOE.

18. The sectoral regulatory regime under which the SOE is operating will apply concurrently.

## Central Monitoring Unit (CMU), Finance Division

19. CMU will establish a central electronic database of information on the financial and non-financial performance of every SOE. Finance Division will ensure deputing/engaging the qualified and experienced professional management and staff in the CMU. The database developed by the CMU will generate bi-annual reports and shall submit the same for the consideration of CCoSOEs. The database will contain financial and non-financial performance information for each SOE.

20. CMU will analyze SOEs business plans and will present their analysis and recommendations to CCoSOEs. CMU may also provide input on the draft SCI, Business Plan and reports by the SOEs if requested by the line Ministry/Division. However, such input provided to the line Ministries/Divisions will not be binding. CMU will develop a monitoring framework for the SOEs against the financial and non-financial benchmarks agreed in the Business Plans. The annual consolidated monitoring report of SOEs will be published on the website of the Finance Division at the beginning of the second

quarter of each succeeding fiscal or Calendar year (whichever is more appropriate).

21. The CMU shall provide financial and operational performance analysis along with recommendations to the Federal Government on all matters related to the operation, performance, and governance of SOEs, including:

- a. the overall performance of SOEs;
- b. performance of SOEs against their primary objectives, business goals, and financial and non-financial performance targets and benchmarks;
- c. investment in, loans to, and guarantees of SOEs;
- d. the risks associated with the SOE sector that could affect the State's investment in SOEs and the State's exposure to explicit and implicit fiscal risks associated with SOEs;
- e. proposals relating to major transactions<sup>1</sup> by SOEs as and when required by the Federal Government;
- f. international and national best practices by SOEs for encouraging and enhancing efficiencies and service delivery, and for improving performance;
- g. maintaining data on a pool of pre-qualified individuals for consideration as directors by the Board Nomination Committee (BNC);
- h. input on agreements for public service obligations as and when required by the Federal Government;
- i. support to CCoSOEs to ensure compliance by SOEs with this Policy and the SOEs Act;
- j. input on privatization, mergers and winding up of SOEs as and when required by the Federal Government;
- k. Analysis of the statements of corporate intent, business plans, annual reports, and semi-annual reports to be submitted to the Federal Government; and
- l. any other matter which the Federal Government may require.

The framework for CMU's role and monitoring processes is at **Annex-3**.

## Chapter 5: Appointments and training of directors for the Boards of SOEs

22. CMU will maintain a database of all directors of Boards of SOEs based on the data shared by the line Ministries/Divisions. For this purpose, each Ministry/Division shall (i) share the details of the appointments on the Boards of SOEs under its administrative control, and (ii) at the end of a Board member's tenure, the line Ministry/Division will share performance evaluation of each member of the Board to the CMU. On request by the Board Nomination Committee (BNC), The CMU shall share such database with the BNC to take into account the prior performance of the proposed Board Member in case the same individual is considered for another appointment on the same or a different SOE's Board.

23. a) The Board Nomination Committee in the relevant Ministry/Division shall submit its

<sup>1</sup> Any transaction that has a value exceeding 30% of total assets or 30% of total liabilities (less shareholder funds).

proposals for the appointment of Directors for approval of the Federal Government through Cabinet Committee on State-Owned Enterprises (CCoSOEs).

b) The procedure for filling the causal vacancies on the Board shall be the same as the Para-23(a) above.

c) The BNC shall ensure that the designated officers represent the Federal Government in the Annual General Meeting (AGM) of the companies as per the relevant sections of the respective Articles of Association and the provisions of the Companies Act, 2017.

d) The Nomination and Appointment Procedure to be followed by the BNC is given at **Annexure 7**. The BNC will comprise of the following as provided in Section 10(1) of the Act:

(a) the Minister in Charge to which the business of the state-owned enterprise has been allocated under the Rules of Business, 1973, who shall also be the Chair of the Committee:

provided that where the Minister in Charge is the Prime Minister, he may nominate another member of the Federal Government to be Chair of the Committee;

(b) the Secretary of the Division to which the business of the state-owned enterprise has been allocated under the Rules of Business, 1973; and

(c) the Secretary of the Finance Division or his nominee of at least BPS 21.

24. The BNC will ensure the compliance to the following guidelines for making a proposal for SOE Boards unless absolutely necessary or required by law:

- a) the size of the proposed SOE Board shall range between 5 to 11 members unless otherwise specified in any applicable statute.
- b) there will be a majority of independent directors (non-ex-officio and non-executive)
- c) in selecting a candidate, the committee will ensure that, upon appointment, the Board shall consist of independent directors, ex-officio directors and the chief executive officer of the SOE where required by law, with the requisite skills, competence, knowledge, experience and approach so the Board as a group includes core competencies and diversity required to assist the SOE to achieve its primary objective (section 11(1) SOE Act).
- d) adequate gender representation may be ensured when making nominations to the SOE Boards.
- e) the nominees may also reflect a balance in the age of the nominees to the Boards, with a view to developing a second generation of independent directors. At least one member on the Board should be a young private sector individual, preferably below the age of 40 years.
- f) representation of academia, trade & industry and civil society may be considered.
- g) independent director nominations should be made considering the ability of the nominee to devote the required time to effectively undertake the responsibilities of director.
- h) the tenure of the independent directors on the Boards of Public sector Companies (PSCs) shall be three years and in case of other corporate bodies, covered under the Act, the period shall be as mentioned in their respective statutes.

- i) an independent director shall not be appointed to the same Board after two consecutive terms unless the period of three years has lapsed.
- j) an Independent Director shall not serve for more than nine years on the Board.
- k) the Chairman of the Board will be appointed by the Federal Government from one of the independent directors.
- l) the offices of Chairman and CEO must be kept separate.
- m) representation from the administrative Ministry/Division on the Boards of SOEs shall be restricted to one member per Board.
- n) the representation of any other Ministries/Divisions (other than Ministry of Finance) and any other public sector agency shall be discouraged.
- o) The Ministries nominating ex-officio members to the Board will ensure that the officer nominated possesses the required knowledge, skills, and experience to make a meaningful contribution to Board and committees' deliberation. Adequate fee shall be fixed for the independent and ex-officio directors for attending Board and committee meetings along with any travelling, Boarding lodging that is essential for attending the above meetings. The remunerations shall commensurate with the level of responsibility and expertise and no additional perks and privileges will be admissible to the directors. The remuneration shall not be at a level that could be perceived to compromise the independence of the Board members.
- p) appointment of an individual to more than 5 Boards simultaneously shall be prohibited.

25. Each director of the SOE will have to satisfactorily complete Director Training Program for SOEs. This customized program for directors of SOEs will be developed by the SECP in partnership with other stakeholders. The directors will take this training within six months of their appointment.

26. Each Board of a Company will be responsible for selecting and appointing the Chief Executive Officer (CEO) under a performance-based contract as per the criteria set by the Board. CEOs will only be appointed and removed by the 3/4 majority resolution of the Board, **which shall include the ex-officio nominee directors**. Financial compensation for the CEO will be determined by the Board. The CMU shall issue guidelines/rules for appointments of the key positions namely CEO, Chief Financial Officer (CFO), Chief Internal Auditor (CIA) and Company Secretary of the Public Sector Companies within six months of the issuance of this Policy. Till new guidelines /rules for appointments of these positions are issued by CMU under this Policy, the existing provisions under Public Sector Companies (Corporate Governance Rules), 2013 will be applicable subject to compliance with the Act and the Policy.

## Competitive Neutrality

27. No SOE or any subsidiary of the SOE will be granted any special exemption which gives them an unfair competitive market advantage or maintain a dominant market position to the detriment of development of a sector unless notified by the Federal Government on a case to case basis. The Federal Government will ensure that SOEs, simply by virtue of their state ownership, do not enjoy any competitive advantages over their private sector competitors without objective justification. The detailed framework is at **Annexure-4**.

## Issuance and Reporting of Guarantees for SOEs

28. The Debt Policy Coordination Office (DPCO) of the Ministry of Finance in consultation with the CMU will issue a risk analysis report on contingent liabilities of SOEs on an annual basis to be presented to the Federal Government and published on the website of the CMU/Ministry of Finance under section 4(1)(c) of the Act. Every SOE will clearly state and publish in their annual report all contingent liabilities, guarantees provided by the Federal Government, or third parties on behalf of the Federal Government, payables to other SOEs and any loans or other financial support provided by the Federal Government or other SOEs.

## Human Resource of SOEs

29. All SOEs shall establish Human Resource (HR) policies to improve the quality of their human resources and organizational structure after approval from their respective Board of Directors.

30. SOEs will consider following guidelines for developing their HR policies:

- a) HR Policy/rules/regulations shall be approved, amended, or superseded with the approval of the Board of Directors of that SOE, unless otherwise provided in the primary legislation of the statutory SOEs. Such Policies/rules/regulations shall be based the principles of fairness, transparency and equity.
- b) Regular HR review mechanism shall put in place with the view to rationalize the workforce.
- c) The Board shall ensure that wherever possible the new appointments may preferable be on the contract basis with termination clause of one month notice.
- d) All SOEs shall carry out annual performance evaluation of their human resources and the decisions for continuation/termination of the contract shall be based on the performance evaluation.
- e) Fit and proper criterion for the appointment of CEO, CFO, CIA, Company Secretary and other senior management officers by whatever name called shall be in accordance with the Section 16 and Schedule IV of the SOEs, Act, 2023.

## Accounting and other Financial Standards

31. Finance Division, in consultation with the Auditor General of Pakistan, is mandated to issue detailed framework for financial management of statutory SOEs. All SOEs will establish internal audit procedures and mechanisms as required under sections 19 and 20 of the Act. Details are at **Annexure 6**.

## Public Service Obligation (PSO)

32. Under section 7(4) of the SOEs Act, 2023 the Federal Government may direct a commercial SOE to undertake a PSO. If undertaking the PSO is not consistent with the SOE's primary objective, the Federal Government must agree in writing to compensate the SOE in a manner that maintains the SOE's commercial viability. The PSO framework is at **Annexure-5**.

## Board Committees

33. The Act has laid down the framework for the establishment of an Audit Committee of the Board. An overview of the process and functions of the Audit Committee is at **Annexure 6**. However,

the Boards of SOEs can establish other committees as and when needed.

## Code of conduct

34. The Board of each SOE shall develop a Code of Conduct for the Directors as well as for the employees of the SOE which shall include, as per Section 19(2) of the SOEs Act, the matters elaborated in schedule 5 of the Act and the Manner of Regulations of Conflict of Interest at Annex-8 of the Policy. The Board shall ensure that the Code includes the procedures of disciplinary action against those who violate the Code and in case of any violation by the Directors such procedure should be in accordance with the relevant provisions of the Companies Act, 2017.

## Fit and Proper Criteria

35. Securities and Exchange Commission of Pakistan shall review and monitor the nominations on the Boards of SOEs and shall inform the line Ministry/Division as well as the CMU in case of any violation of the Fit and Proper criteria. The Secretary of the line Ministry/Division shall be responsible for taking appropriate actions on the information provided by SECP. However, an independent Director shall submit, along with the consent to act as Director, a declaration to the SOE that he/she qualifies the Fit and Proper criteria notified under the Act. Further the Independent Director shall also give such declaration to the SOE and SECP on an event of any change affecting his/her independence post appointment.

## Public Disclosure

36. CMU shall regularly publish the Summary of the bi-annual reports on financial and economic performance of the SOEs for public information on its web portal, after the consideration of the report by the CCoSOEs and the Federal Government. Moreover, all the SOEs shall disclose their bi-annual reports on financial and economic performance of the SOEs on their respective websites after, the CMU has uploaded its report.

## Annexure-1

Process and timeline for development of Business Plan and Statement of Corporate Intent (Section 8 and Schedule 3 of the SOE Act)

When developing the business plan and statement of corporate intent (SCI), Board and management must ensure that these are consistent with the primary objective. It is also true for supporting plans such as the asset management plans, debt management policy, risk management plan, and business continuity management procedures.

### A. PREPARATION TIMING FOR BUSINESS PLAN AND SCI

The business plan is a detailed planning document containing potentially commercially sensitive information, whereas the SCI is a public summary. The preparation timetable has been developed to factor in the line Ministry's and CMU's review of the business plan and SCI before it is adopted by the Board so that their feedback can be taken into consideration.

Note: neither the line Ministry or CMU is required to, or has the power to, approve the business plan or SCI. They are consulted on the content of the business plan. **If either the line Ministry and / or CMU do not provide comments on the draft business plan within the 3 weeks provided the SOE can assume that the line Ministry and / or CMU have no comments and the Board can proceed to finalize the business plan and SCI.**

TABLE 1: Preparation of business plan and SCI

Timing	Action
Beginning of month 5 before end of FY - about the time draft semi-annual accounts are available	Board and management map out strategic issues to be covered in business plan
Beginning of month - 4 before end of FY	Management commences drafting business plan and budgets
Beginning of month - 2 months before end of FY	Board and management submit draft business plan to CMU and line Ministry for review and comment. SOE management commences drafting SCI
5 weeks before end of FY	Line ministry and CMU may provide formal feedback on draft business plan.
4 weeks before end of FY	SOE management submit draft SCI to Board
Between 3 and 2 weeks before end of FY	Board and management finalize business plan and SCI
At least 1 day before end of FY	Board adopts business plan and approves the SCI
Within one month after the SCI is approved	Board causes to have the SCI published on SOEs website and sends adopted business plan and SCI to the line Ministry and CMU
Within two to four months after the business plan is adopted by the SOE Board and SCI approved	CMU submits business plan to the Cabinet Committee on SOEs with CMU's and line Ministry's analytical appraisal of content and impact of adopted Plan.

FY = financial year

## B. THE ANNUAL REPORT

The annual report is a key accountability document. SOEs must submit their annual report to the Federal Government within 4 months after the end of the financial year to which the annual report relates. Sections in the SOE Law dealing with the financial statements and annual reports are sections 25, 26 and 27. Section 28 deals with the semi-annual report.

The preparation and approval of financial statements shall continue to be in accordance with the Companies Act, 2017. However, some specific requirements, with respect to financial statements and annual report of an SOE shall inter-alia include the following:

- a. Financial statements must be prepared in accordance with international financial reporting standards (IFRS) within three years of the approval of the act.
- b. Annual report must include subsidiaries.
- c. Annual report must be accompanied by a statement that.
  - i. There are reasonable grounds that the SOE shall be able to pay their debts as they become payable, and
  - ii. The financial statements and notes comply with the requirements of the SOE Law.

The Board of the SOE may omit information from the annual report that is commercially sensitive but must then submit a report to Federal Government stating the reasons the information has been omitted.

A summary of the annual report must be published on the SOE's website or another suitable site, such as the line Ministry's website within one month of the report being submitted to the Federal Government and the summary must show how actual performance relates to performance targets in the SCI.

TABLE 2: Timetable for Preparation of Annual and Semi-Annual Reports

Timing	Action
Two months after the end of the first half of the FY	Board adopts semi-annual accounts including report on progress against SCI targets and submits to CMU, and the line Ministry
4 months after the end of the FY	Board adopts audited financial statement and annual report. The audited financial statements are approved by the AGM. Upon the approval of the audited financial statement the Board submits the audited financial statement and annual report to the line Ministry and CMU.
Within one month of adopting the audited annual accounts	Board publishes a summary of audited financial statement and annual report on SOE's website (or line Ministry's website) with actual performance compared to SCI targets

## C. FOCUS AND OUTLINE OF BUSINESS PLAN

The SOE Law establishes the minimum requirements for the business plan. However, to develop an effective business plan it should discuss and cover the following matters:

- Within the context of the primary objective the plan should start with a clear statement of the SOE's main organizational objectives - a statement of its purpose, which is often termed the vision and mission.
- The plan should comment upon the shareholder's or owner expectations of the SOE.
- How the Board is going to govern the SOE so that it will achieve the objectives over the period of the plan
- Where does the Board see the SOE in three, five or ten years – the longer-term vision
- What does the SOE require to achieve the strategic, operational, and financial objectives
- What are the main barriers that might frustrate the SOE's efforts to achieve the objectives? How the SOE will overcome the barriers and take advantage of opportunities – this could be dealt with through a SWOT<sup>2</sup> analysis
- What are the key performance indicators (KPIs) that the SOE will adopt to be able to monitor and measure its success in attaining the strategic, operational, and financial objectives?
- What are the key financial and operational assumptions that have been incorporated into the forward projections? For material assumptions a sensitivity analysis should be included to assess potential impact if the assumption is not realized.

### **Business Plan content**

Section 8 of the SOE Law sets out the general content of the Plan. The Plan must contain cover three financial years and contain information about the operations, strategic direction, and financial and non-financial performance measures and demonstrate how the SOE will achieve its primary objective.

### **The importance of financial and non-financial measures**

Progress against financial performance measures provide the Board and external stakeholders with a picture of how the corporation is performing in the present. Non-financial performance measures provide the Board and external stakeholders with a picture of the future.

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<sup>2</sup> Strengths, opportunities, weaknesses, and threats

## Annexure-2

### Director Performance Review Framework

The Federal Government of Pakistan requires that State-owned Enterprise (SOE) directors, independent and ex-officio, undertake periodic evaluation of the Board's performance and the contribution made by individual directors. The following performance evaluation review framework shall therefore, be applicable on independent and ex-officio directors.

Within six months of the approval of the Policy the Central Monitoring Unit (CMU) will distribute a default template to be used by all SOEs for director evaluations. The default will set the minimum requirements for director and Board performance assessments. Boards may adopt a more robust performance review framework provided it has been approved by the relevant line Ministry and CMU. The assessment questions in the CMU developed template will relate to Core Competencies for all directors which will be attached to the CMU performance review framework when shared with SOEs. Directors are encouraged to review the core competencies before completing the self-evaluation.

It is expected that the director's performance review will be undertaken by the SOE Board once every two years. The CMU will provide support to BNC in the process of selection of directors if required by the line ministry.

### PROCESS

#### Director Reviews

- Directors will undertake a self-assessment using the template developed by the CMU.
- The chairperson will review each individual director using the template developed by the CMU

The chairperson and directors will meet and discuss their respective evaluations and agree a final score and insert agreed clarifying comments. The completed review will be forwarded to the BNC and copied to the Central Monitoring Unit (CMU) for record.

#### Chairperson Reviews

- The chairperson will complete the self-assessment using the template and share with the deputy chair. If there is no deputy chair, then the Board shall select a member who has served on the Board for a reasonable period to undertake the interview/review with the chair.
- Prior to the review, the reviewer/interviewer should canvass the views of the Board as a whole so that the Board's collective input can be provided for the chairperson's benefit.
- The chairperson and deputy chair, or nominated director, will meet, and discuss their respective evaluations and agree a final score and insert agreed clarifying comments. The completed chair review will be forwarded to the BNC and copied to the CMU for record.

### Board MEMBER DEVELOPMENT

The Board should develop a plan for the capacity enhancement of the Board.

### ABSOLUTE REQUIREMENTS

All directors and chairpersons must meet the Absolute Requirements that will be set out by the CMU as part of the performance review framework to be eligible for reappointment. The BNC may consider reappointment in cases where there has been non-compliance with one of the Absolute

Requirements if the non-compliance has arisen due to circumstances beyond the control of the director. Non-compliance must be disclosed at the time of or prior to the director's review.

### **Board SURVEY**

A Board Survey is to be completed by each director on an annual basis, the template for which will be issued by the CMU. It is suggested that it be completed at the last Board meeting held in each financial year. The Board Survey will be shared with all Board members and the relevant line Ministry with a copy to CMU. **It is intended to provide the Board and directors with an opportunity to comment on Board processes and areas for improvement and development.** It is not a formal part of the director's performance review process.

## Annexure-3

## CENTRAL MONITORING UNIT

## FUNCTION PROCESSES AND TIMELINES

CMU reports to Federal Government

Table 3: Reports to Federal Government

Activity	Timing	Action
Semi-annual report on SOE performance against primary objective and business plan and Statement of Corporate Intent (SCI) targets	4 months after the end of the first half of the financial year	CMU will prepare and submit a summary report on SOEs' progress against business plan targets based on analysis of SOE semi-annual reports and other input as required.
Annual report on SOE performance against primary objective and business plan and SCI targets	6 months after the end of the financial year	CMU will prepare and submit a report on SOEs' progress against business plan targets based on analysis of SOE audited financial statements and annual reports and other input as required.
Report on quality of business plans and SCIs, learning, and feedback	3 months after the commencement of the financial year	CMU will undertake detailed analysis of SOEs' business plans against best practice and will advise on quality and relevance of information, if required, and whether the key performance indicators are SMART <sup>3</sup> and relevant to the SOE's primary objective. The analysis, feedback and recommendations for improvement will be submitted to CCOSOEs in its consolidated Report.
Report on quality of annual reports generally – content relevance etc., learnings, and feedback to line ministries and FG	5 months after the end of the financial year covered by the annual report	CMU will undertake high-level analysis of the content of SOEs' annual report against good practice and accounting standards and will advise on quality and relevant of information. The analysis, feedback and recommendations for improvement will be submitted to FG, line Ministries, MOF and SOEs
Report on Risks	1 month after the commencement of the financial year	CMU will submit to FG, line Ministries and MOF a report on the risk associated with the SOEs and sectors that could impact state's investment in SOEs.

3 Smart, Achievable, Meaningful and Measurable, Relevant, and Time bound

## CMU Aggregate report to FG and Public

Activity	Timing	Action
Annual aggregate report on SOE performance	6 months after end of the financial year	CMU prepare draft aggregate report for SOEs covering at least the following: progress with implementation with SOE management policy; compliance with SOE law, aggregate financial performance, key financial and non-financial performance indicators, portfolio size and sector distribution, Board composition, report on individual SOEs, budget support and PSOs provided to SOEs. Draft to be submitted to line Ministries, Ministry of Finance and CCoSOEs
	7 months after end of financial year	Report shared with relevant stakeholders and the feedback is received
	8 months after the end of the financial year	CMU submit final report to CCoSOEs for consideration
	9 months after the end of the financial year	The Report is published on the website of CMU/ Finance Division

## INSIDER TRADING

From time-to-time CMU staff may receive information from listed SOEs that is not in the public domain and may or may not be price sensitive. For example, a listed SOE will provide CMU with a draft business plan which may contain inside information. CMU staff must abide by the inside information rules contained in the Securities Act 2015. It is up to each CMU staff member to ensure that they are familiar with the rules. If there is any doubt regarding their application to a particular circumstance, legal advice should be obtained. Any violation of the aforementioned clauses of Securities Act will be dealt under applicable laws.

## ENSURING THE INTEGRITY OF INFORMATION SUBMITTED TO CMU

### INTRODUCTION

Information submitted to, or sourced by CMU, will come from the following primary sources

- SOEs monitored by CMU,
- Line ministries that are responsible for SOEs monitored by CMU,
- Federal Government and government committees,
- Ministry of Finance, and
- CMU's own research.

These guidelines will ensure that information held by CMU will be secure and information provided to or sourced by CMU can be relied upon to the extent that CMU can control the accuracy of information provided to it.

Information provided to CMU by SOEs, line ministry and government (including Ministry of Finance and CCoSOEs)

- CMU will maintain a list of names, positions and email addresses for persons authorized by SOEs, line ministries to provide CMU with information as part of CMU's monitoring and analytical activities.
- CMU will update the list at least annually by requesting SOEs, line ministries and government to confirm currency of the list.
- CMU will not be required to validate the accuracy of information provided to it by SOEs, line ministries and government if they are submitted by an authorized person.

### **Information sourced by CMU**

Any information sourced by CMU to enable it to undertake its functions under section 31 of the SOE Act shall be referenced as to source.

### **INFORMATION PROTECTION**

- All commercially sensitive information held by CMU in electronic form shall be password protected.
- Only designated persons will be able to gain access to password protected information.
- Information that is not in the public domain, such as price sensitive information received from a listed SOE, must require two-person password protection as joint signatories until the information is publicly available and then it can be stored in the normal storage / filing system without password protection.
- Information that is not in the public domain, such as price sensitive information received from a listed SOE, which is in hard copy or non-electronic form must be locked in a secure cabinet requiring two keys to unlock. Keys must be held by two different staff members. When the information is publicly available it can be stored in the normal storage / filing system without password protection.
- IT systems' security and processes must be reviewed at least semi-annually by an external security expert.
- All information relating to potential SOE director candidates must be held in password protected electronic files or in secure locked cabinets. Access to locked cabinets will be limited to designated staff.
- Wherever possible information will be stored in electronic format with password protection as provided herein.

### **INSIDER TRADING AND RELATED PARY TRANSACTIONS**

All CMU staff must make themselves familiar with the policies on insider trading and related party transactions and must sign an agreement to be bound by the policy upon appointment to CMU.

As part of CMU staff employment contracts, staff will agree to keep all CMU information confidential unless the information has been made publicly available either through a formal CMU report or by another body, such as the SOE, line ministry of Federal Government.

## Annexure-4

### FRAMEWORK FOR ENSURING COMPETITIVE NEUTRALITY OF THE STATE WITH RESPECT TO SOEs

This Framework is designed to avoid undue regulatory and financial advantages granted to commercial SOEs therefore ensuring competitive neutrality.

#### Scope of the Framework

Objectives of the Framework are to ensure a level playing field both between state-owned and privately-owned enterprises, and between different privately-owned enterprises.

The Framework provides that the Federal Government of Pakistan should ensure that rules applied to enterprises within domestic markets are neutral. For example, the rules should maintain competitive neutrality in the enforcement of competition and bankruptcy law, so that competing enterprises are subject to equivalent rules, irrespective of their ownership, location, or legal form. In addition, the Federal Government will ensure that competing activities are subject to the same regulatory environment and that commercial SOEs are not responsible for regulating the markets in which they compete.

The Framework requires the Federal Government to preserve competitive neutrality when designing measures that may enhance a SOE's market performance and distort competition. For example, the Federal Government shall avoid offering undecided advantages that distort competition and selectively benefit SOEs over private competitors.

#### Definitions

The following definitions are used in this Framework:

- Competitive Neutrality: a principle according to which all Enterprises are provided a level playing field with respect to a state's (including central, regional, federal, provincial, county, or municipal levels of the state) ownership, regulation, or activity in the market.
- Enterprise: any entity engaged in offering goods or services on a market, irrespective of its legal form - companies, limited liability companies and partnerships limited by shares.
- Commercial SOE as defined in the SOE Policy and SOE Law.
- Public Policy Objectives: objectives benefitting the public interest within Pakistan.
- Public Service Obligations: as defined in the SOE Policy and SOE Law

#### Framework

The Federal Government shall ensure Competitive Neutrality, to the maximum extent practicable and unless overriding Public Policy Objectives require otherwise, by:

1. Ensuring that the legal framework applicable to markets in which Enterprises currently or potentially compete is neutral and competition is not unduly prevented, restricted, or distorted. To this effect, the Federal Government will:
  - a) Adopt or maintain, an appropriate, a competitively neutral competition law that addresses anti-competitive conduct and includes merger control.

- b) Maintain Competitive Neutrality through the creation and enforcement of effective competition, and enforcement of bankruptcy law, so that competing Enterprises are subject to equivalent competition and bankruptcy rules, irrespective of their ownership, location, or legal form, and that the enforcement of those laws does not discriminate between commercial SOEs and their private competitors, or between different types of privately owned Enterprises. However, the above would not rule out measures aimed at safeguarding competitive neutrality.
- c) Maintain Competitive Neutrality in the regulatory environment. In particular, the Federal Government shall:
  - i. Subject competing activities to the same regulatory environment and enforce regulations with equal rigor, appropriate deadlines and equivalent transparency with regard to all current or potential market participants;
  - ii. Ensure that Enterprises, regardless of their ownership, location, or legal form, are not ultimately responsible for regulating the market(s) in which they currently or potentially compete (especially regarding entry or expansion of existing players); and
  - iii. Carry out competition assessments that identify and revise existing or proposed regulations that unduly restrict competition.
- d) Establish open, fair, non-discriminatory, and transparent conditions of competition in government procurement processes to ensure that no Enterprise, regardless of its ownership, nationality, or legal form is granted any undue advantage.

2. Preserving Competitive Neutrality when designing measures that may enhance an Enterprise's market performance and distort competition. To this effect, the Federal Government shall:

- a) Avoid offering undue advantages that distort competition and selectively benefit some Enterprises over others. Such advantages would for example include exclusive licensing regimes, loans, loan guarantees and state investment in capital, conditions not in line with market principles, as well as favorable tax treatment, grants and goods or services provided by government at favorable prices. Where achieving an overriding Public Policy Objective requires an exception, this should be transparent to all, proportionate and periodically reviewed. It is recognized that commercial SOEs may be subject to more stringent specific rules which limit the provision of government support to such entities.
- b) Set compensation for any public service obligation placed upon a commercial SOE so that it is appropriate and proportionate to the value of the services. In particular, the Federal Government shall:
  - i. Transparently and specifically identify any public service obligation placed upon a commercial SOE;
  - ii. Impose high standards of transparency, account separation and disclosure on commercial SOEs with public service obligations around the cost and revenue structures to ensure that compensation provided for fulfilling public service obligations is not used to cross-subsidize the offering of goods or services on another market; and
  - iii. Establish or maintain independent oversight and monitoring to ensure that

remuneration for public service obligations is calculated based on clear performance targets and objectives and based on efficiently incurred costs, including capital costs.

- c) Adopt structure and governance rules for commercial SOEs that do not provide them with an undue advantage that distorts competition.

3. Take steps to put in place suitable accountability mechanisms to support and monitor the implementation of the principles set forth in this Framework.

## Annexure-5

### Public Service Obligation Framework

1. The Federal Government may in writing require a commercial state-owned enterprise to:
  - (a) provide a specified service or perform specified activities; or
  - (b) cease providing a specified service or performing specified activities.
2. Within one month of receiving the written proposal from the Federal Government, the State-owned enterprise must respond to the notice in writing, stating, with reasons, whether the State-owned enterprise:
  - (a) agrees to give effect to the proposal; or
  - (b) finds the request to be inconsistent with the primary objective of the State-owned enterprise.
3. If the commercial state-owned enterprise gives a notice under clause (2)(b), the Federal Government and the commercial state-owned enterprise must enter into good faith negotiations with a view to agreeing arrangements under which the commercial state-owned enterprise can give effect to the Federal Government proposal without acting inconsistently with its primary objective.
4. If an agreement is reached under clause (3), the arrangements for giving effect to Federal Government proposal shall be incorporated in a Public Service Obligation Agreement which:
  - (a) must be in writing;
  - (b) must be approved by the Federal Government and the Board of the commercial state-owned enterprise;
  - (c) may include provision for funding or other resources to the commercial state-owned enterprise;
  - (d) if it provides for the commercial state-owned enterprise to provide goods or services, must—
    - specify the goods or services, including any particular quantities;
    - specify an estimate of the annual total cost to the commercial state-owned enterprise for providing the goods or service, and an estimate of the annual total revenue to be received by the commercial state-owned enterprise for doing so; and
    - specify how the performance of the commercial state-owned enterprise in providing the goods or services will be monitored and assessed;
  - (e) may include any other matter, not inconsistent with this Act, that is agreed between the Minister in Charge and the commercial state-owned enterprise.
5. For the avoidance of doubt, if the Federal Government directs a commercial state-owned enterprise to provide specified services or perform specified activities through cross-subsidizing the cost between different groups of users and the revenue collected by the commercial state-owned enterprise from the cross-subsidization does not cover the costs, the Federal Government and commercial state-owned enterprise will agree the short-fall to

be funded by the Federal Government and enter into a public service obligation agreement as provided in clause (4). However, a cross subsidy between different groups of users which is in accordance with a tariff determined by a regulator or the commercial state-owned enterprise's own pricing mechanism, is not a public service obligation and will not require a public service obligation agreement as provided in clause (4).

6. The obligations under a public service obligation agreement shall be binding.

### PSO framework process

Step	Activity	Timing	Action
1	Discussions between line Ministry, Ministry of Finance (MOF) and SOE on possible PSO activities	When possible PSO identified	Either SOE or line Ministry or Federal Government identify possible PSO. PSO is defined in broad terms – high-level description of desired outcomes / outputs and high-level costings based on the framework developed by the CMU.
2	PSO proposal submitted to FG	Following line Ministry and MOF assessment of high-level PSO description and costing	Line Ministry or MOF submit paper to FG recommending PSO with high-level costing and description of desired outcomes / outputs and explanation of social / economic benefits sought. SOE is consulted on content of paper.
3	Federal Government requires SOE to undertake PSO	FG approves line Ministry / MOF paper	FG writes to SOE and requires SOE to undertake PSO (or cease undertaking an activity as the case may be).
4	SOE responds to PSO direction	Within 1 month after step 3	SOE responds in writing, with reasons, stating that it (a) agrees to provide the PSO, or (b) determines that providing the PSO is inconsistent with the SOE's primary objective and declines the direction.
5	Negotiation	Within 2 months after step 3	SOE and line Ministry enter negotiations with a view to agreeing arrangements under which the SOE could provide the PSO in a manner consistent with the SOE's primary objective
6	Agreement	At conclusion of negotiations	If agreement cannot be reached negotiations end. If agreement is reached line ministry and SOE will enter into agreement with the approval of the government.
7	PSO agreement documented	Within 1 month after step 6	Agreement must be in writing; include provision for funding the PSO, or other resources to be provided to the SOE; specify the goods and / or services and qualities (where relevant); the net cost to the SOE in providing the goods and / or services (cost to provide PSO less any direct revenue received); and specify performance criteria and how monitored.

8	Submit agreement to FG	Within 1 month after step 7	Line Ministry submit PSO agreement to FG for approval
9	Submit agreement to SOE Board	Within 1 month after step 7	SOE management submit PSO agreement to Board for approval
10	Binding agreement concluded	Within 6 weeks after step 7	Binding agreement executed
11	Monitoring schedule agreed	Within 1 month after step 10	Line Ministry and SOE document and implement monitoring procedure and timeline established in the PSO agreement
12	Reporting	When drafting business plan and SCI	SOE includes all PSOs in the draft business plan and SCI and all agreed PSOs in the adopted business plan and SCI, including net cost and description, in accordance with requirements in SOE Act and Policy
13	Reporting	When drafting semi-annual and annual reports	SOE includes all PSOs in the draft semi-annual and annual accounts and all PSOs in the adopted semi-annual and annual accounts, including net cost and description, in accordance with requirements in SOE Act and Policy

## Annexure 6

### Audit Committee and Systems of Internal Control

Section 21 of the SOE (Governance and Operations) Act, 2023(the SOE Act) requires every State-owned Enterprise (SOE) to establish an Audit Committee. Section 20 of the SOE Act requires every Board to develop systems of internal control and ensure their enforcement.

1. The audit committee shall be responsible for

- recommending to the Board the appointment of external auditors, their removal, audit fees and provision of any additional service
- determination of appropriate measures to safeguard the SOE's assets;
- all reports and communications with external auditors;
- review of half-yearly and annual financial statements;
- ensuring coordination between the internal and external auditors; and
- investigating any deviation from or violation of the SOE's code of conduct or other systems of internal control.

The Audit Committee shall meet at least every quarter of a financial year. All Board members are entitled to attend Audit Committee meetings and minutes of meetings must be submitted to the Board at the next scheduled Board meeting.

2. Audit Committee must meet prior to the approval of interim results by its Board of directors and after completion of external audit.
3. The SOE's annual report shall describe the work of the audit committee (including a copy of its terms of reference), with specific points that must be addressed for full disclosure and transparency.
4. The Board of directors shall evaluate the performance of the audit committee through a formal review mechanism. And assess whether its terms of reference require amendment. The fact that a review has taken place must be disclosed in the SOE's annual report. A review questionnaire for this purpose will also be prepared.
5. To understand the risks the SOE needs to identify the potential events that could impair its ability to realize its goals, estimate the magnitude of the consequence/impact on the company if such a risk event materializes, and estimate the probability of such an event materializing. This should be carried out through a comprehensive risk assessment that includes recommendations on how to manage unacceptable risks.

### Internal Audit

Internal Audit will deal with following issues:

- a) Compliance audits,
- b) Financial audits,
- c) IT systems audits,

- d) Financial cycle and project audits, and
- e) Operational audits.
- The internal audit function should report, through the audit committee, on recommended improvements in the SOE's management and activities covered by the internal audit function. All internal audit reports must be submitted to the Audit Committee.
- The Audit Committee will consider the report and submit at least one summary to the full Board. The Board and Audit Committee shall determine and delegate to the Chief Executive what his or her role will be in the internal audit selection, function, and reporting.
- The internal audit function department must not become involved in operational matters, such as payments or selection of vendors, as that would compromise their independence when undertaking internal audits.

### **Regulations to be issued**

The detailed framework for audit committee, internal controls and risk management will be issued by the Central Monitoring Unit (CMU) as regulations under this policy. The other primary sources of information on audit committees are found in:

- (a) For listed companies: Listed Companies (Code of Corporate Governance Regulations), 2017 (LCR);
- (b) For banking companies: Prudential Regulations for Corporate/ Commercial Banking (Risk Management, Corporate Governance and Operations), 2015;
- (c) For public sector companies (PSCs): Public Sector Companies (Corporate Governance) Rules, 2013 (as amended in 2017).

## Annexure 7

1. This Nomination and Appointment Procedure has been prepared to support the implementation of the State-owned Enterprise director selection and appointment process contained in the State-owned Enterprise Act. It is the purpose of this SOE director selection and appointment process to ensure that independent directors are selected that will assist the SOE to achieve the primary objective and meet the requirements of the SOE Act.
2. The Board will be responsible for submitting the terms of reference, identified skill-gap, and brief explanation supporting the skill-gap to the Board Nominations Committee (BNC) for the selection of independent directors.
3. The Board will be responsible for ensuring each newly appointed director receives adequate induction training.
4. Every SOE shall establish a register of all interests declared by directors in accordance with a specified framework. The process for selection and appointment of directors will also be clarified.
5. In case of a new vacancy in the Board during the tenure of the Board, a director of a State-owned Enterprise must be appointed or reappointed by the Federal Government in the case of independent directors and Division or public sector organization in the case of an ex-officio director.
6. CMU will assist the BNC through developing and maintaining database of potential independent directors prepared based on the history of Board appointments, skills, knowledge, and experience, gender, and their performance evaluation.
7. The BNC is responsible for identifying and recommending candidates to Federal Government for appointment as independent directors.
8. The BNC is responsible for recommending ex-officio positions to be held by the relevant Division or public sector organization of the Federal Government, or where necessary, a Provincial Government.
9. A detailed framework for Board appointment process, recording interests, director induction, and BNC processes will be issued by CMU

## Annexure 8

### **Manner of Regulation of Conflicts of Interest, including procedures for Identification and Reporting of Direct and Indirect Interests**

1. Unless expressly stated otherwise the requirements regarding interest, conflicts of interest and related party transactions contained in the Companies Act 2017 will apply to all SOEs.
2. Directors must not involve themselves in a situation in which he or she may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company / SOE. Directors must not achieve or attempt to achieve any undue gain or advantage to himself or herself, any relative, partner or associates.
3. Any gain proven must be paid back. Directors must disclose any interest in writing to the Board as soon as the interest is created or known. Interests must be recorded in an interests register, the template for which will be provided, as well as a disclosure form. Both forms will be provided by CMU
4. Guidance will also be provided by CMU to describe when a director must disclose an interest and what an interested director may do, in accordance with the requirements in the Companies Act.
5. SOEs may enter into any contract or arrangement with a related party only in accordance with the policy approved by the Board but where the majority of directors are interested, the matter must be put before a general meeting, or in the case of non-company SOEs, submitted to the Federal Government for approval.
6. The related party transaction policy approved by the Board must be subject to the minimum requirements contained in the Security and Exchange Commission of Pakistan Companies Act (Related Party Transactions and Maintenance of Related Records) 2018. Details of all related party transactions must be placed before the audit committee and, upon recommendation of the audit committee, the SOE Board.
7. Declaration by directors and managers
  - a. Every SOE director, independent and non-independent, and managers, shall upon appointment sign a declaration that they
    - i. Have received a copy of the approved policy on conflicts of interest and related party transactions.
    - ii. Have read and understand the Policy,
    - iii. Shall not offer or accept any payment, bribe, favor, or inducement which might influence, or appear to influence, their decisions and actions, and
    - iv. Shall abide by the SOE's policies on conflict of interest and related party transactions, and
    - v. Shall abide by the SOE's code of conduct.
8. Further guidelines will be issued by the CMU.