



Punjab Skills Development Fund

Board Charter

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1. Purpose

This charter sets out the key values and principles of the Board of Directors of Punjab Skills Development Fund (“Fund”). It provides a concise overview of: the role and responsibilities of the Board of Directors; powers of the Board and Board committees; separation of roles between the Board and Management; and the practice of the Board in respect of corporate governance matters.

The Board Charter is subject to the provisions of the Section 42 of the Companies Act, 2017, (the Companies Act), the Fund’s Memorandum of Association (MoA), the Fund’s Articles of Association (AoA), agreements such as donors’ or sponsors’ agreements (where relevant), corporate governance best practices and applicable laws and regulatory provisions. It is not intended to replace or amend the MoA and AoA in any way whatsoever. References to the male gender are intended to equally reflect as references to the female gender.

2. Size and Composition of the Board

The Board shall be optimally constituted, comprising of not less than 9 and not more than 16 Directors, being a balance of members nominated by the Government, Civil Society members and the Chief Executive Officer of the Fund. The Composition shall be as follows;

- Four (4) Directors from amongst the Government Nominee Members (Government Officials)
- Eleven (11) Directors from amongst the Civil Society Members including Independent Directors
- One (1) director form amongst the Ex- Officio / Private Sector as CEO of the company
- At least one third members of the Board , shall be independent directors.

The Board shall recognize that diversity at Board level is an essential component for sustaining a competitive advantage and ensuring an all-inclusive culture on Board and due regard shall be given to gender balance in the composition of the Board of the Fund, as laid out in the Nomination Committee Charter.

3. The role, functions & responsibilities of the Board

The Board is responsible for steering the Fund and directing the affairs of the fund. The Board has authority to exercise all of the powers and perform any of the functions of the Fund except to the extent that the Companies Act 2017, or MoA/AoA provide otherwise in the best interests of the Fund with due regard to the interest of its stakeholders.

Governance:

- a) The Board should ensure the Fund's compliance with all applicable laws, regulations, memorandum of association, articles of association, code of corporate governance and establish systems to effectively monitor and control compliance across the Fund.
- b) The Board shall be responsible for building trust in the Company through consistent behavior, transparency and accountability;

Strategy:

- c) The Board shall be responsible for approving the Policies and implementing the approved policies throughout the Fund. Furthermore, the Board shall periodically review and evaluate the policies that they establish and shall clearly delegate the authority to implement the policies and shall support the use of that authority.
- d) Board shall develop an in-depth understanding of each part of the Fund's business;
- e) Board shall be responsible for reviewing, approving and monitoring major investments and strategic commitments;
- f) The Board shall nominate the Chief Executive or any other official at appropriate level as a focal person for maintaining liaison with the Government
- g) The Board delegates to the Chief Executive Officer the authority and power to manage the day to day business affairs of the Company subject to such specific delegations and limits that the Board makes from time to time. The CEO has authority to sub-delegate such authority and power to such members of the management team as he shall determine from time to time.
- h) Board establishes a framework for the delegation of authority to management;
- i) Board shall review, approve and monitor the fund's strategic plans and assumptions and rationale underlying them. It shall also discuss business risks, future sustainability and the management's assessment of internal risk management and controls.

Sustainability:

- j) Board shall ensure consideration of financial and operational sustainability of the Fund in all strategic plans
- k) Board shall approve a sustainability strategy and set out how the Fund plans to diversify and expand its funding base and revenue-generating opportunities

- l) Board shall ensure active participation of the Government of Punjab by engaging it in all key governance and policy level matters including funding for training programs, linkage of the fund to Governments own policy directives and bringing focus on outcome-oriented approach and income generation results

Performance Evaluation:

- m) The performance evaluation of members of the Board including the chairman and the chief executive officer shall be undertaken in accordance with Rule 8(1) of Corporate Governance Rules 2013 for Public Sector Companies.
- n) The Board is also responsible for monitoring and assessment of the performance of senior management on an annual basis and holding them accountable for accomplishing objectives, goals and key performance indicators set for this purpose as recommended to them by the Human Resource Committee. The Board may delegate this task in accordance with Delegation of Authority (DoA) matrix.

Management oversight:

- o) The Board should ensure that management maintains a culture that rewards the recognition, communication and management of risks, with human resource performance assessment, compensation and incentive programs linked to management's performance.
- p) The company secretary shall be responsible for ensuring that Board procedures are followed and that all applicable laws, rules and regulations and other relevant statements of best practice are complied with. Where the company secretary is not separately appointed, the role of company secretary may be combined with chief financial officer or any other member of senior management.
- q) The Board shall also ensure that the Company Secretary operates according to his/her roles and responsibilities mentioned in his/her job description and the relevant laws.
- r) The Board shall ensure that the chief financial officer and the company secretary attend all Board meetings, wherever required.

Risk management:

- s) The Board shall be responsible for establishing, monitoring and reviewing the Company's risk management processes.
- t) reviewing and monitoring processes for the documentation and regular review and updating of the Company's risk profile.

- u) The Board shall ensure the establishment of a system of sound internal control through Internal Audit Department reporting to Audit Committee of the Board, which shall be effectively implemented at all levels within the Company, to ensure compliance with the fundamental principles of probity and propriety, objectivity, integrity and honesty and relationship with the grantees and other stakeholders.

Integrity of external reporting:

- v) Board shall ensure the integrity of external reporting.
- w) The Board shall be responsible for reviewing and monitoring the processes, controls and procedures which are in place to maintain the integrity of the Company's accounting and financial records and statements, with the guidance of the Audit Committee.
- x) It shall also review and monitor reporting to donors/sponsors at-least annually and other stake holders to ensure that it is objective, comprehensive, factual and timely information.

Financial Reporting:

- y) The Board shall ensure the financial reporting of the fund in accordance with all relevant laws and regulations and applicable accounting framework.
- z) The Board shall ensure that all related party transactions placed before the Board have been recommended for approval by the Audit Committee after its review and that related party transactions, not carried out at arm's length price, have been placed separately at each meeting along with necessary justification for consideration and approval of the Board.

Reviewing past performance

- aa) The Board shall review annual business results and monitoring budgetary control;
- aa) Board shall review, approve and monitor performance of fund and any necessary corrective actions and processes if required;

Information system:

The Chair and the Chief Executive shall:

- bb) Take all necessary steps to ensure that the Management, in a timely manner, provides the Board and its Committees with the information, advice and resources they need to properly function; and
- cc) Ensure that significant issues, appropriately documented, are placed before the Board for its information and consideration, in order to formalize and strengthen the corporate decision-making process.

- dd)** The Board and individual Directors may request any information from the Management and external parties, other than those recorded in the Board and Committee meeting decisions, through the Board Chair and the Sub Committee Chairs.

Ethics and Code of Conduct:

- ee)** The Board shall ensure that ethical and professional standards are in place that promote integrity for the Board, senior management and other employees in the form of a "Code of Conduct".
- ff)** maintain strict confidentiality with respect to all matters pertaining to the Company's affairs and business.

4. Appointment of Directors

- a.** Directors shall be appointed through a formal process in conformation with Articles of Association and the relevant regulatory framework.
- b.** The Nomination Committee of the Board shall identify, evaluate and recommend candidates for vacant positions, including casual vacancies, for consideration of the Board, donors and sponsors and thereafter the process as laid down in the Nomination Committee charter shall be followed.
- c.** The Chairman of the Board shall be elected by the Board. However, this provision shall not apply where Chairman of the Board is appointed by the Government. In either case, the Chairman of the Board will be appointed in consultation with the donor(s).
- d.** The Government Nominated Directors shall hold office in the Fund by virtue of their office in the Government and not in their individual capacity. They shall, accordingly, be replaced in the event of transfer/removal from their office in the Government by the person holding that office in the Government for the time being.
- e.** Every director of the Fund, if he or his relative, is in any way, directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Fund shall disclose the nature of his concern or interest at a meeting of the Directors.
- f.** Directors' remuneration packages (if any) shall encourage value creation within the Fund and shall align their interests with those of the Fund.
- g.** The annual report of the Fund shall contain a statement on the remuneration policy and details of the remuneration of members of the Board. Separate figures shall be shown for salary, fees, other benefits and other performance-related elements.

5. Removal of Directors

Directors shall be removed through a formal process in conformation with Articles of Association and the relevant regulatory framework.

6. Board's relationship with stakeholders

The Board will use its best endeavors to familiarize itself with issues of concern to interested parties. The Board recognizes that the Fund's long-term survival and prosperity are closely intertwined with the environments and markets within which it operates and the extent to which the Fund is seen as a responsible corporate citizen. The Board will regularly evaluate economic, political, social and legal issues and any other relevant external matters that may influence or affect the development or the interests of the Fund and, if thought appropriate, will take outside expert advice on these matters.

7. Chairman of the Board

The Chairman of the Board will work separately from the Chief Executive of the Fund.

The Chairman of the Board will preside at all meetings of the Board and drive all Board agendas, but, if at any meeting the Chairman is not present within ten (10) minutes after the time appointed for holding the same or is unwilling to act as Chairman, the Directors present may choose one of their member to be Chairman of the meeting. Other responsibilities include the following:

- a. Written notices of meetings including the agenda, should be duly approved by the Chairman of the Board and shall be circulated days before meetings.
- b. If a director of the Fund is of the view that his dissenting note has not been satisfactorily recorded in the minutes, he may refer the matter to the Chairman and the Chairman should ensure such matters are resolved.
- c. The Chairman of the Board should ensure that decisions of the Board/committees are duly recorded by the company secretary and that all minutes are circulated within fourteen days after meeting and quality of minutes is adequate.

8. Chief Executive Officer

The Board shall appoint Chief Executive Officer of the Fund in accordance with the procedure explained in Nomination and HR Committees' Charter and vest in him such powers and functions as they deem fit in relation to the management and administration of the affairs of the Fund subject to their general supervision and control.

The Chief Executive is responsible for the management of the Fund and for its procedures in financial and other matters, subject to the oversight and directions of the Board. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements

to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations. Furthermore, Chief Executive is responsible for establishing an environment in which honest and open communication about business conduct issues is encouraged and compliance with the set policies and procedures of the Fund is drilled into the culture of the Fund. The Chief Executive should create control environment within the Fund which will include the establishment of internal reporting and approval processes and procedures.

The Board shall have the final powers to assess the performance of the Chief Executive Officer as recommended in Human Resource Committee Charter and decision on performance assessment of CEO shall rest with the board

The CEO is responsible for executing the Board-approved strategy and for managing day-to-day operations of the Fund. In his running of PSDF, the CEO is supervised and supported by the Board, in particular by the Chairman.

9. Company Secretary

- a. The Company Secretary shall be appointed (or removed) by the Chair with the approval of the Board as per the criteria developed by the Board.
- b. The remuneration and terms and conditions of employment of the Company Secretary shall be determined with the approval of the Board.
- c. The Company Secretary shall not be removed except with the approval of the Board.
- d. All Board members may go to the Company Secretary for advice or to use his services.
- e. The Company Secretary is responsible for all Company secretarial functions and shall:
 - assist the Chair for organizing the Board's activities including providing information, preparing agendas, and reporting on meetings;
 - advise the Board on correct procedures to be followed in accordance with the law, regulations and this Charter;
 - ensure compliance with respect to the requirements of the Ordinance, the AoA and this Charter concerning the meetings and record of proceedings of the Board, Committees and the general meetings of Members;
 - review the applications for admission to membership and the recommendations accompanying the same to ensure that they are in the form prescribed;

- ensure that all notices required by the Articles or under the Ordinance are duly sent and that all returns required under the Ordinance are duly filed with the concerned Company Registration Office.

10. Board Meetings

- a. The Board may meet for the dispatch of business, adjourn or otherwise regulate its meetings as it thinks fit but the Board shall meet at least once each quarter of every year, subject thereto Board meetings shall be held at such time as the Directors shall think fit.
- b. A meeting of the Board may be called by the Chairman on his own accord or at the request of the Chief Executive or any two (2) Directors by giving at least seven (7) days' notice to the Board members.
- c. Upon invitation from the Chairman of the Board, donors may attend the Board meetings as Observers, should they not be directly represented on the Board.
- d. Written notices of a meeting, including the agenda, duly approved by the Chairman, shall be circulated by the Company Secretary not less than seven (7) days before the meeting, except in the case of an emergency meeting, when the notice period may be reduced or waived by the Board. It will be ensured that Agenda should clearly define the roles and responsibilities of all the participants. Agenda items should be allocated proper time for discussion and deliberation to avoid and to control meaningless and unnecessary discussions. Agenda should be supported by sufficient details and working/supporting documents to ensure that members can come prepared beforehand.
- e. Board members are expected to prepare adequately, attend, and participate at Board and Committee meetings.

11. Agenda of the Meeting

- a. Board agendas will be structured throughout the year to ensure that each significant responsibility of the Board is addressed.
- b. As part of the agenda, the Board will review strategy and the achievement of financial and other goals. The Board will receive a detailed overview of the performance and significant issues, including risk factors, of each business and support unit.

- c. The Board will receive detailed financial, operational and performance reporting presentations from senior management individuals during the year; management will be available to discuss the reports with the Board.
- d. The Board will review the Company's long-term strategic plans and the major issues that it expects the company to face in the future during at least one board meeting each year.

12. Minutes of the Meeting

- a. The Company Secretary shall maintain the record of the proceedings of every Board meeting and keeping in view the following;
 - the date and venue of the meeting;
 - the names of the persons present at the meeting, noting any absence for specific topics under discussion;
 - the main points of the discussion, including differences of opinion;
 - all resolutions, including the results of voting that took place and the required action resulting from any resolution and the person or Committee responsible for that action. Minutes should also include the tentative timeline for implementation of decisions made as well.
 - follow up on the status of resolutions and decisions made in previous meetings
- b. The minutes should be recorded efficiently and in plain language.
- c. After approval of the Chairman of the meeting, the minutes of Board shall be circulated by the Company Secretary to all Directors not later than fourteen (14) days thereafter.
- d. Board members shall respond to minutes within fourteen (14) working days. Otherwise they will be considered approved. The member may intimate to company secretary in case, extended time is required to review the drafted minutes of the meeting. The extension in approving the minutes beyond 14 working days shall be considered an exception to the rule.

13. Board Training

- a. Each Board Member shall participate in an induction program, within three months from the date of appointment, that is tailored to effectively orient the member to the Fund's business, strategy, objectives, policies, procedures, operations, senior management and the business environment. The induction shall also include all the necessary information that shall be required by a member for effective performance on the Board. All members should be familiarized with their fiduciary duties and responsibilities towards the Fund.

- b. Board members should have a clear understanding of their role in corporate governance and be able to exercise sound and objective judgment about the affairs of the Fund.
- c. The Chairman of the Board shall ensure adequate Board development through continuous training to keep the Board Members well informed on critical information pertinent to the business of the Fund and the corporate governance environment.
- d. The Board shall conduct an annual review to identify the training needs of each member on a regular basis and facilitate up skilling as well as continuous development.
- e. The training of the Board shall be independent of the trainings prescribed under the laws for independent directors.

14. Board Evaluation

The performance evaluation of members of the Board including the Chairman and the Chief Executive Officer is to be undertaken annually by the Government in accordance with Public Sector Companies (Corporate Governance) Rules, 2013.

Board shall lay out a formal plan for self-assessment and self-evaluation on annual basis. Board members shall also assess and reflect upon Board committees' effectiveness and performance individually and collectively as well.

15. Board Committees

Board shall constitute the committees as required by the PSC rules. In addition to that, the Board of Directors may delegate any of their powers to the sub-committees of the board for deliberations /recommendations/approval as they think fit and they may from time to time revoke such delegation. However, final approval for all such statutory powers shall rest with the Board. Following standing committees of Board shall be constituted;

- Audit and Risk Committee
- Human Resource Committee
- Nomination Committee
- Procurement and Program Design and Evaluation Committee

It should be ensured that;

- a) formal terms of reference and charters are established and approved for each committee of the Board;

- b) committees' terms of reference are reviewed once a year;
- c) committees are appropriately constituted with due regard to the skills required by each committee;
- d) Board notes reports from and/ or minutes of the meetings of each committee of the Board; and
- e) Board at-least annually monitors the activities of committees and individuals with delegated authority.
- f) Board committees to conduct self-assessment programs.

A committee may elect a chairperson of its meetings or Board of Directors may elect the chair of the committee, if at any meeting the chairperson is not present within ten (10) minutes after the time appointed for holding the same or is unwilling to act as chairperson, the members present may choose one of them to be the chairperson of the meeting.

At the start of every year, the Board shall establish performance measures for all committees to monitor implementation of strategy, policies, plans and legal and fiduciary obligations. The performance measures established should be clear enough allow timely corrective actions and effective risk management.

16. Committee Charters

Standing committees for Boards will have committee charters approved by the Board. All standing committees should devote extra time to doing research based on requisite information / documents provided by management and giving issues an in-depth perspective. All committees should make quarterly reports to the full Board and recommend actions and decisions for the Board.

17. Conflicts of interest

Any conflict of interest or apparent conflict of interest between the Fund and its Directors is to be avoided and the Board is responsible for ensuring that there are rules to avoid such conflicts. Where conflicts nevertheless arise, the Directors shall be responsible for ensuring that in dealing with such conflicts the Companies Act, 2017 and the PSC rules and all other applicable laws, rules and regulations are complied with. A Director shall not take part in the deliberations or decision-making if he has a direct or indirect personal interest, which conflicts with the interests of the Fund.

The Fund should maintain a policy for conflict of interest which should be approved and adopted by the Board. Furthermore, the Fund will also maintain a conflict of interest register and a register of related parties to record and manage conflicts of interest as disclosed by the Fund's Directors. For all declared conflict of interest, a record must be kept regarding the decision made in managing the

conflict.

The Board shall also ensure that the principles as laid down in the Code of Conduct for Directors are complied with.

18. Dispute Resolution:

Board shall approve a Dispute Resolution policy for prompt and fair resolution of any disputes, conflicts or disagreements that may arise from time to time between Board members.

19. Quorum

General Meetings:

No business shall be transacted at any general meeting unless a quorum of members representing not less than six (6) or fifty one percent (51%), whichever is greater, including at least one (1) Director from amongst the Civil Society Members, One (1) Director from the Government nominated members and one (1) Director from amongst the Ex-Officio Members, is present in person at the time when the meeting proceeds to business.

If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if called upon the requisition of the Board, shall be dissolved and in any other case, it shall stand adjourned to the same day in the next week at the same time and place and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the members present, shall be a quorum where permitted by the Articles of Association.

Board Meetings:

The quorum for Board meetings shall require the presence of at least six (6) Directors or one-third (1/3rd) of total Directors, whichever is higher, including at least one (1) director from amongst the Civil Society members, one (1) Director from amongst the Government Nominated Directors and one (1) Director from amongst the Ex-Officio members.

20. Annexure:

Board Dispute Resolution Policy

a. Introduction:

The Board of PSDF is committed to reaching a prompt and fair resolution of any disputes, conflicts, or disagreements that may arise from time to time, and that may threaten the functioning of the Board.

The policy refers to disputes between:

- i. Between Directors;
- ii. By a Director regarding a Board policy, process or procedure; and
- iii. By a Director regarding a resolution of the Board

b. Policy:

The PSDF Board encourages Directors to resolve any issues or concerns that they may have at the earliest opportunity. It is important that as issues do arise, they are dealt with in a fair and timely manner. While some conflicts will be resolved by an informal discussion between the Directors, others will need a process for successful resolution.

c. Dispute resolution principles

The Board will endorse the following principles for Directors to follow:

- i. Respect for another's point of view;
- ii. Commitment to resolving the issue;
- iii. Willingness to compromise;
- iv. Confidentiality;
- v. Impartiality;
- vi. Respect;
- vii. Prompt action; and,
- viii. Freedom from repercussions.
- ix. Timely resolution (a maximum of Fourteen (14) weeks)

d. Procedure:

- i. The dispute must be set out in writing and sent to the Chairman of the Board. The Chairman of the Board must acknowledge receipt of this document within two days.
- ii. The Chairman of the Board will use his or her discretion to bring the issue to the next Board meeting or call an extraordinary meeting.
- iii. When raised at the Board meeting, all people involved in the dispute will be given the right to speak.
- iv. The matter should be discussed with all Directors present, unless they have advised the Chairman of the Board, preferably in writing, that they are aware there is a dispute resolution meeting being held and they are unable to attend.
- v. The Chairman of the Board will call for a motion from the Board, e.g. to appoint an independent assessor, seek mediation, call a special general meeting, or to dismiss the complaint. All Directors present at the meeting will vote on the motion.
- vi. A Board decision may be reviewed in situations where:
 - New information has emerged that was not available when the original decision was made.
 - The Board has become aware of an error in previous information that was used to make the decision.

e. Mediation:

- i. Where mediation is sought, the mediator must be a person chosen mutually by agreement of Board.
- ii. A member of Board can be a mediator but may not be a member who is a party to the dispute.
- iii. The mediator, in conducting the mediation, must:
 - give all Directors an opportunity to be heard; and
 - allow due consideration by all parties of any written statement submitted by any party; and
 - ensure that natural justice is accorded to the parties to the dispute throughout the mediation process.
- iv. The mediator must not determine the dispute.

- v. The mediation must be confidential and without prejudice.
- vi. If the mediation process does not result in the dispute being resolved, the parties may seek to resolve the dispute otherwise in the Board or at law.

f. Roles and Responsibilities:

It is the responsibility of the Chairman of the Board to ensure that:

- Board members are aware of this policy;
- Disputes are handled respectfully, confidentially, and in accordance with natural justice.

Director's Report

The Directors' report of PSDF shall include at minimum, the following, where applicable, namely: -

- a. where the Fund is reliant on a subsidy or other financial support from the Government, a detailed disclosure of the fact;
- b. significant deviations from last year in operating results of the Fund shall be highlighted and reasons thereof shall be explained;
- c. key operating and financial data of last six years shall be summarized;
- d. key performance indicators of the Fund relating to its social objectives and outcomes which significantly reflect the work and impact of PSDF and a comparison of actual results with the budgeted figures. Such indicators shall focus on as to how well the Fund has responded to accountability requirements, improved service delivery, reduced costs and adherence to the principles of environmental and corporate social responsibilities;
- e. where any statutory payment on account of taxes, duties, levies and charges is overdue or outstanding, the amount together with a brief description and reasons for the same shall be disclosed;
- f. significant plans and decisions, such as corporate restructuring, business expansion and discontinuance of operations, shall be outlined along with future prospects, risks and uncertainties surrounding the Fund;
- g. a statement as to the value of investments of provident, gratuity and pension funds, based on their respective audited accounts, shall be included; and,
- h. the number of Board meetings held during the year and attendance by each director shall be disclosed.
- i. The recommendations of the audit committee for appointment of retiring auditors or otherwise, shall be included in the Directors' report. In case of a recommendation for change of external auditors before the lapse of three consecutive financial years, the reasons for the same shall be included in the Directors' report.