



KPMG Taseer Hadi & Co.
Chartered Accountants
2nd Floor,
Servis House
2-Main Gulberg Jail Road,
Lahore Pakistan

Telephone + 92 (42) 3579 0901-6
Fax + 92 (42) 3579 0907
Internet www.kpmg.com.pk

Review report to the Members'
On the Statement of Compliance with the Public Sector Companies
(Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of **Punjab Skills Development Fund ("the Company")** for the year ended 30 June 2015.

The responsibility for compliance with the Rules is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Rules.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Rules requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended 30 June 2015.

Date: 09 January 2017

Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(M. Rehan Chughtai)

**STATEMENT OF COMPLIANCE WITH
THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE RULES, 2013)**

Name of Company	The Punjab Skills Development Fund
Name of the line Ministry	Planning & Development Department, Government of the Punjab
For the Year Ended	June 30, 2015

- I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.
- II. The company has complied with the provisions of the Rules in the following manner:

Sr. No.	Provision of the Rules	Rule no.	Y	N																																						
			Tick the relevant box																																							
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	Y																																							
2	<div>The Board has the requisite percentage of independent directors. At present the board includes:</div> <table><tr><th>Category</th><th>Name</th><th>Date of Joining</th></tr><tr><td rowspan="7">Independent Directors / Non-Executive</td><td>Dr. Ijaz Nabi (Chairman)</td><td>17-03-2012</td></tr><tr><td>Mr. Almas Hyder</td><td>----do----</td></tr><tr><td>Ms. Nadia Jameel</td><td>----do----</td></tr><tr><td>Mr. Shahid Hafiz Kardar</td><td>07-01-2014</td></tr><tr><td>Ms. Ghazala Rehman</td><td>----do----</td></tr><tr><td>Mr. Faisal Farid</td><td>13-11-2012</td></tr><tr><td>Mr. Arif Saeed</td><td>07-01-2014</td></tr><tr><td>Executive Director</td><td>Mr. Ali Sarfraz Hussain</td><td>17-03-2012</td></tr><tr><td rowspan="8">Government Nominated / Non-Executive Directors</td><td>Secretary Planning & Development</td><td>24-07-2014</td></tr><tr><td>Secretary Finance</td><td>07-11-2014</td></tr><tr><td>Secretary Livestock</td><td>24-07-2014</td></tr><tr><td>Secretary Industries</td><td>07-02-2015</td></tr><tr><td>Ms. Khawar Mumtaz</td><td>17-03-2012</td></tr><tr><td>Ms. Saira Iftikhar</td><td>07-01-2014</td></tr><tr><td>Khawaja Imran Nazir</td><td>----do----</td></tr><tr><td>Makhdoom Khusroo Bakhtiar</td><td>----do----</td></tr></table>	Category	Name	Date of Joining	Independent Directors / Non-Executive	Dr. Ijaz Nabi (Chairman)	17-03-2012	Mr. Almas Hyder	----do----	Ms. Nadia Jameel	----do----	Mr. Shahid Hafiz Kardar	07-01-2014	Ms. Ghazala Rehman	----do----	Mr. Faisal Farid	13-11-2012	Mr. Arif Saeed	07-01-2014	Executive Director	Mr. Ali Sarfraz Hussain	17-03-2012	Government Nominated / Non-Executive Directors	Secretary Planning & Development	24-07-2014	Secretary Finance	07-11-2014	Secretary Livestock	24-07-2014	Secretary Industries	07-02-2015	Ms. Khawar Mumtaz	17-03-2012	Ms. Saira Iftikhar	07-01-2014	Khawaja Imran Nazir	----do----	Makhdoom Khusroo Bakhtiar	----do----	3(2)	Y	
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3.	A casual vacancy occurring on the board was filled up by the directors within ninety days.	3(4)	N/A																																							
4.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)		N																																						

91

5	The appointing authorities have applied the fit and proper criteria given in the annexure in making nominations of the persons for election as board members under the provisions of the Ordinance.	3(7)		N
6	The chairman of the board is working separately from the Chief Executive of the Company.	4(1)	Y	
7	The chairman has been elected from amongst the independent directors.	4(4)	Y	
8	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	Y	
9	(a) The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. (Address of website to be indicated " www.psdf.org.pk ") (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	Y	
10	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	Y	
11	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b) (ii)		N
12	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b) (vi)	Y	
13	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. (b) A Committee has been formed to investigating deviations from the company's code of conduct.	5(5)(c) (ii)	Y	
14	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the PPRA Rules.	5(5)(c) (iii)	Y	
15	The board has developed a vision or mission statement, corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(6)	Y	
16	The board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	Y	
17	a) The board has met at least four times during the year. b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	Y	

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18.	The board has carried out performance evaluation of its members, including the chairman and the chief executive, on the basis of a process, based on specified criteria, developed by it. The board has also monitored and assessed the performance of senior management on annual/half-yearly/quarterly basis*. * Strike out whichever is not applicable	8		N															
19.	The board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9		N															
20.	The board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the company's website. Monthly accounts were also prepared and circulated amongst the board members.	10		N															
21.	All the board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11		N															
22.	<p>a) The board has formed the requisite committees, as specified in the Rules.</p> <p>b) The committees were provided with written term of reference defining their duties, authority and composition.</p> <p>c) The minutes of the meetings of the committees were circulated to all the board members.</p> <p>d) The committees were chaired by the following non-executive directors:</p> <table><tr><th>Committee</th><th>No. of Members</th><th>Name of Chair</th></tr><tr><td>HR Committee (HRC)</td><td>3</td><td>Mr. Arif Saeed</td></tr><tr><td>Program Design & Evaluation Committee (PDEC)</td><td>5</td><td>Mr. Almas Hyder</td></tr><tr><td>Audit & Finance Committee (AFC)</td><td>5</td><td>Mr. Shahid Hafeez Kardar</td></tr><tr><td>Nomination Committee of Board (Constituted on September 29, 2015)</td><td>3</td><td>Dr. Ijaz Nabi</td></tr></table>	Committee	No. of Members	Name of Chair	HR Committee (HRC)	3	Mr. Arif Saeed	Program Design & Evaluation Committee (PDEC)	5	Mr. Almas Hyder	Audit & Finance Committee (AFC)	5	Mr. Shahid Hafeez Kardar	Nomination Committee of Board (Constituted on September 29, 2015)	3	Dr. Ijaz Nabi	12	b) Y c) Y d) Y	a) N
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Nomination Committee of Board (Constituted on September 29, 2015)	3	Dr. Ijaz Nabi																	
23.	The board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.	13/14	Y																
24.	The company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of sub- section (3) of section 234 of the Ordinance.	16	Y																
25.	The directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.	17	Y																
26.	The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.	18	N/A																

27.	A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the company contains criteria and details of remuneration of each director.	19	Y																			
28.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer, before approval of the board.	20	Y																			
29.	<p>The board has formed an audit committee, with defined and written terms of reference, and having the following members:</p> <table> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional background</th> </tr> <tr> <td>Mr. Shahid Hafiz Kardar</td> <td>Chair</td> <td>Ex- Governor State Bank of Pakistan</td> </tr> <tr> <td>Secretary Finance</td> <td>Member</td> <td>Government Official</td> </tr> <tr> <td>Secretary Planning & Development</td> <td>Member</td> <td>Government Official</td> </tr> <tr> <td>Ms. Saira Iftikhar</td> <td>Member</td> <td>MPA – Punjab Assembly</td> </tr> <tr> <td>Mr. Imran Nazir</td> <td>Member</td> <td>MPA – Punjab Assembly</td> </tr> </table> <p>Mr. Shahid Hafiz Kardar (Former- Governor SBP) Chairs Audit & Finance Committee of the Board.</p> <p>The chief executive and chairman of the Board are not members of the audit committee.</p>	Name of Member	Category	Professional background	Mr. Shahid Hafiz Kardar	Chair	Ex- Governor State Bank of Pakistan	Secretary Finance	Member	Government Official	Secretary Planning & Development	Member	Government Official	Ms. Saira Iftikhar	Member	MPA – Punjab Assembly	Mr. Imran Nazir	Member	MPA – Punjab Assembly	21	Y	
Name of Member	Category	Professional background																				
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Ms. Saira Iftikhar	Member	MPA – Punjab Assembly																				
Mr. Imran Nazir	Member	MPA – Punjab Assembly																				
30.	The board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.	22	Y																			
31.	The company has appointed its external auditors in line with the requirements envisaged under the Rules.	23	Y																			
32.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	Y																			
33.	The external auditors have not been appointed to provide non- audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.	23(5)	Y																			
34.	The company has complied with all the corporate and financial reporting requirements of the Rules.		Y																			

(Chief Executive Officer)

18 MAR 2016

(Director)

Schedule II

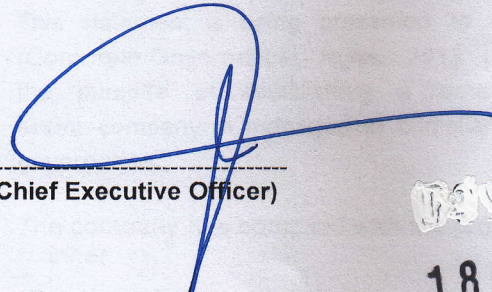
Explanation for Non-Compliance with The Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of June 30, 2016.

Sr. No.	Rule/sub-rule no.	Reasons for non-compliance	Future course of action
4	3(5)	Compliance is confirmed other than Government nominated Directors. (<i>Secretaries of Government Department</i>)	To be complied with before June 30, 2016.
5	3(7)	Since all the directors are appointed by the Provincial Government, hence confirmation for applying Fit & Proper Criteria can't be confirmed.	The Board has constituted The Nomination Committee, who will ensure that all BOD nominations should be forwarded after applying fit & proper criteria to the Provincial Government.
11	5 (5) (b) (ii)	The Conflict of Interest policy exists in "Code of Conduct" document of PSDF but a detailed policy is required to be developed.	A detailed policy on Conflict of Interest will be developed before June 30, 2016.
18	8	As per practice, the Board regularly carried out performance evaluation of Chief Executive Officer of the Company. The senior management is evaluated by Chief Executive Officer through a well-defined performance appraisal criteria approved by the Board. However, The performance of Board members is yet to be finalized.	100% compliance will be made before June 30, 2016
19	9	The Board has reviewed and approved the related party transactions (if any) after recommendation of Program Design and Evaluation Committee of the Board rather than the Board Audit Committee, because In PSDF, such matters come under the jurisdiction of Program Design & Evaluation Committee of the Board.	The related party transactions (if occurs) will also be brought into the notice of Board Audit Committee.
20	10	A detailed monthly progress report regarding financial & physical affairs of ongoing & completed projects along with detailed analysis of the company is disseminated to all Board members. However a formal approval on quarterly Profit & Loss Accounts and Balance Sheet was not obtained. The Annual audited accounts (Previous Years) were approved by the Board and placed on company's website.	To be complied with before June 30, 2016.



21	11	The agenda was approved by the Board of Directors to conduct "Directors' Training Program" in its 22 nd BOD meeting held on May 15, 2015. The management of the Company is planning to circulate training calendar among the members as per their availability on scheduled dates of trainings.	To be compiled with before June 30, 2016.
22 (a)	12	The Nomination Committee of the Board was constituted on September 29, 2015.	The requirement has been complied in FY 2015-16


(Chief Executive Officer)


(Director)


18 MAR 2016

This statement was signed by the members of the Board of Directors of the Company on 18 March 2016 and approved by the Board of Directors in their meeting held on 09 January 2017.