

# **Corporate Governance Policy**

## **UBL Fund Managers**

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### Revision History

<b>Board Approval Date</b>	<b>Version</b>	<b>Version Description</b>	<b>Author</b>
August 25, 2016	1.0	First Version	Fawaz Taj Siddiqui
October 20, 2016	1.1	Change in TOR of Human Resource	Amin Gulamani
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## **1 Introduction**

“Corporate governance” broadly refers to the mechanisms, processes and relations by which companies are governed. It encompasses: overall policies and procedures; decisions making mechanism; and safeguarding of the interests of, and management of relationships with, various stakeholders of the entity (such as, shareholders; unit holders; customers; employees; regulator and the community at large).

The Board of Directors (BOD or Board) is responsible to supervise the management of the business and affairs with a view to protect and maximize shareholder and unit holder value. Sound corporate governance policies and practices are important in the creation of shareholder and unit holder value and maintaining the confidence of investors alike. The importance of corporate governance lies in its contribution both to business prosperity and to accountability.

This document establishes the Corporate Governance structure for UBL Fund Managers Limited (“UBLFM” or the “Company”) and be called the Corporate Governance policy.

## **2 Scope**

The Board’s primary responsibility is to supervise affairs of the Company and provide direction to its management. The management is responsible to keep the Board informed regarding Company affairs and effectively implement directions and guidelines given by the BOD. The Board, in exercise of effective governance, strives to balance the spectrum of stakeholders of the Company, including its shareholders, unit holders, customers, employees, regulator and the communities in which it operates. In all actions taken by the Board, the Directors are expected to exercise independent business judgment in what they reasonably believe to be in the best interests of the Company. The scope of this Corporate Governance policy (the Policy) extends to all the mechanisms, processes, hierarchies and relationships used by HBLFM to discharge obligations of both BOD and management.

## **3 Ownership, Maintenance and Approval**

This policy is owned by the BOD, however the responsibility of maintenance, review and update lies with Secretariat Office. Secretariat Office will review and update the policy once in three years and put it up for BOD approval as required.

## **4 Board of Directors**

The functioning of board of directors shall be in accordance with the Companies’ Ordinance, 1984, Memorandum and Articles of Association of UBLFM and the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The powers of the Board shall be in accordance with the “Powers of the Board of Directors” as approved by the Board. The roles and responsibilities of the Chairman of the Board are given in annexure A. In addition, the Board shall observe the following:

- a) The board of directors of UBLFM shall have at least one and preferably one third of the total members of the Board as independent directors. The Board shall state in the annual report the names of the non-executive, executive and independent director(s). Independent directors shall have same meaning as assigned in the Code of Corporate governance 2012;
- b) Executive directors, i.e., paid executives of the Company from among senior management, shall not be more than one third of the elected directors, including the Chief Executive;

- c) No person shall be elected or nominated as a director of more than seven listed companies simultaneously. This limit excludes directorships in the listed subsidiaries of a listed company;
- d) Any casual vacancy on the Board shall be filled up by the directors at the earliest but not later than 90 days thereof.
- e) UBLFM shall make appropriate arrangements to carry out orientation courses for the directors to acquaint them with this policy, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of UBLFM on behalf of the shareholders.
- f) It shall be mandatory for the directors of UBLFM have certification under any directors' training program offered by institutions—local or foreign—that meet the criteria specified by the SECP.
- g) Remuneration of the directors shall be fixed in accordance with the articles of association of UBLFM. No director should get involved in deciding his / her remuneration.
- h) The Board should put in place a mechanism for annual evaluation of its own performance.
- i) The Chairman of the Board and CEO shall not be the same person.
- j) The details of all related party transactions shall be placed before the Audit Committee and, upon recommendation of the Audit Committee, the same shall be placed before the Board for review and approval;
- k) The related party transactions which are not executed at arm's length price shall be placed separately at each Board meeting along with necessary justification for consideration and approval of the Board upon recommendation of the Audit Committee;
- l) The Board shall approve the pricing methods for related party transactions;
- m) The CFO and Company Secretary of UBLFM or in their absence, the nominee, appointed by the Board, shall attend all meetings of the Board of Directors. Provided that the CFO and Company Secretary shall not attend such part of a meeting of the Board of Directors, which involves consideration of an agenda item relating to the CFO and Company Secretary respectively.

## **5 Key Management Position**

- a) The appointment, remuneration and terms and conditions of employment of the CEO, Chief Financial Officer (CFO), the Company Secretary and the Head of Internal Audit of UBLFM shall be determined by the board of directors;
- b) The removal of the CFO and Company Secretary of UBLFM shall be made with the approval of the Board. The removal of Head of Internal Audit shall be made with the approval of the Board upon recommendation of the Chairman of the Audit Committee;
- c) The qualification and experience of CFO and Head of Internal audit shall be in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;
- d) The Head of Internal Audit shall functionally report to the Audit Committee and administratively to the CEO. A director cannot be appointed, in any capacity, in the internal audit function.

## **6 Corporate and financial reporting**

- a) Quarterly financial statements, prepared in accordance with the applicable financial reporting framework, shall be presented to the Board of Directors for approval;
- b) The financial statements for the second quarter shall be subject to a limited scope review by the statutory auditors ;
- c) The CEO and the CFO shall present the financial statements to the Board, for consideration and approval, duly endorsed under their respective signatures;
- d) The annual and second quarterly financial statements shall be initialed by the Auditor before being presented to the Board;

- e) The Directors' Report of UBLFM shall be prepared under Section 236 of the Companies Ordinance 1984
- f) The Directors' Report for the funds under management of UBLFM shall include shall include the matters required under Code of Corporate governance 2012 in addition to the matters required under Section 236 of the Companies Ordinance 1984;
- g) The Company Secretary of a UBLFM shall furnish a Secretarial Compliance Certificate, on the prescribed form, along with annual return filed with the registrar concerned certifying that the secretarial and corporate requirements of the Ordinance have been complied with.

## **7 Committees of Board of Directors**

The Board shall have the following committees:

- a) Audit Committee (Charter as per annexure B);
- b) Human Resource Committee (Charter as per annexure C);
- c) Risk Committee (Charter as per annexure D);

The Chairmen of abovementioned Committees shall be appointed by the Board. The names of members of the Committees of the Board shall be disclosed in each Annual report of UBLFM and the funds under its management.

## **8 Selection of External Auditors**

- a) UBLFM shall not appoint as external auditors a firm of auditors which has not been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan. Also, UBLFM shall not appoint a firm, which, or a partner of which, is not compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan;
- b) The Board of Directors of UBLFM shall recommend appointment of external auditors for a year, as suggested by the Audit Committee;
- c) UBLFM shall change their external auditors every five years.
- d) UBLFM shall not appoint as auditor or a person involved in the audit who is a close relative i.e., spouse, parents, dependents and non-dependent children, of the CEO, the CFO, Internal Auditor or Director of UBLFM.

## **9 Closed period declaration**

- a) UBLFM shall determine a closed period prior to the announcement of interim/ final results of the funds under its management (FUM) and any business decision, which may materially affect the market price of units of FUM. No director, CEO or executive shall, directly or indirectly, deal in the units of the FUM in any manner during the closed period.
- b) The closed period shall start from the day when any document/statement, which forms the basis of price sensitive information, is sent to the Board and terminate after the information is made public.
- c) UBLFM shall advise its directors about the closed period at the time of circulating agenda and working papers for the Board meetings, along with sending intimation of the same to the stock exchanges.

## **Annexure A – Roles and responsibilities of the Chairman of the Board of Directors**

The Chairman is responsible for heading the Board of Directors of the Company. The role includes the following:

- a) To ensure the accountability of the Board of Directors to the shareholders of the Company;
- b) To ensure that the members of the board have adequate knowledge and experience to undertake and fulfill their duties and responsibilities;
- c) To be responsible for the balance of the membership of the board in the sense that its members are:
  - i) Directing the company both as to strategy and structure;
  - ii) Establishing from time to time a strategy for the Company, including a determination of the businesses that the Company should carry out and those that it should not carry out;
  - iii) Ensuring that the executive management implements the Company strategy as established from time to time;
  - iv) Ensuring that the Company has adequate system of internal controls both operational and financial;
  - v) Monitoring the activities of the executive management ; selecting the Chief Executive officer, ensuring succession and providing guidance on the appointment of senior executives;
  - vi) Providing information on the activities of the company to those entitles to it;
  - vii) Ensuring that the company operates ethically;
  - viii) Providing for succession of senior management;
  - ix) Addressing the adequacy of retirement and health care benefits and funding;
- b) To ensure that all relevant matters are included in the agenda of the Board’s meeting and properly prioritized;
- c) To ensure that non-executive directors receive timely and relevant information and are fully informed on any issue on which a decision is to be made;
- d) To ensure that Board is in full control of the Company’s affairs in cognizance to their obligation to the shareholders;
- e) To ensure that the Board is able to add strength to the corporate governance of the Company and its members;
  - i) Understand their oversight role and their “duty of loyalty” to the Company and its shareholders;
  - ii) Serve as a “checks and balance” function vis-à-vis the day-to-day management of the Company;
  - iii) Feel empowered to question management and are comfortable insisting upon straightforward explanations from management;
  - iv) Recommend sound practice gleaned from other situations;
  - v) Provide dispassionate advice;
  - vi) Are not overextended;
  - vii) Avoid conflicts of interest in their activities with and commitments to other organization;
  - viii) Meet regularly with senior management and internal audit to establish and approve policies, establish communication lines and monitors progress toward the company objectives;

- ix) Absent themselves from decisions when they are incapable of providing objective advice;
- x) Do not participate in day-to-day management of the company



## **Annexure B - Objective and Charter of Audit Committee**

- a) The board of directors of UBLFM shall establish an Audit Committee, at least of three members comprising of non-executive directors. The chairman of the committee shall be an independent director, who shall not be the chairman of the board. The Board shall satisfy itself such that at least one member of the audit committee has relevant financial skills/expertise and experience;
- b) The Audit Committee of UBLFM shall appoint a secretary of the committee who shall either be the Company Secretary or Head of Internal Audit. However, CFO shall not be appointed as the secretary to the Audit Committee. The secretary shall circulate minutes of meetings of the Audit Committee to all members, directors, Head of internal Audit and the CFO prior to the next meeting of the board and where this is not practicable, the Chairman of the Audit Committee shall communicate a synopsis of the proceedings to the Board and the minutes shall be circulated immediately after the meeting of the Board;
- c) The Audit Committee of UBLFM shall meet at least once every quarter of the financial year. These meetings shall be held prior to the approval of interim results of the UBLFM and all funds under its management by its Board of Directors and before and after completion of external audit. A meeting of the Audit Committee shall also be held, if requested by the external auditors or the Head of Internal Audit;
- d) The quorum of BAC shall be two members, if the designated Chair is present; or three members if the Chair is not present. In the absence of designated BAC Chair, the members present, being not less than the quorum, shall decide the chair amongst themselves and such meeting shall only be convened with the consent of the designated Chair.
- e) The CFO, the Head of Internal Audit and external auditors represented by engagement partner or in his absence any other partner designated by the audit firm shall attend meetings of the Audit Committee at which issues relating to accounts and audit are discussed. Provided that at least once a year, the Audit Committee shall meet the external auditors without the CFO and the Head of Internal Audit being present. Provided further that at least once a year, the Audit Committee shall meet the head of internal audit and other members of the internal audit function without the CFO and the external auditors being present;
- f) The Board of Directors of UBLFM shall determine the terms of reference of the Audit Committee. The Board shall provide adequate resources and authority to enable the Audit Committee carry out its responsibilities effectively. The Audit Committee shall, inter alia, recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors of any service to UBLFM in addition to audit of its financial statements;
- g) The Board of Directors shall give due consideration to the recommendations of the Audit Committee in all these matters and where it acts otherwise, it shall record the reasons thereof.
- h) The terms of reference of the Audit Committee shall also include the following:
  - a. determination of appropriate measures to safeguard the Company's assets;
  - b. review of annual and interim financial statements of the UBLFM and all funds under its management, prior to their approval by the Board of Directors, focusing on:
  - c. major judgmental areas;
  - d. significant adjustments resulting from the audit;
  - e. the going concern assumption;
  - f. any changes in accounting policies and practices;
  - g. compliance with applicable accounting standards;
  - h. compliance with these regulations and other statutory and regulatory requirements; and
  - i. all related party transactions.
  - j. review of preliminary announcements of results prior to external communication and publication;

- k. facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- l. review of management letter issued by external auditors and management's response thereto;
- m. ensuring coordination between the internal and external auditors of the Company;
- n. review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- o. consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- p. ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- q. review of the UBLFM company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- r. instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;
- s. determination of compliance with relevant statutory requirements;
- t. monitoring compliance with these regulations and identification of significant violations thereof;
- u. review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures; and
- v. consideration of any other issue or matter as may be assigned by the Board of Directors.

## **Annexure C - Objective and Charter of Human Resource and Remuneration Committee**

### **COMPOSITION**

The BHRCC of UBL Fund Managers ('the Company') comprises five members including the Chairman, as may be appointed by the Board of Directors. Head of Human Resource Department will act as Secretary to the Board's Human Resource & Compensation Committee.

Under the Companies Act 2017, only an alternate director can substitute for member directors of Board sub-committees. Member directors are permitted to avail expert advice from advisors to enable member directors to exercise their discretions.

### **TERMS OF REFERENCE**

The Terms of Reference of BHRCC will be as under:

1. provide general guidelines, review and recommend HR Policies & terms of employment in the company to the Board;
2. approve HR head count and employment cost budget;
3. approve the compensation and benefit structure of the Company, including retirement benefits, etc. as and when deemed appropriate;
4. approve the compensation of the Senior Management in general, except Chief Executive and Chief Financial Officer and Company Secretary;
5. HR Matters pertaining to employees other than direct reports; will be dealt with the Chief Executive;
6. approve the Performance Awards of direct reports of the CEO except Chief Financial Officer and Company Secretary;
7. approve the appointment, replacement and termination of the direct reports of the CEO (Senior Managers and above) except for CFO and Company Secretary in which case the BHRCC recommend to BOD for approval. The Board members having experience / expertise of the specialized function may be involved by BHRCC in the screening and selection process.
8. keep the Board informed of the progress made on major decisions taken by the BHRCC, and
9. consider issue / items other than the issues specially delegated to it by the Board, or deemed fit for consideration by the Committee itself.

### **RULES OF BUSINESS**

BHRCC shall hold its meeting on bi-annual basis or at such shorter intervals as the Members may deem fit. Members of BHRCC may either personally attend or participate through teleconference call or videoconference.

1. Members will be appointed for a period of 3 years by Board of Directors. Their appointment shall be renewable provided they continue to be in office of Director.
2. The Board of Directors acting unanimously may vary the number of members of BHRCC.
3. The Board of Directors acting unanimously may retire a member of BHRCC.

4. HRCC meetings will be presided over by its Chairman.
5. Head of Human Resource Department shall be the Secretary to the HRCC, and he will issue notice of the meeting to the members normally 7 days prior to the meeting.
6. The current Members of the BHRCC shall continue as Members of the BHRCC until the expiry of their individual terms of three years. In the event that there isn't any meeting of the Board of Directors on the date of expiry of the Members' individual terms, the Members shall continue as Members of the BHRCC until the next meeting of the Board of Directors.
7. In circumstances where a meeting of the BHRCC has not been scheduled and matters require the consideration and approval of the BHRCC, such matters may be transmitted and approved by the BHRCC through circulation.
8. BHRCC decision(s) on any issue(s) shall be made on the basis of majority of BHRCC members being in favour of or against an issue.
9. Presence of any three Members would constitute a quorum for the meeting of the committee including the designated Chair. Those matters wherein ratification / approval of the Board will be required, the Secretary BHRCC with the approval of its Chairman shall forward Memoranda to the Company Secretary for placing before the Board of Directors.
10. BHRCC secretariat / support staff shall be at the Corporate Office of UBL Fund Managers.

## **Annexure D - Objective and Charter of Risk Committee**

### **Objectives**

**Risk Management** is defined as the “overall process of identifying and understanding the full spectrum of an entity’s (funds) risk and taking informed actions to help it achieve its strategic objectives, reduce the likelihood of failure and decrease the uncertainty of overall business performance”.

The Board of Directors (through the Risk Committee) recognizes its responsibility for ensuring that a comprehensive Risk Management system which includes policies, programs, measures and competencies for identifying, assessing and managing risk is in place to assist senior management in managing growth in a rapidly changing environment.

In this regard, the specific objectives of the Committee include ensuring that:

- ❖ Management understands and accepts its responsibility for identifying, assessing and managing risk.
- ❖ Senior Management and business units/departments are strategically focused on the fund wise risk strategy.

The Risk Committee views risk management as integral to its objective of (i) effective management of Company Assets and (ii) Creating and Maintaining Shareholder/Unit holder Value (iii) Enhancement of Competitive Advantage (iv) Recognition of Potential Opportunities and Threats (v) Reduction of Management time on firefighting and (vi) Increased Confidence of Stakeholders.

#### **1) Role:**

- ❖ Leading tools and processes are provided to facilitate achievement of Risk Management responsibilities.
- ❖ To ensure that the Risk Management Policies provides the necessary framework to manage risks associated with its activities. The risk policies shall be distinctly divided on the basis of diverse risks emanating from various functions performed by the Company (*Market Risk, Liquidity Risk, Credit Risk, Operational Risk and Other Risks*)
- ❖ Risk assessments are performed periodically and completely.
- ❖ Ensure that Risk mitigation activities are effective.
- ❖ Safeguarding assets/shareholders/unit holder’s interest.
- ❖ Meeting legal and regulatory obligations.
- ❖ Reinforcing the values of the organization by focusing on stakeholder needs.
- ❖ Effective risk mitigation/control testing programs are in place and the results evaluated and acted upon.

#### **2) Responsibilities:**

The Risk Committee’s responsibilities include the following:

- ❖ Approve and refine the fund-wise Risk appetite/tolerance for the funds under management.
- ❖ Approve framework for monitoring of risk parameters.
- ❖ Assess risk concentrations of the funds under management.
- ❖ Approve fund wise risk limits.
- ❖ Provide direction and oversight to the Head of Risk Management and Risk Managers.
- ❖ Assess material risk exposures and report to the Board.
- ❖ Assess and make recommendations on fund-wise risk exposure reports.

- ❖ Assess fund-wise risk trend report and ensure corporate strategy is responsive to issues raised.
- ❖ Assess and make recommendations on credit market conditions and risk categorization of exposures.
- ❖ Ensure deployment and the execution of credit default strategy.
- ❖ Assess the non-financial risk and their consequences.
- ❖ Assess the shifts in the global/local macro-economic conditions with implications on the investment scenario and associated risks.
- ❖ Assess whether investment decisions adequately consider the view point of the Risk Management Department.

### **3) Materiality and Focus**

- ❖ The Committee is charged with ensuring that the competency for identifying, assessing and managing risk continues to evolve in relation to the growing risk appetite of the organization. To that end, it will focus primarily on the effectiveness of fund risk management.
- ❖ The Committee should review those risks which may be deemed material. Materiality considerations will be based upon both immediate financial exposure to the organization's/Fund's, shareholders/unit holders and long term material financial exposure to the organization's, Fund's shareholders/unit holders.
- ❖ The goal of the Committee is to encourage broader thinking by management in relation to risks so that greater focus is applied to continue to evolve the organization's competencies along with their risk management vision.

### **4) Structure and Membership**

- ❖ Members of the Committee will be appointed by resolution of the Board.
- ❖ The Committee will comprise of atleast three Board directors, out of which atleast two shall be non-executive Board directors, one of whom will be appointed to chair the Committee.

### **5) Meetings**

- ❖ Meetings will be held at least quarterly.
- ❖ The quorum for the Board Risk Management Committees would comprise of any three members, including the designated Chairman.
- ❖ Committee Secretary will be appointed. The Head of Risk Management and the risk team will attend all Committee meetings.
- ❖ Minutes of the meeting shall be prepared by the Committee Secretary within four weeks of the date of the meeting and will be signed by the Chairman of the Risk Committee.