



CORPORATE GOVERNANCE POLICY

AL MEEZAN INVESTMENT MANAGEMENT LTD

Version 1.0

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1. INTRODUCTION

1.1. Preamble

Corporate governance serves as a vital framework, directing an organization's strategic orientation, ethical foundations, and operational methodologies. It establishes a structure of rules, procedures, and relationships that govern the direction and control of businesses, upholding principles of accountability, transparency, and fairness in decision-making.

In alignment with these principles, this corporate governance policy is drafted in accordance with Regulations 38A of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). These regulations specifically mandate Asset Management Companies (AMCs) to develop a board-approved Corporate Governance Policy. Additionally, Regulation 11A of the NBFC Regulations stipulates the adoption of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (CCG) by AMCs. Further, Al Meezan Investment Management Limited being an Islamic financial institution is committed to adhere to the Shariah Governance Regulations, 2023 (SGR) as and when applicable. The guidelines pertaining to board composition, director election, and the roles and responsibilities of various stakeholders outlined in this policy are governed by the Companies Act, 2017 (the Act).

1.2. Objective and Scope

The Board's primary responsibility is to supervise affairs of Al Meezan Investment Management Limited (the Company) and provide direction to its management. The management is responsible for keeping the Board informed regarding Company affairs and effectively implement directions and guidelines given by the Board. 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 to discharge obligations of both the Board and management.

2. NUMBER OF DIRECTORSHIP AND COMPOSITION OF BOARD

2.1. Number of Directorship

The Board shall determine the number of directors on the board. However, no person shall be elected or nominated or hold office as a director of the Company including as an alternate director of more than seven listed companies simultaneously.

2.2. Diversity in the Board and Representation of Minority Shareholders

The Board shall comprise members having an appropriate mix of core competencies, diversity, requisite skills, knowledge, and experience and fulfil any other criteria as deem relevant in the context of the Company's operations.

2.3. Independent Director

The Company shall have at least two or one third members of the Board, whichever is higher, as independent directors.

The independent director shall submit his consent to act as director, along with declaration to the Company that he qualifies the criteria of independence notified under the Act and such declaration shall be submitted to the Chairman of the Board at the first meeting following the election of directors, as well as in the event of any change affecting the director's independence.

2.4. Female Director

The Board shall have at least one female director.

2.5. Executive Director

The number of executive directors, including the chief executive officer, shall not be more than one third of the Board.

2.6. Chairman of the Board

The Chairman and the Chief Executive Officer of the Company shall not be the same person.

The Chairman shall be elected subject to the terms and conditions and responsibilities provided under section 192 of the Act, the CCG, Regulations and the Article of Association of the Company.

3. BOARD OF DIRECTORS, ITS MEMBERS AND MEETING OF BOARD

3.1. Responsibilities of the Board and its members

Subject to the requirements of section 183 and 204 of the Act, the Board is responsible for adoption of corporate governance practices by the Company and monitoring effectiveness of such practices and the members of the Board shall ensure high ethical standards in performing their responsibilities.

The Board is responsible for the governance of risk and for determining the Company's level of risk tolerance by establishing risk management policies and for this purpose the Board is encouraged to undertake at least annually, an overall review of business risks to ensure that the management maintains a sound system of risk identification, risk management and related systemic and internal controls to safeguard assets, resources, reputation and interest of the Company and shareholders.

The Board of the Company shall:

- (i) Ensure ongoing monitoring of the effectiveness of the Company's governance practices and overall corporate strategy, including the vision and mission statement of the Company.
- (ii) Establish adequate systems and controls for identifying and addressing grievances arising from unethical practices within the Company.
- (iii) Establish and maintain a system of sound internal control, effectively implemented across all levels within the Company.
- (iv) Implement a formal and effective mechanism for the annual evaluation of the Board's performance, individual Board members, and its committees.
- (v) Implement an effective mechanism for Shariah compliance to ensure adherence to the fatawa, instructions, and guidelines provided by the Shariah Advisor.

The Board shall also ensure that a complete record of particulars of the significant policies along with their dates of approval or updating is maintained by the Company.

All directors of a Company shall attend its general meeting(s), (ordinary and extra-ordinary) unless precluded from doing so due to any reasonable cause. The statutory auditors of the Company shall also be invited in the General Meetings of the Board.

3.2. Agenda and discussion in meetings

The Chairman shall set the agenda of the meeting of the Board and ensure that reasonable time is available for discussion of the same.

All written notices and relevant material, including the agenda of the meeting, be circulated at least seven days before the meeting, except in the case of an emergent meeting, where the notice period may be reduced or waived.

3.3. Minutes of meeting

The Chairman shall ensure that minutes of the meetings of the Board are kept in accordance with the requirements of section 178 and 179 of the Act.

The Company Secretary will be Secretary to the Board. Where a director of a Company is of the view that his dissenting note has not been satisfactorily recorded in the minutes of a meeting, the matter may be referred to the Company Secretary for appending such note to the minutes and where the Company Secretary fails to do so, the director may file an objection with the Commission in the form of a statement to that effect within 30 days of the date of confirmation of the minutes of the meeting.

3.4. Attendance at meeting

The Chief Financial Officer and Company Secretary or in their absence, the nominee appointed by the Board, shall attend all the meetings of the Board:

Provided that the Chief Financial Officer and Company Secretary shall not attend such part of the Board meeting wherein agenda item relates to consideration of their performance or terms and conditions of their service or when, in the opinion of the Board, their presence in the meeting on any agenda item is likely or may tend to impair the organizational discipline and harmony of the Company.

3.5. Responsibilities of CEO

The Chief Executive Officer of the Company shall place significant issues for the information, consideration and decision, as the case may be, of the Board or its committees that include but are not limited to the following:

- (i) as soon as the Chief Executive Officer foresees risk of default concerning obligations on any loans (including penalties and other dues to a creditor, bank or financial institution or default in payment of public deposit), Sukuk or any other Islamic debt instrument, the same shall be brought to the attention of the Board;
- (ii) annual business plan, cash flow projections, forecasts and strategic plan;
- (iii) budgets including capital, manpower and overhead budgets, along with variance analysis;
- (iv) matters recommended and/or reported by the audit committee and other committees of the Board;
- (v) quarterly operating results of the Company as a whole and in terms of its operating divisions or business segments;
- (vi) Shariah audit reports, internal audit reports, including cases of fraud, bribery, corruption, or irregularities of material nature;
- (vii) management letter issued by the external auditors;
- (viii) details of joint venture or collaboration agreements or agreements with distributors, agents etc.;
- (ix) promulgation of or amendment to a law, rule or regulation, applicability of financial reporting standard and such other matters as may affect the Company and the status of compliance therewith;
- (x) status and implications of any lawsuit or proceedings (show cause notice, demand or prosecution notice) of material nature, filed by or against the Company;
- (xi) failure to recover material amounts of loans, advances, and deposits made by the Company, including trade debts and inter corporate finance;
- (xii) any significant accidents, fatalities, dangerous occurrences and instances of pollution and environmental problems involving the Company;
- (xiii) significant public or product liability claims made or likely to be made against the Company, including any adverse judgment or order made on the conduct of the Company or of another Company that may bear negatively on the Company;

- (xiv) report on governance, risk management and compliance issues including shariah compliance. Risks to be considered shall include reputational risk and shall address risk analysis, risk management and risk communication;
- (xv) disputes with employees and their proposed solutions, any agreement with the employee's union or collective bargaining agent and any charter of demands on the Company;
- (xvi) reports on /synopsis of issues and information pursued under the whistle blowing policy, clearly disclosing how such matters were dealt with and finally resolved or concluded;
- (xvii) implementation of environmental, social and governance; and health and safety business practices including report on corporate social responsibility activities and status of adoption/compliance of the Corporate Social Responsibility (Voluntary) Guidelines, 2013 or any other regulatory framework as applicable;
- (xviii) payment for goodwill, brand equity or intellectual property;
- (xix) sale of assets, investments and interest in subsidiaries and undertakings, of material amount or significant nature, which is not in the ordinary course of business; and
- (xx) quarterly details of foreign exchange exposures and the safeguards taken by management against adverse exchange rate movement, if material.

4. RELATED PARTY TRANSACTIONS

Related party transactions the details of all related party transactions shall be placed periodically before the audit committee of the Company and upon recommendations of the audit committee, the same shall be placed before the Board for review and approval:

Provided where majority of the directors are interested in such transactions, the matter shall be placed before the general meeting for approval.

Further, all related party transactions placed before the BAC shall be accompanied by an undertaking from the CFO confirming that list of transactions undertaken are in accordance with all applicable statutory provisions and further that the exhaustive list of transactions are placed before the BAC for review.

5. REMUNERATION OF DIRECTORS

5.1. Formal Policy

The management will present for Board's approval, a formal policy for fixing the remuneration packages of individual directors for attending meetings of the Board and its committees.

5.2. Determination of remuneration

No director shall determine his/her Board or its Committee's remuneration. The remuneration or any change therein shall be approved in General Meetings. Further, the levels of remuneration shall be appropriate and commensurate with the level of

responsibility and expertise, to attract and retain directors needed to govern the affairs of the Company successfully and to encourage value addition provided that it shall not be at a level that could be perceived to compromise their independence.

The process adopted for determination of the director's remuneration shall comply with the provisions of the Act, the Company's Articles of Association and the Remuneration Policy for Board of Directors and its Committee Members of the Company.

6. DIRECTORS' TRAINING PROGRAM

6.1. Directors' Orientation Program

The Company shall make appropriate arrangements to carry out orientation for their directors to acquaint them with these Regulations, applicable laws, their duties and responsibilities to enable them to effectively govern the affairs of the Company for and on behalf of shareholders.

6.2. Directors' Training

The Company shall ensure that all directors to seek directors' training (except for the exemptions provided in the CCG, Regulations) including Shariah training where required by the CCG Regulations, Shariah Governance Regulation or under any other applicable regulatory requirements.

The Company shall arrange training for at least one Male and Female Executive Committee Member of the Company every year under the Directors' Training program.

7. KEY MANAGEMENT POSITIONS

7.1. Approval

The Board shall appoint, determine remuneration, and terms and conditions of employment of Chief Financial Officer, Company Secretary, Head of Internal Audit and any other Executive as may be directed by the Board from time to time.

7.2. Removal

The removal of the Chief Financial Officer, Company Secretary and Head of Internal Audit of a Company shall be made with the approval of the Board:

Provided that the Head of Internal Audit may be removed only upon recommendation of the audit committee.

7.3. Qualification

The qualification and experience of the CFO, Head of Internal audit and Company Secretary shall be in accordance with the applicable laws and regulations, including the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Provided, the same person shall not simultaneously hold the office of Chief Financial Officer and the Company Secretary of the Company.

8. RESPONSIBILITY FOR FINANCIAL REPORTING AND CORPORATE COMPLIANCE

8.1. Financial statement endorsed by chief financial officer and chief executive officer

The Chief Executive Officer and the Chief Financial Officer shall duly endorse the quarterly, half yearly and annual financial statements under their respective signatures before placing and circulating the same for consideration and approval of the Board.

8.2. External Auditor

The Chief Executive Officer and Chief Financial Officer shall have the annual and half yearly financial statement initiated by the external auditors before presenting it to the audit committee and the Board for approval.

9. COMMITTEES OF THE BOARD

9.1. Audit Committee

The Company shall have an audit committee constituted by the Board keeping in view the following requirements:

- (i) the Board shall establish an audit committee of at least three members comprising non-executive directors and at least one independent director;
- (ii) chairman of the committee shall be an independent director, who shall not be the chairman of the Board;
- (iii) the Board shall satisfy itself that at least one member of the audit committee shall be “financially literate”, as defined in the CCG, Regulations.
- (iv) the Audit Committee of a Company shall appoint a Secretary of the committee who will either be the Company Secretary or Head of Internal Audit.

The audit committee shall be held as per the following requirements:

- (i) the audit committee of the Company 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 Company by its Board and after completion of external audit;
- (ii) a meeting of the audit committee shall also be held if requested by the External Auditors, Head of Internal Audit or Chairman of the audit committee;
- (iii) the Head of Internal Audit and External Auditors represented by an engagement partner or in his/her absence any other partner designated by the audit firm shall

attend meetings of the audit committee at which issues, if any, relating to accounts and audit are discussed.

The Chief Executive Officer and the Chief Financial Officer shall not be members of the audit committee but should be available to attend its meetings at the invitation of the Chairman of the audit committee:

At least once a year, the audit committee shall meet the external auditors without the Chief Financial Officer and the Head of Internal Audit being present:

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 Chief Financial Officer and the external auditors being present.

The Board shall determine the terms of reference of the audit committee.

The Board shall provide adequate resources and authority to enable the audit committee to carry out its responsibilities effectively and the terms of reference of the audit committee shall be explicitly documented in accordance with the CCG, Regulations.

The secretary of audit committee shall circulate minutes of meetings of the audit committee to all members, directors, head of internal audit and where required to the chief financial officer before the next meeting of the Board:

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 along with the minutes of the meeting of the Board.

9.2. Human Resource and Remuneration Committee

There shall be a human resource and remuneration committee of at least three members comprising a majority of non-executive directors of whom at least one member will be an independent director.

The Chairman of the Committee shall be an independent director, unless otherwise explained in the Statement of Compliance with the CCG Regulations, and the chief executive officer may be included as a member of the committee.

The Committee shall meet at least once in a financial year and may meet more often if requested by a member of the Board, or committee itself or the chief executive officer and the head of human resources or any other person appointed by the Board may act as the secretary of the committee.

A member of the committee shall not participate in the proceedings of the committee when an agenda item relating to his performance or review or renewal of the terms and conditions of his service comes up for consideration.

The terms of reference of committee shall be determined by the Board.

9.3. Risk Management Committee

The Board shall constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.

The terms of reference of the committee shall be in accordance with the CCG, Regulations.

9.4. Board IT Committee

The Board shall constitute the Board IT Committee, of such number and class of directors, as it may deem appropriate in its circumstances, to provide oversight and recommend to the Board on Information Technology need of Al Meezan, devising IT strategy including Information Security and Operational Resilience.

The terms of reference of the Board IT Committee will be in accordance with the general guidance provided in the CCG, Regulations.

10. EXTERNAL AUDIT

10.1. Terms of appointment of external auditor

The Company shall appoint an external auditor, a firm of auditors, which has been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with the Audit Oversight Board of Pakistan under section 36I of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

The Company shall not appoint as external auditors, a firm of auditors or a partner which is non-compliant with the International Federation of Accountants' Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan.

The Board of a Company recommend the appointment and removal of external auditors for a year and its remuneration, as suggested by the audit committee.

The Company shall not appoint its external auditors to provide services in addition to audit except in accordance with the requirements laid down in the CCG, Regulations and shall require the auditors to observe applicable International Federation of Accountants guidelines in this regard.

The Company shall ensure that the auditors do not perform management functions or make management decisions, responsibility for which remains with the Board and management of the Company.

The Company shall not appoint a person as an external auditor or a person involved in the audit of a Company who is a close relative (spouse, parents, dependents and non-dependent children) of the chief executive officer, the chief financial officer, the head of internal audit, the Company secretary or a director of the Company.

10.2. Rotation of auditors

The criteria for the appointment of the auditor shall be followed as stipulated in the applicable regulatory framework, including NBFC Rules and Regulations.

11. REPORTING AND DISCLOSURE

11.1. Directors' Report

The quarterly financial statements of companies shall be published and circulated along with directors' review on the affairs of the Company. The contents of the Directors' report shall be in accordance with the Companies Act, 2017 and the CCG, Regulations.

11.2. Disclosure of TORs and significant policies on website

The Company shall post on its website the TORs of the Board Committees, policies and / or salient features of certain policies in accordance with the regulatory requirements.

11.3. Compliance Statement and Auditor Review

The Company shall publish and circulate a statement, in accordance with the CCG, Regulations, along with their annual reports to set out the status of their compliance with the requirements of these Regulations and the said statement shall be specific and supported by necessary explanations.

The Company shall ensure that the statement of compliance is reviewed and certified by statutory auditors as per relevant Regulations specified by Commission.

Note: Whenever the provisions of any law or applicable regulatory framework contradict the policy, the law or the applicable regulatory framework will prevail. Additionally, in the event of an update in the law or applicable regulatory framework, the policy will be considered to have adopted the updated version of the applicable laws.

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