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STEWARDSHIP POLICY

AL MEEZAN INVESTMENT MANAGEMENT LTD

Version History

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1. INTRODUCTION

1.1. Preamble

Al Meezan Investment Management Ltd. (hereby referred to as “Al Meezan”) has an obligation to maintain trust of its valued customers and act in the best interest of its stakeholders. Al Meezan is committed to serve its customers with best possible return on their investments with Al Meezan in its funds and Separately Managed Accounts (SMAs). Al Meezan has adopted Stewardship guidelines issued by Securities & Exchange Commission of Pakistan (SECP). As suggested in the stewardship guidelines, the Board of Directors of the Company introduced Stewardship Policy to govern the Management Company and its activities related to voting/proxy voting and its disclosure, monitoring of listed investee companies, intervention in the investee companies, managing conflict of interest scenarios and incorporating sustainability considerations in their investment/divestment decision making as well as in their implementation. The policy also identifies scenarios relevant to stewardship guidelines and explains mechanisms to address them in decision making along with responsibility for implementation, review and reporting.

1.2. Scope

Monitoring of the stewardship policy principles shall apply to all listed investee companies where shareholdings of all CISs, VPS and SMAs under management are three (3) percent or above in the investee Company paid up capital. The Investment Committee may determine lesser percentage of shareholdings for required action under this stewardship policy.

In case of changes in any applicable laws, rules, regulations and Shariah guidelines which in contradict with any requirement of this policy or stringent to these policy guidelines, the laws, rules, regulations and Shariah guidelines shall prevail and shall be followed.

1.3. Objective of the policy

The Stewardship policy aims to achieve compliance with the SECP issued stewardship guidelines, amended NBFC Regulations and create value for its valued investors through proactive intervention in the matters of mutual benefits, in listed investee companies.

2. GUIDING PRINCIPLE(S) OF THE POLICY

The stewardship guidelines issued by SECP establish(s) principles to carry out stewardship activities, including the following Principles:

- a. a comprehensive policy and guiding principles to fulfill the stewardship responsibilities
- b. voting policy including proxy voting and its disclosure;
- c. continuous monitoring of listed portfolio companies in which equity investments have been made;
- d. identification of circumstances and the manner of intervention for regular assessment of the portfolio companies;

- e. managing conflict of interest to ensure investor(s) interest has priority over asset manager interest;
- f. incorporate sustainability considerations; and
- g. periodical reporting of stewardship activities.

2.1. The Investment Committee (IC)

The Investment Committee (IC) consists of senior management and is responsible for undertaking all the investment related decisions in line with the fund's investment objective, investment policy statement, risk appetite and risk management strategy. The Committee is constituted by the Board of Directors and will also oversee Company stewardship activities with the following main roles:

- Ensure compliance with all provisions and guidelines of this policy;
- Take appropriate investment/divestment decisions in line with Environmental, Social and Governance (ESG) principles prescribed in this policy if consistent with investment recommendation and decision;
- Collaborate with other institutional investors for intervention in the Board and Management of the Investee Company for identified scenarios in this policy;
- Decide about voting and proxy voting in the Investee Company;
- Monitor listed Investee Companies for the prescribed performance parameters; and
- Review and approve periodic stewardship activities report for publication.

3. POLICY STATEMENTS AND GUIDELINES

3.1. The Voting & Proxy Voting Policy and Its Disclosure

As a responsible institutional investor, Al-Meezan has an obligation to act in the best interests of its valued investors/customers. One of the responsibilities includes exercising prudently the voting rights attached to securities in the portfolio of each account.

It is our policy to exercise the voting rights of the accounts, we manage in the best interests of the portfolio and with a view to enhancing the long-term value of the securities held.

3.1.1 Authority and Responsibility for Voting Proxies

- Investment Committee has the authority to approve and ratify voting and proxy voting for the schemes and SMAs in all listed investee Companies after considering all relevant factors including ESG (if applicable) and performance;
- IC proceedings related to voting/proxy voting shall be documented in IC minutes of the meeting;
- Prior IC approval for voting and proxy voting shall be sought for the matters mentioned below;
 - Election of Directors*;
 - Corporate Governance;
 - Appointment of Auditors;
 - Changes in Legal and Capital Structure
 - Corporate Restructuring;

- Mergers and Acquisitions;
- Any other matter that is considered as critical for the performance of the investee Company.
- Regular proxies for attending AGM/EOGM by the research and investment staff shall be ratified by the IC on quarterly basis;
- Research department shall present all the voting, proxy voting proposals and regular proxies to IC for approval and ratification respectively.

** While participating in the election of the Board of Directors of the Investee Company, it shall be ensured that by exercising the right to vote proxy on behalf of the unit holders of the CIS, VPS and SMA does not result in attaining the management control of the investee company, in contravention of the regulations.*

3.1.2 Conflict of Interest in Voting/Proxy Voting

- It is the responsibility of members of Investment Committee to disclose if there is any current/potential conflict of interest in any proposal of voting proxies under consideration of Investment Committee.
- In case of conflict of interest, the investment committee member shall not participate in the decision pertaining to voting proxies.

3.1.3 Record Maintenance & Disclosure

- a) IC will also record following details in relation to proxy voting decisions:
 - name of the issuer of the securities on which the vote has been cast;
 - name of major beneficial owner(s) of the securities;
 - number of shares held by CIS on record;
 - date on which the proxy was voted; and
 - results of the vote.
- b) Al Meezan shall place the Board approved voting and proxy voting policy on its website.
- c) Finance department shall include in the annual report of each fund under management, summary of actual proxy voted during the year as per table given below:

Summary of Actual Voted by CIS

	Resolution	For	Against	Abstain*
No.				
(%)				

**Reason for abstaining shall be disclosed*

- d) Finance department shall disclose in the annual report of each fund under management, the cases where Al Meezan on behalf of the fund did not participate in shareholders' meetings.
- e) Further, Finance department shall include in the annual report of each fund under management, a statement that the proxy voting policy of the fund is available on the website of the company and detailed information regarding actual proxies voted by the company in respect of the fund is also available without charge, upon request, to all unit holders.

3.2. Monitoring of listed Investee Companies

Al Meezan shall ensure that portfolio companies are regularly monitored, through regular review, interactions with investee company's management, be part of industry calls of the management investee company, research material and other means of control.

Al Meezan may determine the level of monitoring depending upon the quantum of investment, sector to which the company belong(s) and certain special situations which require greater monitoring.

In all cases of engagement with the management and / or the Board of Directors of the listed investee company, all communications and discussions will be conducted in private and confidential manner. The objective of the interactions is to play a constructive role in enhancing the value of the investment in the equity of the listed investee companies to benefit the investors of Al Meezan Funds and SMAs.

While dealing with the investee company, Al Meezan shall ensure compliance with applicable laws including Securities Act, 2015 and the Board approved Capital Market Policy.

Research department of Al Meezan may rely on the following sources for monitoring activities of listed investee companies.

- a. Bloomberg data services portal
- b. Sell side broker Reports
- c. Quarterly Results of the listed Investee Companies
- d. Annual Reports of the listed Investee Companies
- e. Publicly available information includes exchange filings
- f. Management Interaction includes conference calls

3.3. Policy on Interventions in the Investee Company

Al Meezan shall intervene if deem appropriate in its opinion, any act/omission of the listed investee company is considered material on a case to case basis, including but not limited to insufficient disclosures, inequitable treatment of shareholders, non-compliance with regulations, performance parameters, governance issues, related party transactions, corporate plans/ strategy, or any other related matters.

The following escalation matrix shall be followed by Al Meezan for intervention into the listed Investee Companies:

- i. **Communication:** The CIO on behalf of the Investment Committee shall communicate with the investee company's management about any concerns of Al Meezan including steps to be taken to mitigate such concerns. If the matter comes to voting, Al Meezan shall exercise its voting rights in accordance with this policy.
- ii. **Engagement:** Al Meezan shall take all reasonable steps to engage with the management of the investee company to resolve Al Meezan concerns related to governance, ESG (if applicable) and performance.
- iii. **Collaboration:** Al Meezan shall also consider collaboration with other institutional investors, professional associations, regulators, and any other entities where it deems necessary.

iv. Escalation: In case there is no progress despite the first three steps, the following escalation ladder shall be used:

- a) Investment Analyst
- b) Fund Manager
- c) Chief Investment Officer
- d) Investment Committee*

**To take the ultimate decision to either divest or retain, based on recorded decision.*

3.4. Managing conflict of interest

While carrying out portfolio investments, Al Meezan and its management may be faced with a conflict of interest, particularly relating to the following:

3.1.4 Identification of Conflict of Interest

- a. Al Meezan and the investee company are part of same group
- b. The Investee Company is an associate of Al Meezan.
- c. The investee company is an institutional investor of funds under management of Al Meezan.
- d. The investee company is a distributor of products / services offered by Al Meezan.
- e. The investee company is a large vendor of Al Meezan.
- f. Officials of Investment department have personal interest in the investee company.
- g. A nominee of Al Meezan has been appointed as a director or a key managerial person of the investee company.
- h. Anything other than the above, which may give rise to conflict of interest.

3.1.5 Management of Conflicts of Interest Scenarios:

- a. Investment decisions pertaining to the schemes under management shall be in accordance with the investment objectives of the relevant schemes.
- b. Separately managed accounts (SMAs) shall be managed as per the mandate agreed and signed with the client.
- c. Investment from schemes assets in related parties shall be at arm's length and within regulatory limits.
- d. Investment team members shall disclose their conflict of interest if any in the investee Company.
- e. There shall be a clear segregation in the proxy voting decision and sales function. No sales team member shall form part of the proxy voting decision.
- f. Members of the investment team who are interested or have any association with the Investee Company shall not be allowed to participate in proxy voting related decisions.
- g. Voting on shareholder resolution shall be recorded and disclosed as per the voting policy.
- h. For all other possible instances of conflict, the Investment Committee may be referred for guidance and decision.

3.5. Incorporating Sustainability Considerations

- Al Meezan acknowledges the growing need for sustainable investing & shall aim to comply with the SECP guidance under Stewardship guidelines related to Incorporating Sustainability Considerations in decision making.
- Head of Research, Head of Equities, Head of Fixed Income (if applicable), or any other member of the Investment Committee as may be designated by the Chief Investment Officer (CIO) shall provide their input to the CIO, with respect to their ranking or rating of various instruments/entities/ securities, with respect to ESG/ sustainability consideration.
- The CIO shall ensure to integrate sustainability considerations including ESG in decisions related to funds under management in order to deliver sustainable returns in the long term to investors subject to adequate availability of relevant ESG information in disclosure notes to the financial statements of the investee Company.
- It is noted that the Shariah Compliant Investing Methodology, as is already followed by Al Meezan, is categorized as ESG Compliant/ Sustainable Investing practice under ‘Faith Based Screening’ as explained by CFAI- Global ESG Disclosure Standards for Investment Products. This methodology is defined as follows:
 - “Faith based investment refers to investing in line with certain principles, usually using negative screening to avoid investing in companies whose products and services are deemed morally objectionable by the investor or certain religions, international declarations, conventions or voluntary agreements.”
 - Based on Faith based investment, Al Meezan incorporates sustainability considerations in its investment decision making and continuous monitoring of investments thereafter.
- The designated team may also evaluate following ESG factors in its evaluation process (Subject to adequate availability of relevant disclosure-based information):
 - o Environmental and social impact
 - o Diversity targets and policies, including gender;
 - o Employee benefits and corporate culture; and
 - o Products, customers and supply chain;

(the above list may not be exhaustive and review of individual factors is at discretion of Fund Manager)

- In relation to point above, Al Meezan may also aim to monitor & evaluate investee companies in relation to stricter sustainability considerations including key ESG Risks (if disclosed by investee companies).
- In instances where Sustainability or ESG risks related to Investee companies may arise, Al Meezan shall raise the matter in its IC, for the representative forum or committee, as the case may be, to decide appropriate future course of action, in the best interest of Unit Holders.

Al Meezan may identify & explain via Stewardship Report published, as per guidance provided by SECP, how it has incorporated sustainability considerations in its investment analysis, periodic review and decision making.

4. COMPLIANCE WITH THE POLICY

Investment Management staff including research, risk management and compliance departments staff of Al Meezan Investment Management Limited are hereby directed to adhere to all the requirements of this

policy on immediate basis. Where compliance with any provision of this policy is not possible due to unavoidable circumstances such as pandemic or any other force majeure event, the deviation from the policy requirements shall be approved by the Investment Committee.

5. CUSTODY & REVIEW OF THE POLICY

A read only copy of the Stewardship Policy shall be available for all stakeholders on the Company website. Whereas custodian of the policy shall be the Risk Management Department. Concerned department shall maintain its compliance records for internal, external and regulatory audit if any.

The review of the policy shall be an ongoing process to align with the regulatory requirements and its objective. However, the policy shall be reviewed on a periodic basis (at least once in every three years) and updated, if required.

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