
The logo for HBL, consisting of the letters 'HBL' in a bold, white, sans-serif font on a teal background.

ASSET MANAGEMENT LTD.
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CORPORATE GOVERNANCE POLICY

HBL ASSET MANAGEMENT LIMITED

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Introduction

The Corporate Governance Policy is designed to ensure the independence of the Board and its ability to effectively supervise management's operation of the HBL Asset Management Limited (HBL-AML). The Policy also ensures compliance with the Regulation 38(A)a of NBFC and NE Regulations 2008 and amendments circulated vide Notification dated November 25, 2015. "Corporate governance" broadly refers to the mechanisms, processes and relations by which companies are governed. The Board of Directors of the ABL AMCL (the "Board") is elected by shareholders to supervise the management of the ABL AMCL's business and affairs with a view to enhancing long-term shareholder value. Corporate governance encompasses processes and policies, how decisions are made and how the ABL AMCL deals with the stakeholders including shareholders, customers, employees and the broader community

This policy is consistent with the applicable provisions of the Code of Corporate Governance 2012, NBFC Rules 2003, NBFC & NE Regulations, 2008, Voluntary Pension System Rules, 2015, Listing Regulations of PSE, Companies Ordinance, 1984 and other Federal & Provincial laws & regulations and any change in the above would supersede the existing provisions of the policy.

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 HBL AML to discharge obligations of both BOD and management.

Board of Directors

The Board's primary responsibility is to supervise the management of the HBL-AML's business and affairs. Senior management is accountable for implementing the Board's decisions and is responsible for directing the HBL-AML's operations.

The functioning of board of directors shall be in accordance with the Companies' Ordinance, 1984, Memorandum and Articles of Association of HBL AML and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

In addition, the Board shall observe the following:

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- a) The board of directors of HBL- AML 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) HBL-AML 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 HBL-AML on behalf of the shareholders.
 - f) It shall be mandatory for the directors of HBL-AML to 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 HBL-AML. No director(s) would participate in decision relating to his or her remuneration.
 - h) The Board should put in place a mechanism for annual evaluation of its own performance.

Committees of the Board

The Board establishes committees, in which executive / non-executive directors play an important role, to assist it in the execution of its duties, powers and authorities. The Board would delegate to each of the committees, such authority as is required to enable such committees to fulfil their respective functions.

Each Committee is required to have a formal term of reference (the "TOR") in compliance with all applicable laws, rules and regulations. The TORs would set forth the objective and responsibilities of the committees as well as qualifications for committee members, procedures for committee member appointment, committee structure and operations and reporting to the Board.

The Board shall have the following committees:

- a) Audit Committee;
- b) Human Resource Committee;
- c) Risk & Investment Committee;

The Chairman 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 HBL-AML and the funds under its management. The Chairman of each committee would report back to the Board at each Board meeting the significant and material issues with transparency and full disclosure.

In addition to the above and as deemed fit by the Board, additional committees or sub committees can be formed by the Board for specific tasks, projects etc.

Key Management Positions

The appointment, remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), the Company Secretary and the Head of Internal Audit shall be determined by the board of directors.

The removal of the CFO and Company Secretary of HBL-AML 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 and upon recommendation of the Chairman of the Audit Committee.

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.

Corporate Financial Reporting

The quarterly and annual financial statements would be prepared in accordance with the applicable financial reporting framework and shall be presented to the Board of Directors for their approval upon recommendation of the Audit Committee.

The CEO and the CFO shall present the financial statements to the Board, for consideration and approval, duly endorsed under their respective signatures.

The Directors' Report of HBL-AML and funds under its management shall be prepared under applicable regulatory framework.

Appointment of External Auditors

HBL-AML 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, HBL-AML 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.

For HBL_AML, the Board of Directors shall recommend appointment of external auditors to the shareholders, for a period of one year and appointment shall be made in the meeting of the shareholders.

For Funds under management of HBL AML, the auditors will be appointed by the Board upon recommendation of the Audit Committee for a period of one year.

The auditors of the Funds and HBL-AML can continuously be appointed as the external auditors for a maximum continuous period of five years.

HBL-AML shall not appoint as auditor or a person involved in the audit who is a close relative i.e. spouse, parent, dependent(s) and non-dependent children, of the CEO, the CFO, Internal Auditor or Director of HBL-AML.

Related Party Transactions

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.

The related party transactions which are not executed at arm's length basis 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.

Wherever required, the Board shall approve the pricing methods for related party transactions.

Closed Period Declaration

HBL-AML shall determine a closed period prior to the announcement of interim/ final results of the funds under its management and any business decision, which may materially affect the market price of units of Funds. No director, CEO or executive shall, directly or indirectly, deal in the units of the Funds in any manner during the closed period.

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.

HBL-AML shall advise its directors about the closed period at the time of circulating agenda and working papers for the Board meetings.

Disclosure and communication

The HBL-AML is committed to providing timely, accurate and complete disclosure of all material information about the HBL-AML and to providing fair and equal access to such information.

Conflicts in Applicability of Policy

Wherever any content of the Policies differ with the requirements of applicable laws, rules and regulations then law, rules and regulations shall prevail.

Modification and amendments

This document shall be reviewed regularly by the Board and where necessary it shall be amended by way of a supplement to this document in the context of changing regulations and emerging best practices with a view to enhancing the ABL AMCL's governance. Responsibility for maintenance and updatation of this policy lies with Company Secretary.
