



STEWARDSHIP POLICY ABL Asset Management Company Ltd

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1. INTRODUCTION

1.1. Preamble

ABL Asset Management Company Ltd (hereby referred to as “ABL AMC” is committed to uphold its customers trust by keeping the best interest of its stakeholders through implementation of Stewardship guidelines issued by Securities & Exchange Commission of Pakistan (SECP). Through these guidelines and directed in Regulation 38A of NBFC Regulations 2008, 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. 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 of all CISs, VPS and SMAs under management. 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, NBFC Regulations updated from time to time and create value for its stakeholders 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, covering the following aspects at the minimum:

- a. Policy on stewardship responsibilities;
- b. Policy on voting;
- c. Policy on monitoring the investee company;
- d. Policy for engagement with the investee companies;
- e. Policy on identifying and managing conflicts of interest; and
- f. Policy on how it incorporates sustainability consideration, including Environmental, Social and Governance (ESG) into its investment analysis and activities

2.1. Stewardship Responsibilities

ABL AMC recognize its stewardship responsibilities towards its culture, value, business strategy and investment belief implement these responsibilities to ensure their investment beliefs, strategy and culture enable effective stewardship. In order to cover the principles and guidelines, investment management philosophy, strategy, rights and duties, and procedures related to their stewardship activities, the Board of Directors of ABL-AMC has established Investment Committee (IC) for each fund under the management of ABL AMC. IC would be chaired by the Chief Executive Officer and shall comprise of key personnel of the company and may consists of the following:

- I. CEO.
- II. CIO.
- III. CFO.
- IV. Head of Research.
- V. Head of Risk.
- VI. Respective Fixed Income Fund Manager.
- VII. Respective Equity Fund Manager.

The Investment Committee (“IC”) is responsible for prudent investment of funds’ assets. The IC may select and authorize the execution of contracts with one or more institutions, corporate, brokerage houses, etc while monitoring the investment mandates given to the fund managers.

Main responsibilities of the IC are as follows:

- ❖ Record its decisions for each scheme.
- ❖ Act with due care, skill and diligence in carrying out its duties and responsibilities.
- ❖ Ensure that Investment decisions are consistent with objectives and investment policy of the collective investment scheme.
- ❖ Ensure that investments do not deviate from constitutive documents or NBFC Regulations, or directions of the Commission/Regulators.
- ❖ Develop and follow the internal investment restrictions and policies.
- ❖ Review the performance of the collective investment scheme on a regular and timely basis.
- ❖ Ensure proper record keeping of meetings and investment decisions.
- ❖ Develop criteria for appointing a diverse panel of brokers and monitoring compliance thereof to avoid undue concentration of business with any single broker.
- ❖ Designate or appoint a qualified person as fund manager, who shall be responsible for management of not more than three collective investment schemes at a time as may be specified by the Commission/Regulators, and who fulfills the terms and conditions mentioned by Commission/Regulators from time to time.
- ❖ To delegate authority to the Fund Managers in order to manage portfolios/funds as instructed by the IC.
- ❖ To approve asset allocation of the funds.
- ❖ To consider and approve benchmarks and investment guidelines for

- portfolios/funds.
- ❖ To monitor and evaluate portfolio/fund managers' performance as compared to the benchmarks and performance of peer groups.
- ❖ To review and approve proposals for investment in new financial products based on due diligence of proposals including the demand of such products in the market and to ensure the capability of internal control environment in order to manage these products.
- ❖ To assess any required modifications in the investment strategy, after reviewing the following:
 - Economic indicators and forecasts.
 - Factors affecting the performance of concerned securities.
 - Valuations of markets/ securities.
- ❖ To perform on an ongoing basis, the due diligence reviews, and monitor the performance of all third party service providers such as trustee, custodians, brokers, banks, etc.
- ❖ To play considerable role in the implementation of any new systems and introduction of new products in the business streams.
- ❖ To review the quarterly reports prepared by Fund Managers that will include the following:
 - Funds/portfolio performance summary.
 - Any planned new financial products, changes in investment guidelines and Investors' Terms and Conditions and related marketing material.
- ❖ To fix and review limits for exposure on banks, Non-Banking Financial Institutions (NBFIs), CFS and all other investments carried out by ABL Funds.
- ❖ To fix limits for all exposures related to Market Risk and define VAR limit on half yearly basis.

2.2 Policy on voting

The Board of Directors of ABL AMC has established and approved a separate policy namely "Proxy Voting Policy" available on our website wherein comprehensive mechanism has been defined. Said policy is regularly reviewed and updated to ensure that it enables effective stewardship. Proxy voting policy has termed the following contents in details:

- ❖ AUTHORITY AND RESPONSIBILITY FOR VOTING PROXIES.
- ❖ VOTING PROCEDURES*
- ❖ PROXY PROPOSAL EVALUATION
- ❖ VOTING POLICY GUIDELINES
- ❖ RECORD KEEPING & DISCLOSURE

❖ CONFLICT OF INTEREST & DISCLOSURE

**While participating in the election of the Board of Directors of the Investee Company, ABL AMC shall ensure 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.*

2.3 Monitoring of Investee Companies

ABL AMC understand the importance and need to monitor the factors that could affect the value and sustainable growth of investee companies. For this purpose, Investment Committee reviews matters of investee companies pertaining to financial and non-financial factors.

To further enhance the scope, ABL AMC has established Research Department for the performance of following functions:

- i. Active coverage of the stocks and debt instruments held in the portfolio.
- ii. Production of company reports and models.
- iii. Follow up on brokerage research, industry publications, competitor's reports and other reports
- iv. Development of industry, sector and company data bases.
- v. Presentations/reports on new equity and fixed income issues.
- vi. Annual/Quarterly result reviews of the listed Investee Companies.
- vii. Updating line limit models on a quarterly basis (in conjunction with the risk manager).
- viii. To provide reliable and objective investment advice to fund/portfolio managers.
- ix. Create a liaison between ABL AMCL and sources of fundamental research like companies/regulators/industry experts.

The Research Department has also established a comprehensive policy duly approved the Board of Directors which is also reviewed and regularly updated to ensure that such policy enable effective stewardship

2.4 Engagement with the investee companies

ABL AMC may engage with the investee companies if deem appropriate 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.

ABL AMC shall follow the following escalation matrix for intervention into the listed Investee Companies:

Communication: Concerned matter, where necessary to be reviewed by Investment Advisor/Research Department and findings will be presented to Investment Committee. Accordingly, such matter will be reviewed by Investment Committee* and empowered Chief Investment Officer (CIO)/Head of Research (HoR) to accelerate matter with the concerned investee company. The CIO/HoR will accordingly communicate with the investee company's

management about any concerns of ABL AMC including steps to be taken to mitigate such concerns.

Engagement: ABL AMC shall take all reasonable steps to engage with the management of the investee company to resolve ABL AMC concerns related to governance, ESG (if applicable) and performance.

Collaboration: ABL AMC shall also consider collaboration with other institutional investors, professional associations, regulators, and any other entities where it deems necessary.

Escalation: The output of above communication will be reported to Investment Committee so as to take appropriate decisions in the best interest of the unit holders.

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

2.5 Managing conflict of interest

Conflict of interest may arise as a result of following situations:

- a) Ownership structure;
- b) Business relationships between institutional investors and the investee company;
- c) Differences between the stewardship policies of institutional investors, investee company and investors;
- d) Cross-directorships;
- e) Equity managers' objectives; and
- f) Consumers interests diverging from each other.

It is the prime responsibility of ABL AMC to act in the best interests of their clients and beneficiaries and need not only to prevent conflicts of interest but also concrete plans for identifying, monitoring, and preventing any conflicts of interest issue. For this purpose, ABL AMC has formulate following principles/policies:

1. The ABL AMC has established a policy duly approved by the Board of Directors namely "Transactions with Connected Persons/related parties" covering the following broad areas:
 - a) Procedure for handling related party transactions.
 - b) Disclosures by Directors / Key Managerial Personnel.
 - c) Pricing Method & Fair Value Determination.
 - d) Responsibility of Board of directors.
 - e) Transaction disclosure and recordkeeping requirements.
2. Restriction on employees of ABL AMC from entering into any transaction which may conflict with a duty of care owed to a unit/certificate holder. Where it is

practically not possible to avoid conflict, ensure its complete and timely disclosure to unit/certificate holders.

3. ABL AMC has also formulated a mechanism and take steps to avoid and eliminate the misalignment of incentives due to conflict of interest between the compensation of key executives of Asset Management Company and interest of the unit holders.
4. A comprehensive policy has been established for the prevention of Conflicts of Interest, illegal access to “Inside” information and establishment of Chinese Walls covering the following broad areas:
 - a) Prevention of Conflicts of Interest Situations.
 - b) General Responsibilities for Compliance.
 - c) Chinese Walls.
 - d) Fair Treatment of Clients.
 - e) Record of Conflicts of Interest
 - f) Inducements
5. Policies and procedures for proper discharge fiduciary responsibility towards investors by Investment Advisors of ABL AMC.

2.6 Sustainability consideration, including Environmental, Social and Governance (ESG) into its investment analysis and activities

Sustainability consideration, including ESG, into investment analysis and activities is another key element of Stewardship Policy. The objective of ABL AMC is that the investee companies should maximize the sustainable operating performance of their businesses, and to ensure that their investment plans have been critically tested in terms ESG impact and their ability to create long-term shareholder value. For the evaluation of ESG compliance, investee companies should be more transparent in disclosure of financial accounting reports and statements.

1. *Environmental Review*: It is important to look at the Environmental policies of investee company which may include climate policies, energy use, waste, pollution, natural resource conservation etc. Disclosure of such policy will provide assistant to evaluate any environmental risks a company might face and how the company is managing those risks.
2. *Social Review*: Socially responsibilities in the investment strategy of investee company should also be disclosed publically. Social activities and funds allocated may differ on case to case to case basis but investee company should engage in such activities with proper disclosures.
3. *Governance Review*: Investee company should follow accurate and transparent accounting methods includes but not limited to diversity on board of directors, corporate transparency, board strategies etc.

4. *ESG Review Procedure:*

- a. CIO/HoR or any concerned staff as designated, will review the ECG performance of investee companies based on the publically disclosed information.
- b. ABL AMC may engage with the investee companies if deem appropriate on a case to case basis for any further necessary information.
- c. Any negative finding (if persist) to be reviewed by Investment Advisor/Research Department and findings will be presented to Investment Committee.
- d. Accordingly, such matter will be reviewed by Investment Committee and further steps will be taken in the best interest of the unit holders.