



Corporate Governance Policy

Pak Oman Asset Management Company Limited

Reviewed upto October 2022

1. Introduction

Corporate governance is a system of structures and processes for the direction and control of organization. It is a process through which balance duties and responsibilities between shareholders, management and the board are defined, enabling an organization to maintain the right balance of power and accountability while striving to achieve its objective of enhancing shareholder value.

As an asset management company with several funds under management, the Company recognizes the need to adhere to best practices in corporate governance. Sound corporate governance policies and practices are important to the creation of shareholder value and maintaining the confidence of customers and investors alike. The Company practices are consistent with the requirements of Code of Corporate Governance contained in listing regulation no. 35 of the Pakistan Stock Exchange ('PSX') as well as requirement under NBFC Rules and Regulation as applicable.

The Company's Corporate Governance Policies (the "Policies") are designed to ensure the independence of the Board and its ability to effectively supervise management's operation of the Company. The Policies are reviewed on an annual basis in the context of changing regulation and emerging best practices with a view to enhancing the Company's governance.

2. Composition of the Board

The board of directors believes in having appropriate diversity within its executive and non-executive directors, including independent directors and those representing minority interests with the requisite skills, competence, knowledge and experience so that the board as a group includes core competencies and diversity, including gender, considered relevant in the context of the company's operations.

2.1 Size of the Board:

The Board shall comprise of at least 7 directors, with flexibility to increase the number of members in order to accommodate the Board's changing needs or circumstances. There shall be at least two and preferably one third of the total members as independent directors.

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:

2.2 Other Directorships

The Board shall consider following in reviewing directorships held by the potential Director candidates or existing directors:



- No person shall be elected or nominated as a director of more than seven listed companies simultaneously:
- Provided that this limit shall not include the directorships in the listed subsidiaries of a listed holding company.

The Board in light of above shall consider whether the individual has requisite time for the Company's affair.

2.3 Director's Education

Directors shall be knowledgeable and informed about the business of the Company, the regulatory environment in which it operate, code of corporate governance, applicable laws, their duties and responsibilities.

The Company shall make appropriate arrangements for orientation courses and shall ensure that certification under any director's training program offered by institution local or foreign, that meet the criteria specified by the SECP. Management also regularly updates the Board on changing regulations and practices related to corporate governance.

2.4 Director's Remuneration

The remuneration packages of the executive directors shall be fixed through formal and transparent procedure. The remuneration shall be as per the Company's Article of Association.

The remuneration for the non-executive directors shall be at a level that could not be perceived to compromise their independence.

Also, the company's Annual Report shall contain details of the aggregate remuneration separately of executive and non-executive directors, including salary/fee, benefits etc.

3. Leadership and Independence

3.1 Chairman and CEO:

The Chairman and the Chief Executive Officer (CEO), by whatever name called, shall not be the same person except where provided for under any other law. The Chairman of the Board shall be elected from among the non-executive director.

The roles of the Chairman and the CEO are clearly defined and segregated. The CEO is responsible for operations of the company whereas the board under the Chairman performs oversight responsibilities.



3.2 Independence:

The board shall state in the annual report the names of the non-executive, executive and independent director(s). "Independent director" means a director who is not connected or does not have any other relationship, whether pecuniary or otherwise, with the company, its associated companies, subsidiaries, holding company or directors. The board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director:

- has been an employee of the company, any of its subsidiaries or holding company within the last three years;
- is or has been the CEO of subsidiaries, associated company, associated undertaking or holding company in the last three years;
- has, or has had within the last three years, a material business relationship with the company either directly, or indirectly as a partner, major shareholder or director of a body that has such a relationship with the company;
- has received remuneration in the three years preceding his/her appointment as a director or receives additional remuneration, excluding retirement benefits from the company apart from a director's fee or has participated in the company's share option or a performance-related pay scheme;
- is a close relative of the company's promoters, directors or major shareholders;
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- has served on the board for more than three consecutive terms from the date of his first appointment provided that such person shall be deemed "independent director" after a lapse of one term.

However, any person nominated as a director under Sections 182 and 183 of the Ordinance, shall not be taken to be an "independent director" for the above-mentioned purposes.

The director representing an institutional investor shall be selected by such investor through a resolution of its board of directors, either specifically or generally.,

4. Responsibilities:

4.1 Duties:

The board of directors should exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interests of the Company, for the benefit of shareholders, while having regard to relevant stakeholder.

4.2 Responsibilities:

The board is accountable to shareholders and relevant stakeholders and is responsible for protecting and generating sustainable value over the long term. In fulfilling their role effectively, board members should:



- Embody professional standards and corporate values that promote integrity for the board, senior management and other employees in the form of a Code of Conduct, defining therein acceptable and unacceptable behaviors. And shall take appropriate steps to disseminate Code of Conduct throughout the company along with supporting policies and procedures, which shall also be placed on the company's website;
- Deploy adequate systems and controls for identification and redress of grievances arising from unethical practices.
- Prepare and adopt a vision and/or mission statement and overall corporate strategy for the funds. It shall also ensure formulation of significant policies as laid out in the code of corporate governance contained in PSX listing regulations. And a complete record of particulars of the significant policies along with the dates on which they were approved or amended by the board of directors shall be maintained.
- a system of sound internal control is established, which is effectively implemented and maintained at all levels within the company;
- document the decisions on the following material transactions or significant matters by a resolution passed at a meeting of the board:
 - a) Investment and disinvestment of funds where the maturity period of such investments is six months or more, except in the case of banking companies, non-banking finance companies and insurance companies;
 - b) Determination of the nature of loans and advances made by the company and fixing a monetary limit thereof.

4.3 Performance evaluation of the Board:

The Board shall conduct an annual review of its performance based on following criteria:

- Review of the business risks, strategic plans, significant policies, financial structure, monitoring and approval.
- Monitor company's performance against the planned objectives and advice the management on strategic initiatives.
- Ensuring maximum attendance at board meetings to enhance the quality of decision making as well as effective discharge of its roles & responsibilities.
- Compliance with the applicable laws & regulations including the Memorandum and Articles of Association of the Company.
- Establishing adequate internal control system in the company and its periodic assessment through internal audit activities.

The results of these evaluations shall be assessed by the Board, which may develop recommendations or action plan to address the issues raised as a result of such assessments.

4.4 Meetings of the Board:



Directors shall attend meetings of the Company's Shareholders, Board meetings and meetings of Committees on which they serve, and spend the time needed to prepare for and to meet as frequently as necessary to properly discharge their responsibilities

All written notices, including the agenda, of meetings shall be circulated at least seven days prior to the meetings, except in the case of emergency meetings, where the notice period may be reduced or waived.

The Chairman shall ensure that the minutes of meetings of the board of directors are appropriately recorded. The Company Secretary shall be secretary to the board.

In the event that a director is of the view that his dissenting note has not been satisfactorily recorded in the minutes of a meeting of the Board of Directors, he may refer the matter to the Company Secretary. The director may require the note to be appended to the minutes, failing which he may file an objection with the Securities and Exchange Commission of Pakistan (SECP) in the form of a statement to that effect. The objection may be filed with the SECP within 30 days of the date of confirmation of the minutes of the meeting.

4.5 Significant issues to be placed for decision of Board of Directors

Significant issues shall be placed for the information, consideration and decision of the board of directors of the company and/or its committees. Some of the circumstances are listed below

- The CEO shall immediately bring before the board, as soon as it is foreseen that the company will not be in a position of meeting its obligations on any loans (including penalties on late payments and other dues, to a creditor, bank or financial institution or default in payment of public deposit), TFCs, Sukuks or any other debt instrument. Full details of the company's failure to meet obligations shall be provided in the company's quarterly and annual financial statements.
- annual business plan, cash flow projections, forecasts and strategic plan;
- budgets including capital, manpower and overhead budgets, along with variance analyses;
- matters recommended and/or reported by the committees of the board;
- quarterly operating results of the company as a whole and in terms of its operating divisions or business segments;
- internal audit reports, including cases of fraud, bribery, corruption, or irregularities of a material nature;
- management letter issued by the external auditors;
- details of joint venture or collaboration agreements or agreements with distributors, agents, etc.;
- promulgation or amendment to a law, rule or regulation, enforcement of an accounting standard and such other matters as may affect the company;
- status and implications of any law suit or proceedings of material nature, filed by or against the company;
- any show cause, demand or prosecution notice received from revenue or regulatory authorities; • failure to recover material amounts of loans, advances, and deposits made by the company, including trade debts and inter-corporate finances;



- any significant accidents, dangerous occurrences and instances of pollution and environmental problems involving the company;
- 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;
- Report on governance, risk management and compliance issues. Risks considered shall include reputational risk and shall address risk analysis, risk management and risk communication;
- ensure that the company has in place an independent, confidential whistleblowing mechanism whereby an employee, supplier or other stakeholder can (without fear of retribution) raise issues of particular concern with regard to potential or suspected breaches of a company's code of ethics or local law.

4.6 Related Party Transactions

All related party transactions shall be placed 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.

The related party transactions which are not executed at arm's length price shall also be placed separately at each board meeting along with necessary justification for consideration and approval of the board on recommendation of the Audit Committee.

The Board shall ensure that a party wise record of transactions is maintained, in each financial year, entered into with related parties along with all relevant documents and explanations. The record of related party transactions shall include the following particulars in respect of each transaction:

- Name of related party;
- Nature of relationship with related party;
- Nature of transaction; iv) Amount of transaction; and
- Terms and conditions of transaction, including the amount of consideration received or given.

5. Executive Management:

5.1 Appointment and removal

Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit

The appointment, remuneration and terms and conditions of employment of all proposed Chief Financial Officer (CFO), the Company Secretary and the Head of Internal Audit shall be approved by the Board of Directors, on recommendations of Human Resource Committee.

Further, the removal of Chief Financial Officer and Company Secretary shall be made with the approval of the Board of Directors, whereas the removal of Head of Internal Audit shall be made with the approval of Board only upon recommendation of the Chairman of the Audit Committee.



5.2 Qualification

Factors which shall be considered by the Committee and the Board of the Directors in its review of potential candidates include following code of corporate governance requirements.

- No person shall be appointed as the **Chief Financial Officer** unless he/she has at least three (3) years of experience of being engaged in or employed in a public practice (audit/accounting) firm, or in managing financial or corporate affairs functions of a company, and is:
 - (a) A member of a recognized body of professional accountants; or
 - (b) Has a postgraduate degree in finance from a recognized university or equivalent.

- No person shall be appointed as the **Head of Internal Audit** unless he/she has three (3) years of relevant experience in audit or finance or compliance function, and is:
 - (a) A member of a recognized body of professional accountants; or
 - (b) A Certified Internal Auditor; or
 - (c) A Certified Fraud Examiner; or
 - (d) A Certified Internal Control Auditor

5.3 Requirement to attend Board Meeting

The CFO and Company Secretary 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.

6. Reporting and Audit

6.1 Comprehensive disclosure

The directors shall annex statements to the following effect with the Directors' Report, prepared under Section 236 of the Ordinance:

- The financial statements, prepared by the management of the company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- Proper books of account of the company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;



- The system of internal control is sound in design and has been effectively implemented and monitored; and
- There are no significant doubts upon the company's ability to continue as a going concern:

Where necessary, following information which shall also be annexed to the Directors' Reports:

- If the company is not considered to be a going concern, the fact along with the reasons shall be disclosed;
- Significant deviations from last year in operating results shall be highlighted and reasons thereof shall be explained;
- Key operating and financial data of last six years shall be summarized;
- Where any statutory payment on account of taxes, duties, levies and charges is outstanding, the amount together with a brief description and reasons for the same shall be disclosed;
- If the company has neither declared dividend nor issued bonus shares for any year, the reasons thereof shall be given;
- Significant plans and decisions, such as corporate restructuring, business expansion and discontinuance of operations, shall be outlined along with future prospects, risks and uncertainties surrounding the company;
- A statement as to the value of investments of provident, gratuity and pension funds, based on their respective audited accounts, shall be included;
- The number of board and committees' meetings held during the year and attendance by each director shall be disclosed;
- The details of training programs attended by directors;
- The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:
 - a) Associated companies, undertakings and related parties (name wise details);
 - b) Mutual funds (name wise details);
 - c) Directors and their spouse(s) and minor children (name wise details);
 - d) Executives;
 - e) Public sector companies and corporations;
 - f) Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds; and
 - g) Shareholders holding five percent or more voting rights in the listed company (name wise details).

6.2 Frequency of Financial Reporting

- a) The quarterly unaudited financial statements of the funds under management shall be published and circulated along with directors' review on the affairs.
- b) The second quarterly financial statements of the funds under management shall be subjected to a limited scope review by the statutory auditors in such manner and according to such terms and



conditions as may be determined by the Institute of Chartered Accountants of Pakistan (ICAP) and approved by the SECP.

- c) The company shall immediately disseminate to the SECP and the stock exchange on which the units of its funds are listed all material information relating to the business and other affairs of the funds that will affect the market price of its shares.

6.3 Responsibility for financial reporting and corporate compliance

- a) The CEO and the CFO shall present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the Board of Directors before circulation.
- b) Provided that the second quarterly and annual accounts shall be initialed by the external auditors before being presented to the audit committee and the Board of Directors for approval.
- c) The Company Secretary shall furnish a Secretarial Compliance Certificate, along with annual return filed with the registrar concerned certifying that the secretarial and corporate requirements of the Ordinance have been complied with.

6.4 Board Committees

6.4.1 Audit Committee

a) Composition

The Board shall establish an audit committee having at least three members comprising of non-executive directors and at least one independent director. At least one member of the audit committee should have recent and relevant financial experience. The chairman of the committee shall preferably be an independent director who shall not be the chairman of the Board.

b) Terms of reference

The main role and responsibilities of the audit committee should be described in the committee's terms of reference. This include;

- determination of appropriate measures to safeguard the company's assets;
- review of quarterly, half-yearly and annual financial statements of the company and the funds, prior to their approval by the Board of Directors, focusing on:
- major judgmental areas;
- significant adjustments resulting from the audit;
- the going concern assumption;
- any changes in accounting policies and practices;
- compliance with applicable accounting standards;
- compliance with listing regulations and other statutory and regulatory requirements; and
- significant related party transactions.



- review of preliminary announcements of results prior to publication;
- 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);
- review of management letter issued by external auditors and management's response thereto;
- ensuring coordination between the internal and external auditors of the company and the funds
- review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;
- consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- 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;
- review of the company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- 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;
- determination of compliance with relevant statutory requirements;
- monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- Consideration of any other issue or matter as may be assigned by the Board of Directors.

c) Frequency of meetings, attendance, terms of reference and reporting procedures

The Audit Committee 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 listed company 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) Attendance at meetings

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:



e) Reporting procedures

The Audit Committee 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.

f) Internal Audit Function

The Audit Committee shall establish the charter of, and allocate sufficient resources for, the Company's independent Internal Audit Department, and approve its annual plan. The internal audit shall have full access to the Bank's records, information and personnel.

The Head of internal Audit shall functionally report to the Audit Committee and administratively to the CEO. A director shall not be appointed, in any capacity, in the internal audit function, to ensure independence of the internal audit function.

The Board shall seek from the internal audit function, on periodic basis, validations that the Company's processes, policies, procedures and controls are being monitored and adhered to, and that appropriate action is being taken to address weakness that have been identified.

g) External Audit

The Board of Directors shall recommend appointment of external auditors for the year, as suggested by the Audit Committee. The Company shall ensure adherence to the requirements of the code of corporate governance at the time of appointment of external auditors.

The recommendations of the Audit Committee for appointment of an auditor or otherwise shall be included in the Directors' Report. In case of a recommendation for appointment of an auditor other than the retiring auditor the reasons for the same shall be included in the Directors' Report.

As per the requirement, the external auditors shall be changed every five years.

6.4.2 Human Resource Committee

The Committee shall have at least of three members comprising a majority of non-executive directors, including n independent director. The CEO may be included as a member of the committee but not as the chairman of committee. The CEO if member of the Committee shall not participate in the proceedings of the committee on matters that directly relate to his performance and compensation. The committee shall be responsible for:

- recommending human resource management policies to the board;



- recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
- recommending to the board the selection, evaluation, compensation (including retirement benefits) of CFO, Company Secretary and Head of Internal Audit; and
- Consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO .



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MS. SADAF KAZMI
CHIEF EXECUTIVE OFFICER

BOARD OF DIRECTOR



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