



Proxy Voting Policy

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1. Introduction

NBP Fund Management being an asset manager has a fiduciary responsibility to act in the best interest of our clients and investors. Proxy voting is a very important part of this process, through which we strive to support robust corporate governance structures, shareholder rights, and transparency. This Proxy Voting Policy contains our policies for proxy voting covering a wide range of issues that often appear on proxies. It is intended to be used by those involved in the proxy voting decision-making and administration to ensure that our proxy voting policies and procedures are implemented consistently.

2. Board of Directors

To effectively represent the interests of shareholders, the board should reflect the criteria outlined below. If these criteria are met, then we will generally vote in favour of the election of directors proposed by management. We will also support shareholder proposals seeking to implement these criteria.

While participating in the election of the Board of Directors of the investee company, we will ensure that exercising the right to vote proxy on behalf of the unit holders of the funds under management does not result in attaining the management control of the investee company.

Criteria for Board of Directors

a) Size of the Board

Among others, the number of directors on a board is an important factor in board effectiveness. The board should be large enough to adequately perform its responsibilities. In general, boards should have between 7 and 10 directors, depending on the size and nature of the company.

b) Attendance of the Director

To effectively carry out their duties Directors should be able to commit sufficient time and energy. It is difficult for directors to carry out their responsibilities effectively without regularly attending the meetings. We will generally not support existing directors if they have attended less than 50% of the board and committee meetings in aggregate during their previous tenure, unless there are exceptional cases.

c) Board Diversity

We expect that directors will have a diverse range of qualification and experience. We will generally support proposals that entail enhanced disclosure or reporting requirements regarding board diversity policies and procedures.

d) Independent Directors

The board of the listed company shall have at least one independent director.

However, in line with the best practices as defined in Code of Corporate Governance, preferably one-third of the total members of the board should be independent directors. Further, in case of Public Sector Companies, the board shall have a majority of independent directors, as defined in Public Sector Entities (Corporate Governance Rules.

e) Executive Directors

Executive directors of the company shall not be more than one third of the elected directors, including the Chief Executive. We will generally support proposals that limit employees of the company sitting on the board with the exception of CEO.

f) Maximum Number of Directorships to be held by a Director

Serving as a director of a public company entails a significant commitment in terms of time and effort. If a director sits on an excessive number of boards there is a risk that it can compromise his ability to serve effectively.

A person shall not 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 subsidiaries of a listed holding company. While in case of current CEO, the maximum number is limited to two boards.

g) Segregation of Position of Chairman & CEO & Independence of position of Chairman

The Chairman and the Chief Executive Officer (CEO), by whatever name called, shall not be the same person. As a best practice, an independent director should be appointed as the Chairman of the company.

3. General Rules Governing the Proxy Voting

- A decision to invest is generally an endorsement of management of the issuer based on the quality of issuer's disclosure, the financial performance, and corporate governance practices. Usually we vote with management on routine matters.
- Proxies may also contain shareholder proposals which request a change in the policies and practices of management. We will support such proposals where we see them align with the objective of the company.
- Generally we will vote proxies in accordance with this policy though there may be circumstances where we may believe it is in the best interests of our clients to vote differently from what is contemplated in this policy. In some circumstances we may withhold a vote or abstain from voting.
- To discharge our obligations under this policy, we utilize our in-house research on the management performance and corporate governance standards. Where necessary we may also consider the detailed analysis and voting recommendations provided by leading independent research firms.
- We will follow procedures as mentioned in this document to ensure that a proxy is exercised in accordance with our Proxy Voting Policy. In situations where the vote

cannot be clearly decided by an application of our stated policy, our Proxy Committee or its designee will make the voting decision in accordance with the basic principle of our policy.

4. Corporate Governance

Each investee company should be compliant with Code of Corporate Governance as laid down in listing regulations of the Pakistan Stock Exchange. In case of major non-compliances, the Investment Committee will reconsider funds' investment in such companies.

5. Appointment of Auditors

The audit plays a vital role in the corporate governance process of the company. Among others, audit aims to verify the financial performance of the company and identify any deficiencies in the internal control mechanisms. Following the guidelines relate to appointment of auditor:

- While appointing the firm of auditors, the firm must have a satisfactory rating under the Quality Control Review (QCR) program of the Institute of Chartered Accountants of Pakistan (ICAP). Moreover, the firm itself or its partners shall be compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by ICAP.
- The external auditor candidate must be recommended by the BoD of the investee company as suggested by the Audit Committee of the investee company.
- External auditors of all investee companies in the financial sector must be changed after five years. All investee companies other than those in the financial sector shall, ideally rotate the engagement partner after every five years.
- The external auditor must not perform management functions or make management decisions, which is the domain of the BoD and management of the investee company.
- A person shall not be appointed as external auditor if he is close relative, i.e., spouse, dependents and non-dependent children or parents of the CEO, an internal auditor, the CFO or a director of the listed company.
- We will review the reasons on a case-by-case basis where auditors are being changed for reasons other than routine rotation.

In addition to the above, appointment of external auditors shall be in compliance with the applicable provisions of the Companies Ordinance, Code of Corporate Governance and Public Sector Entities (Corporate Governance) Rules.

6. Changes in legal & Capital Structure; Proposals Affecting Shareholder Rights

6.1 Changes in Capital Structure

- We recognize that directors may need the flexibility to issue stock to meet changing financial conditions including a right issue, to support an acquisition or

restructuring plan etc. The authorization of additional stock should be approved by shareholders, and should meet a specific business need.

- On a case-by-case basis we will review proposals to increase authorized share capital.
- On other proposals to increase the number of shares of common stock authorized for issuance we will vote on a case to case basis.

6.2 Share Repurchase Programs

- In case of a Management proposal to institute open-market share repurchase plans in which all shareholders may participate on equal terms, we will vote for the management.

6.3 Adjustments to the Par Value of a Common Stock

- In case of Management proposals to reduce the par value of common stock we will vote for the management unless the action is being taken to facilitate an anti-takeover device or some other negative corporate governance action.
- Generally, we will vote against proposals to create a new class of common stock unless the company discloses a compelling rationale for the dual-class capital structure.

7. Corporate Restructuring

7.1 Debt Restructuring Plan

In vetting proposals to change common and/or preferred shares and to issue/buyback shares as part of a debt restructuring plan, we will vote after thorough analysis covering:

Dilution to existing shareholders' positions; company's financial situation; degree of need for capital; use of proceeds; effect of the financing on the company's cost of capital; control issues - change in management; etc.

We will vote for the debt restructuring if such restructuring protects the interest of our clients or if it is expected that the company will file for bankruptcy if the transaction is not approved.

7.2 Formation of Holding Company

We will vote on proposals regarding the formation of a holding company while taking into the consideration the following: any financial or tax benefits; regulatory benefits; changes to the articles of incorporation or bylaws of the company.

7.3 Going Private (or Leverage Buy Outs)

We will vote on going private transactions after taking the following aspects of a deal into consideration: offer price/premium; how the deal was negotiated; conflicts of interest; other alternatives/offers considered; and any risk of non-completion etc.

7.4 Joint Ventures

We will vote on proposals to form joint ventures deal while considering the following aspects: percentage of assets/business contributed; percentage ownership; financial and strategic benefits; governance structure; conflicts of interest; etc.

7.5 Liquidation

We will vote on liquidations, taking into account the following: management's efforts to pursue other alternatives; appraisal value of assets; and the compensation plan for executives managing the liquidation.

8. Mergers and Acquisitions

We will vote on mergers and acquisitions after reviewing and evaluating the merits and demerits of the proposed transaction including:

Valuation - Is the value to be received by the target shareholders (or paid by the acquirer) reasonable with emphasis on the offer premium, market reaction and strategic rationale.

Strategic Rationale – the strategic fit of the deal? Cost and revenue benefits are reasonably achievable and are not overly aggressive or optimistic.

Conflicts of interest - Are insiders benefiting from the transaction disproportionately and inappropriately as compared to non-insider shareholders? As a result of potential conflicts, the directors and officers of the company may be more likely to vote to approve a merger than if they did not hold these interests.

Governance – Will the new merged (combined company) have a better or worse governance profile than the current governance profiles of the respective parties?

9. Voting Procedure & Other Matters

9.1 Authority and responsibility for voting Proxies

- Decision over voting proxies rests with Investment Committee.
- It is the responsibility of the CIO to present the investee companies' proposals for

consideration of Investment Committee.

- CIO is responsible for casting votes and report in the upcoming IC meeting. In case the voting rights are not exercised CEO approval is necessary.
- Compliance Department will monitor decisions made by the Investment Committee.

9.2 Internal participants to be consulted in evaluation of a proxy proposal

Before taking any decision on voting proxies, CIO should consult with the following on case to case basis: Investment Management Team, Research Team, and Risk Management Team.

9.3 Conflict of interest

In case of any conflict of interest in any proposal of voting proxies under consideration, it is the responsibility of members of Investment Committee to disclose the details.

The investment committee member will not participate in the decision pertaining to voting proxies in case of conflict of interest.

In case of conflict of interest, the same should be documented in minutes of meeting of Investment Committee.

9.4 Quarterly Reporting

On quarterly basis a report will be presented to Investment Committee pertaining to proxy voting which would include the following:

- Number of times proxy voting rights available, exercised and not exercised etc.
- Results of the proposals of investee companies of which voting rights were available.

10. Record Maintenance & Disclosure

- a) Fund Management Department will, at the minimum, maintain following records in relation to proxy voting decisions:
 - i) name of the issuer of the securities on which the vote has been cast;
 - ii) name of major beneficial owner(s) of the securities;
 - iii) number of shares held by CIS;
 - iv) date on which the proxy was voted; and
 - v) Results of the vote.

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- b) The proxy voting policy as approved by the Board of Directors will be placed on NBP Funds' websites and shall also be submitted to Security & Exchange Commission of Pakistan (SECP).
- c) Finance Department will 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.				
(%)				
*Reasons for abstaining shall be disclosed				

- d) Disclosure will be made in the annual report of each fund under management, of the cases where the management did not participate in shareholders' meetings on behalf of the relevant fund.
- e) The annual report of each fund under management shall include a statement that the proxy voting policy of the fund is available on the website of the company and report pertaining to the actual proxies voted by the company in respect of the fund is available without charge to all unit holders, upon request.