

Stewardship Policy

UBL Fund Managers



Revision History

Board Approval Date	Version	Version Description	Author
August 3, 2023	1.0	First Version	Investment Department

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Introduction

At UBL Funds, we recognize our role as responsible stewards of our clients' investments. We understand that our fiduciary duty goes beyond mere financial returns, encompassing a broader commitment to sustainable and ethical practices. To uphold this commitment, we have formulated a comprehensive Stewardship Policy that guides our approach to investment stewardship in light of the Stewardship guidelines as promulgated by Securities and Exchange Commission of Pakistan (SECP).

Our Stewardship Policy serves as a cornerstone of our investment philosophy, reflecting our dedication to actively engage with the companies in which we invest. We believe that effective stewardship is essential for the long-term success and resilience of our investment portfolio. Through active monitoring, engagement, and voting, we aim to influence the companies' strategic direction, risk management practices, and performance, ultimately driving positive outcomes for our clients, society, and the environment.

Scope

The Stewardship Policy at UBL Funds encompasses a wide range of areas and activities to ensure comprehensive and effective investment stewardship. These include:

- Principle 1: Monitoring with Investee Companies;
- Principle 2: Engagement with Investee Companies;
- Principle 3: Conflict of Interest and Information Barrier Guideline;
- Principle 4: Voting Guideline;
- Principle 5: Environmental, Social, and Governance

Disclosure

The Stewardship policy will be disclosed on the website of UBL Funds and would be updated as and when required. Investment Department, on annual basis, will publish the report indicating how they have fulfilled their stewardship responsibilities based on **'comply or explain'** approach.

Responsibility

This policy is owned by the BOD, however the responsibility of maintenance, review and update lies with Investment Department. Investment Department will review and update the policy once in three years and put it up for BOD approval as required.

PRINCIPLE 1: MONITORING INVESTEE COMPANIES

- At UBL Fund Managers, we believe that monitoring investee companies is a crucial part of our duty as investment stewards. As institutional investors, we are committed to actively monitor all factors that could impact the value and sustainable growth of our investee companies.
- Our monitoring process entails assessing all factors financial or non-financial which are disclosed as part of the financial statements or company briefings. We recognize that these factors are increasingly vital in determining the long-term sustainability of our investee companies, and thus, we give them equal importance in our monitoring process based on the Annual and quarterly annual accounts;
- To ensure effective stewardship activities, we take into consideration our investment policy, investment philosophy and internal capacity to determine the appropriate scope for the monitoring of financial and non-financial factors. We have identified the levels of monitoring for different investee companies, areas for monitoring, and mechanisms for monitoring. We have also specifically identified situations where we do not wish to be involved in monitoring investee companies, for instance, in the case of small and short-term investments.
- Policy to formulate monitoring investee companies, which specifies instances where we want to be involved with the Investee Company and instances that need to be disclosed in our reports. Our policy on monitoring investee companies is in line with international best practices and regulatory requirements.
- Our monitoring process is designed to enhance the long-term value of our investee companies and protect our long-term investments. By actively monitoring our investee companies, we are able to identify potential risks and opportunities, and work with our investee companies to address these issues. Our goal is to work with our investee companies to ensure they are sustainable, profitable, and have a positive impact on society and the environment.
- In conclusion, at UBL Fund Managers, we are committed to actively monitor investee companies in our investment universe, in accordance with the monitoring mechanism, to ensure their long-term value and sustainability. Our monitoring process is designed to identify potential risks and opportunities, and work with our investee companies to address these issues. We believe that our monitoring process is a key factor in our ability to deliver sustainable returns to our clients and disclose a summary and assessment of the activities in our reports.

PRINCIPLE 2: ENGAGEMENT WITH INVESTEE COMPANIES

- At UBL Fund Managers, we believe that engagement with investee companies is essential for promoting sound corporate governance and business practices that maximize long-term shareholder value for our clients. Our engagement policy is designed to ensure that we engage with investee companies in a manner that advances the long-term interests of our clients.
- The policy explains how to engage with our investee companies if we have concerns about their adherence to Listed Companies (Code of Corporate Governance) Regulations. This policy ensures that our engagement activities are effective in advancing the long-term interests of our clients.
- Engagement involves purposeful dialogue with investee companies on matters such as strategy, long-term performance, risk, capital structure, and corporate governance.. This dialogue arises from monitoring activities and arises when we have a close and full understanding of the specific circumstances of the investee company.
- The most common forms of engagement with investee companies are via management discussion and exercising our rights to speak and vote at general meetings. We engage with investee companies to understand the effectiveness of their management and oversight of material issues considering confidentiality and information exchange has not been public relating directly or indirectly which if it were public would be likely to have an effect on the price of the investee company or price of related securities;
- Engagement is an important mechanism for providing feedback on company practices and disclosures, particularly where we believe they could be enhanced to support a company's ability to deliver financial performance. It provides us with the opportunity to improve our understanding of the business and the risks and opportunities that are material to the companies in which our clients invest.
- We generally vote in support of management and boards that exhibit an approach to decision-making that is consistent with creating durable, long-term value for shareholders. If we have concerns about a company's approach, we may choose to explain our expectations to the company's board and management.
- At UBL Fund Managers, we disclose a summary and assessment of the effectiveness of our engagement activities in our reports. This ensures transparency and accountability to our clients.

PRINCIPLE 3: CONFLICT OF INTEREST & INFORMATION BARRIERS GUIDELINES

UBL Funds already has an established Information Barrier and Conflict of Interest Policy in place. This policy ensures the confidentiality of information regarding customers and transactions conducted on their behalf within the Funds/Portfolios under management. The company strictly adheres to all relevant regulations concerning the handling of such information. Access to confidential information is limited to individuals who have a genuine need for the information, aligning with the legitimate interests of both the Customer and the Company.

Key features of the Policy are:

- Acknowledges the importance of professionalism and integrity in maintaining customer trust. Conflicts of interest can arise between UBL Funds and its customers, between different customers, between customers and employees, and between UBL Funds and its employees.
- Consider various factors when identifying conflicts of interest, such as financial gain at the expense of customers, personal interest in transaction outcomes, favoritism towards certain customers, engagement in the same business as customers, and receipt of inducements from parties other than customers.
- Employees are prohibited from engaging in certain activities, such as using company information for personal gain, having significant financial interests in suppliers, customers, or competitors, receiving unauthorized loans or guarantees, competing with the company while employed, or performing work that may adversely affect their job performance or judgment.
- Employees are responsible for disclosure of conflicts of interest, as outlined in the Code of Conduct policy.
- UBL Funds will promptly and fairly manage conflicts of interest, following the Disciplinary policy and making necessary disclosures to involved parties.

PRINCIPLE 4: VOTING GUIDELINES

UBL Funds has an established Proxy Voting Policy in place covering guidelines, procedures, and detailed standards with regard to the disclosure of their voting activities and records. The detailed standards for voting activities should not solely be comprised of a mechanical checklist, but be designed to contribute to the mid- to long-term value enhancement of investee companies.

Key features of the Policy are:

- Seeks to understand an investee company's approach to corporate governance and its impact on shareholder value.
- Recognizing and favoring proposals that promote importance of good corporate governance, transparency and accountability within investee companies.
- Voting in favor of the management proposed slate of directors, unless there are compelling reasons not to.
- Supporting management's recommendation for the appointment of auditors.
- Voting in accordance with management's recommendations on changes in the investee company's charter, articles of incorporation, by-laws, or capital structure, unless there are compelling reasons not to.
- Analyzing proposals related to corporate reorganizations on a case-by-case basis, considering research analysts' views and long-term shareholder value.
- Supporting proposals that give shareholders a greater voice in the investee company's affairs.
- Voting in favor of proposals that promote social and corporate responsibility.
- Decisions taken in the best interest of the collective investment schemes and unit holders and required Disclosure of conflicts is required, and members with significant conflicts must recuse themselves from decision-making.

PRINCIPLE 5: ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG)

UBL Fund Managers Limited, while recognizing the importance of Environmental, Social, and Governance factors in long-term investment performance and risk management, believes that any such initiative should be investor lead to be effective. The policy outlines the company's view to integrate ESG considerations into its stewardship activities and investment decision-making process.

UBL Funds will endeavor to:

- Incorporate, while giving primacy to its fiduciary duty of acting in good faith and best interest of the unitholder as laid down in the NBFC Regulations, following factors into the company's investment analysis and decision-making process to better understand the risks and opportunities associated with investee companies, which include but not limited to the following:
 - Profile of the sponsors and management;
 - Governance Structure of the company;
 - Environment and social instances impacting investee company profitability;
 - Product, customer and supply chain;
 - Issues raised relating to ESG by the external auditors in their report;
- Use relevant ESG data and research to inform investment strategies and identify companies with strong ESG performance. However, there may be instances where investee companies have not adequately disclosed this information which would be impediment in achieving this objective.