



## **Alfalsh GHP Investment Management Limited** **Corporate Governance Policy**

### **Introduction**

The Policy on Corporate Governance applies to Alfalsh GHP Investment Management Limited ("the Company") and is formulated to comply with the Regulation 38(A) of NBFC and NE Regulations 2008 amendments circulated vide Notification dated November 25, 2015. This policy document sets out as per Code of Corporate Governance 2012 Amended in July 2014 by the Securities and Exchange Commission of Pakistan. The copy of Statement of Compliance as per Code of Corporate Governance is annexed.

### **1. Composition of the Board**

- ❖ AGIML Board of directors composition would consist of a balance of 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.
- ❖ AGIML shall have at least one and preferably one third of the total members of the board as independent directors.
- ❖ Whereas no director shall be considered independent if one or more of the following circumstances exist:
  - (1) He/she has been an employee of the company, any of its subsidiaries or holding company within the last three years;
  - (2) He/she is or has been the CEO of subsidiaries, associated company, associated undertaking or holding company in the last three years;
  - (3) He/she 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;
  - (4) He/she 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;
  - (5) He/she is a close relative of the company's promoters, directors or major shareholders;
  - (6) He/she holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
  - (7) He/she 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.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 abovementioned purposes.



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- ❖ Ensure that 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. Provided that nothing contained in this clause shall supersede any law for the time being in force or regulation made by any regulator regarding the composition of the board.

### **2. Maximum number of directorships to be held by a director**

No person shall be elected or nominated as a director of more than seven listed companies simultaneously as mentioned in the Code of Corporate Governance, 2012. Provided that this limit shall not include the directorships in the listed subsidiaries of a listed holding company.

### **3. Filling up a casual vacancy**

Any casual vacancy on the board of directors shall be filled up by the directors at the earliest but not later than 90 days thereof or such other period as prescribed in the Code of Corporate Governance, 2012 or any other applicable laws.

### **4. Responsibilities, powers and functions of board of directors**

- ❖ The board of directors shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interests of the listed company.
- ❖ The board of directors shall ensure that:
  - (a) Professional standards and corporate values are put in place 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.
  - (b) Adequate systems and controls are in place for identification and redress of grievances arising from unethical practices.
  - (c) Establish a system of sound internal control which will be effectively implemented and maintained at all levels within the company;
  - (d) 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.
  - (e) The Chairman shall be elected from among the non-executive directors of the company (AGIML). The Chairman shall be responsible for leadership of the board and shall ensure that the board plays an effective role in fulfilling all its responsibilities.
  - (f) The Board of Directors shall clearly define the respective roles and responsibilities of the Chairman and CEO.

### **5. Record Keeping of Significant Policies**

- ❖ 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.



**6. Meetings of the board**

- ❖ 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.

**7. Significant issues to be placed for decision of Board of Directors**

- ❖ In order to strengthen and formalize corporate decision-making process, significant issues shall be placed for the information, consideration and decision of the board of directors of AGIML and/or its sub-committees.
- ❖ The significant issues for this purpose may include:

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.

  - (1) Annual business plan, cash flow projections, forecasts and strategic plan;
  - (2) Budgets including capital, manpower and overhead budgets, along with variance analyses;
  - (3) Matters recommended and/or reported by the committees of the board;
  - (4) Quarterly operating results of the Company;
  - (5) Internal audit reports, including cases of fraud, bribery, corruption, or irregularities of a material nature;
  - (6) Management letter issued by the external auditors;
  - (7) Details of joint venture or collaboration agreements or agreements with distributors, agents, etc.;
  - (8) Promulgation or amendment to a law, rule or regulation, enforcement of an accounting standard and such other matters as may affect the listed company;
  - (9) Status and implications of any law suit or proceedings of material nature, filed by or against the AGIML or its funds under management;
  - (10) Any show cause, demand or prosecution notice received from revenue or regulatory authorities;
  - (11) Failure to recover material amounts of loans, advances, and deposits made by the listed company, including trade debts and inter-corporate finances;
  - (12) Any significant accidents, dangerous occurrences and instances of pollution and environmental problems involving AGIML;
  - (13) Report on governance, risk management and compliance issues. Risks considered shall include reputational risk and shall address risk analysis, risk management and risk communication;



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- (14) Whistleblower protection mechanism;
- (15) Report on CSR activities; and
- (16) Payment for goodwill, brand equity or intellectual property.

### 8. **Related party transactions**

The details of all related party transactions shall be placed before the Audit Committee of AGIML 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 AGIML Audit Committee.

Maintain a party wise record of transactions, in each financial year, entered into with related parties in that year along with all relevant documents and explanations.

### 9. **Directors' Training Program**

From good governance point of view, AGIML encourages all its directors to have certification under any directors' training program offered by institutions local or foreign meeting the criteria specified by the SECP or mentioned in the Code of Corporate Governance, 2012 as amended from time to time.

### 10. **Appointment, Removal and Qualification**

The board of directors shall determine the appointment, remuneration and terms and conditions of employment of the Chief Financial Officer (CFO), the Company Secretary (CS) and the Head of Internal Audit (HIA). In accordance with provisions of the CCG, the removal of CFO, CS and HIA shall be made with the approval of the board of directors. CFO and HIA appointed by Board of Directors shall have professional experience, association/membership and other necessary qualification as prescribed in the CCG amended from time to time.

### 11. **Requirement to attend Board Meetings**

The CFO and CS or in their absence, the nominee appointed by the Board shall attend all meetings of the Board of Directors. Where consideration of agenda item relating to CFO and CS respectively, they shall not attend such part of the meeting.

### 12. **Directors' remuneration**

AGIML strongly believes in having a formal and transparent procedure for fixing remuneration packages of individual directors. In this regard, director remuneration shall be approved as per relevant provisions of the Memorandum and Articles of Association of the Company (AGIML) while ensuring compliance with applicable clauses of the CCG.

### 13. **Frequency of financial reporting**

The quarterly unaudited financial statements of AGIML shall be published and circulated along with directors' review on the affairs of the Company (AGIML).



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The second quarterly financial statements would be subject to a limited scope review by the statutory auditors as per terms and conditions provided by Institute of Chartered Accountants of Pakistan (ICAP) and approved by the SECP.

### **14. Responsibility for financial reporting and corporate compliance**

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

It shall be mandatory for the CEO and CFO to have the second quarterly and annual accounts of AGIML (both separate and consolidated where applicable) initialed by the external auditors before presenting it to the audit committee and the Board of Directors for approval.

CS shall furnish a Secretarial Compliance Certificate on such prescribed form and manner as provided in the CCG and Company Ordinance amended from time to time.

### **15. Disclosure of Interest**

Where applicable by law, prevailing rules and regulations amended from time to time; all necessary disclosure of interest by a director holding company's shares shall be made or communicated to concerned authorities in such manner as prescribed in CCG or more specifically as mentioned under clause (xxiii) of the CCG.

### **16. Board Sub-Committee**

#### **Audit Committee**

The board of directors shall establish an Audit Committee, at least of three members comprising of non-executive directors. The chairman of the committee shall be an independent director, who shall not be the chairman of the board. The board shall satisfy itself such that at least one member of the audit committee has relevant financial skills/expertise and experience.

The Board of Directors shall determine the Terms of Reference (ToR) of the Audit Committee in accordance with guidelines provided in the CCG.

The Audit Committee shall appoint either the Company Secretary or Head of Compliance (HoC) as secretary to the Committee for circulation of minutes of meetings of the Audit Committee.

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 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 by HIA.

The CFO, HIA 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, HIA and/or other members of the internal audit function.

Term of Reference of Audit Committee Annexed as "Annexure A".

#### **Human Resource & Remuneration Committee**



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HR&R Committee shall comprise of at least 3 member's majority of which consists of non-executive directors. Provided that CEO shall not be appoint as Chairman of this committee.

HR & R Committee shall be responsible for recommending on HR management policies to the Board including the selection, evaluation, compensation (including retirement benefits) of the CEO, COO, CFO, CS and HIA.

The names of members of the committees of the board shall be disclosed in each Annual Report of the Company (AGIML).

Term of Reference of Human Resource & Remuneration Committee Annexed as "Annexure B".

### **Risk Committee**

The role of the Board Risk Management Committee (BRMC) is to review and determine, on behalf of the Board management's recommendations:

- Risk Appetite including Risk Principles, Policies and Risk Tolerance.
- Ensure that the company establishes and maintains an appropriate and effective Risk Management Framework.
- Constantly review, improve and implement the Risk tools necessary to effectively manage the risk framework.
- Assist the Board to discharge its duty to oversee, on an ongoing basis, the Risk Management Framework.
- Advice the Board on risk related issues or aspects as requested by the Board or, in the opinion of the Board Risk Management Committee, requires Board attention.
- Highlight developing risk pertaining to business strategy or change in mission or vision.
- The Committee may also consider any other matters of relevance to its purpose.

Term of Reference of Risk Committee Annexed as "Annexure C".

### **17. Internal Audit Function**

From corporate governance perspective, there shall be effective internal audit function within the Company. However, in light of the NBFC Regulations and subject to Memorandum & Articles of Association of AGIM; the Internal Audit Function may be outsourced to professional services firm or be performed by the internal audit staff of holding company, meeting all requisite requirements, terms and conditions as prescribed by the SECP and/or ICAP from time to time.

AGIML shall ensure that internal audit reports are provided for the review of external auditors for discussion of any major findings with the Audit Committee.

The Board of Directors of a listed company shall recommend appointment of external auditors for a year, as suggested by the Audit Committee.

All other terms and conditions shall consider to be applicable as mentioned in the CCG with reference to internal and external audit function.



**TERM OF REFERENCE, ROLE & RESPONSIBILITIES OF AUDIT COMMITTEE**

**Compliance of Code of Corporate Governance**

In order to compliance with the requirement Code of Corporate Governance Alfalah GHP Investment Management Limited (AGIML) has initiated to establish an Audit Committee as per following terms and conditions:

**Composition of the Audit Committee**

- The Board shall establish an audit committee of at least three members comprising of non-executive directors and at least one independent director;
- The Committee should be constituted from amongst the directors of AGIML.
- Chairman of the committee shall be an independent director, who shall not be the chairman of the Board;
- The Board shall satisfy itself that at least one member of the audit committee shall be “financially literate”;
- the Audit Committee of a company shall appoint a secretary of the committee who shall either be the company secretary or head of internal audit.
- CEO should not be represented on the Audit Committee.

**Term of Reference**

The Audit Committee shall be responsible for:

- determination of appropriate measures to safeguard the company’s assets;
- review of annual and interim financial statements of the company, prior to their approval by the Board, focusing on,-
  - (a) Major judgmental areas;
  - (b) Significant adjustments resulting from the audit;
  - (c) Going concern assumption;
  - (d) Any changes in accounting policies and practices;
  - (e) Compliance with applicable accounting standards;
  - (f) Compliance with these Regulations and other statutory and regulatory requirements; and
  - (g) all related party transactions;
- review of preliminary announcements of results prior to external communication and 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;



- review of the scope and extent of internal audit, audit plan, reporting framework and procedures 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 and internal audit reports;
- instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the chief executive officer 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 these Regulations and identification of significant violations thereof;
- review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- recommend to the Board the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements, measures for redressal and rectification of non-compliances with the Regulations. The Board shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof;
- consideration of any other issue or matter as may be assigned by the Board;

In addition to the above, the Board of Directors of AGIML shall determine the specific terms of reference of the Audit Committee.

#### **Meetings of Audit Committee**

- The Audit Committee of Alfalah GHP Investment Management Limited shall meet at least once every quarter of the financial year prior to the approval of interim results of the company.
- A meeting of the Audit Committee shall also be held, if requested by the external auditors or the head of internal audit.

#### **Attendance at Meetings**

- The CFO, the head of internal audit and a representation of the external auditors shall attend meetings of the Audit Committee at which issues relating to accounts and audit are discussed.
- At least once a year, the Audit Committee shall meet the external auditors without the CFO and the head of internal audit being present.



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- At least once a year, the Audit Committee shall meet the head of internal audit and other members of the internal audit function with the CFO and the external auditors being present.

### **Reporting Procedure**

The Audit Committee of AGIML shall appoint a secretary of the Committee.

It is mandatory that the secretary of audit committee shall circulate minutes of meetings of the audit committee to all members, directors, head of internal audit and where required to chief financial officer prior to the next meeting of the Board:

Provided that 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 along with the minutes of the meeting of the Board.

### **Appointment of secretary of the Audit Committee**

The Head of Compliance of AGIML be appointed as the secretary of the Audit Committee.



## **TERM OF REFERENCE OF HUMAN RESOURCE AND REMUNERATION (HR&R) COMMITTEE**

### **Introduction**

The Human Resources and Remuneration Committee charter sets out the terms of reference of the Committee including objectives, responsibilities and administration which are delegated to the Committee by Board of Directors of the Company.

The Committee is a committee of the Board established to assist the Board in the conduct of its responsibilities. The Committee is authorized to make all decisions relating to those matters delegated to the Committee in this Charter.

### **Objectives of the Committee**

The Objectives and purpose of the Human Resource and Remuneration Committee is to assist the Board in establishing Human Resource and Remuneration policies and practices which:

- Enable the Company to attract, retain, and motivate executives who will create value for the Company
- Reward fairly and reasonably executives and management having regards to the performance of the Company, the performance of the executives and the general remuneration environment

### **The Committee's Role and Responsibilities**

The Committee shall be responsible for:

#### **Human Resource Policies**

- i. recommending human resource management policies to the board;
- ii. ensuring human resources strategy aligned to the overall business strategy;
- iii. ensuring succession planning processes for Chief Executive Officer, and other key staff.

#### **Appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit**

- iv. review CEO's recommendations on the appointment or termination of the COO, Chief Financial Officer, Company Secretary and Head of Internal Audit; and
- v. make recommendations to the Board on the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit;

#### **Other Key Management Position**

- vi. consideration of recommendations of CEO for making recommendation to the Board on such matters for above key management positions;

#### **Remuneration and Benefits**



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- vii. review and recommendation of annual salary general percentage increase;
- viii. review and recommendation of the annual human resource plan;
- ix. review and recommendation of the methodology established by the Company to assess staff annual performance, remuneration and associated benefits including any performance bonuses;
- x. review and assessment of the remuneration and benefit strategies which are recommended by the CEO for senior staff;
- xi. advising management on remuneration matter for employee categories other than the senior executives group, if requested;

### **For Board Members**

- xii. setting the remuneration policy and remuneration arrangement for Board members including non-executive and independent directors;

### **For CEO:**

- xiii. recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
- xiv. reviewing candidates to be appointed to the position of CEO and, in the event of an emergency or the retirement of the CEO, recommending suitable candidates to the Board;
- xv. reviewing the CEO's current remuneration and considering proposed changes to the remuneration and any other variation of the CEO's conditions and terms of employment; and reporting recommendations to the Board

### **Administration**

#### **Composition**

- The Human Resource and Remuneration (HR&R) Committee shall be of at least three members comprising a majority of non-executive directors, including preferably an independent director.
- Appointment to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three-years, provided the director still meets the criteria for membership of the committee.
- The CEO may be included as a member of the committee but not as the chairman of committee.

#### **Chairman**

- The board shall appoint the committee chairman who shall be a non-executive director.
- In the absence of the committee chairman the remaining members present shall elect one of themselves to chair the meeting.
- The chairman of the board shall not be chairman of the committee.

#### **Attendance**

- Only members of the committee have the right to attend committee meetings. However, other individuals such as the Chief Executive (if not member of the Committee), the head of human resources and any person especially invited by



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Committee may attend all or part of any meeting, as and when appropriate and necessary.

- The CEO if member of HR&R Committee shall not participate in the proceedings of the committee on matters that directly relate to his performance and compensation.
- The Company Secretary if secretary of HR&R Committee shall not participate in the proceedings of the committee on matters that directly relate to his performance and compensation.

### **Secretary**

- the company secretary or Head of Human Resource shall act as the secretary of the committee;
- in the absence of HR&R secretary any nominee shall act as the secretary of the committee

### **Quorum of the Meeting**

- The quorum necessary for the transaction of business shall be two.
- Members can also attend meeting through video conference or conference call.
- A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the committee

### **Meetings**

- The committee shall meet once every quarter or otherwise as required.

### **Notice of meetings**

- Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committee, any other person required to attend and all other non-executive directors, no later than [five] working days before the date of the meeting except in case of emergency meetings, where the notice period may be reduced or waived.
- Meetings of the committee shall be called by the secretary of the committee at the request of the committee chairman.
- Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.
- In case any issue which requires urgent decision/recommendation of the committee and the required quorum may not be available or the members may not be able to meet in person for some reason the issue can be circulated and the decision of the members can be taken by circulation of the issue requiring decision. Any approval and recommended through used of circular resolution approval required at least 2/3rd members signature.

### **Minutes of meetings**

- The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.
- Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the board unless it would be inappropriate to do so.

## **TERM OF REFERENCE OF BOARD RISK MANAGEMENT COMMITTEE**

### **1. Role.**

The role of the Board Risk Management Committee (BRMC) is to review and determine, on behalf of the Board management's recommendations:

- Risk Appetite including Risk Principles, Policies and Risk Tolerance.
- Ensure that the company establishes and maintains an appropriate and effective Risk Management Framework.
- Constantly review, improve and implement the Risk tools necessary to effectively manage the risk framework.
- Assist the Board to discharge its duty to oversee, on an ongoing basis, the Risk Management Framework.
- Advise the Board on risk related issues or aspects as requested by the Board or, in the opinion of the Board Risk Management Committee, requires Board attention.
- Highlight developing risk pertaining to business strategy or change in mission or vision.
- The Committee may also consider any other matters of relevance to its purpose.

### **2. Authority.**

- The Committee is a Committee of the Board of Alfalah GHP Investment Management Limited from which it derives its authority and to which it regularly reports.
- The Committee has delegated authority from the Board in respect of the functions and powers set out in these Terms of Reference.
- The Committee may sub-delegate any or all of its powers and authority as it sees fit, including, without limitation, the establishment of sub-committees to analyze particular issues or themes and to report back to the Committee.
- The Committee has authority to investigate any matter relating to the Company, Alfalah GHP Investment Limited and their business units within its Terms of Reference and to obtain such information as it may require from any employee of the Company.

### **3. Constitution.**

- The Board Risk Management Committee (BRMC) shall be of at least three members comprising a majority of non-executive directors.
- Appointment to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three-years, provided the director still meets the criteria for membership of the committee.
- The CEO may be included as a member of the committee but not as the chairman of committee.
- The board shall appoint the committee chairman who shall be a non-executive director.
- In the absence of the committee chairman the remaining members present shall elect one of themselves to chair the meetings.
- The chairman of the board shall not be the chairman of the committee.
- Head of Risk will be the secretary of the Board Risk Management Committee.



## **4. Meetings.**

- The Board Risk Management Committee should meet often enough to undertake its role effectively and schedule to meet at least four times in a calendar year.
- In addition, the chairman of the Board Risk Management Committee will call a meeting of the BRCM, if so requested by any member of the BRCM, the chairman of the Audit Committee or Chairman of the Board.
- The Board Risk Management Committee may invite any executives or Head of Department to attend the meetings, if necessary.
- The quorum necessary for the meetings shall be at least two members of the board, excluding the Secretary of the BRMC.
- Members can also attend meeting through video conference or conference call.
- A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the committee
- Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committee, any other person required to attend and all other non-executive directors, no later than [five] working days before date of the meeting except in case of emergency meetings, where the notice period may be reduced or waived.
- Meetings of the committee shall be called by the secretary of the committee at the request of the committee chairman.
- Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.
- In case any issue which requires urgent decision/recommendation of the committee and the required quorum may not be available or the members may not be able to meet in person for some reason the issue can be circulated and the decision of the members can be taken by circulation of the issue requiring decision. Approval of a circulated resolution requires at least 2/3rd member's signature.
- The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.
- Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes must be circulated to all other members of the board unless it would be inappropriate to do so.
- In areas where the Committee reviews and evaluates reports from management, but does not formally approve such items, the Committee may either:
  - (i) Receive the report, being satisfied that either no management action is required or that existing actions being taken by management are appropriate; or
  - (ii) Receive the report and, after discussion with management, satisfy itself that actions to be taken by management following the discussion are appropriate; or
  - (iii) Receive the report and, following discussion with management, elevate situations to the Board, where it is not satisfied that the appropriate actions are being taken by management. The Committee will decide, on a case by case basis, whether to report items under (i) and (ii) above to the Board.

## **5. Responsibilities.**

The Committee will undertake the following responsibilities:-

- Consider and recommend to the board for approval proposals in respect of the Company's overall risk appetite and risk limits for financial risk (market, liquidity, credit,



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operational), taking into account the current and prospective macroeconomic, and financial environment, drawing on financial stability assessments such as those published by the SECP, Karachi Stock Exchange, State Bank of Pakistan and other authoritative sources that may be relevant.

- Evaluate, and report to the board on the Company's financial risk profile and risk monitoring, in particular with respect to the performance versus risk appetite; risk trends, investment concentrations and liquidity profile of asset allocations.
- Receive annually a report on the Company's mandate and scale limits for credit and market risk and periodically to receive and consider reports on trends in exposures or concentrations.
- Consider proposed material changes to the Company's risk profile or risk appetite arising from planned new or increased business.
- Receive and consider reports on key financial and operational risk issues (including, where appropriate, the risks associated with the Company's entry into new businesses or geographical areas), that assess the nature and extent of risks facing the Company, including executive management's assessments of the likelihood of the risks concerned materializing; and the completeness and adequacy of the enterprise risk management framework to manage those risks.
- Consider and approve as required any delegations of authority to the Head of Risk with regard to the exercise of discretion and/or setting risk limits within the Company's overall risk appetite, with any exercise of such delegated authority being reported to the committee at its next following meeting.
- Receive notification of any breaches of the Company's overall risk appetite or risk limits for market, credit, liquidity and operational risk and the proposed course of action.
- Review and evaluate on an annual basis the appropriateness of the Company's risk measurement systems and models governance.

### **6. Governance and Disclosures.**

- The committee will report and disclose all relevant matters pertaining to the Risk Management Framework to the board either annually or as desired by the board itself.
- The committee will adhere to all future regulatory requirements with reference to risk, and will ensure the reporting process is reviewed on a frequent basis.
- The committee in its decision making, will give due regard to any relevant legal or regulatory requirements, and associated best practice guidance.
- The committee will have access to sufficient resources in order to carry out its duties, including access to the Head of Risk, who shall have independent access to the chairman of the committee.
- The committee will have the power to engage independent counsel and other professional advisers at the expense of the company and to invite them to attend meetings.

### **7. Term of Reference.**

The Committee shall:

- Report to the board on how its responsibilities identified in these terms of reference have been discharged.
- Periodically review its terms of reference and may recommend to the board any amendments to these terms of reference.