

2. ETHICS, CORPORATE GOVERNANCE & MUFAP'S CODE OF CONDUCT COMMITTEE

(2 meetings held in the period October 1, 2011 - September 30, 2012)

<u>Member</u>	<u>Meetings Attended</u>	<u>Member</u>	<u>Meetings Attended</u>
Amer Maqbool (<i>Chairman</i>)	2 of 2	Muhammad Asad	1 of 2
Ahmed Ateeq*	0 of 1	Zeeshan Quddus	1 of 2
M. Habib-ur-Rahman	2 of 2		

(* Member since April 10, 2012)

ACTIVITIES' REPORT

MUFAP firmly believes in protecting and furthering investor interest to gain his/ her confidence which is fundamental to industry's prosperity. In this respect the Committee role is very critical.

1. Proxy Voting Guidelines:

Collective Investment Schemes (CIS) invest in equity securities and are entitled to vote on behalf of the unit holders. This right is exercised by AMC on behalf of the CIS. The Committee reviewed the draft circular prepared by SECP and submitted its comments to the Board of MUFAP for onwards submission to the SECP.

- Proxy Voting Policy and Proxy Voting procedures should be separated to avoid unnecessary details in the Policy.
- Proxy Policy should contain specific policies on voting on election of Directors, Corporate Governance, appointment of Auditors, changes in Legal and Capital Structure, proposals affecting shareholder rights, corporate restructuring, mergers and acquisitions, corporate social responsibility etc.
- Potential or actual conflicts of interest in voting proxies must be disclosed.
- AMCs shall include in the annual report of CIS, a summary of actual proxy voted during the year as per the prescribed format. Where CIS did not participate in shareholders' meetings that should also be disclosed.
- AMCs shall also include in the annual report of CIS a statement disclosing that proxy voting policy of CIS is available on the website of AMC and information regarding actual proxies voted by CIS shall be made available to all unit holders on request, without charge.

2. Advertising Guidelines:

The Regulation 54(4) of the NBFC and NE Regulations, 2008 requires all advertisements of a Collective Investment Scheme (CIS) to be in conformity with the requirements specified by the SECP. In view of this, MUFAP took the initiative of developing an Advertising Code for the industry and submitted it to the SECP as far back as in 2008. In July 2012, SECP sent MUFAP a draft circular on "Requirements for Advertisements of a Collective Investment Scheme" which was then reviewed by the Committee and a report, as summarized below, was submitted to Board for onwards submission to the SECP.

- The disclaimers should be defined keeping in view the risk associated with the funds category and should be separate for each category.
- Performance should be presented from start of financial year/ launch of fund/ annual, half yearly, quarterly and not by cherry picking the period. Performance Presentation should also ensure consistency.
- The Code instead of indicating maximum performance presentation allowed should state minimum performance presentation requirements to allow greater flexibility yet preventing deceptive advertising.
- The returns on investment should be calculated by using a uniform formula that should be used throughout the industry, as per recommendation by MUFAP.

The Advertisement may give a short note asking the reader to refer to the latest Financial Statement or Fund Manager Report. Giving financial information in advertisements (as recently required by SECP in connection with provision for workers' welfare fund) does not serve any purpose. Such information in isolation may even confuse the investors.

TERMS OF REFERENCE

- Developing MUFAP codes for members and service providers;
- Ensuring Implementation of Codes, including action against violators or reporting to SECP;
- Drafting guidelines for MUFAP Board on Governance vis-a-vis investee company;
- Drafting proposals as to MUFAPs role in protecting investors' interest;
- Keeping track of practices in other jurisdictions & circulating articles on the subject; and
- Recommendations to SECP on Code of Corporate Governance.

