

**MCB INVESTMENT MANAGEMENT LIMITED**  
**[FORMERLY MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED]**

# **PROXY VOTING** **POLICY AND PROCEDURES**



**MCB FUNDS**  
Investments for Life

## **PROXY VOTING POLICY AND PROCEDURES**

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### **INTRODUCTION**

1. The Board of Directors (hereinafter referred to as '**Board**') of MCB Investment Management Limited (formerly MCB Arif Habib Savings and Investments Limited) (hereinafter referred to as '**Company**') shall have an overall responsibility for the implementation of *Proxy Voting Policy and Procedures* (hereinafter referred to as '**Policy**').
2. The Board has authorized the Investment Committee (hereinafter referred to as '**IC**') of the Company to implement and exercise the authority to vote on behalf of the Collective Investment Schemes and Voluntary Pension Schemes (hereinafter referred to as the '**Scheme**' individually and the '**Schemes**' collectively) in line with the requirements mentioned in this Policy.
3. This Policy shall be applicable from the date of approval by the Board.
4. This Policy shall not be applicable on the voting proxies of the Discretionary/ Non-Discretionary Portfolios managed by the Company. This authority shall remain with the authorized persons of the Discretionary/Non-Discretionary Portfolio Management Clients.

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5. The IC will be responsible for voting proxies on behalf of the Schemes.
6. Before taking decision on any proxy proposal, members of the IC will consider and take decision on proxy proposal in the IC meeting. Such decision of IC shall be documented in the form of IC minutes.
7. The IC will decide and intimate its decision to the Company Secretary of the Company, who will inform the Trustee of the respective Scheme regarding execution of proxy documents.
8. The following principles shall form the guiding principles in selecting cases for voting:
  - (a) While participating in the election of the Board of Directors of the investee company, IC will ensure that by exercising the right to vote proxy on behalf of the Unitholders/ Participants of the Scheme, does not result in attaining the management control of the investee company, in contravention of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 ('**NBFC Regulations**').
  - (b) The IC shall exercise due care while voting and thus proxy votes shall be casted in the best interest of the Unitholders/ Participants of the Schemes as the Company has fiduciary responsibility to the Unitholders/ Participants of its Schemes and not to the shareholders of the investee company or the Company.
  - (c) Materiality shall be a three dimensional framework where IC shall consider (i) the significance of ownership in the investee company, (ii) its contribution in the Scheme's Net Assets/ Company's AUMs in selecting

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companies for voting and (iii) impact of agenda under consideration on the investment case of the Company.

(d) Criteria for proxy voting include the following:

- i) The Scheme has more than **7.5%** of its Net Assets in the underlying security. If the holding is less than the above threshold, the Scheme may conveniently liquidate the investments and divert focus on identifying higher risk adjusted return opportunities rather than the long term process of advocating for change.
- ii) The IC considers that a more than two (2) years holding period shall be needed for attaining price objective and does not consider the position to be liquidated in the near term.
- iii) The Scheme holds more than **5%** of the total outstanding shares of the investee company or more than 10% of free float outstanding shares of the investee company.
- iv) Agenda item under consideration could have more than 25% impact on profitability in twelve (12) to eighteen (18) months' period. For example, an expansion project that is significant enough to create an above average growth opportunity.

9. For cases other than the companies screened on above-mentioned criteria, the IC may select cases to vote including but not limited to the following cases:

- (a) Support a particular group of investors who actively intend to vote for or bring (through representation on Board) a desired change that will eventually improve in the performance of underlying share / investee company and thereby serves Unit Holder's best interest.
- (b) Convey affirmation or disagreement to the Management that aligns with minority Investor's interest and thereby serves Unit Holder's/ Participant's best interest.
- (c) Affirm a particular stance or communicate a message on behalf of Unitholders/ Participants including but not limited to Corporate Governance, Shareholder Value, Management's Strategic Focus, etc.
- (d) Seek clarification on various matters to improve on the understanding of business of the underlying investee company.

10. IC may decide to give proxies to third parties to cast vote on behalf of the Schemes, provided it considers such actions are legitimate in the light of Unit Holders' / Participants' interests.

## **CONFLICT OF INTEREST**

11. IC monitors all proxy votes for potential conflicts of interest that could be viewed as influencing the outcome of Company's voting decision, such as:

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- (a) The investee company is a group or associated company of the Company;  
or
  - (b) One of the major investors of the Scheme holds 10% or more units of the Scheme.
12. The IC will disclose all conflicts of interests associated with the decision to the Unitholders/ Participants of the Scheme.

## **GENERAL PROXY VOTING PRINCIPLES**

13. The IC provides vote recommendation in accordance with the requirements of this Policy. Any exceptions to this, which are rare, require approval from the Board. In this case, the IC must provide detailed rationale for their recommendation, and it will then determine whether or not that vote recommendation is to be accepted and applied to the specific meeting's agenda.

## **CORPORATE GOVERNANCE, BOARD OF DIRECTORS AND COMMITTEES**

### **14. Guidelines**

- (a) IC would vote for proposals that cause a substantial majority of directors to be independent provided they are adequately capable and qualified.
- (b) IC would vote for the establishment of independent or majority independent audit, credit and remuneration committees.
- (c) IC would vote for independence of CEO and Chairman of the investee company.

## **APPOINTMENT OF AUDITORS**

### **15. Guidelines**

- (a) IC believes that the investee company is in the best position to choose its accounting firm and IC generally supports management's recommendation however IC should consider the reputation of proposed auditors.
- (b) Vote against the appointment of external auditors if it comes to the knowledge of IC that they have previously served the investee company in an executive capacity or can otherwise be considered affiliated with the investee company.

## **LEGAL AND CAPITAL STRUCTURE**

16. IC favors legal and capital structures with shareholder rights that provide equitable treatment for all types of shareholders, commonly referred to as "one share – one vote". We do not support dual class share structures and shares with no voting rights that enable management and insiders to have voting rights greater than their economic ownership rights. We typically oppose any ownership structure that reduces or eliminates minority shareholders' voting rights.

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### **17. Guidelines**

- (a) Vote for proposals to increase authorized common shares with a legitimate business reason unless IC believes that it is intended to serve as an anti-takeover measure which thus may be in the best interest of Unit Holders of the Scheme.
- (b) Vote for stock splits and treasury stocks.
- (c) Vote against management proposals asking for a dual class share structure or shares with no or limited voting rights to existing shareholders.

## **CORPORATE RESTRUCTURING AND MERGERS & ACQUISITIONS**

18. In reviewing merger and asset sale proposals, Company's primary concern is the best long-term economic interests of shareholders. While these proposals vary widely in scope and substance, we closely examine certain salient features in our analyses.

### **19. Guidelines**

- (a) For mergers and asset sales, IC would assess the degree to which the proposed transaction represents a premium to the investee company's trading price. IC may consider comparable transaction analyses provided by the investee company's financial advisors and IC's own valuation assessments. For companies facing insolvency or bankruptcy, a premium may not apply.
- (b) There should be a favorable business reason for the combination.
- (c) Unanimous board approval and arm's-length negotiations are preferred.

## **RECORD KEEPING**

20. The IC shall, at the minimum, maintain following records in relation to proxy voting:
- (a) The name of the issuer of the securities on which the vote has been cast;
  - (b) name of major beneficial owner(s) of the securities;
  - (c) number of shares held by CIS on record;
  - (d) the date on which the proxy was voted; and
  - (e) the results of the vote.
21. Corporate Affairs Department shall maintain the record of all proxies duly executed by the Trustees of the Schemes.
22. Such record shall be maintained for a period of ten (10) years from the date of voting.

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### **DISCLOSURE AND REPORTING**

23. The Company shall include in the annual report of the Scheme summary of actual proxy voted during the year as per table given below:

**Summary of Actual Proxy voted by CIS:**

	Resolutions	For	Against	Abstain*
Number				
(%ages)				

*\*Reasons for abstaining shall be disclosed.*

24. The Company shall disclose in the annual report of the Scheme the cases where the Company on behalf of the Scheme did not participate in shareholders' meetings.
25. The Company shall include in the annual report of the Scheme a statement that the Proxy Voting Policy and Procedures is available on the website of the Company and detailed information regarding actual proxies voted by the Company in respect of the Scheme is also available without charge, upon request, to all Unit Holders.
26. The Company shall be required to disclose the Proxy Voting Policy and Procedures approved by its Board of Directors on its websites and shall also submit it to the Securities and Exchange Commission of Pakistan after approval.

### **SYSTEM TO MONITOR PROXY-VOTING RESPONSIBILITIES**

27. Compliance and Internal Audit Departments of the Company will monitor compliance of the proxy voting responsibilities mentioned in this Policy at least on annual basis.