



## **786 Investments Limited**

### **Proxy Voting Policy**

<b>Table of Contents</b>	<b>Pages</b>
1. Introduction	2
2. Board of Directors	2
3. General Rules Governing Proxy Voting	3
4. Corporate Governance	4
5. Appointment of Auditors	4
6. Changes in Legal & Capital Structure; Proposals Affecting Shareholder Rights	5
7. Corporate Restructuring	5
8. Mergers and Acquisitions	6
9. Voting Procedure & Other Matters	6
10. Record Maintenance & Disclosure	7

## 1. Introduction

786 Investments Limited, as an asset manager, is committed to acting in the best interests of our clients and investors. Proxy voting is a fundamental part of our responsibility to support strong corporate governance, safeguard shareholder rights, and promote transparency. This Proxy Voting Policy provides guidance on our approach to proxy voting, covering a broad range of issues typically found in proxy ballots. It serves as a reference for those involved in proxy voting decisions to ensure the consistent application of our proxy voting policies and procedures.

## 2. Board of Directors

To effectively represent the interests of shareholders, the composition of a company's board of directors must meet certain criteria. We generally support the election of directors proposed by management when they align with these criteria. We also endorse shareholder proposals that seek to implement these criteria. When participating in the election of a company's board of directors, we aim to avoid gaining management control of the investee company through our proxy voting rights.

### Criteria for Board of Directors:

#### a) Size of the Board:

The number of directors on a board is a critical factor in its effectiveness. In general, **boards should consist of 7 to 10 directors**, depending on the company's size and nature.

#### b) Attendance of Directors:

Directors should commit sufficient time and effort to effectively fulfill their duties. We typically do not support existing directors if they have attended less than 50% of board and committee meetings during their previous tenure, except in exceptional circumstances.

#### c) Board Diversity:

We expect directors to possess diverse qualifications and experiences. We generally support proposals that enhance disclosure or reporting requirements related to board diversity policies and procedures.

**d) Independent Directors:**

The board of a listed company should include **at least one independent director**, and ideally, one-third of the total board members should be independent directors. In the case of Public Sector Companies, a majority of independent directors should be present.

**e) Executive Directors:**

The number of executive directors on the board, including the Chief Executive Officer (CEO), should **not exceed one-third of the elected directors**. We generally support proposals that limit the representation of company employees on the board, except for the CEO.

**f) Maximum Number of Directorships:**

Directors should not serve on more than seven listed company boards simultaneously, with the exception of directorships in the subsidiaries of a listed holding company. Current CEOs should hold a maximum of two board positions.

**g) Segregation of Chairman & CEO:**

The Chairman and CEO should not be the same person. Ideally, an independent director should be appointed as the Chairman of the company.

### **3. General Rules Governing Proxy Voting**

- Investment decisions often imply an endorsement of the issuer's management based on factors such as disclosure quality, financial performance, and corporate governance practices. Typically, we vote in alignment with management on routine matters.
- Proxy ballots may also include shareholder proposals advocating changes in management policies and practices. We support such proposals when they align with the company's objectives.
- Our default approach is to vote proxies in accordance with this policy. However, we may deviate from this approach when it is in the best interests of our clients. In certain situations, we may withhold our vote or abstain.
- To fulfill our obligations under this policy, we rely on in-house research on management performance and corporate governance standards. Additionally, we may consider voting recommendations from leading independent research firms when necessary.

- The procedures outlined in this document are followed to ensure that proxy voting is consistent with our Proxy Voting Policy. In cases where a clear decision cannot be reached based on our stated policy, the Proxy Committee or its designated representative will make the voting decision in line with the core principles of our policy.

#### **4. Corporate Governance**

- Investee companies should adhere to the Code of Corporate Governance outlined in the listing regulations of the Pakistan Stock Exchange. In cases of significant non-compliance, the Investment Committee will reevaluate the funds' investments in such companies.

#### **5. Appointment of Auditors**

The selection of auditors plays a pivotal role in a company's corporate governance framework. Key guidelines pertaining to auditor appointments include:

- Auditing firms must possess a satisfactory rating under the Quality Control Review (QCR) program of the Institute of Chartered Accountants of Pakistan (ICAP). The firm and its partners should comply with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by ICAP.
- The appointment of the external auditor candidate should be recommended by the investee company's Board of Directors, as advised by the Audit Committee of the investee company.
- External auditors of all financial sector investee companies should be changed after a maximum of five years. For investee companies outside the financial sector, engagement partners should ideally rotate every five years.
- External auditors should not assume management functions or make management decisions, as these responsibilities lie with the investee company's Board of Directors and management.
- Close relatives (spouse, dependents, non-dependent children, or parents) of the CEO, internal auditor, CFO, or a director of the listed company should not be appointed as external auditors.
- Cases where auditors are changed for reasons other than routine rotation will be reviewed on a case-by-case basis.

- The appointment of external auditors should also comply with the relevant provisions of the Companies Ordinance, Code of Corporate Governance, and Public Sector Entities (Corporate Governance) Rules.

## **6. Changes in Legal & Capital Structure; Proposals Affecting Shareholders Rights**

### **6.1 Changes in Capital Structure**

- We acknowledge that companies may require flexibility to issue additional stock in response to changing financial conditions, such as rights issues, acquisitions, or restructuring plans. The authorization of additional stock should be subject to shareholder approval and serve a specific business purpose.
- Proposals to increase authorized share capital will be reviewed on a case-by-case basis.
- Proposals to increase the number of authorized common stock shares will be voted on individually.

### **6.2 Share Repurchase Programs**

- We will support management proposals to implement open-market share repurchase plans that allow all shareholders to participate equally.

### **6.3 Adjustments to the Par Value of Common Stock**

- We will support management proposals to reduce the par value of common stock unless the action is intended to facilitate an anti-takeover device or other negative corporate governance measures.
- Generally, proposals to create a new class of common stock will be voted against unless the company provides a compelling rationale for the dual-class capital structure.

## **7. Corporate Restructuring**

### **7.1 Debt Restructuring Plan**

- When evaluating proposals to alter common and/or preferred shares or to issue/buy back shares as part of a debt restructuring plan, we will consider factors such as dilution to existing shareholders' positions, the company's financial situation, the need for capital,

use of proceeds, impact on the company's cost of capital, control-related issues (e.g., changes in management), and more.

- We will support debt restructuring if it safeguards our clients' interests or if failure to approve the transaction may lead to the company filing for bankruptcy.

## **7.2 Formation of Holding Company**

- Proposals related to the formation of a holding company will be assessed based on factors such as financial or tax benefits, regulatory advantages, changes to the company's articles of incorporation or bylaws, and other relevant considerations.

## **7.3 Going Private (or Leveraged Buyouts)**

- We will evaluate going private transactions by considering factors such as the offer price/premium, negotiation process, conflicts of interest, alternative offers considered, and risks associated with non-completion.

## **7.4 Joint Ventures**

- Proposals to establish joint ventures will be subject to review, taking into account factors such as the percentage of assets/business contributed, percentage ownership, financial and strategic benefits, governance structure, and conflicts of interest.

## **7.5 Liquidation**

- Proposals for liquidation will be voted on, considering factors such as management's efforts to explore alternatives, the appraisal value of assets, and compensation plans for executives overseeing the liquidation.

# **8. Mergers and Acquisitions**

- We will evaluate mergers and acquisitions based on their merits, taking into account factors such as valuation, strategic rationale, conflicts of interest, and governance issues. Our decisions will prioritize the best interests of our clients.

# **9. Voting Procedure & Other Matters**

## **9.1 Authority and Responsibility for Voting Proxies**

- The authority to make proxy voting decisions rests with the Investment Committee.
- The Chief Investment Officer (CIO) is responsible for presenting proposals from investee companies to the Investment Committee.

- The CIO is also responsible for casting votes and providing reports during the upcoming Investment Committee meeting. CEO approval is required in cases where voting rights are not exercised.
- The Compliance Department will monitor the decisions made by the Investment Committee.

## **9.2 Internal Participants in Proxy Proposal Evaluation**

- Before making decisions on proxy voting, the CIO should consult with the Investment Management Team, Research Team, and Risk Management Team on a case-by-case basis.

## **9.3 Conflict of Interest**

- Investment Committee members must disclose any conflicts of interest related to proxy voting proposals under consideration.
- Members with conflicts of interest will not participate in the decision-making process concerning proxy voting.
- Any conflicts of interest will be documented in the minutes of the Investment Committee meeting.

## **9.4 Quarterly Reporting**

- A quarterly report will be presented to the Investment Committee, covering proxy voting details, including the number of times proxy voting rights were available, exercised, and not exercised.
- Results of proposals from investee companies for which voting rights were available will be included in the report.

# **10. Record Maintenance & Disclosure**

- a) The Fund Management Department will maintain records related to proxy voting decisions, including the issuer's name, major beneficial owner(s), number of shares held, date of the vote, and the results.
- b) The approved Proxy Voting Policy will be published on 786 Investments Limited's website and submitted to the Securities & Exchange Commission of Pakistan (SECP).

- c) The annual report of each fund under management will include a summary of actual proxy votes cast during the year as per table given below:

<b>Summary of Actual Voted by CIS</b>				
	<b>Resolution</b>	<b>For</b>	<b>Against</b>	<b>Abstain*</b>
<b>No.</b>				
<b>(%)</b>				
*Reasons for Abstaining shall be disclosed				

- d) The annual report of each fund will also disclose cases where management did not participate in shareholders' meetings on behalf of the fund.
- e) Clients and investors can request access to the proxy voting policy and reports on actual proxy votes through the company's website.

This Proxy Voting Policy establishes a framework for transparent and responsible proxy voting practices at 786 Investments Limited.