

**Central Depository Company of
Pakistan Limited**

CODE OF CONDUCT FOR DIRECTORS AND INDEPENDENT

DIRECTORS

Introduction

Our integrity and reputation depends on our ability to do the right thing, even when it's not the easy thing. The Code of Conduct for Directors and Independent Directors is a collection of rules and policy statements for Directors and Independent Directors in making decisions about their conduct in relation to Central Depository Company of Pakistan Limited (the Company)'s business. The Code is based on the fundamental understanding that no one at the Company should ever sacrifice integrity or give the impression that they have.

The members of the Board of Director of the Company recognize and acknowledge the scope and extent of their duties as Directors and Independent Directors. They also recognize their responsibility to carry out their duties in an honest, diligent and professional manner and within the scope of their authority as set forth in the Companies Ordinance, 1984, Code of Corporate Governance – 2012, Central Depositories (Operations & Licensing) Regulations, 2016 and the Memorandum and Articles of Association of the Company.

The Board of Directors has adopted the following Code of Conduct (Code) and Directors and Independent Directors are expected to adhere to the standards of care, loyalty, good faith and the avoidance of conflicts of interest that follow.

The Code applies to all Directors and Independent Directors of the Company. The Code is intended to focus Directors and Independent Directors on their duties as fiduciaries and provide guidance to Directors and Independent Directors to help them recognize and deal with ethical issues, provide mechanisms to report unethical conduct, and help foster a culture of honesty and accountability.

Directors who also serve as executives of the Company should read this Code in conjunction with our "Code of Conduct for Senior Management Officers".

Key Responsibilities of the Board:

Key responsibilities of the Board include but are not limited to the following:

- Acting honestly, in good faith and in the best interests of the Company;
- Ensuring that professional standards and corporate values are put in place that promotes integrity, defining therein acceptable and unacceptable behaviors;

- Using best efforts to avoid conflicts between personal and professional interests as relate to the Company where possible;
- Disclosing any conflicts and otherwise pursuing the ethical handling of conflicts (whether actual or apparent) when conflicts or the appearance of conflicts are unavoidable;
- Complying with all applicable laws, regulations and policies of the Company;
- Promptly reporting any violations of this Code to the Chairman of the Board;
- Seeking guidance where necessary; and
- Being accountable personally for adherence to the Code.

Requirement of Fair Representation

Each Director and Independent Director is obligated as a matter of corporate law to act in good faith to promote the interests of the Company. This is true even if the Director was elected to the Board solely because of the share ownership of his or her employer.

Duty of Care

As a fiduciary of the Company, each Director and Independent Director has a responsibility to:

- a. be reasonably well informed about the activities of the Company and to exercise independent judgment on all decisions;
- b. read the information provided for Board meetings sufficiently in advance of the meeting to provide an opportunity for reflection and / or request additional information should such be needed, recognizing that each Director may rely, when it is reasonable to do so, upon information and reports provided by management, a committee, advisory groups, the Company's independent auditors and other advisors retained by the Company, the Board or a committee; and
- c. regularly attend meetings of the Board and of the committees on which the Director sits in person.

Conflict of Interest

The Company's directors and Independent Directors have a fiduciary duty to act in good faith and generally in what they believe to be the best interests of the Company. Directors and Independent Directors also have a duty not to act recklessly by permitting the Company to

carry on business in a way likely to result in substantial loss to shareholders, or to incur an obligation unless the company can perform against it.

Directors and Independent Directors have an obligation to act in the best interest of the Company. All directors and Independent Directors should endeavor to avoid situations that present a potential or actual conflict between their interest and the interest of the Company. A “conflict of interest” occurs when a person’s private interest interferes in anyway, or even appears to interfere, with the interest of the Company, including its subsidiaries and affiliates.

Directors and Independent Directors should avoid conflicts of interest so far as possible. Where a conflict or potential conflict arises, at a minimum they must disclose it and adhere scrupulously to the procedures provided by law and by the constitution of the company for recording and dealing with conflicts and ensuring the company obtains fair value. Further, Directors and Independent Directors who are conflicted regarding a particular issue should absent themselves from discussion and decision making relating to that issue.

It is not possible to list all situations or relationships which may create a conflict of interest or the appearance of one, so each situation must be evaluated on its particular facts. The following are examples of situations which may constitute a conflict of interest. Situations such as these should be brought to the attention of the Chairman of the Board for review and clearance before any action is taken:

- Competing with the Company for the purchase or sale of property, services or other interests.
- Having an interest in a transaction involving the Company, a customer or supplier.
- Receiving a loan or guarantee of an obligation as a result of the position with the Company.
- Engaging in any conduct or activities that disrupt or impair the Company’s existing or potential commercial relationships.
- Accepting compensation, in any form, for services performed for the Company from any source other than the Company.
- Either a director or a member of a director’s family receiving benefits, gifts or entertainment from persons or entities who deal with the Company where a benefit, gift or entertainment is intended to influence the director’s actions as a member of the Board, or where acceptance could create the appearance of a conflict of interest.

Conflicts of interests involving the directors, or questions concerning potential conflicts, shall be brought to the Chairman of the Board, who may consult with the Company’s legal counsel as appropriate.

Disclosure of Interest

Directors and Independent Directors are also required to disclose, at the time of appointment and on an annual basis the directorships and / or memberships they hold in other companies, unless otherwise frequency are prescribed under the Licensing Regulations.

Inducements and Related Matters:

A Director and Independent Director shall not:

- solicit or accept any advantage as an inducement or reward for doing or intending to commit any act in relation to the Company's affairs or business;
- show or intend to show favor or disfavor to any person in relation to Company's affairs or business;
- offer any advantage to anyone as an inducement or reward for or otherwise; and
- intend to deceive Company by using any receipt, account or other document which is false or erroneous or defective in any way, and which to his / her knowledge is intended to mislead the Company.

Corporate Opportunity

Directors and Independent Directors shall not:

- use corporate property, information or position for personal gain;
- compete with the Company; or
- take for themselves personally any business opportunities that belong to the Company or are discovered through the use of corporate property, information or position.

Breach of Confidentiality

The Directors and Independent Directors must not, either during or after their tenure of directorship with the Company:

- use confidential information for their own personal benefit, the benefit of others, or to the detriment of the Company; or
- disclose confidential information to others, without the prior written consent of the Chairman of the Board, except:

- to others within the Company or to outside advisors who have been retained by the Board, committee, management or the Director and who are subject to confidentiality obligations if it is necessary for the performance of his or her responsibilities and the Director is acting solely in the Company's best interests; or
- if compelled to do so by valid legal process, provided that Chairman is immediately notified.

Confidential information could include, for example, information relating to participants, employees, suppliers, vendors and/or business practices, financial information, prospects, plans, trade secrets, know-how and potential transactions. All information received in connection with a Board or Board committee meeting and/or during such a meeting (including, without limitation, voting results, expressions of opinion and the conduct and tenor of deliberations), whether in closed session or in the presence of invited guests, is confidential unless otherwise indicated by the Chairman of the Board or Board committee, as applicable.

Inquiries from the Media and Others

The Chief Executive Officer has been authorized by the Board to speak for the Company. The Company recognizes that in view of the scope of its activities, the impact they have on stakeholders and the public role the company fulfills, proper communication is essential. Subject to any overriding considerations of confidentiality, the Company endeavors to communicate with others in an open, factual and timely manner.

The Company is committed to providing full, fair and accurate disclosure in all public communications and in compliance with all applicable law, regulations and rules. Inquiries from the media and others should be immediately directed to the Chief Executive Officer and Directors and Independent Directors should refrain from responding to any inquiries unless compelled to do so by valid legal process.

Protection of Corporate Assets

All directors and Independent Directors are expected to exercise their business judgment in a manner that protects the assets of the Company and promotes their efficient use. All assets of the Company are to be used for legitimate business purposes.

Compliance with Laws, Rules and Regulations

Directors and Independent Directors must comply with all of the laws, rules, and regulations of Pakistan that are applicable to either the Company or its business. The Company will provide to the directors and Independent Directors information about specific laws, rules, and regulations from time to time. Directors and Independent Directors are expected to consult with the Chairman if they have questions about laws that they think may be applicable to either the Company or its business.

Duties and Responsibilities under the Central Depositories (Licensing & Operations) Regulations, 2016

A director shall:

- Participate in the formulation and execution of strategies in the best interest of the Company and contribute towards pro-active decision making;
- Give benefit of their experience and expertise to the Company and provide assistance in strategic planning and execution of decisions;
- Endeavor to ensure that the Company abides by all the provisions of the Act, the Ordinance, the Depositories Act, Central Depositories (Licensing and Operations) Regulations, 2016 and other applicable rules, regulations, codes, guidelines, circulars and directions issued by the Commission from time to time;
- Endeavor to ensure that the Company takes steps commensurate to honor the time limit stipulated by the Commission for corrective action;
- Not support any decision in the meeting of the board which may adversely affect the interest of investors and shall report forthwith any such decision to the Commission;
- Place priority for redressing investor grievances and encouraging fair business practice so that the Company becomes an engine for the growth of the securities market;
- Endeavor to analyze and administer the Company issues with professional competence, fairness, impartiality, efficiency and effectiveness;
- Submit the necessary disclosures/statement of holdings/ dealings in securities as required by the Company or the Commission from time to time as per their regulations or Articles of Association or any directives of the Commission;
- Unless otherwise required by law, maintain confidentiality and shall not divulge/disclose any information obtained in the discharge of their duty and no such information shall be used for personal gains;
- Maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of their duties in order to inspire public confidence and shall not engage in acts discreditable to their responsibilities;
- Perform their duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, their independence or objectivity or official duties;

- Not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the Company;
- Not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board of Directors or required by law.

MEETINGS OF THE BOARD

Every Director of the Company shall:

- Endeavor to ensure that in case all the items of the agenda of a meeting were not covered for want of time, the next meeting is held within reasonable timeframe as the Board of Directors may determine for considering the remaining items; and
- Endeavor to have the date of next meeting fixed at each Board meeting in consultation with other members of the Board.

ADDITIONAL GUIDELINES FOR INDEPENDENT DIRECTORS

- In addition to the conditions stated above, independent Directors shall endeavor to attend all the Board meetings and they shall be liable to vacate office if they do not attend fifty percent of the total meetings of the Board of Directors in a calendar year.
- Independent Directors shall endeavor to meet separately, at least once in six months to views on critical issues of the Company.

Further, the independent Directors shall:

- Participate constructively and actively in the committees of the Board in which they are Chairpersons or members;
- Strive to attend the general meetings of the Company;
- Where they have concerns about the running of the Company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
- Keep themselves well informed about affairs and matters of the Company and the external environment in which it operates;

- Pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Company;
- Ascertain and ensure that the Company has an adequate and functional grievance resolution mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- Report concerns about unethical behavior, actual or suspected fraud or violation of the code of conduct of the Company; and
- Acting within its authority, assist in protecting the legitimate interests of the Company, shareholders and its employees.

Other Corporate Ethical Policies

A Director and Independent Director shall:

- if he wishes to become officially involved with any outside corporation or other organization as director, the Director must inform the Board of Directors through the Company Secretary; and
- Comply with ethical standards and laws, regulations and directives of regulatory authorities. Each Director of the Company should think of compliance as a personal responsibility and should expect to be held accountable for all compliance-related activities.

Breach of Code

No retribution against any individual who reports violations of this Code in good faith will be permitted.

Suspected violations will be investigated by the Board, or a person or persons designated by the Board, and appropriate action will be taken in the event of any violations of this Code.

Amendments and Waivers of this Code

Any amendment or waiver of this Code must be approved by the Board.
