

## **The Code and how to use it**

The Code of Conduct sets out the standards of behavior expected from all of us employed in Popular Islamic Modaraba. All members of staff are bound by the Code. The Code provides a quick reference guide; it does not replace the relevant Policies and Procedures. It is important that all employees familiarize themselves with all Policies and Procedures applicable to your role. Failure to follow the Code may result in breaches of law, regulation and reputational damage. It may also lead to disciplinary action, which could lead to your dismissal. Copies of this Code are available on our Website. The relevant Policies and Procedures documents can be accessed via this route. If any employee have any questions about the Code, he / she should contact the Secretary of our Management Company i.e. Popular Islamic Modaraba Management Company (Pvt.) Limited.

## **Message from Board of Directors of the Modaraba: Management Company**

As we continue our journey to become the Pakistan's best Islamic Financial Institution, it is important that Popular Islamic Modaraba is known for the right reasons. Conducting our business with high standards of ethics and integrity is essential to building a world class brand and to our promise - Leading by Example to be The Right Partner, omitted to our values. It takes years to build a brand, and can take only seconds to destroy it. The Code of Conduct is our toolkit to prevent this happening. I expect every member of staff to know and follow it. We all have a role to play; everyone of us can make a real difference. Everyone has individual responsibility and accountability. Our Code of Conduct sets out our standards on how we should behave with all our Stakeholders - customers, communities, investors and regulators. However, no code of Conduct can spell out the appropriate behavior for every situation. The Management Company and Modaraba rely on each of us to make a judgment of what is right and proper in any particular situation. If the answer is uncertain, ask yourself:

1. Does it comply with this Code?
2. How would you feel if it appeared on the front page of a newspaper tomorrow?
3. Could it be justified to all our stakeholders?
4. Does it follow the letter and spirit of law and regulation?

We are relying on you to play your part as we continue our journey.

On behalf of BOD of Popular Islamic Modaraba Management Company (Pvt.) Ltd.

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**Director & CEO**

Name: Mr. S. Faiq Husain

Sign: \_\_\_\_\_

Karachi.

**-sd-**

**Director**

Name: Mr. Malik Junaid Emam

Sign: \_\_\_\_\_

## Definitions used in the Code

"Modaraba": means Popular Islamic Modaraba.

"This standard": means any Standard, Policy or Procedure in force within the Modaraba.

"Compliance & Assurance" means BOD of the management company.

## Code of Conduct

1. **Comply with laws, regulations and these standards:** You are individually responsible for complying with the spirit, not just the letter, of laws, regulations and this standard.
2. **Reject bribery and corruption:** You must not give or accept bribes nor engage in any form of corruption.
3. **Avoid being compromised by gifts and entertainment:** You must not offer, give or accept inappropriate gifts or benefits to or from third parties.
4. **Speak up:** You must Speak Up if you suspect, or know of, any actual, planned or potential behavior that breaks, or may break, any laws, regulations or this standards.
5. **Combating financial crime:** You must comply with laws, regulations and this standard on money laundering, terrorist financing and fraud prevention.
6. **Avoid conflicts of interest:** You are responsible for identifying conflicts of interest. Once these have been identified you must take immediate steps to resolve the problem.
7. **Do not deal in shares when in possession of inside information:** You must comply with the relevant applicable laws, including, The Companies Ordinance, 1984, to eliminate the risk of insider dealing.
8. **Treat customers fairly (TCF):** You must treat the customers fairly, we don't just sell the products, we meet the requirements of our customers.
9. **Respect customer confidentiality:** Do not disclose customer data unless authorized to do so.
10. **Treat people fairly and with respect:** All employees are entitled to a safe working environment that is free from discrimination, bullying and harassment.
11. **Responsibilities to our communities and regulators:** You must be responsive to our communities and demonstrate exemplary governance at all times.

## **1. Comply with laws, regulations and these standards:**

It is everyone's responsibility to ensure compliance with all laws, regulations and this standard wherever we operate. Failure to do so may lead to severe damage to our brand, loss of customer, regulatory and public confidence, fines and other penalties.

### **What must you do?**

- a) You must act ethically and honestly at all times.
- b) You must comply with the spirit as well as the letter of all relevant legal and regulatory requirements. This means that you must follow the underlying principles of laws and regulations as well as following their exact wording.
- c) You must comply with this unless local laws or regulations are either stricter than or prohibit this standard, in which case local laws or regulations prevail.
- d) Revenue opportunities will not take priority over protecting our reputation and our brand, taking shortcuts to achieve revenue targets is not acceptable.
- e) If you know or suspect that any law, regulation or this standard is being broken or ignored you must report the matter immediately to your manager and Compliance & Assurance.

## **2. Reject bribery and corruption:**

### **Why is this important?**

Bribery and corruption damage our business and conflict with our values. We oppose all forms of bribery and corruption because it is illegal and dishonest, and damages the countries and communities where it occurs. You are in breach of the Code of Conduct and also liable to criminal prosecution if you engage in such practice.

### **What must you do?**

- a) Do not offer or give any kind of personal payment, benefit or improper advantage to government officials or others with decision-making power or influence over any aspect of the Modaraba's affairs.
- b) Do not offer to pay a customer or potential customer for their business.
- c) Do not request or accept any kind of personal payment, benefit or other improper advantage.
- d) You must immediately report to Compliance & Assurance (BOD) any suspicion or knowledge about anyone seeking or offering personal payments, benefits or other favors in contravention of the Code.
- e) Avoid being compromised by gifts and entertainment.

### **3. Avoid being compromised by gifts and entertainment:**

#### **Why is this important?**

Gifts, business entertainment or other benefits are a part of commercial life in many countries. They are also often part of traditional festive occasions. However, problems arise when they compromise -- or appear to compromise - normal commercial relationships between the Modaraba or its staff and customers, vendors and other stakeholders.

Gifts and entertainment are not permissible unless they are reasonable in value, consistent with established market practice and appropriate to the occasion in the context of local custom and cost of living. Gifts and entertainment must not be, nor be perceived to be, an inducement for business.

#### **What must you do?**

- a) Ensure that all gifts and entertainment given to or received from third parties are approved and recorded in the department's Gifts and Entertainment Register.
- b) Do not offer gifts and entertainment to government officials, employees of regulatory bodies and employees of majority-government-owned entities without pre-approval of Compliance & Assurance.
- c) Do not receive or offer a cash gift unless it is of small value and is part of a traditional festive custom.
- d) Do not offer gifts and entertainment that contravene the Modaraba Gifts and Entertainment Policy.
- e) If you believe that refusal of a gift or entertainment is not possible, you should promptly inform your manager AND Compliance & Assurance, ideally before it is accepted. The gift or entertainment will then be dealt with in accordance with local and This standards. Normally this means it will be donated to a staff member or charity event.

### **4. Speak up**

#### **What is speaking up?**

Speaking Up describes our individual responsibility to report in confidence, actual or suspected misconduct, malpractice and illegal or unethical behavior by informing senior management of our concerns. It is an essential part of our values and our brand promise - Leading by Example to be the right partner.

#### **Why is this important?**

The Modaraba is committed to maintaining an ethical culture, one of integrity and compliance with laws, regulation and these standards; we also want to avoid control breaches that could lead to fraud. The Modaraba encourages the practice of Speaking Up by providing staff with confidential and secure means to raise genuine concerns.

## **What must you do?**

There are two ways of Speaking Up:

- a) Talk to your line manager and/or Compliance & Assurance.
- b) Email your concerns to [adnan.ali@popularisalamicmodaraba.com](mailto:adnan.ali@popularisalamicmodaraba.com)

You do not have to be 100% sure before Speaking Up. If you have a genuine suspicion, you should Speak Up and explain your concerns. These will be recorded, reviewed, and where appropriate, promptly investigated. Feedback will be given provided your name is known. The Modaraba will not tolerate the victimization of anyone who speaks up. However please note that Speaking Up is not a mechanism to raise general complaints nor should it be used maliciously or in bad faith.

## **5. Combating financial crime:**

### **Why is this important?**

The Modaraba recognizes the critical importance of protecting the integrity of the global financial system by managing the risks arising from laundering the proceeds of crime, including child pornography. Financing terrorism and aiding corruption. Financial crime can severely damage our brand and the communities in which we operate; it undermines our business and exposes us to severe penalties. It is also illegal. We cooperate with governments, regulators and other financial services providers to safeguard customer accounts from fraud and to help combat organized financial crime. We must also comply with local anti-money laundering laws and regulations.

### **What must you do?**

You must always be alert and recognize that we are all part of the fight against financial crime. To do this you must:

- a) Ensure that you participate in all required training and awareness programmes.
- b) Establish the identity of our customers from reliable evidence.
- c) Know enough about our customers to identify transactions which are inconsistent with their business or personal status, or which do not match the normal pattern of activity for which the account was set up.
- d) Report suspicious activities immediately to your line manager.

## **6. Avoid conflicts of interest:**

### **What are conflicts of interest?**

Conflicts of interest can take many forms and arise wherever there are actual or potential competing interests. As the Modaraba continues to grow, it is inevitable that there will be an

increase in potential conflicts of interest and it is vital that this risk is managed in a way that is acceptable to our regulators and customers. Conflicts of interest fall into two broad categories business and personal. Business conflicts of interest are those where the Modaraba has:

- a) A conflict of interest with a customer.
- b) Two or more customers who have a conflict of interest.
- c) Confidential information about an existing customer that could be used in another customer relationship.
- d) Personal conflicts of interest are those where you may put your own personal interests ahead of those of a customer or the Modaraba.

### **Why is this important?**

Managing conflicts of interest ensures that we always act in the best interests of our customers, avoid legal and regulatory risk, and protect the Modaraba's brand and our own personal standing.

### **What must you do?**

Anticipate and properly identify all potential conflicts of interest. Where a conflict is identified, report it immediately to your line manager. Ensure it is resolved in a transparent and open manner. In order to manage and resolve conflicts, we have Modaraba and Business conflicts of interest Policies and Procedures. Compliance & Assurance will provide additional guidance if needed.

## **7. Do not deal in shares when in possession of inside information:**

### **What is insider dealing?**

Insider dealing is dealing on a personal basis in all investments relating to securities while you have relevant non-public price sensitive information ('inside information'). Inside information is information which, if it were made generally available, would be likely to have a significant effect (either positive or negative) on the price of the shares or other securities to which it relates. For example, information about a Modaraba's financial performance may be price sensitive if it is about to announce an unexpectedly large profit or loss. It is irrelevant whether the information is obtained from your employment in the Modaraba or from outside work. Insider dealing includes giving 'tips' to another person. Encouraging anyone else to deal, or dealing on behalf of anyone else based on inside information.

### **Why is this important?**

Insider dealing is an abuse of confidential information, is unethical, and in most countries a criminal offence. It is also prohibited under the terms of the Modaraba's' employment contract. We must ensure the Modaraba is known for the right reasons by conducting ourselves with the highest standards of ethics and integrity. The Modaraba risks criminal and regulatory sanctions, as well as damaging customer relationships, if we do not do so.

## **8. Treat customers fairly (TCF):**

### **Why is this important?**

Treating our customers fairly is fundamental to living our values and our brand promise - Leading by Example to be The Right Partner. It will build our long term relationships with customers and help grow the Modaraba's business by enhancing its reputation. It is also an issue of increasing importance to law-makers and regulators in the countries in which we operate. Mis-selling and misrepresentation fall under the category of treating our customers fairly. Mis-selling is the sale of a product or service to a customer without regard to the customer's interests. Mis-selling is prohibited; it exposes the Modaraba to regulatory penalties, reputational damage and legal action by customers. Misrepresentation is providing inaccurate or misleading information about the Modaraba. Its products or services. such that it influences our customers or stakeholders when they make an informed decision.

### **What must you do?**

- a) Do not mis-sell or misrepresent the Modaraba or its products or services.
- b) Respond to customer complaints quickly and fairly.
- c) Be responsive to customer feedback on products and services.

There are seven TCF standards, which you must follow:

- i. Understand both the Modaraba's products and your customers risk appetite, objectives, finances and personal circumstances in order to ensure that we meet customer needs.
- ii. Provide relevant, complete and clear information to customers to ensure they have the best choice of suitable products. Only sell products or services to customers that meet their needs.
- iii. Make sure that the customer understands the product and its risks; particularly with complex products and that the product performs as we have led the customer to expect.
- iv. Comply with the Modarabas advertising standards and ensure all advertisements are appropriately reviewed before they are launched.
- v. Keep customers appropriately informed before, during and after the point of sale.
- vi. Deal with customer complaints in a courteous, efficient and timely manner. Ensure you follow this standards or, if applicable, your local policy for dealing with complaints. Remember to record all complaints appropriately. A responsive approach will impress customers and enhance their perception of us.
- vii. Always involve Compliance & Assurance if a complaint alleges illegality or unethical behavior, or may lead to litigation, compensation or a complaint to the regulator. Customer's risk appetite or needs and/or to fully explain risks to a customer. For example, customers may receive back less than they invested if a product does not perform or if it is cashed in before its maturity date.

## **9. Respect customer confidentiality**

### **Why is this important?**

Confidentiality of customer data is fundamental to our relationship with our customers. Leaks or wrongful use of confidential data will undermine customer trust in the Modaraba and may lead to regulatory penalties, as well as legal action and damage to the brand.

### **What must you do?**

- a) You must exercise care in relation to confidential or sensitive information and data belonging to customers or the Modaraba. It should not be lost or viewed in public places.
- b) You must not disclose such information unless expressly authorized to do so by the Modaraba or by law.
- c) If you know or suspect information has been lost or seen by unauthorized individuals (Internal or external to the Modaraba). Contact Compliance & Assurance immediately.
- d) All information in our public and internal communications should be accurate, timely and clear.

All customer personal data must be:

- a) Accurate and up to date, neither biased nor misleading.
- b) Used only for the purposes for which it was given.
- c) Kept only as long as is necessary.
- d) Held securely.
- e) Adequate and relevant, not excessive and unnecessary.
- f) Not distributed unnecessarily within the Modaraba (obtain Legal & Compliance clearance if it is to be shared between different companies within the Modaraba or branches in different countries).
- g) Only distributed outside the Modaraba if proper authority has been given and it is legal to do so.

## **10. Treat people fairly and with respect**

### **Why is this important?**

Adopting these as behavioral standards is closely associated with living the Modaraba's values and brand promise - Leading by Example to be the Right Partner. The Modaraba believes that if we treat our colleagues and teams as partners, our people will deliver on our brand promise, resulting in sustained, high growth in our business results. These behavioral standards are also a core component of the Modaraba's approach to people management and development, as the Modaraba believes that adopting a strengths-based, inclusive approach will achieve a high performance culture.

## **11. Responsibilities to our communities and regulators:**

### **Why is this important?**

We operate in a rapidly changing world with multiple stakeholders and global challenges such as climate change and poverty. By operating a sustainable business we can ensure that we deliver shareholder value and have a positive long term impact. We believe that the biggest contribution we can make to the communities we work in, is through operating a commercially successful, sustainable business in a responsible way. The Modaraba works both independently and in collaboration with others in addressing ethical issues of importance, such as climate change and human rights. We must aim to operate as a sustainable business. In essence, this means delivering quality products and services to customers that meet their needs, providing a good working environment for our employees, delivering a good return to our shareholders, and managing our social and environmental impacts effectively.

### **What must you do?**

- i. You must be open and honest when dealing with our regulators.
- ii. You must co-operate fully with regulators at all times. Ensure information you provide to the regulator is comprehensive and accurate.
- iii. You must contact Compliance & Assurance if you have any questions about how to respond to a regulatory enquiry or relationship.
- iv. Prepare properly for meetings with the regulator and for regulatory inspections.
- v. Do not contact the regulator unless you are authorized to do so by the relevant Regulatory Plan or Compliance & Assurance.
- vi. If your responsibilities include communicating with the regulator, ensure you are familiar with the current Regulatory Plan in force in your country

### **Failure to follow this Code:**

**Failure to follow this Code of Conduct will be treated very seriously by the Modaraba and may lead to disciplinary action. This could result in dismissal. In any disciplinary situation the Modaraba may:**

- 1. Involve external authorities where external regulations have been breached.**
- 2. Involve the police if a criminal offence may have been proved.**