Fourth Supplement dated July 2nd, 2021 to the Offering Document of HBL Pension Fund issued on 16th December, 2011

(Managed by HBL Asset Management Limited, as an Asset Management Company registered under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003)

Effective from July 2nd, 2021 existing headings of the offering document of HBL Pension Fund is amended and read as follows:

1) <u>Insertion of new sub-clause (q) & (r) under sub-clause 5.6.1 under the heading "Obligations of the Pension Fund Manager"</u>

q) A PFM shall be responsible for managing and meeting the liquidity requirements of the Pension Fund and the Participants thereof.

r) The Pension Fund Manager (PFM) shall have at least one investment committee (IC) which shall be responsible for selecting and developing appropriate investment and risk management strategies for the proper performance of the pension fund. The IC will also be responsible for developing internal investment restrictions, limits and restrictions for pension funds .and in case same IC takes decisions for both mutual .funds and pension funds, the decision taken for each kind of funds shall be separately identified and recorded in the minutes. Further the PFM shall:-

i) act with due care, skill and diligence in carrying out its duties and responsibilities;

ii) ensure that investment decisions are consistent with the objectives and investment policy of the Pension Funds;

iii) ensure that investments do not deviate from the Constitutive Documents or the VPS Rules/Regulations or circulars or directions of the Commission issued from time to time;.

iv) develop and follow internal investment restrictions and policies; and

v) review the performance of the Pension Fund on a regular and timely basis;

2) <u>Existing Clause 6.7.3 under the heading "Allocation among the Sub-Funds" is amended and now read as follows:</u>

6.7.3 The pension fund manager shall make reallocation of the units between the sub-funds at least once a year to ensure that the allocation of the units of all the Participants are according to the percentages selected by the Participants or where no selection has been made according to the prescribed allocation policy.

3) <u>Insertion of the following para under sub-clause 6.8.1 under the heading "Allocation Policy"</u>

The participant may choose to freeze his portfolio allocation and percentages at a point in time and the allocation and percentages may be changed for future contributions. Such change will be allowed twice till retirement.

4) Clause 8.2.3 under the heading "Investment Policy of the Pension Fund" shall be deleted and replaced with following new clause:

8.2.3 A PFM shall carry out necessary due diligence for executing investment and disinvestment decision(s) in a security. Rating of an issue or the issuer, wherever mentioned herein below, shall be only one of the factors to be considered by a PFM and it shall in no way be construed as a recommendation or permission of the Commission to any PFM to invest in any security solely on the basis of rating. However, a PFM shall ensure that the security and the issuer meet the minimum rating scale referred in the Investment Policy to stay qualified for continued investment.

5) Clause 8.3.2 under the heading "Investment Objective and Investment Policy of the HBL PF Equity Sub-Fund" shall be deleted and replaced with the following new clause:

8.3.2 The Investment Policy of the Equity Sub-Fund is determined by the Commission. The current Investment Policy for equity sub-funds generally is determined by the Commission as stated below, and will be followed by the Pension Fund Manager in relation to the Equity Sub-Fund:

a) Assets of an equity sub-fund shall be invested in equity securities which are listed on a Stock Exchange or for the listing of which an application has been approved by a Stock Exchange and Equity sub-fund shall be eligible to invest in units of Real Estate Investment Trusts and Exchange Traded Funds provided that entity/sector/group exposure limits as prescribed are complied with;

b) At least ninety percent (90 %) of net assets of an equity sub- fund shall remain invested in listed equity securities during the year based on rolling average investment of last Ninety (90) days calculated on a daily basis;

c) Investment in equity securities of any single company shall not exceed ten percent (10%) of net assets of an equity sub-fund or paid-up capital of that single company, whichever is lower

d) The Pension Fund Manager of the equity sub-fund may invest up to thirty per cent (30%) or the index weight, whichever is higher, subject to maximum of thirty five percent (35%) of net assets of equity sub-fund in equity securities of companies belonging to a single sector as classified by Stock Exchanges.

e) A PFM may invest any surplus (un-invested) funds in government securities having less than one-year to maturity or keep as deposits with scheduled commercial banks which are rated not less than "A";

f) A pension fund manager may make investment maximum up to 5% of net assets of Equity Sub-Fund in units of Private Equity and Venture Capital Funds registered under Private Funds Regulations 2015;

g) A pension fund manager may make investment maximum up to 10% of net assets of Equity Sub-Fund in public offering and pre-initial public offering of equity securities;

h) A PFM shall ensure that the investment in equity securities of the following companies shall not exceed 10% of the net assets of the equity sub-fund on monthly average basis:

   i. Securities which are not eligible for Central Depository System;

ii. Company is not traded on regular trading counter of the Pakistan Stock Exchange;
iii. The minimum free float of the company is less than 15% or 50,000,000 shares whichever is less;
iv. The securities of the company are traded less than 50% of the total trading days during the last six months or from the date of listing as the case may be;
v. Company's paid up capital is fully eroded owing to accumulated losses as per the annual audited account or half yearly limited scoped reviewed accounts whichever is latest;
vi. There are major non-compliances issues i.e. holding of annual general meeting, finalization of annual audited accounts, appointment of board of directors and non-compliance with any specific direction (s) of the Commission except those companies that have obtained relaxation or extension to comply with such regulatory requirements from the Commission. For the purpose of this clause. The word "specific direction" shall mean an explicit direction issued to a particular company in a certain matter;
vii. Auditor's report is qualified with respect to company's ability as going concern or contains adverse opinion or disclaimer of opinion; or
viii. Winding up proceedings have been initiated against the company.

6) <u>Clause 8.4.2 under the heading "Investment Objective and Investment Policy of the HBL PF Debt Sub-Fund" shall be deleted and replaced with the following new clause:</u>

8.4.2 The investment policy of the Debt Sub-Fund is determined by the Commission. The current Investment Policy for debt sub-funds generally is determined by the Commission as stated below, and will be followed by the Pension Fund Manager in relation to the Debt Sub-Fund:

a) The Debt Sub-Fund shall consist of government securities, cash in bank account, money market placement, deposits, certificate of deposits (COD), certificate of musharakas (COM), TDRs, commercial papers, TFC/Sukuks or any other Islamic mode of placement, reverse repo, deposits/placements with Microfinance Banks and other approved debt/money market security issued from time to time;

b) The weighted average time to maturity of a Debt-Sub Fund shall not exceed five (5) years and this condition shall not apply to securities issued by the Federal Government;

c) Exposure to securities issued by entities of single sector shall not exceed twenty five percent (25%) of net assets of Debt Sub-Fund;

d) Rating of any security in the portfolio shall not be lower than A+;

e) Rating of any bank and DFI with which funds are placed should not be lower than A+;

f) Rating of any NBFC and Modarabas with which funds are place should not be lower than AA;

g) At least 25% of the net assets shall be invested in deposit with scheduled commercial bank (excluding TDRs) or government securities not exceeding 90 days' maturity;

h) Exposure to any single entity shall not exceed 10% of net assets for debt sub fund;

i) Exposure in debt security of an entity shall not exceed 10% of net assets for debt sub fund or 10% of size of the issue of that debt security, whichever is lower;

j) The limits specified in clause (h) and (i) above are applicable to all securities mentioned other than the securities issued by Federal Government;

k) A pension fund manager shall not place funds (including TDR, PLS Saving Deposit, COD, COM, COI, money market placements and other clean placements of funds) of more than 25% of net assets of sub-funds with all microfinance banks, non-bank finance companies and Modarabas;

l) Rating of any Microfinance Bank with which funds are placed should not be lower than A+.

7) Clause 8.5.2 under the heading "Investment Objective and Investment Policy of the HBL PF Money Market Sub-Fund" shall be deleted and replaced with the following new clause:

8.5.2 The Investment Policy of the Money Market Sub-Fund is determined by the Commission. The current Investment Policy for money market sub-funds generally is determined by the Commission as stated below, and will be followed by the Pension Fund Manager in relation to the Money Market Sub-Fund

a) Investment avenues – government securities, cash and near cash instruments, which include cash in bank accounts (excluding TDRs), treasury bills, money market placements, deposits, certificate of musharakas (COM) or any other Islamic mode of placement, TDRs, commercial papers, reverse repo;

b) The weighted average time to maturity of assets of the money market sub-fund shall not exceed ninety (90) days;

c) Time to maturity of any asset in the portfolio of the money market sub-fund shall not exceed six (6) months;

d) Rating of any security in the portfolio shall not be lower than AA;

e) Rating of any bank and DFI with which funds are placed should not be lower than AA;

f) Rating of any NBFC and Modaraba with which funds are place should not be lower than AAA;

g) At least 10% of the net assets shall be invested in deposit with scheduled commercial bank (excluding TDRs) or government securities not exceeding 90 days' maturity;

h) Exposure to any single entity shall not exceed 10% of net assets for money market sub fund;

i) Exposure in security of an entity shall not exceed 10% of net assets or 10% of issue size of the issue of that security.

j) The limits specified in clause (h) and (i) above are applicable to all securities mentioned other than the securities issued by Federal Government;

k) Exposure to securities issued by entities of single sector shall not exceed twenty five percent (25%) of net assets of money market Sub-Fund;

l) A pension fund manager shall not place funds (including TDR, PLS Saving Deposit, COD, COM, COI, money market placements and other clean placements of funds) of more than 25% of net assets of money market sub-funds with all microfinance banks, non-bank finance companies and Modarabas;

8) Sub-Clause (a), (c) and (d) under clause 8.8 "Investment Restrictions" shall be deleted.

9) Sub-clauses (b) under Clause 8.8 "Investment Restrictions" shall be replaced with the following text

(b) a PFM on behalf of a pension fund shall not take exposure of more than 20% of net assets in any single group and the term "group" means persons having at least 30% or more shareholding in any other company, as per publicly disclosed information.

10) The following new sub-clause shall be inserted under clause 8.8 "Investment Restrictions"

(n) The pension fund manager shall adhere to the limits stipulated in the investment policy above; however, if the limits are breached merely due to corporate actions including take up of right or bonus issue(s) or due to change in net assets resulting from fluctuation in price of equity securities, the pension fund manager shall regularize the deviation within four (4) months of the breach.