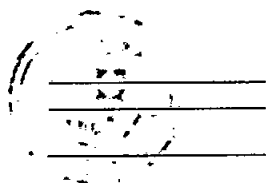


INVESTMENT POLICY

Version No.

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TRADING CORPORATION OF PAKISTAN INVESTMENT POLICY



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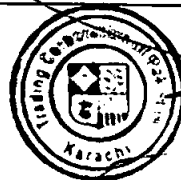
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Revision History

Date	Revision	Name	Designation	Description of Change

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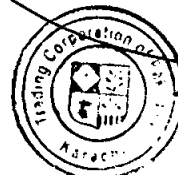


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1. INTRODUCTION

This document sets out the policies and procedures in relation to the investment function of the Company. This document has been prepared to comply with IFRS-9 and guidelines provided by Ministry of Finance (MoF) to be followed by the Company. IFRS 9 replaces the previous accounting standard i.e., IAS 39 – Financial Instruments: Recognition and Measurement and is effective from annual periods beginning on or after January 1, 2018.

2. DISTRIBUTION LIST

The Draft Investment Policy ('the Policy') is to be approved by the Board of Directors (BoD) and after approval shall be made available to all relevant stakeholders of the Company.

3. RESPONSIBILITY OF IMPLEMENTATION

Executive Director Finance on behalf of the BoD shall be responsible for implementation of the Policy in an efficient and effective manner.

4. AMENDMENTS IN THE POLICY

- i. The approved Policy shall be reviewed annually by the Board Investment Committee (BIC) to assess whether any change or improvement is needed in the existing Policy.
- ii. Concerned user / personnel may send their request to the Executive Director Finance on suggesting changes in the Policy.
- iii. Executive Director Finance shall assess the proposed amendment(s) for revision in the Policy and circulate them to the members of BIC.
- iv. Members of BIC shall provide their comments, if any.
- v. Members of BIC shall present draft amendments, if any, required in the Policy to BoD for approval. After approval, required changes shall be made to the Policy by the Finance.

5. SCOPE

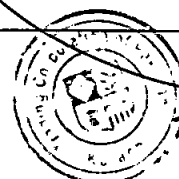
This investment policy will provide investment guidelines for the management of funds held by the organization. This policy does not apply to running balances kept for working capital needs and to meet administrative expenses. This policy supersedes any or all prior policies/orders etc. regarding investment policy.

This policy has been formally set forth to:

- i. Define and assign the responsibilities of all involved parties.
- ii. Establish a clear understanding of the investment goals and objectives including definition of various asset classes, investment management styles, asset allocations, acceptable risk, and total long-term and short-term investment return.
- iii. Establish a basis for periodically evaluating investment results.

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- iv. Ensure compliance with all fiduciaries, prudence and due diligence requirements that experienced professionals would utilize, and with all applicable, rules and regulations that may impact the investments.
- v. Outline procedures and criteria to monitor, evaluate and compare the performance results achieved by management on a regular basis, and report the performance to the BIC and the BoD.

6. INVESTMENT OBJECTIVES

The primary objective, in priority of order, shall be safety, liquidity and yield. However, the BIC may create the best possible profitability combination of safety, liquidity profitability and yield in the light of general economic conditions prevalent at the time of Investment and during the period of investment. The policy makers recognize that all policy objectives may not be maximized in a single investment. Therefore, safety and protection of the funds should be the primary and foremost objective to be achieved by the Board Investment Committee, without comprising much on the yield.

Protection of funds

Safety of the investment is the foremost objective of the investment process. Investments shall be undertaken in a manner that seeks to ensure the preservation of investment of the Company.

Liquidity

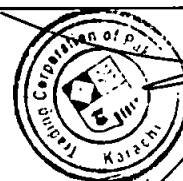
The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be anticipated. This is accomplished by structuring portfolio so that the securities mature at short, medium & long term concurrent with the cash needs to meet anticipated demands (static liquidity). Appropriate level of allocations shall be placed in bank deposits/ short-term investments that offer quick liquidity for short-term funding requirements.

Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints and the liquidity needs. The investment portfolio should be designed keeping in view the current economic conditions in order to enable the Company to utilize the excess funds in return of a high yield.

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7. COMPOSITION OF FINANCE / BOARD INVESTMENT COMMITTEE

The Finance Committee shall be responsible for opening of all bids called for investment funds.

The Board Investment Committee (BIC) shall take all decisions with respect to investment in funds. The members of both committees are as follows:

S. No.	Finance Committee	Board Investment Committee
1	Executive Director Finance – Chairman	Independent Board Member – Chairman/Chairperson
2	Chief Financial Officer-Member	Representative of Ministry of Commerce – Board Member
3	General Manager (Finance & Accounts)	Representative of Ministry of Finance – Board Member
4	DGM / Manager Finance & Treasury - Secretary	Board Member
5		General Manager (F&A) - Secretary

In addition to above, CFO TCP shall attend all BIC meetings and present management recommendation.

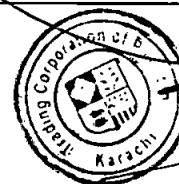
8. IDENTIFICATION OF FUNDS AND FINANCIAL INSTITUTIONS

Treasury section shall prepare workings for proposed investment which shall include the following details:

- i. Already invested amount in Government securities which shall also include the details of maturity.
- ii. List of banks with latest rating from State Bank of Pakistan's website.
- iii. Latest annual and quarterly financial statements of all banks as available on their websites.
- iv. Comparative statement of rates received from banks via bids.
- v. Total proposed increase in funds to be transferred from running balances after discussion with CFO for review of ED finance.
- vi. Total proposed investment in Government securities.

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9. **POLICY FOR INVESTMENTS**

The policy statement in the following paragraphs reflects the prevalent economic crunch in Pakistan that is the result of high inflation, high cost of living, low GDP and high interest rates in the year when policy is being framed. A revision may be required, when the economic indicators improve.

Criteria for composition of investment

- a) 100 % of funds except working capital will be invested in Government securities.
- b) Government securities shall include:
 - i. Pakistan Investment Bonds (PIBs)
 - ii. Market Treasury Bills (MTBs)
 - iii. Sukuks issued by Federal or Provincial Governments, any Federal or Provincial Authority or Public Sector entities.
- c) After maintaining working balances for six months and security deposits, the remaining amount shall be available for investments.
- d) In case of non-acceptance of bids related to PIBs and MTBs, funds shall be placed in either daily product on a temporary/short term basis by calling new quotations from AAA rated banks or will be negotiated in the secondary market through primary agent i.e., NBP.

Initial recognition of investment

An entity shall recognize a financial asset in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.

Initial measurement

The financial instruments shall be initially measured at fair value less transaction costs that are directly attributable to the acquisition of financial instruments.

Classification of Financial Asset

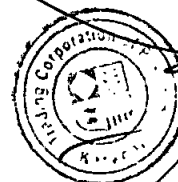
Financial assets shall be measured at amortized cost if the purpose of investment is to collect contractual cashflows; and the contractual cash flows represent solely payments of principal and interest.

If the intention of management is to keep investment as "available for sale", then the investment shall be measured as Fair Value through Other Comprehensive Income (FVOCI).

If the financial asset is held with the sole purpose of trading, then it shall be classified as Fair Value through Profit and Loss (FVPL).

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10. INVESTMENT PROCESS FOR GOVERNMENT SECURITIES

Government Securities

Market Treasury Bills (MTBs), Pakistan Investment Bonds (PIBs) & Sukuks

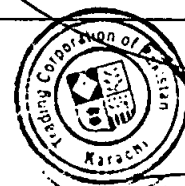
- i. State Bank of Pakistan (SBP) announces auction target calendar on its website in open market for the sale of government securities.
- ii. Treasury Section shall prepare a proposal and shall forward it to CFO for review and validation. Proposal shall contain the following details at minimum:
 - a. Funds available for investment
 - b. Bidding dates for upcoming bidding of PIBs / MTBs
 - c. Results of latest auctions of PIBs / MTBs
 - d. Expected market trends in terms of percentage yield from National Bank of Pakistan over email.
- iii. Proposal shall be sent to ED Finance for review.
- iv. The above proposal shall be forwarded to the BIC by including in the working paper who shall decide the rates to be quoted in the bidding for placement of funds.
- v. After finalization of rates to be quoted, an email and a placement letter for participation of bids shall be sent to the investee bank by Treasury Section for placement of funds as per agreed rates which shall be approved by 2 authorized signatories.
- vi. National Bank of Pakistan shall communicate the results of bidding in the evening of auction date.
- vii. A deal settlement letter shall be sent by Treasury Section for placement for funds which shall be signed by 2 authorized signatories.
- viii. Government securities shall be purchased from investee bank via IPS account of Company. Finance shall record the following entries in system which shall be reviewed by CFO:

Description	Debit	Credit
Short/Long-term investment A/C	XX	
Bank A/C		XX

- ix. After placement of funds, a confirmation letter shall be received from investee bank and a signed copy of the same shall be returned to the bank.

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Profit/Interest Income

Investment made after the original issuance date of PIBs, then accrued interest from the date of issuance to the date of settlement shall be recognized as payable to Bank and interest income shall be recognized on a proportionate basis.

Description	Debit	Credit
Accrued interest A/C	XX	
Payable A/C		XX
Interest Income A/C		XX

11. REPORTING REQUIREMENTS

Methods

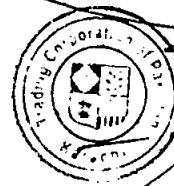
- i. CFO shall be responsible for timely rollover & investment of funds.
- ii. Treasury section shall prepare an investment report that provides analysis of the status of current investment portfolio and transactions made during the period.
- iii. This report shall also demonstrate as to how investment activities during the reporting period have conformed to the investment policy.
- iv. CFO shall present the report before the BIC for review.
- v. After review from BIC, the report shall be presented every next BoD meeting to the BoD by BIC which shall include the following:
 - a. Listing of individual investments held at the end of reporting period including applicable maturity dates.
 - b. Percentage of total portfolio which each type of investment represents:
 - c. Weighted average yield to maturity on portfolio.

Reporting Frequency

For investments of the funds – Every next BOD meeting. .

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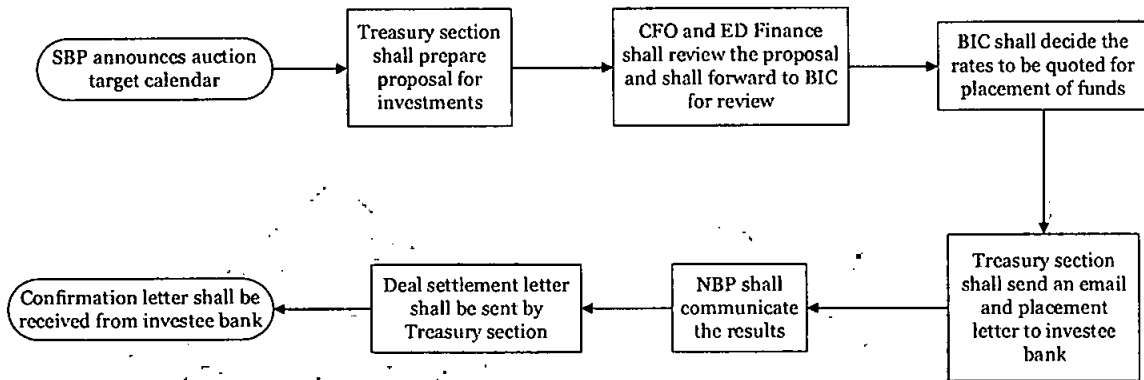
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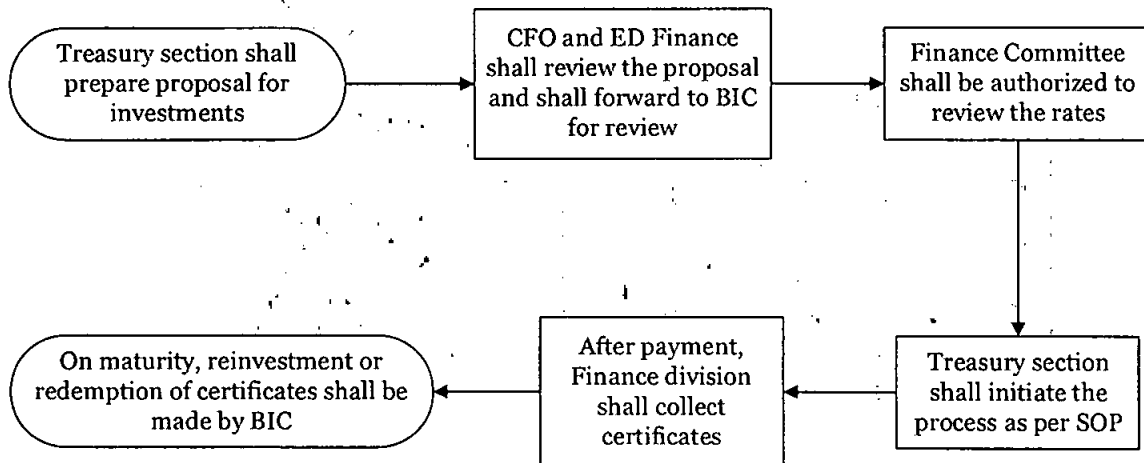


12. FLOWCHARTS

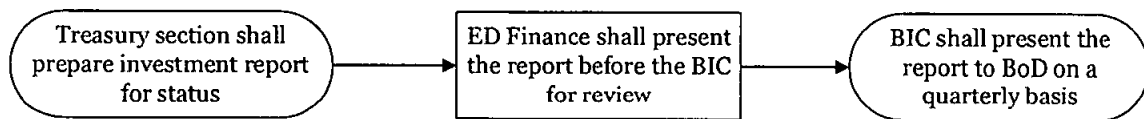
Market Treasury Bills (MTBs), Pakistan Investment Bonds (PIBs) & Sukuks



National Savings Certificates

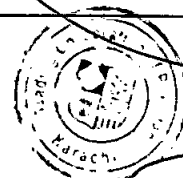


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13. ACRONYMS

S. No.	Acronyms	Description
1	MoF	Ministry of Finance
2	FVPL	Fair Value Profit & Loss
3	FVOCI	Fair Value Other Comprehensive Income
4	CFO	Chief Financial Officer
5	BIC	Board Investment Committee
6	MTB	Market Treasury Bill
7	IPS	Investor Portfolio Securities
8	AR	Accounts Receivable
9	PIB	Pakistan Investment Bond
10	TFC	Term Finance Certificates
11	ED	Executive Director
12	FC	Finance Committee

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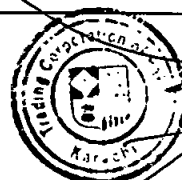


14. GLOSSARY

- i. **Financial instrument:** A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
- ii. **Debt Instrument:** Debt instrument is a type of source of finance issued with a fixed interest rate and a fixed tenure.
- iii. **Financial assets:** Financial assets refer to assets that arise from contractual agreements on future cash flows or from owning equity instruments of another entity.
- iv. **Market Treasury Bills:** These are government bonds or debt securities with maturity of less than a year.
- v. **Pakistan Investment Bonds:** Medium to long-term investment instruments with fixed/floating coupon payments guaranteed by the Government of Pakistan.
- vi. **Sukuks:** A sukuk is a sharia-compliant bond-like instruments used in Islamic finance.
- vii. **National Savings Certificate:** NSC is launched by Govt. of Pakistan specifically designed to meet the short-term financial requirements of the depositors.
- viii. **Short term investment:** Short-term investments, also known as marketable securities or temporary investments, are financial investments that can easily be converted to cash, typically within 3 months, 6 months and no longer than a year.
- ix. **Long term investment:** Long-term investments are assets that a company intends to hold for more than a year.
- x. **Liquidity:** Liquidity refers to the efficiency or ease with which an asset or security can be converted into ready cash without affecting its market price.
- xi. **Yield:** Yield is a return measure for an investment over a set period of time, expressed as a percentage.

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