



CODE OF CONDUCT – ETHICS AND BUSINESS PRACTICES

OBJECTIVES

The objective of this document is to make and project the Bank as a professionally run and successfully managed profitable Bank with high standards, morals and ethics and recognized so by others within and outside the country.

To achieve the above objective, all the employees and the directors of the Bank must fully comprehend and follow the standards of ethics and business practices.

STANDARDS

Summarized below are standards to further escalate that each member of the BAL's family understands what is expected from him / her in carrying out daily Banking activities. These standards must always be upheld in day-to-day activities of individual employee in conducting Bank's business.

The standard of business conduct and ethics, which the Bank expects from all of its employees, is a condition of employment with the Bank to be reviewed annually at the time of performance appraisal of an employee.

RESPONSIBILITIES OF INDIVIDUAL DIRECTORS

A director shall not be associated with illegal activity especially relating to Banking business, nor would he engage himself in the business of stock exchanges, money changer, or be a member of stock exchange or corporate brokerage house.

A director shall:

- Disclose any conflict of interest.
- Notify in writing the company secretary, if he or his spouse intends to sell or buy or take any position in the shares of the Bank.

A director would always adhere to the highest moral conduct & best business practices and:

- Must devote necessary time and attention for fulfillment of responsibilities.
- Be aware of the Bank's business, financial conditions and contribute meaningfully to the Board's objectives.
- Attend Board Meetings.
- Request for additional material and explanation when needed. (do not hesitate to ask questions)
- Understand audits and supervisory communications.
- Exercise independent judgment.
- Remain focused on the Bank's objectives.
- Refrain himself/herself from being involved in insider trading OR disclosing any material information to outsiders in this regard

OVERALL RESPONSIBILITY OF EMPLOYEES

Each Bank employee has a responsibility to:

- Conduct Bank's business with honesty, integrity and in a professional manner.
- Avoid any action that may be viewed or be repugnant, unethical or unlawful on his / her part by the customer / public at large or the Bank itself.
- To understand and comply with the legal/regulatory requirements and internal policies and procedures of the Bank that applies to the duties assigned to the employee.

- Avoid any activities that could involve or lead to involvement in any unlawful or unethical governance practice.
- Avoid participation in any political or subversive activities and abstain from gambling, betting and wagering contracts; OR
Obtain prior permission from the Management for any level of involvement in political activities such as acceptance of any significant post in any political party or participation in Political Party's internal Elections for a significant position or participation in General/Local Bodies Elections. If such permission is not granted by the Management then the employee has to discontinue aforesaid political activities.
- Personal conduct towards the Bank, the other employees and customers of the Bank should be exemplary and he/she is expected to behave with decorum both during office hours and at other times.
- Safeguard the confidential information of the Bank and its customers.
- Avoid actual or potential conflicts of interests in transactions on behalf of the Bank.
- Provide accurate and reliable information in records submitted.
- Promptly report to the Bank any violation of law or ethical principles of the Bank and its policies that come to the employees' attention.

GENERAL GUIDELINES

1. CONFIDENTIAL INFORMATION

During the course of employment and after its termination for whatever reason, the employee must not disclose to anyone (nor use for any purpose other than the business of the Bank) any information relating to the Bank or its employees which is not already available to the public, unless authorized to do so. Such information includes customer data, product manuals, technical secrets, and confidential research work, technical processes, operating manuals, marketing plans and strategies and other confidential financial or business information of the Bank.

The confidentiality of non-Banking information must also be respected regardless of how an employee comes across it. If an employee receives or holds information which he knows or believes is confidential to another person/organization, e.g. a competitor or former employer, he should not use that information or disclose it to anyone else in the Bank. The distinction between confidential information which should be treated in this way and other non-protected information is not always clear. If in doubt, consult Human Resources Division.

The employee will not trade in relevant investments or indulge in giving tips to another person or dealing on behalf of relatives, friends or any other third parties, whilst in possession of non-public price sensitive information.

The employees of the bank are strictly prohibited to disclose the fact to the customer or any other quarter that a suspicious transaction or related information is being or has been reported to any authority, except if required by law.

Confidential information concerning a customer or a supplier must never be disclosed to a third party except pursuant to a



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statute or regulation, or a court order or other legal process, or after receiving consent of the customer or supplier in writing.

Likewise, proprietary BAL information i.e. confidential information about Bank's business or business plans, products and services, marketing methods, technology or systems, must never be disclosed to a third party except pursuant to a statute or regulation, or a valid, court order.

For these purposes, "confidential information" is non-public information about BAL or a customer or supplier that would be useful to a competitor or important to an investor in deciding whether to purchase, hold or sell any BAL shares, or the shares of a customer or supplier.

The employees of the bank shall not only abide by the bank's policies, local laws and regulations but also stand firmly against the activities of groups and/or individuals who unlawfully threaten public order and safety.

2. RECORDING OF INFORMATION

No unrecorded fund or assets of Bank shall be established or maintained for any reason. No false, artificial or misleading entries in the books and records of Bank shall be made for any reason. All reporting of information should be accurate, honest and timely and should be a fair representation of the facts.

3. CONFLICT OF INTEREST

A conflict of interest arises when any employee permits the prospect of direct or indirect (e.g. through a family connection) personal gain to influence his/her judgment or actions or more generally, when he/she favors someone else's interest over that of the Bank's or any of such customer in the conduct of Bank's business.

An employee may not hold a position of director, consultant, employee, representative or agent with any supplier, competitor or organization either doing or seeking to do business with Bank without prior written consent of the Bank's Central Management Committee, CEO or Board of Directors. If any immediate family member holds a position with any organization doing or seeking to do business with the Bank, a written disclosure must be made promptly to his/her manager/Human Resources Division.

An employee may not hold interest in any organization doing business with the Bank unless it is a company/establishment quoted on a Stock Exchange and the interest is less than 1%, without the written consent of his / her manager.

If any employee wishes to undertake a non-executive director, trustee or supervisory position with external organizations, the employee must obtain the consent of the Central Management Committee, Legal & Corporate Affairs Division, CEO or Board of Directors. In considering any requests, the following factors will normally be taken into consideration:

- 3.1 The amount of time required to fully discharge the duties of the position, particularly any periods required during normal working hours.
- 3.2 Employee's current workload and performance level. Permission will not be given if it is envisaged that the extra responsibilities will impair

employee's ability to perform his/her role in the Bank or affect his health.

- 3.3 The nature of the organization offering the position. Permission may be refused if the appointment is considered to be commercially, politically sensitive or exposes the Bank or the employee to charges of commercial indiscretion.

- 3.4 The potential within the position for development of key competencies, valuable to the employee or the Bank.

In the event that consent is obtained, any remuneration received for work carried out can be retained by the said employee of the Bank.

4. MISDECLARATION

An employee shall not make any misdeclaration. A misdeclaration constitutes, amongst other reasons, the following examples:

- 4.1 An employee issuing an incorrect account statement, salary certificate or any other information for any customer or staff member.
- 4.2 An employee issuing a fake claim for reimbursement of any expenses whereby either the expenses are inflated and/or the difference between salaries claimed for driver / guard etc. and what is actually paid to them is pocketed by the staff member.

5. NOTIFICATION OF IMPROPER CONDUCT

If an employee believes that someone has acted or may be acting improperly in contravention of the principles set out in the Bank's Code of Conduct, employees are encouraged to inform the Bank of these concerns. Such concerns may be over health and safety matters, financial malpractice, discrimination or unethical conduct.

The employee should raise concerns by surface mail or inter-office mail to the following address, marking the envelope CONFIDENTIAL:

Head of Audit & Inspection,
Bank Alfalah
Address
Audit & Inspection Group
1st Floor, Shadin Manzil
Shahrah-e-Quaid E Azam (Mall Road)
Lahore, Pakistan
Ph: 042-38004350
IP#: 4350
Electronically send e-mails to
whistleblowing@bankalfalah.com

It is the responsibility of the concerned manager or senior executive to:

- 5.1 Respond to the concerns (if the manager is already aware of the situation and satisfied that there has been no improper conduct).



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- 5.2 Conduct an investigation into the matter if it is within his / her area of responsibility and there are grounds for concern.
Or
raise the issue with the appropriate manager if the matter is outside his / her area of responsibility.
- 5.3 Communicate the outcome of any investigation to the employee. Where action is not taken, an explanation should be provided without disclosing anything of a confidential nature.
- 5.4 During any discussion or investigation, it may become apparent that other Divisions should be consulted by the manager e.g. Internal Audit or Legal or Human Resources. It may also become appropriate to process the matter through other existing procedures (such as the disciplinary procedure).
- 5.5 If, after discussing the matter with employee's concerned manager or senior executive, and continues to have concerns, he/she may contact directly the Internal Audit or Legal or HR & Learning Group, as described above.
- 5.6 An employee will not be penalized for expressing personal concerns in good faith. Raising unfounded allegations with malicious intent, however, is a serious disciplinary matter as is victimizing or deterring employees from raising a concern about improper conduct.

The Bank will endeavor to maintain confidentiality in respect of all concerns raised.

6. DEALING WITH OUTSIDE AGENCIES

As a matter of policy, no gift of any value will be offered or made and no lavish entertainment offered or extended to any government or private official or employee. Entertainment of an employee, agent or official of the Federal Government, State or Local Government entity is limited to routine lunches or dinners occurring during the conduct of regular business and that only to the extent that it is not in violation of the policy of the Government Entity involved and has duly been sanctioned by the Bank.

7. KNOW YOUR CUSTOMER, VENDORS AND COUNTER PARTIES

In order to safeguard the Bank's reputation and integrity, it is not only necessary for employees to discipline their own actions, it is also necessary to be aware of the character and actions of customers, vendors and counter parties. Care must be exercised in selecting those with whom we deal, and each Bank Alfalah business must have processes in place for checking on the credit and character of customers, vendors and counter parties.

Employee must ensure that the Bank establishes relationship with only those individuals, businesses and entities who have sound reputation and whose true identity has been established. Employee should conduct maximum caution in opening new accounts and before opening ensures that due diligence steps

are completed for identification and verification of the prospective customers as per guidelines provided in bank's AML/CFT Policy & relevant Procedures.

8. GIFTS & ENTERTAINMENT

At certain times of the year some customers, suppliers, contractors and consultants to the Bank may present gifts or arrange entertainment for employees. While the sentiments behind such actions are usually genuine, there is a possibility that they may be misconstrued by others. In a minority of cases such actions may not be in the best interest of good working relationships.

A good rule of thumb may be to consider the following:

IF YOU WANT IT DON'T TAKE IT IF YOU DON'T WANT IT – WHY TAKE IT?

Gifts may be presented locally or internationally in the form of Cash or in kind of services, either free or discounted.

PRECAUTIONS / GUIDANCE

An Employee should never allow him/herself to be in a position whereby he/she might be deemed by others to have been influenced in making business decisions as a consequence of accepting a gift or hospitality. Following are the specific guidelines to be strictly followed:

- 8.1 Employees are not allowed to accept gifts from companies or individuals with whom the Bank does business. Examples are:
- Kickbacks in cash from customers, suppliers or contractors
 - Gifts from customers, suppliers or contractors
 - Services from customers, suppliers or contractors
 - Invitations to elaborate functions by customers, suppliers or contractors, especially those with lucky draws involving expensive prizes.
 - Foreign holidays or tours arranged/paid by customers, suppliers or contractors.
 - Gifts with commercial value from travel agents, hotels, or insurance companies.
- 8.2 Employees are allowed to accept only minor items such as small number of inexpensive items like calendars, diaries, desk pads and pens usually bearing a company logo. In no case should the specialty items be valued at more than Rs.1,000/= Department Heads should be consulted if any doubts are encountered.
- 8.3 If the employees are offered gifts, other than minor items as listed above, they should politely but firmly decline them, referring to Bank policy, if necessary.
- 8.4 If gifts are delivered at their houses or workplace and cannot be easily returned without incurring embarrassment, they must hand over gifts to the Human Resources Division, which will consider the most appropriate ways of dealing with them.



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- 8.5** As a recipient of any gift, employee will write to the senders acknowledge receipt of the gifts, inform them of the course of action taken and inform them of the Bank's policy in acceptance of gifts.
- 8.6** Gifts from airlines arising from business travel such as travel bags, pens and toiletry sets will be allowed along with the accrual of air miles in appropriate schemes. Cash reimbursements or deals offering refund or free air tickets or lodging must be returned to the company marking the same.
- 8.7** The employee must not accept hospitality unless it is business related. The frequency and scale of business related hospitality should not be significantly greater than what the Bank is likely to reciprocate. Invitations to suppliers' social events, sports or theater tickets, golf outings, non business dinners etc. should generally be avoided.
- 8.8** Generally, when employees travel to visit a supplier and a lunch/dinner meeting is appropriate, the customers/suppliers will many times pay for it. When the same supplier visits Bank, the concerned unit's staff should reciprocate with lunch/dinner and turn in an expense report.

9. PURCHASING ACTIVITIES

The staff involved in purchasing Department is many times the first or perhaps the only Department with which a non-Banking person or group has contacts. It is, therefore, essential that all personnel who are directly or indirectly responsible for Bank's expenditure behave both professionally and ethically. The intent and appearance of unethical or compromising practice in relationships, actions, and communications must be avoided. Many times the way in which an outsider views this department/unit is the way they view the Bank as a whole.

The following set of guidelines is mandatory for all members of the Department:

- The employee should never use his/her authority or office for personal gain and shall seek to uphold and promote the standing of the Bank and the Purchasing Department by;
- Maintaining a standard of integrity above reproach, in all of their business relationships both inside and outside the Bank.

10. ENGINEERING

On work related to expansion of branch network, employees must adhere to the highest standard of ethical conduct, and exercise extreme caution in arranging or supervising or contractual work related to construction, erection, renovation installation of electrical / civil / mechanical work fittings or furniture etc. Employees must ensure that such relations are strictly in line with the term of the contract and no undue advantage is extended or received from such entities. If any undue deviation or influence is felt the same must be brought to the attention of the competent authority for redress.

11. ADVERTISING

Advertising staff, must also adhere to the highest standard of ethical conduct in interaction with vendor, advertising firms or newspapers agencies. The jobs entrusted must strictly conform to policies of the Bank in all related dealings.

Employee will be truthful in all advertisings and promotional efforts and shall publish only accurate information about the Bank's operation under valid authority as prescribed in Bank's policy. Any advertisement published on behalf of the bank should be duly approved by the competent authority.

Employee will not give any interview on behalf of the bank or in his/ her official capacity in the print/ electronic media or road talk shows or have his / her photographs displayed in any official capacity nor be allowed to participate or act in television/ stage plays or in any media or cinema without having permission from the competent authority.

12. INSURANCE

Most of the insurance companies to generate business for themselves offer a number of inducements to staff. The employee dealing with such entities for coverage of Bank assets, transit items or obtaining policies on behalf of customers for their trade finance or consumer products must exercise due care and caution; negotiate the best advantageous coverage without any other consideration for self. The employee will not act as agent for an insurance company.

13. OTHER CORPORATE ETHICAL POLICIES:

Here are some other important corporate ethical policies and requirements:

- 13.1** If an employee wishes to become officially involved with any outside corporation or other organization as director, trustee, officer, consultant or advisor, such involvement must first be approved by the Central Management Committee or the CEO.
- 13.2** An employee must obtain the consent of the CEO and Human Resources Head before submitting a work for publication or making a public speech. Generally, approval will be granted if the writing or speech furthers legitimate BAL business interests and does not involve the disclosure of confidential BAL's information.
- 13.3** Our internal ethical standards are the results of shared moral convictions. Rationales such as 'everyone in the market does it' or 'our competitors do it' cannot be countenanced as permitting deviations from our standards.
- 13.4** The employee will not indulge in any kind of harassment or intimidation whether committed by or against any senior/ junior, co-worker, customer, vendor or visitor. He/ She will not use language, written or spoken in intra-office communication(s) or communication(s) with any individual within or outside the office that may contain any statement or material that is offensive to others. He/ she will not engage in any discrimination against an individual's race, colour, religion, gender, age, marital status,



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sexual orientation or disability to comply with Harassment of women act 2010.

- 13.5** Employee will make sure good attendance & punctuality and demonstrate a consistently good record in this area, for any absence during working hours, he/ she will obtain written permission of his/ her immediate supervisor. He/ she will not absent himself/ herself from his/ her duties, nor leave his/ her station over-night, without having first obtained the permission of the competent authority. In case of emergency, if it is not possible to obtain prior permission, necessary permission/ confirmation will be obtained from the competent authority within 24 hours.
- 13.6** In case of any changes in the relevant information of an employee, he/ she will immediately inform his/ her supervisor and the supervisor shall intimate Human Resource Division.
- 13.7** Compliance with laws, regulations and ethical standards is an important element of your obligations to our customers, our stockholders, the general public and, other staff. It is essential to our success that we take compliance seriously. Each employee of the Bank should think of compliance as a personal responsibility and should be expected to be held accountable for all compliance-related activities.

14. BRIBERY & MISCONDUCT

An employee will be guilty of an offence, who, without lawful authority or reasonable excuse:

- 14.1** Solicits or accepts any advantage as an inducement or reward for doing or intending to commit any action in relation to the Bank's affairs or business, or
- 14.2** Showing or intending to show favors or disfavor to any person in relation to the Bank's affairs or business;
- 14.3** Offers any advantage to any one as an inducement or reward for or otherwise, or
- 14.4** Intends to deceive the Bank by using any receipt, account or other document which is false or erroneous or defective in any way and which to his knowledge is intended to mislead the Bank.

15. FRAUD, THEFT OR ILLEGAL ACTIVITIES

Employees shall be alert and vigilant with respect to frauds, thefts or illegal activity committed within the office. If any such activity comes to the attention of an employee, the employee must immediately report the same to the Manager, Area Manager, Group Head/ GM/ GH, COO, Compliance Division and to the Audit Division, who will arrange for appropriate follow-up action to be taken. Failure to report any such activity will be subject to disciplinary action.

16. MONEY LAUNDERING/ TERRORIST FINANCING

Bank has set its priority not to become implicated, in any way, with individuals or firms involved in criminal activities,

money laundering/terrorist financing, activities, employees are expected to exercise maximum caution in this regard.

The employee should know the customer, be vigilant for unusual circumstances and immediately report any suspicious activity to the Chief Compliance Officer, Compliance Division for further guidance/necessary action. Failure to report any such activity will be subject to disciplinary action.

17. OFFENCES & PUNISHMENT

When an employee of the Bank commits a breach of the policies, discipline and knowingly does something detrimental to the interest of the Bank, he/she may be subject to punishment which may range up to immediate termination in accordance with the Bank's policy.

The Bank, in its sole discretion, shall determine what act or omission constitutes misconduct, breach of trust or negligence of duty.

18. CONCLUDING GUIDANCE

In making a decision about the propriety of a particular action, whether or not it is covered specifically by this Bank Code of Conduct, employee should ask himself the following question: "Would I feel comfortable in explaining this action to my family or close friends or seeing my action reported on the front page of my local newspaper?" The Bank and employees are best served when the answer is an unqualified "Yes".

19. IMPLEMENTATION

Every year, Bank's HR & Learning Group will issue this Statement of Ethics and Business Practice (Code of Conduct) and Employee Certification. This will be circulated to all the management staff in general and to all staff in Head Office and Branches.

Any clear infractions of the points mentioned in this document will be subject to disciplinary action, which may include reprimand, demotion or dismissal, depending on the seriousness of the offense. In addition, disciplinary measure will apply to any supervisor who directs or approves infractions or has knowledge of them and does not move promptly to correct them in accordance with this statement.

20. INSIDER TRADING

An employee shall be liable to criminal and civil offence where he/she is found buying or selling a company's stock or other securities while in possession of Inside Information or disclose Inside Information to another person who then trade in securities. Hence employee having access to any "material information" should not make it public and refrain to disclose such information to within and outside the Bank.

21. COMMITMENT TO FAIRNESS

To be fair, all employees must:

- Respect the human rights, dignity and interests of all stakeholders including but not limited to colleagues, suppliers and competitors;
- Refrain from selling an unsuitable product (i.e. a product that does not meet the needs) to a client. As doing so is mis-selling and may expose the Bank to regulatory penalties, reputational damage and legal action by customers.



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- Know enough about the products they are selling and about the customer (e.g. risk, appetite, objectives, finances and personal circumstances) to judge the effect, which those products will have and whether they will meet the customers’ needs.
- Must make every effort to ensure that the client understands the product and its risks, for all products, especially complex ones; Never attempt to acquire information regarding a competitor’s business by disreputable means;
- Provide accurate and objective evaluations of job effectiveness and performance of those they may supervise – (evaluations that relate to performance, transfer or promotional considerations); and
- Ensure the appropriate distribution of job responsibilities and workload of those they may supervise.

Financial products and services are sophisticated tools and selling these products, calls for knowledge, skill and judgment. Therefore, employees must carefully follow the above mentioned points when selling a product/service to any client.

22. COPY RIGHTS

Employee will not make unauthorized copies, nor pass on to anyone outside the bank documents/material/information/policies/manuals, electronic and physical data or computer programs etc. Any work that employees undertake for the bank is the sole property of Bank and that should be kept secret.

23. COMPUTER, EMAIL & INTERNET USAGE

E-Mail and Internet usage is provided to those employees only, where their job assignment entails internet research/usage or internal/external communication. The Bank Internet and e-mail access may not be used for transmitting, retrieving or storing of any communication of a defamatory, discriminatory or harassing nature or materials that are obscene or unsuitable. No messages with derogatory or inflammatory remarks about an individual's race, age, disability, religion, national origin, physical attributes or

sexual preference will be transmitted. Harassment of any kind is prohibited. It is to be ensured that correspondence is only for official purposes.

Use of computer resources is strictly limited to business requirements. Employees should be aware that e-mails are not confidential and may be accessed for monitoring purposes. Any breach of IT security protocol that involves private business use or unsuitable material will be considered as a disciplinary matter. Employees will be accountable for all activities created under their password in this case and treated as gross misconduct therefore they should not share their passwords with anyone.

24. OUTSIDE EMPLOYEMENT

Employment with the Bank is and should be seen as a full-time occupation and for this reason other employment or business association shall not be taken up without the written consent of the Chief Executive.

For purpose of this section of the Code, “Outside employment of any kind” includes, but is not limited to, acting as an officer, employee, proprietor, partner, agent, independent contractor or advisor or any in similar capacity.

25. DRESS CODE

Dress code for all male employees of the Bank is suit and necktie Female employees should also dress elegantly (keeping in mind our cultural norms) without being ostentatious. Employee may wear national dress on Fridays. Similarly, staff members of units not dealing directly with customers may attend office without jackets and neckties (business casual dress) on Saturdays (subject to working day on Saturdays as per SBP guidelines). Non clerical staff i.e. messengers, security guards, office boys, machine operators, maintenance staff will always be in uniform. Islamic Banking Group’s dress policy will be applicable for employees working at Islamic Banking Group.

26. HEALTH & HYGIENE

Staff shall ensure proper dressing/attire and appearance along with due hygiene which may not only enhance the image of the employee but also of the bank.

CERTIFICATION STATEMENT

I certify that I have read and understood the foregoing Statement of Code of Conduct – Ethics and Business Practices approved in the 2nd Board meeting of 2015 held on April 22, 2015.

I agree to abide by the code of conduct as setout under the heading “*Responsibilities of Individual Directors*”

Signature : _____ **Name** : _____

Designation : Director **Date** : _____