

Shariah Control Committee

— Certificate of Shariah Compliance —

Shariah Control Committee ("SCC") of Islamicly has reviewed the structure, methodology, and process underlying the **Islamicly App Stock Screening Product**, for compliance with Shariah principles.

In the name of Allah, the Most Gracious, the Most Merciful, All praise is due to Allah, the Cherisher of the world, and peace and blessing be upon the Prophet of Allah, on his family and all his companions

We certify that

ISLAMICLY STOCK SCREENING PRODUCT

developed under the guidance of Islamicly's Shariah Advisory Board, has been evaluated and is in

SHARIAH COMPLIANCE

This Master Certificate confirms the Shariah-compliant governance framework under which the Screening Product operates, and remains valid unless suspended, revised, or revoked by the SCC. The applicable stock screening methodology is outlined in Annexure A.

Current screening methodology, thresholds, and any updates thereto are maintained separately and verified through **semi-annual Audit Certificates**, issued by the SCC.

And Allah knows best.



Dr. Mohamed A. Elgari



Dr. Nazih Hammad



Dr. Muhammad Amin Qattan



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Annexure to Master Certificate

Islamicly Shariah Control Committee

The Undersigned Shariah Control Committee of Islamicly, through the following statement, to establish the principles governing the screening of stocks and the inclusion of companies in the investable universe.

The below Shariah equity screening methodology is in line with applicable AAOIFI Shariah Standards.

Shariah compliance screening of stocks takes place at two levels:

1. Level One – Sector based screening
2. Level Two – Accounting Ratio based screening

Core Business Sector-Based Screens

Business activities related to the following sectors are excluded:

1. Alcohol

Brewers, distillers, packagers, wholesalers, transporters, sellers – including pubs, bars, restaurants etc.

2. Financial services

Except:

- Islamic Banks
- Islamic Financial Institutions
- Islamic Insurance Companies

The key factors determining an Islamic financial institution are:

Presence of a Shariah Supervisory Board or mechanism having Shariah scholars

A statement by the company/institution's board that it is operating as fully Islamic

3. Gambling

Lottery and casino operations, online gambling, gambling software developers, betting companies, gambling machine manufacturers, gambling promoters, advertisers and marketers, gambling simulation games.

4. Pork related activities

Retailers, manufacturers and distributors of food products containing pork.
Restaurants selling pork items.
Animal feed producer's specifically made for swine livestock.

5. Music, Pornography & Adult Entertainment

Producers, promoters, broadcasters and marketers, publishers of all types of adult entertainment/pornographic/explicit content. Games containing adult themes.
Music content – videos or audio, cinemas, conventional movies and shows:

Exceptions

- News Channels
- Newspapers
- Sports channels
- Children's channels
- Educational Channels

6. Tobacco and electronic cigarettes/vaping products

Producers, processors, packages, retailers or tobacco products.
Electronic equipment used to consume tobacco – either synthetic or natural.
Tobacco alternative products meant for consumption as tobacco.

7. Cannabis Products

Recreational Cannabis and products derived from Cannabis
Producers, growers, manufacturers, distributors and retailers selling Cannabis based products irrespective of the medium of consumption for recreational usage.

Exceptions

- Cannabis based products which are produced, sold and consumed under medical supervision for health reasons.

8. Advertising

Advertisers of pork, alcohol, gambling, tobacco, conventional financial services, and all other non – Islamic activities.

Advertising means and modes which contravene the tenants of Islam

Advertising content producers, designers, promoters, brokers and agencies, publishers involved in such advertising which contravenes the tenants of Islam

9. Trading of gold and silver as cash on deferred basis

Tolerance to Impure incomes

If a company derives less than 5% of its total income from Operating Business Non-Permissible segments plus all kinds of interest income, it may still be deemed to have passed the Level Core Business Sector – Based Screens.

Exception:

If an IPO company derives less than 5% of its total business incomes (excluding non-operating interest income) from such non – permissible sectors, it may be tolerated and the company will still be deemed to have passed the Level One Core Business SectorBased Screens

During the screening process, each company's latest financial statement should be reviewed to ensure that the company is not involved in any non-Shariah compliant activities, regardless of whether the latest statement is a quarterly, semi-annual or annual statement.

If the latest statement is available in all three of these frequencies an annual statement will likely be used, as these are more likely to be audited. Those that are found to be non-compliant are screened out. The above industries are not considered Shariah compliant and would not be permissible for investment by Shariah compliant investors.

Accounting Ratio-Based Screens

After removing companies with non-compliant business activities, the rest of the companies are examined for compliance in financial ratios, as certain ratios may violate compliance measurements.

Three areas of focus are leverage, cash and the share of revenues derived from non-compliant activities. All of these are subject to evaluation on an ongoing basis.

Leverage Compliance

This compliance is measured as:

$\text{Debt} / \text{Market Value of Equity (36-month average)} < 30 \%$

Cash Compliance

This compliance is measured as:

$(\text{Cash \& Deposits} + \text{Interest Bearing Securities}) / \text{Market value of Equity (36 month average)} < 30\%$

Revenue Share from Non-Compliant Activities

Revenues from non-compliant activities can be tolerated, if they comply with the following threshold:

$(\text{Operating Business Non-Permissible Incomes including all Interest Incomes}) / \text{Total Income} < 5\%$

Dividend Purification Ratio

Companies which pass the above criteria are eligible for investment by Islamic investors but are subject to purification of dividends to the extent of their impure income. Hence, dividend purification needs to be carried out.

For the purposes of computing the purification ratio, all impure incomes will be classified as:

a. Operating Business Non-Permissible Income:

Income derived from such sources which are considered non-permissible as defined under Level Two Screening – Business Activity

b. Interest income:

All interest incomes, whether operating or non-operating in nature.

c. Non-Permissible Investment Income:

Income derived from such financial investments which are non-operating in nature

d. Non- Permissible Non-Operating Income:

Such ancillary Non-permissible income which is not derived from operating businesses.

This ratio is provided to investors for purification purposes and is calculated as:

$$\frac{(\text{Operating Business Non-Permissible Income} + \text{Interest Income} + \text{Non-Permissible Investment Income} + \text{Non-Permissible Non-Operating Income})}{(\text{Total income})}$$

This ratio has to be applied on dividends received from the company and the resultant value needs to be purified by donating to any charitable cause.

This purification ratio need not be applied on trading gains made on Shariah compliant stocks.

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