

# Statement of Compliance

with the Best Practices of the Code of Corporate Governance

## INTERNATIONAL STEELS LIMITED

June 30, 2016

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of the Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category / Names	Names
<b>Independent Directors</b>	Mr. Kemal Shoaib
	Mr. Tariq Iqbal Khan
	Syed Salim Raza
	Mr. Kamran Y. Mirza
<b>Executive Director</b>	Mr. Yousuf H. Mirza
<b>Non-Executive Directors</b>	Mr. Towfiq H. Chinoy
	Mr. Kamal A. Chinoy
	Mr. Mustapha A. Chinoy
	Syed Hyder Ali
	Mr. Kazuteru Mihara

The independent directors meet the criteria of independence under clause i(b) of the Code of Corporate Governance.

2. The Directors have confirmed that none of the directors is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIL or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The Board of Directors appointed Mr. Yousuf H. Mirza as the new Chief Executive Officer of the

Company w.e.f. 14 August, 2015 following the retirement of Mr. Towfiq H. Chinoy as the Managing Director & CEO of the Company on August 13, 2015. In addition, Mr. Kazuteru Mihara was appointed as a director on April 13, 2016 to fill in a casual vacancy created by the resignation of Mr. Otomichi Yano. There was no other change in the Board of Directors of the Company.

5. The Company has prepared and updated a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.



6. The Board has developed a vision/mission statement and reviews and approves business plans and overall corporate strategy. The Company has also developed significant policies which were approved by the Board of Directors after due consideration. A complete record of particulars of significant policies and procedures, where needed, have been developed and adopted during the year. The Company has documented the following policies and statements in compliance with the Code of Corporate Governance:
  - a) Our Vision
  - b) Our Mission
  - c) Code of Conduct
  - d) Our Values
  - e) Budgetary Control Policy
  - f) Profit Appropriation Policy
  - g) Acquisition of Fixed Assets
  - h) Related Party Transaction Policy
  - i) Human Resource Policies
  - j) Directors' Remuneration Policy
  - k) Speak Up Policy
  - l) Investment Policy
  - m) Policy for Write Off of Bad Debts , Advances and Receivables
  - n) Borrowing Policy
  - o) Policy for CSR
  - p) Board Evaluation Policy & Procedure
  - q) Stores and Spares Policy
  - r) Credit Policy
  - s) Investors Relations Policy
7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, and non-executive directors, have been taken by the Board/shareholders.
8. All meetings of the Board were presided over by the Chairman, who is an independent non-executive director. The board met seven times, which includes meeting at least once in every quarter. The Board normally meets at least once in every quarter to consider the operational results out of which one quarterly meeting in addition includes the strategy of the Company. Also the Board meets once a year to consider the budget for the following year however, this year the Company had two meetings to discuss the Company's budget. Besides, there was one additional board meeting held during the year for the appointment of new Chief Executive Officer of the Company. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated to the Board of Directors.
9. Orientation Program for the Board of Directors was conducted in 2010, when the BOD met after elections. A detailed briefing session was also conducted for the Board when the Revised Code of Corporate Governance was implemented by SECP in 2012. The directors have also been provided with copies of Listing Regulations of the Pakistan Stock Exchange Ltd., Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities. All the directors have been re-elected in October 2013; the management keeps the Board abreast with the latest changes in the business environment and regulatory framework.
10. Six directors have acquired the formal training certificates in earlier years. Majority of the directors has more than 14 years of education and 15 years of experience on the Board of at least one listed company, in terms of section (xi) of the Code of Corporate Governance. The Company however intends to facilitate further training for the directors in near future as defined in the Code of Corporate Governance.
11. The Board has approved the appointment, remuneration and terms & conditions of employment of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Company Secretary and Chief Internal Auditor.

12. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed except for:

Due to security reasons the Company has not disclosed the information as required under clause (xvi) and sub-clauses (j-iii) directors and their spouse(s) and minor children (name wise details), and clause (xvi) (l) all trade in the shares of the listed company, carried out by its directors, executives and their spouses and minor children as mentioned in the Code of Corporate Governance. The Company has applied for relaxation before Securities and Exchange Commission of Pakistan for the above on August 12, 2016. However, reply is yet to be received.

13. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
14. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the CCG.
16. The Board has formed an Audit Committee. It comprises 3 members; of whom all are Non-Executive Directors, out of which the Chairman and one member are Independent Directors.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and noted by the Committee for compliance.
18. The Board has formed a Human Resources & Remuneration Committee. It comprises 5 members; the Chairman of the Committee is an independent director, whereas the remaining

members comprise one executive director and three non-executive directors. The Terms of Reference of Human Resources & Remuneration Committee has been approved by the BOD and noted by the Human Resources & Remuneration Committee for compliance.

19. The Board has setup an effective Internal Audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
20. The Statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
21. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and Pakistan Stock Exchange.
23. Material/price sensitive information has been disseminated among all market participants at once through Pakistan Stock Exchange.
24. We confirm that all other material principles contained in the Code have been complied with except for those stated above towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year.



**Tariq Iqbal Khan**  
Chairman –Audit Committee



**Yousuf H. Mirza**  
Chief Executive Officer



## Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of International Steels Limited ("the Company") for the year ended 30 June 2016 to comply with the requirements of Listing Regulations of Pakistan Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2016.

Further, we highlight instances of non-compliance with the requirement of the Code as reflected in paragraph 12 of the annexed Statement with respect to non-disclosure of pattern of shareholding and trades in the shares of the Company by certain persons as required by clause (xvi) of the Code of Corporate Governance. The Company has applied to the Securities and Exchange Commission of Pakistan (SECP) for relaxation from such compliance and currently awaits their response in this regard.

Karachi  
12 August 2016

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Moneeza Usman Butt