

GOVERNANCE FRAMEWORK

The main philosophy of business followed by the sponsors of International Steels Limited for the last many decades has been to create value for all stakeholders through fair and sound business practices, which translates into policies approved by the Board implemented throughout the company to enhance the economic and social values of all stakeholders of the company.

Our Governance strategy is to ensure that the Company follows the direction defined by its Core Values, current regulatory framework and global best practices. The Board, discharges its responsibilities as defined by the Companies Act, 2017, Code of Corporate Governance Regulation 2019, Rule Book of the Pakistan Stock Exchange Limited and the Corporate Financial Reporting Framework of Securities and Exchange Commission of Pakistan. Our approach towards corporate governance ensures ethical behavior, transparency, accountability in all that we do and to attaining a fair value for the shareholders.

Compliance Statement

Living up to its standards the Board of Directors has, throughout the year 2020-21, complied with the Code of Corporate Governance, Rule Book of the Pakistan Stock Exchange Limited and the Financial Reporting framework of Securities & Exchange Commission of Pakistan (SECP).

The Directors confirm that that the following has been complied:

- a) The financial statements have been prepared which fairly represent the state of affairs of the company, the result of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent business judgment.
- d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom have been adequately disclosed and explained.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. The Internal Audit function is led by the Chief Internal Auditor supported by in-house staff.
- f) There are no significant doubts upon the company's ability to continue as a going concern.
- g) There is no material departure from the best practices of corporate governance as per regulations.

The Board of Directors

The Board of Directors consists of qualified individuals possessing knowledge, experience and skills in various professions, with the leadership and vision to provide oversight to the company. The Board is headed by Dr. Amjad Waheed, an Independent Chairman; out of 11 Directors, 4 are Independent Directors including 1 female Director. The current Board composition reflects a good mix of experience, diversity in backgrounds, skills and qualifications. All Directors have many years of experience and are fully aware of their duties and responsibilities under the Code of Corporate Governance. At present eight Directors have acquired the formal Directors Training Certificates while two Directors possess sufficient skills and experience of the Board room as described in the Code of



Corporate Governance, whereas a newly appointed director will acquire DTP in due course. In compliance with the Clause 7 of the Companies (Code of Corporate Governance) Regulations, 2019 a female director was elected at the last election of the Board of Directors at the 12th annual general meeting in September 2019.

In the year 2019-20, a digital interface was introduced to update Board of Directors by providing Companies Act, 2017, Companies (Code of Corporate Governance) Regulations, 2019, relevant portions of PSX Rule Book, Company's Memorandum & Articles of Association and various Policies & Procedures.

To further its role of providing oversight and strategic guidelines to the company, the Board has formulated a Board Charter to define its role of strategic leadership and provide oversight to the management. The Board has constituted an Audit Committee and Human Resources & Remuneration Committee. The composition, role and responsibilities of the Committees are clearly defined in their respective Terms of References.

Annual Calendar and Agenda for Meetings

A meeting calendar is issued annually to reflect the dates planned for the Board, Audit and HR&R Committees. All the Board members are given appropriate documents through Diligent Board application in advance of each meeting which normally includes a detailed analysis of business and matters, where the Board will be required to make a decision or give its approval.

During the year 2020-21, the Board had six (6) meetings, out of which four (4) were held to review the quarterly results, a meeting was held to approve a Capex of Rs.1.235 Bn for Debottlenecking of Production Capacities and another meeting was held to approve budget for the ensuing year. The average attendance of the directors in Board meetings during the year was 91%.

Changes in the Board

At the 12th annual general meeting of the Company on September 25, 2019, eleven (11) Directors were elected for a term of three (3) years. During the year 2020-21, three casual vacancies were created by the resignation of Mr. Towfiq H. Chinoy, Mr. Koji Fukushima, and the sad demise of Mr. Zakauallah Khan those were filled by the appointment of Mr. Babar Badat, Mr. Shuji Tsubota, and Mr. Haroun Rashid as Director for the remaining term of the existing Board of Directors.

Board Meetings Outside Pakistan

During the year 2020-21, no Board meetings were held outside Pakistan.

Roles and Responsibilities of the Chairman and Chief Executive

The Board of Directors provides the overall direction for the Company operations and provides oversight for various policies and monitors the management in the light of operational and financial plans. The roles of the Board and the Chief Executive Officer have been clearly defined where the Board is responsible for strategic guidance and providing directions for sustainable business.

The Chairman and the Chief Executive have separate and distinct roles. The Chairman has all the powers vested in him under the Listed Companies (Code of Corporate Governance) Regulations, 2019, and presides over all Board Meetings. The Chief Executive performs his duties under the powers vested by the law & the Board. He recommends and implements the business plans and is responsible for the overall control and operation of the Company.

Business Philosophy & Best Corporate Practices

We believe in ethical practices, sustainable manufacturing processes, transparent reporting to the shareholders, and the best



practices of Corporate Governance to ensure success and better results for all stakeholders.

The Board Charter defines the scope of the Board's activities in setting the tone at the top, formulating strategies, and providing oversight to the management for sustainable growth of the business. The Board members actively participate in the meetings to guide the company's business activities, operational plans, review corporate operations and formulate and review all significant policies. The Board firmly adheres to the best ethical practices and fully recognizes its responsibilities for protection and efficient utilization of company assets for legitimate business objectives and compliance with laws and regulations. The Chairman ensures that the discussions held during the Board meetings and the consequent decisions arising are duly recorded and circulated to all the directors within fourteen (14) days. The CFO and the Company Secretary attended all the meetings of the Board as required by the Code of Corporate Governance.

All periodic financial statements and other working papers for the consideration of the Board/ committees are circulated to the directors well before the meetings to give sufficient time to the directors to make decisions on an informed basis. This year the Board has held six (6) meetings, agendas of which were duly circulated through Diligent Board application at least a week before the meetings.

Timely Communication of Financial Results

The quarterly un-audited financial statements and the half-yearly financial statements (with limited review by the Auditors) were duly circulated within thirty (30) days and sixty (60) days respectively along with the Directors' Report. Annual Financial statements were authorized by the Board of Directors and communicated to the Pakistan Stock Exchange within fifty-seven (57) days from the

close of the financial year. Additionally, all important disclosures, including the financial statement, were also made on the Company's website to keep the stakeholders duly informed.

Board Evaluation

The Board of Directors has formulated a policy to evaluate its own performance, the salient features of which are as follows:

1. The Board Evaluation Methodology to be adopted as self-evaluation of the Board as a whole through an agreed questionnaire.
2. The evaluation exercise is to be carried out every year.
3. The evaluation system is designed to address areas of critical importance and should include, but not be limited to, the following:
 - a) Appraising the basic organization of the Board of Directors;
 - b) The effectiveness and efficiency of the operation of the Board and its sub-committees;
 - c) Assess the Board's overall scope of responsibilities;
 - d) Evaluate the flow of information; and
 - e) Validate the support and information provided by management.
4. The Board would review the results and suggest measures to improve the areas identified for improvement.

The Board is continuing its Self-Evaluation since many years and has identified areas for further improvement in line with global best practices. The main focus remained on strategic growth, business opportunities, risk management, Board composition and providing oversight to the management.

Directors Remuneration Policy

A formal policy to review and approve the remuneration of non-executive directors is well in place. The Company believes in remunerating its non-executive directors and Chairman adequately to justify their continued



quality guidance and contributions to the Company's objectives, good corporate governance, and sustained long-term value creation for shareholders while maintaining their independent status.

Risk Management

Risk management is crucial to any business, which includes identification and assessment of various risks followed by coordinated application of resources, to economically minimize, monitor, and control the impact of such risks and maximize the realization of opportunities. The management has developed a dynamic register covering financial and operational risks which are subject to periodical review.

Internal Control Framework

The Company maintains an established control framework comprising clear structures, authority limits, and accountabilities, well-understood policies and procedures, and budgeting for review processes. All policies and control procedures are documented in manuals. The Board establishes corporate strategy and the Company's business objectives.

The Board Audit Committee has been entrusted with the main responsibility of Internal Controls. The Audit Committee receives the Audit reports from the Internal and External Auditors, and after detailed deliberations, and suggesting improvements, periodic reports are submitted to the Board of Directors. The Company places a high value on transparency, both internally and externally, in its corporate management. It focuses consistently on the implementation of efficient management practices to achieve clear and quantifiable commitments.

The Head of Internal Audit is being assisted by in-house executives to carry out the Internal Control functions. The Management has placed an explicit internal control framework with clear structures, authority limits, and

accountabilities, well-defined policies, and detailed procedures, enabling the Audit Committee and the Board to have a clear understanding of risk areas and to place effective controls to mitigate these risks.

Disclosure of Conflict of Interest

The Company has taken measures to prevent conflict of interests between directors, employees, and the Company. In this regard, a clear policy on conflict of interests is contained in the Code of Conduct duly approved by the Board of Directors which is placed on Page No. 29. As per the Code of Corporate Governance, the Company annually circulates the Code of Conduct and takes appropriate steps to disseminate it across all ranks in the Company. Further, the Directors and key employees are reminded to abstain from insider trading of shares and to avoid dealing in shares during the close period.

Every director is required to bring to the attention of the board complete details regarding any material transaction which has a conflict of interest for prior approval of the Board. The interested directors neither participate in discussions nor vote on such matters.

The complete details of all transaction with related parties are submitted to the Audit Committee who recommends them to the Board for approval in each quarter. These transactions are also fully disclosed in the annual financial statement of the Company.

Corporate Social Responsibility

The Company has implemented comprehensive policies on "Occupational Health, Safety & Environment" and "Corporate Social Responsibility and Sustainable Development" to meet its Corporate Social Responsibilities. The social and environmental responsibility reflects the company's recognition that there is a strong positive correlation between financial performance and corporate, social, and



environmental responsibility. Social and environmental responsibility include the following:

1. Community investment and welfare schemes.
2. Environmental protection measures.
3. Occupational health and safety.
4. Business ethics and anti-corruption measures.
5. Energy conservation.
6. Industrial relations.
7. National cause donations.
8. Contribution to the national exchequer.
9. Consumer protection measures.

Our role as a corporate citizen is as important to us as the satisfaction of our customers and earning a fair return for our shareholders. We are committed to working for the betterment and prosperity of our stakeholders. Management has endeavored to provide a safe and healthy work atmosphere by adopting practices and creating working conditions that are safe and healthy for our employees, vendors, contractors, suppliers, and customers.

We are committed to providing better education and health facilities to the less fortunate people especially to our stakeholders.

In line with our philosophy of CSR, we regularly maintain and support TCF school – Amir Sultan Chinoy Campus in the vicinity of Landhi along with offering need-based scholarships to NED University students for a better tomorrow of our younger generation. We also support NGOs like SIUT, LRBT, Kidney Center. SINA Health, Education & Welfare Trust and Amir Sultan Chinoy Foundation to help the deserving patients for their treatment.

Sustainability Measures

All aspects of sustainability including efficient operational procedures, effective internal controls, ethical behavior, and energy conservation are an integral part of our business model. We also believe that employees are most critical in the progress, growth, and sustainability of any organization.

For more details, please refer to our “Sustainability Report” which has been circulated and is available on our website (www.isl.com.pk)

Engaging Stakeholders & Transparency

The development of stakeholders' relationships is of significant importance for the company. Building “stakeholder's engagement”, compliance with regulatory requirements and terms and conditions are some of the main business principles by which we abide. To bring an accurate understanding of the company's management policies and business activities to all its stakeholders, it strives to make full disclosure of all material information to all stakeholders by various announcements on its website, to the Stock Exchange, and other sources available to help investors to make informed decisions. It encourages full participation of the members in the General Meetings by sending corporate results and sufficient information following the prescribed timeline to enable the shareholders to participate on an informed basis. While increasing management transparency, it aims to strengthen its relationships and trust with shareholders and investors. Our stakeholders include but are not limited to customers, employees, government, shareholders, suppliers, local communities and bankers.

Corporate Briefing Session

In compliance with the listing regulations of the Pakistan Stock Exchange, Company arranges corporate briefing session(s) annually to answer queries of the various stakeholders including investors and financial analysts.

A Corporate Briefing Session of the Company was held on Monday, October 5, 2020 at 3.00 p.m. through video conference to brief the investors/analyst/shareholders about the financial performance and future outlook of the Company.

Policy for Investor Grievances

The Company has an “Investor Relation Policy” that sets out the principles in providing the shareholders and prospective investors with the necessary information to make



well-informed investment decisions and to ensure a level playing field.

Investor grievances and complaints are very important and are properly reviewed to minimize the recurrence of similar issues in the future. The following principles are adhered to with regards to investor grievances:

1. Investors are treated fairly at all times.
2. Complaints raised are dealt with in a courteous and timely manner.
3. Various modes of communication like email, telephone, meetings, and raising matters at the Annual General Meeting are available to investors to raise grievances.
4. Queries and complaints are treated fairly and efficiently.
5. Employees work in good faith and without prejudice towards the interest of the creditors.
6. Detailed company information regarding financial highlights, investor information, and other requisite information specified under the relevant regulations has been placed on the corporate website of the company which is updated on regular basis.

Safety of Company Records

International Steels Limited has a firm "Document & Record Control Policy" for establishing, approving, reviewing, changing, maintaining, replacing, retrieving, retaining, distributing, and administering control of all documents and data that relate to the Company and has taken the following concrete measures to ensure safety/security of the records and creating a paperless environment.

- All important documents such as minutes and proceedings of the Board & its sub-committees, Annual General Meeting, statutory certificates, title documents of the Company property, and all other important communications and records are digitally scanned and archived on secured Company servers.
- All important original documents are

placed at a neutral, secured, and well-known vault.

- Record keeping of accounting books is being arranged at a separate location.

Human Resources Management Policies and Succession Planning

A comprehensive set of policies has been well implemented to cover all aspects related to HR. The main focus of the policies is to train, motivate and retain valuable human assets for the future growth of the Company. To maintain continuity of the business operations, particularly at senior management and key managerial levels, a well-defined Succession Policy is in practice.

Information Technology Policy

A well-defined Information Technology Policy is in place to help achieve efficient and effective use of I.T resources to establish priorities, strategy delivery, increase productivity and deliver the right services to users.

The I.T Steering Committee comprising of CEO, COO, CFO, General Manager Manufacturing, and HoD IT are responsible for taking major I.T decisions. The I.T Head is responsible for ensuring communication of I.T security policies to all users of the company. Further, Internal Audit is responsible for monitoring compliance of I.T policies. The Policy on Information Technology is focused upon information security, human resource security, access control, information system acquisition development and maintenance, business continuity management, incident management, website, and ERP.

Whistleblowing Policy

We are committed to creating an atmosphere in which our people can freely communicate their concerns to their supervisors and Functional Heads. Our Whistleblowing Policy has been in place as ISL's 'whistle-blowing'



system to report any corrupt or unethical behavior – if employees feel that they are not able to use the normal management routes.

The Policy of Security Clearance of Foreign Directors

Committed to the well-being of our Board, the Company has in place various protocols and procedures to ensure the safety and security of its Board including Foreign Directors.

Issues Raised at Last AGM

While general clarifications were sought by shareholders on company published financial statements during the 13th Annual General Meeting of the Company held on September 29, 2020, no significant issues were raised.

Dividend to Shareholders

During the year, the Company paid an interim dividend of 30% per share to all eligible shareholders and the Board of Directors has recommended a final dividend of 70% per share,

making a total of 100% in respect of the financial year ended June 30, 2021 which is subject to shareholders approval.

Pattern of Shareholding

A statement on the pattern of shareholding along with categories of shareholders, where disclosure is required under the reporting framework and the statement of shares held by the directors and executives as of June 30, 2021 is placed on Page No. 182.



BOARD COMMITTEES

The Board is assisted by two Committees, namely the Audit Committee and the Human Resource & Remuneration Committee to support its decision making in their respective domains.

(a) Board Audit Committee

The Audit Committee comprises of the following:

- 1) **Mr. Nihal Cassim**
Chairman - Independent Director
- 2) **Mr. Fuad Azim Hashimi**
Member – Non-Executive Director
- 3) **Mr. Kamal A. Chinoy**
Member - Non-Executive Director
- 4) **Ms. Asema Tapal**
Secretary - Chief Internal Auditor

The Audit Committee comprises of three (3) Directors including one Independent Chairman. The Chief Financial Officer and the Chief Internal Auditor attend the BAC meetings, while the Chief Executive Officer is invited to attend the meetings.

The Audit Committee also separately meets the internal and external auditors at least once a year without the presence of the management. Meetings of the Audit Committee are held at least once every quarter, the recommendations of the Audit Committee are then submitted for approval of the financial results of the company by the Board. During the year 2020-21, the Audit Committee held five (5) meetings. The Chief Internal Auditor is the Secretary of the Board Audit Committee. The minutes of the meetings of the Audit Committee are provided to all members, directors, and the Chief Financial Officer.

The Chief Internal Auditor meets the Audit Committee without the presence of the management, at least once a year, to point out various risks, their intensity, and suggestions for mitigating risks and improvement areas. The business risks identified are then referred to the respective departments and corrective actions are then implemented.

Terms of Reference of the Audit Committee

The Audit Committee is mainly responsible for reviewing the financial statements, ensuring proper internal controls to align operations in accordance with the mission, vision, and business plans, and monitoring compliance with all applicable laws and regulations and accounting and financial reporting standards.

The salient features of terms of reference of the Audit Committee are as follows:

1. Recommending to the Board the appointment of internal and external auditors.
2. Consideration of questions regarding resignation or removal of external auditors, audit fees and provision by the external auditors of any services to the company in addition to the audit of financial statements.
3. Determination of appropriate measures to safeguard the company's assets.
4. Review of preliminary announcements of results prior to publication.
5. Review of quarterly, half-yearly and annual financial statements of the company, prior to their approval by the Board, focusing on major judgmental areas, significant adjustments resulting from the audit, any changes in accounting policies and practices, compliance with applicable accounting standards and compliance with listing regulations and other statutory and regulatory requirements.
6. Facilitating the external audit and discussion with external auditors on major observations arising from audit and any matter that the auditors may wish to highlight (without the presence of the management, where necessary).
7. Review of the Management Letter issued by external auditors and the management's response thereto.
8. Ensuring coordination between the internal and external auditors of the company.



9. Review of the scope and extent of internal audit and ensuring that the internal audit function is adequately resourced and placed within the organization.
10. Consideration of major findings of internal investigations and the management's response thereto.
11. Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.
12. Review of company's statement on internal control systems prior to endorsement by the Board.
13. Instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body.
14. Determination of compliance with relevant statutory requirements review of periodic financial statements and preliminary announcements of results prior to the external communication and publication with a view to highlight.
15. Monitoring compliance together with the external auditors and internal audit with the best practices of corporate governance and identification of significant violations such as fraud, corruption, and abuse of power thereof.
16. Consideration of any other issue or matter as may be assigned by the Board.
17. The Board Audit Committee has completed its independent evaluation.

B. Human Resources & Remuneration Committee

- 1) Ms. Nausheen Ahmad**
Chairperson - Independent Director
- 2) Mr. Babar Badat**
Member – Independent Director
- 3) Mr. Mustapha A. Chinoy**
Member – Non-Executive Director
- 4) Mr. Yousuf H. Mirza**
Member – Chief Executive
- 5) Mr. Bilal Khawar**
Secretary-HoD HR

The Committee comprises four (4) members. The Chairperson is an independent director. Meetings are conducted at least quarterly or at such other frequency as the Chairman may determine. Head of Human Resources, is the Secretary of the Committee. The minutes of the meetings of the BHR&RC meetings are provided to all members and Directors. The Committee held four (4) meetings during the year.

Terms of Reference of Human Resource & Remuneration Committee

The Committee defines the HR policy framework and makes recommendations to the Board in the evaluation and approval of employee benefit plans and succession planning.

The salient features of the Terms of Reference of HR&RC are as follows:

1. Major HR Policy / frameworks including compensation.
2. Overall organizational structure.
3. Organization model and periodically seek the assessment of the same.
4. Succession planning for key executives, including the CEO.
5. Recruitment, remuneration, and evaluation of the CEO and his direct reports, including CFO, Group Chief Internal Auditor, and the Company Secretary.



6. The CEO, being a member of the HR&RC shall not be a part of Committee meetings if his / her compensation / performance is being discussed/evaluated.
7. Charter of Demands and negotiated settlements with CBA.
8. Compensation of the non-executive directors.
9. Board Remuneration Policy & Procedure.
10. Board Evaluation Policy and Procedure for the Board as a whole and for the Individual Directors.



DIRECTORS' PARTICIPATION IN BOARD AND SUB COMMITTEE MEETINGS

Board / Sub Committee	Board	Audit Committee ****	Human Resources & Remuneration Committee ****
Meetings held during FY 2020-21	6	5	4
Dr. Amjad Waheed	6/6	3/3	
Mr. Babar Badat *	2/2		-/2
Mr. Fuad Azim Hashimi	5/6	5/5	
Mr. Haroun Rashid **	2/2		
Mr. Kamal A. Chinoy	6/6	5/5	
Mr. Mustapha A. Chinoy	6/6		4/4
Ms. Nausheen Ahmad	6/6		4/4
Mr. Nihal Cassim	6/6	5/5	
Mr. Shuji Tsubota ***	1/1		
Mr. Yousuf H. Mirza	6/6		4/4
Mr. Samir M. Chinoy	6/6		
Mr. Towfiq H. Chinoy **	3/3		
Mr. Koji Fukushima ***	5/5		
Mr. Zaka Ullah Khan *	-/2		

* Mr. Babar Badat was appointed as Director on March 9, 2021 to fill the casual vacancy created by the sad demise of Mr. Zakauallah Khan on December 24, 2020

** Mr. Haroun Rashid was appointed as Director on April 5, 2021 to fill the casual vacancy created by the resignation of Mr. Towfiq H. Chinoy on January 28, 2021

*** Mr. Shuji Tsubota was appointed as Director on May 19, 2021 to fill the casual vacancy created by the resignation of Mr. Koji Fukushima on May 10, 2021

**** BOD subcommittees reconstituted on March 9, 2021

MANAGEMENT TEAM

Good corporate governance is the basis of our decision-making and control processes. The management's decision-making is based on long-term strategic objectives in which the Board, provides strategic oversight and guidance to the management and monitors the performance of the company regarding business objectives, shareholders' interests, and regulatory compliance.

The Management Committee is headed by the Chief Executive Officer and the Functional Heads are:

- | | |
|-------------------------------|-----------------------------------|
| 1. Mr. Yousuf H. Mirza | Chief Executive Officer |
| 2. Mr. Samir M. Chinoy | Chief Operating Officer |
| 3. Mr. Mujtaba Hussain | Chief Financial Officer |
| 4. Mr. Zafar Majeed | General Manager Manufacturing |
| 5. Mr. Bilal Khawar | Head of Human Resources |
| 6. Mr. Mustafa Khan | General Manager Sales & Marketing |
| 7. Mr. Muhammad Faheem | General Manager Service Center |
| 8. Mr. Ibrahim Memon | Head of Information Technology |
| 9. Mr. Yasir Sohail | Divisional Manager CRM Complex |
| 10. Mr. Mohammad Irfan Bhatti | Company Secretary |