



TRUSTED NOT TO COMPROMISE

Governance of Risk and Internal Control Policy



Title: **GOVERNANCE OF RISKS AND INTERNAL CONTROL POLICY**

Number: BOD/CG/004

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Version: 1

Introduction

Pakistan Cables Limited (the **"Company"**) is committed to provide uncompromised best quality products and services to its customers via highest international standards of operations, good governance, and its effective and efficient management.

The Governance of Risks and Internal Control Policy (the **"Policy"**) focuses on the responsibility of certain governance structures to control the operations of the Company. This Policy envisages an approach of aligning process and knowledge in order to curtail surprises and losses as well as to capitalize on business opportunities for the Company.

1. Policy Statement

The Board of Directors recognises that the establishment of a sound system of risk oversight and management and internal control is a fundamental requirement of good corporate governance. This policy describes the manner in which the Company identifies, assesses, monitors and mitigates risks. It focuses on the responsibility of certain governance structures to control the operations of the Company.

There are five interrelated components of internal control that should be present and functioning, forming an integrated system of controls:

- i. The control environment, which includes the integrity, ethical values, and competence of the Company's employees;
- ii. Risk assessment;
- iii. Control activities;
- iv. Information and communications; and
- v. Monitoring

2. Processes

The Management is charged with the responsibility for establishing procedures with the objective of controlling the operations in a manner that provides the Board of Directors with a reasonable assurance that:

- Data and information published either internally or externally are accurate, reliable, and timely;
- The actions of managers and employees are in compliance with the Company's policies, procedures, standards, and all relevant laws and regulations;
- The Company's resources (including its people, assets, systems, and data/information bases) are adequately protected;
- Resources are acquired economically and employed profitably; quality business processes and continuous improvement are emphasized; and
- The Company's plans, programs, goals, and objectives are achieved.

3. Control

i. Overall Control Environment and Control Procedures

The Company maintains an established control framework comprising clear structures, authority limits and accountabilities, well understood policies and procedures. All policies and control procedures are documented.

The Company has established the Business Continuity and Disaster Recovery Processes and Procedures to ensure business continuity and recovery of critical essential business services during an incident so that normal services get restored as soon as possible post disruption. The Company has in place risk management framework to identify, assess and mitigate risks.

Controlling is a function of management and is an integral part of the overall process of managing operations. As such, it is the responsibility of managers at all levels of the Company to:

- Identify and evaluate the exposures to loss (risks) that relate to their particular sphere of operations.

- Specify and establish plans, policies, operating standards, procedures, systems, and other disciplines to be used to minimize, mitigate, and/or limit the risks associated with the exposures (risks) identified.
- Establish practical controlling processes that require and encourage executives, officers, and other employees to carry out their duties and responsibilities in a manner that achieves the five control objectives outlined in the preceding paragraph.
- Maintain the effectiveness of the controlling processes they have established and foster continuous improvement to these processes.

ii. Internal Auditing Function

The internal auditing function is charged with the responsibility to evaluate that the ongoing processes for controlling operations throughout the Company are adequately designed and functioning in an effective manner. Internal auditing is also responsible for reporting to senior management and Board Audit Committee on the adequacy and effectiveness of internal controls, together with recommendations to improve the systems.

The internal auditing function should contribute to the governance process by evaluating/improving the processes through which:

- values and goals are established and recommended;
- accomplishment of goals is monitored;
- accountability is ensured; and
- Values preserved.

The Company's internal audit function which reports to the Board Audit Committee, performs independent reviews of control environment and control procedures through detailed audits and on-site re-performance of test of controls to ensure compliance with pre-defined policies and procedures.

iii. Board Audit Committee

The Board Audit Committee is responsible for:

- Monitoring, overseeing, and evaluating the internal audit activity, and the external auditors;
- Ascertaining that the internal control system including financial and operational controls; accounting system and reporting structure are adequate and effective;



- Reviewing that Company's statement of internal control systems prior to endorsement by the Board of Directors;
- Determining compliance with statutory requirements; and
- Monitoring compliance with the best practices of corporate governance and identify and rectify significant violations thereof.

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