

# 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 and 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. Our approach towards corporate governance ensures ethical behavior, transparency and accountability in all that we do and to attain a fair value for the shareholders.

## COMPLIANCE STATEMENT

The Board of Directors has, throughout the year 2023-24, complied with 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 (SECP).

The Directors confirm that the following has been complied with:

- a) 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 the 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 the 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 about 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 Mr. Kamal A. Chinoy, a non-executive Chairman and out of the 8 elected Directors, 3 are Independent Directors including 1 female Director. The current Board composition reflects a good mix of experience and diversity in backgrounds, skills and qualifications. All Directors have years of experience and are fully aware of their duties and responsibilities under the Code of Corporate Governance. At present six (6) Directors have attended the formal Directors Training Certificate programs while two Directors possess sufficient skills and experience of the Board room as described in the Code of Corporate Governance.

In compliance with 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 15th Annual General Meeting in September 2022.

A digital interface is being used to update the Board of Directors by providing the Companies Act, 2017, Companies (Code of Corporate Governance) Regulations, 2019, relevant portions of the PSX Rule Book, the Company's Memorandum & Articles of Association and various policies and 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 2023-24, the Board had six (6) meetings, out of which four (4) were held to review and approve the financial results including second quarter board meeting for approval of interim cash dividend, one (1) meeting was held to approve the budget for the ensuing year and one (1) meeting was held approved a Memorandum of Understanding (MOU) to form an entity to potentially explore opportunities in collaboration with the group. The average attendance of the Directors in Board meetings during the year was 98%.

## **CHANGES IN THE BOARD**

At the 15th Annual General Meeting of the Company on September 29, 2022, eight (8) Directors were elected for a term of three (3) years. During the year 2023-24, a casual vacancy arose due to the resignation of non-executive Director Mr. Shuji Tsubota, effective March 31, 2024 and Mr. Norihiro Mizota was appointed to fill the vacancy on April 08, 2024, for the remainder of the term.

## **BOARD MEETINGS OUTSIDE PAKISTAN**

During the year 2023-24, 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 law and 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 the 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 meetings of the Board as required by the Code of Corporate Governance, except for the period when the Company Secretary position was vacant.

All periodic financial statements and other working papers for the consideration of the Board/Committees are circulated to the Directors well in advance of meetings to allow them sufficient time to make informed decisions. This year, the Board held six (6) meetings, the agendas of which were duly circulated through the Diligent Board application at least one week in advance of the meetings, except for one emergent meeting that was held during the year for which the notice period was waived by the Board.

## **TIMELY COMMUNICATION OF FINANCIAL RESULTS**

The quarterly unaudited 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-three (53) days from the close of the financial year. Additionally, all important disclosures, including the financial statement, were also made available 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 a 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 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 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 critical to any business, which includes identification and assessment of various risks and their mitigation to control and minimize the impact of such risks and maximize the realization of opportunities. The management has developed a dynamic risk register covering financial and operational risks and their mitigation plans which are subject to periodical review. A dedicated Board Audit Committee meeting was held during the year for a detailed discussion on business, financial and operational risks.

## **INTERNAL CONTROL FRAMEWORK**

The Company maintains an established control framework comprising clear structures, authority limits, accountabilities, well understood policies and procedures. 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 reviews the audit reports from the Internal and External Auditors, and after detailed deliberations, these 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 continually focuses on the implementation of efficient management practices.

The Head of Internal Audit is being assisted by in-house executives. The Management has placed an explicit internal control framework with clear structures, authority limits, 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. 36.

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 refrain from dealing in shares during the closed 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 transactions 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 published 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. 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

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 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 is available on our website ([www.isl.com.pk](http://www.isl.com.pk))

## **ENGAGING STAKEHOLDERS & TRANSPARENCY**

The development of stakeholders’ relationships is of significant importance for the company. Building “stakeholder’s engagement” and 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 through 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 Tuesday, October 10, 2023 at 11.00 a.m. at the auditorium of the Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi and through video conferencing to brief the investors/analysts/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 regard to investor grievances:

1. Investors are always treated fairly.
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 interests 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 a regular basis.

### **SAFETY OF COMPANY RECORDS**

The company 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 Meetings, statutory certificates, title documents of the Company properties and all other important communications and records are digitally scanned and archived on secured Company servers.
- All important original documents are placed in a neutral, secured, and well-known vault.
- Record keeping of accounting books is at a separate secured location.

### **HUMAN RESOURCE MANAGEMENT POLICIES AND SUCCESSION PLANNING**

A comprehensive set of policies has been well implemented to cover all aspects related to HR. The policies focus on training, motivating, and retaining valuable human assets for the future growth of the company. To maintain the continuity of business operations, particularly at senior management and key managerial levels, a well-defined succession planning framework is in place.

### **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 Information Technology Steering Committee comprises of CEO, COO, CFO, Director Manufacturing, Director Sales & Marketing, Director HR & Admin and the Chief Information Officer is responsible for taking major I.T. decisions. The CIO is responsible for ensuring the communication of I.T. security policies to all users

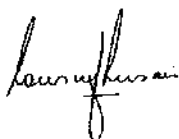
of the company. Further, Internal Audit is responsible for monitoring compliance of I.T. policies. The Policy on Information Technology is focused upon information security, access control, information system acquisition development and maintenance, business continuity management, incident management, 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. The Company also has a Whistleblowing Policy in place which provides an additional avenue to employees to report any corrupt or unethical behavior.

### **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.



**Yousuf H. Mirza**  
Chief Executive Officer

### **ISSUES RAISED AT LAST AGM**

In the 16th Annual General Meeting of the Company held on September 26, 2023, general clarifications were sought by shareholders on the company's published financial statements and no significant issues were raised.

### **DIVIDEND TO SHAREHOLDERS**

During the year, the Company paid an interim dividend of 25% per share to all eligible shareholders and the Board of Directors has recommended a final dividend of 30% per share, making a total of 55% in respect of the financial year ended June 30, 2024 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, 2024 is placed on Page no.184.



**Kamal A. Chinoy**  
Chairman

Karachi: August 20, 2024