

GOVERNANCE FRAMEWORK

The main philosophy of business followed by the sponsors of International Industries Limited for the last 74 years 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 value of all stakeholders of the organization.

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 attaining a fair return for our shareholders.

COMPLIANCE STATEMENT

The Board of Directors has, throughout the year 2021-22, 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) 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 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 the 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.
- 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 disciplines with the leadership and vision to provide oversight to the Company.

The Board is chaired by Mr. Mustapha A. Chinoy, a Non-executive Chairman; out of nine (9) directors, five (5) are independent directors. The current board composition reflects a good mix of experience and diversity in backgrounds, skills and qualifications. All directors have several years of experience and are fully aware of their duties and responsibilities under the Code of Corporate Governance. At present, all directors have either attended a directors training program or have a minimum of 14 years of education and 15 years of experience on the boards of listed companies and therefore are exempt from a directors training program. 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 71st Annual General Meeting in September 2019.

A digital interface is being used to update the Board of Directors by providing Companies Act, 2017, Companies (Code of Corporate Governance) Regulations, 2019, relevant portions of 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 guidance to the management. The Board has constituted two sub-committees, namely Board Audit Committee (BAC) and Human Resource and Remuneration Committee (HR&RC). The composition, role and responsibilities of the committees are clearly defined in their respective terms of reference.

ANNUAL CALENDAR AND AGENDA FOR MEETINGS

A calendar is issued annually to reflect the dates planned for the Board of Directors, Board Audit Committee, Human Resource & Remuneration Committee meetings and Annual General Meeting. During the year 2021-22, the Board had seven (7) meetings, out of which four (4) were held to review the annual/quarterly results and three (3) meetings were held to approve the future business strategy and the annual budget for the proceeding year. The average attendance of the directors in board meetings during the year was 94%.

CHANGES IN THE BOARD

At the 71st Annual General Meeting of the Company on September 30, 2019, nine (9) Directors were elected for a term of three (3) years. During the year 2021-22, a casual vacancy arose due to the resignation of Mr. Riyaz T. Chinoy as non-executive director, which was filled by appointing Mr. Haider Rashid as director for the remaining term of the existing Board of Directors.

BOARD MEETINGS OUTSIDE PAKISTAN

During the year 2021-22, no board meetings were held outside Pakistan. However, the Directors who are overseas at the time of meetings were facilitated to attend meetings through video conferencing.

ROLE AND RESPONSIBILITIES OF THE CHAIRMAN AND CHIEF EXECUTIVE

The Board of Directors provides the overall direction for company operations, 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 and the Board and recommends and implements business plans and is responsible for overall control and operation of the Company.

BUSINESS PHILOSOPHY AND 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 business 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. Board members actively participate in meetings to provide guidance concerning the Company's business activities and operational plans, review corporate operations and formulate and review all significant policies. The Board firmly adheres to 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 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 attend all the meetings of the Board as required by the Code of Corporate Governance.

All periodic financial statements and other working papers which normally include a detailed analysis of business matters for the consideration of the Board/subcommittees are circulated to the directors at least a week before the meetings through a cloud-based digital application so as to give them sufficient time to review and make decisions on an informed basis.

TIMELY COMMUNICATION OF FINANCIAL RESULTS

Un-audited quarterly 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. Audited annual financial statements, including consolidated financial statements, were authorized by the Board of Directors and communicated to the Pakistan Stock Exchange within fifty-eight (58) days from the close of the financial year. Additionally, all important disclosures, including the financial statements, were 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 a self-evaluation of the Board as a whole and for individual directors through agreed questionnaires.
2. The evaluation exercise is to be carried out every year.
3. The evaluation system is designed to address areas of critical importance and includes, but is 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 committees,
 - c) Assess the Board's overall scope of responsibilities,
 - d) Evaluate the flow of information, and
 - e) Validate the information provided by the management.
4. The Board reviews business results and suggests measures to improve the areas identified for improvement.

The Board has continued its self-evaluation for many years as a part of good governance 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 in place. The Company believes in remunerating its non-executive directors and Chairman adequately to justify their continued 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 AND OPPORTUNITY MANAGEMENT

Risk management is crucial to the Company, 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 periodically reviews major financial and operating risks faced by the business.

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 properly documented. The Board establishes corporate strategy and the Company's business objectives.

The Board Audit Committee has been entrusted with the primary responsibility of internal controls. It receives 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 for the purpose of achieving clear and quantifiable commitments. The Company has a Chartered Accountant employed as Head of Internal Audit, who is assisted by in-house executives to oversee 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 risks.

DISCLOSURE OF CONFLICT OF INTEREST

The Company has taken measures to prevent conflicts of interest between directors, employees and the organization. In this regard, a clear policy on conflict of interest is contained in the Code of Conduct duly approved by the Board of Directors which is placed on page No. 64. 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. Further, the directors and key employees are reminded of insider trading rules and to avoid dealing of 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.

Complete details of all transactions with related parties are submitted to the Audit Committee which recommends them to the Board for approval in each quarter. These transactions are also fully disclosed in the annual financial statements of the Company.

CORPORATE SOCIAL RESPONSIBILITY

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

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

Our role as a responsible 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 all our stakeholders. The management has endeavoured 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, especially within our stakeholder community.

In line with our CSR philosophy, we maintain and support the TCF school – IIL Campus in Landhi adjacent to our factory, along with offering need-based scholarships to NED University students for a better tomorrow of our younger generation. We also support NGOs like Sina Foundation – IIL Clinic, Indus Hospital and Amir Sultan Chinoy Foundation to help the vulnerable.

SUSTAINABILITY MEASURES

All aspects of sustainability including efficient operational procedures, effective internal controls, ethical behaviour 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 our organization.

For more details, please refer to our Sustainability Report which is available on our website (www.iil.com.pk)

ENGAGING STAKEHOLDERS AND TRANSPARENCY

The nurturing of stakeholder relationships is of paramount importance to the Company. Building stakeholder 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 management's policies and business activities to all its stakeholders, the Company 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. The Company encourages full participation of the members in the Annual General Meetings by sending corporate results and sufficient information following prescribed timelines so as to enable shareholders to participate on an informed basis. By 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 banks.

CORPORATE BRIEFING SESSION

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

The last Corporate Briefing Session was held on Wednesday, September 30, 2021 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 Relations Policy that sets out the principles in providing 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 recurrence. The following principles are adhered to with regards to investor grievances:

1. Investors are treated fairly at all times.
2. Complaints raised are addressed in a courteous and timely manner.
3. Various modes of communication including 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 shareholders.
6. Detailed company information including financial highlights, investor information and other requisite information specified under relevant regulations has been placed on the corporate website of the Company, which is updated regularly.

SAFETY OF COMPANY RECORDS

ILL has a clear Document and 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 measures to ensure the safety/security of the records and promote a paperless environment:

- All important documents such as minutes and proceedings of the Board and its sub-committees, Annual General Meetings, statutory certificates, title documents of the Company's properties and all other important communications and records are digitally scanned and archived on secure company servers.
- All important original documents are placed at a neutral, secure and documented vault.

HUMAN RESOURCE MANAGEMENT POLICIES AND SUCCESSION PLANNING

A comprehensive set of policies has been implemented to cover all HR matters. The main focus of the policies is to train, motivate and retain valuable human assets for the future growth of the Company. In order to maintain continuity of the business operations, particularly at senior management and key managerial positions, a well-defined succession policy is in practice.

INFORMATION TECHNOLOGY POLICY

A clearly-defined Information Technology Policy is in place to help achieve efficient and effective use of IT resources so as to establish priorities, increase productivity and deliver the right services to users. The CIO is responsible for ensuring the communication of IT security policies to all users. Further, the Internal Audit department is responsible for monitoring compliance of IT policies.

The policy on Information Technology is focused on information security, access control, information system acquisition, development and maintenance, business continuity management, incident management, company 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 Whistle-blowing Policy has been in place for a number of years to encourage the reporting of any corrupt or unethical behaviour, if employees feel that they are not able to use normal management routes.

POLICY FOR SECURITY CLEARANCE OF FOREIGN DIRECTORS

ILL has no foreign directors on its Board.

ISSUES RAISED AT THE LAST AGM

While general clarifications were sought by shareholders on the Company's published financial statements during the 73rd Annual General Meeting held on September 30, 2021, no significant issues were raised.

DIVIDEND AND/OR BONUS SHARES

During the year, the Company paid an interim dividend of 20% (Rs. 2.0 per share) to all eligible shareholders and the Board of Directors has recommended a final dividend of 60% (Rs. 6.0 per share), making a total of 80% (Rs. 8.0 per share) in respect of the financial year ended June 30, 2022, 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 on June 30, 2022 is placed on Page No. 282.