

# Statement of Compliance

## with the Best Practices of the Code of Corporate Governance

### INTERNATIONAL INDUSTRIES LIMITED

#### 30 June 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No.5.19 of the listing regulations of the Pakistan Stock Exchange Limited 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 (the Board). At present the board constitutes of:

Category	Names
Independent Directors	Mr. Tariq Ikram
	Mr. Ehsan Malik
	Mr. Jehangir Shah
Executive Director	Mr. Riyaz T. Chinoy
Non-Executive Directors	Mr. Kamal A. Chinoy
	Mr. Mustapha A. Chinoy
	Mr. Fuad Azim Hashimi
	Mr. Azam Faruque
	Mr. Naveed K. Baloch

The independent directors meet the criteria of independence under clause 5.19.1(b) of the Code of Corporate Governance.

2. The Directors have confirmed that none of them 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 the 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 NBFIs or, being a Broker of the stock exchange, has been declared as a defaulter by that stock exchange.
4. The Board of Directors completed its term on the day of the 68th AGM of the Company and the above named directors were elected as directors for a term of 3 years commencing from September 30, 2016. Further, a casual vacancy was created during the year by the resignation of NIT's nominee, Ms. Nargis Ghaloo, on May 8, 2017, that was filled within the prescribed period of 90 days, by Mr. Naveed Kamran Baloch, also a nominee of the NIT, who was appointed on May 12, 2017.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate the same 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, overall corporate strategy and significant policies of the company. 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, along with the date on which they were approved or amended has been maintained.

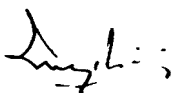
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7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/Shareholders.
8. All the meetings of the Board were presided over by the Chairman who is a Non-Executive director. The Board met eight (8) times this year. The Board normally meets at least once in every quarter to consider operational results, once a year to consider the budget for the following year while one meeting is focused on strategy. Written notices of board meetings, along with agenda and working papers, were circulated normally at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors have been provided with copies of Listing Regulations, Memorandum and Articles of Association of the Company and Code of Corporate Governance. During the year there was no specific training arranged for the directors. However, they were briefed about the domestic and international business environment and regulatory changes in each Board meeting. Six (06) directors are certified under the Directors Training Program, while other three are exempted from the requirement of Rule 5.19.7 of the Listing Regulations of the Pakistan Stock Exchange / Code of Corporate Governance to have such certification.
10. The Company has complied with all the corporate and financial reporting requirements of the CCG and the Directors' report for this year, fully describes the salient matters required to be disclosed by the CCG except for:

Due to security reasons the Company has not disclosed the information as required under clause 5.19.11 and sub-clauses (x-iii) directors and their spouse(s) and minor children (name wise details), (x-iv) executives (name-wise), and clause (xii) 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 1, 2017. However, reply is yet to be received.
11. The Board approved the appointment, remuneration and terms & conditions of employment of the Chief Financial Officer, Company Secretary and Chief Internal Auditor earlier, including their remuneration and terms and conditions of employment.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.
13. 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.
14. The Board has formed an Audit Committee. It comprises of three members, two being Non-Executive directors; while one member is independent director.
15. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the company as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The Board has formed a Human Resource & Remuneration Committee. It comprises of four members, of whom two are non-executive directors, one is an executive director while the Chairman of the Committee is an independent director. The Terms of Reference of Human Resources & Remuneration Committee has been approved by the BOD and advised to the Human Resources & Remuneration Committee for compliance.
17. The Company has appointed a Chief Internal Auditor, who is assisted by M/s EY Ford Rhodes in the internal audit function, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
18. The Statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of 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 ICAP.

19. The Statutory Auditors or 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.
20. 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 the Pakistan Stock Exchange Limited.
21. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
22. The company through the Company Secretary complies with all the requirements related to maintenance of register of persons having access to inside information.
23. The Company has documented the following policies and statements in compliance with the Code of Corporate Governance:
  1. Policy for Code of Conduct
  2. Mission Statement / Quality, Environmental, Health & Safety Policy
  3. Vision Statement
  4. Human Resources Policies
  5. Policy for Acquisition / Disposal of Fixed Assets
  6. Policy for Donations, Charities and Contributions
  7. Policy for Stores & Spares
  8. Policy for Write off Bad Debts, Advances & Receivables
9. Investment Policy
10. Budgetary Control Policy
11. Policy for Delegation of Financial Powers
12. Borrowing Policy for Determination of Level of Long Term Borrowings
13. Related party Transactions & Transfer Pricing Policy
14. Policy for Pricing, Credit & Discount
15. Policy for Procurement of Goods & Services
16. Risk Management Policy
17. Policy for Profit Appropriation for Dividend Payment
18. Roles & Responsibilities of The Chairman & Chief Executive
19. Policy for Level of Materiality
20. Speak-Up Policy
21. Policy on Chief Executive Officer Evaluation
22. Policy for Board Evaluation
23. Policy for Review and Guidance on Litigation
24. Directors' Remuneration Policy
25. Investors Relations Policy
26. Group Information Technology Policy
27. Group Borrowing Policy
28. Policy on Occupational Health & Safety and Environment
24. We confirm that all other material principles enshrined in the CCG have been complied with.



**Fuad Azim Hashimi**  
Chairman - Board Audit Committee



**Riyaz T. Chinoy**  
Chief Executive Officer



# Review Report to the Members

## on Statement of Compliance with the Best Practices of 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 Industries Limited (“the Company”) for the year ended 30 June 2017 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.

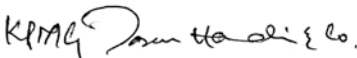
The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail 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 under taken 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 2017.

Further, we highlight instances of non-compliance with the requirement of the Code as reflected in paragraph 10 in the Statement of Compliance with respect to non-disclosure of pattern of shareholding and non-disclosure of trades in the shares of the Company by certain persons respectively as required by clause 5.19.11 (f) (x) and sub clauses (iii), (iv) and (xii) of the Code. 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.

Date: 17 August 2017

Karachi

  
**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Muhammad Taufiq