



Amaan Capital (Private) Limited Policies

FY 2023 -2024

February 12, 2024 – Internal Control and Risk Management Policy Version 1.0

AMAAN CAPITAL (PVT.) LTD | 1, QASR-E-ZAINAB, CLUB ROAD, KARACHI, PAKISTAN

AMAAN CAPITAL (PRIVATE) LIMITED POLICY

Policy

Internal Control and Risk Management Policy

Approved by

Board of Directors (Amaan Capital (Private) Limited)

Date of Approval

12 February, 2024

Effective Date

12 February, 2024

1. POLICY COMPLIANCE

Consistent compliance with this policy is essential to its effectiveness. The Company including all Staff, Management and Executives are expected to adhere to this policy. Internal Audit and Compliance Department, will monitor and assess the compliance of all Branches and report quarterly to the Board of Directors. Non-compliance or breach of this policy may result in disciplinary action.

1.1 Policy Revision

The Internal Control policy is reviewed every two years or at planned intervals whenever material changes occur to reflect the company's requirements.

2. POLICY STATEMENT

The Board of Directors are ultimately accountable for the management of risk in the company and responsible for ensuring adequate and effective internal controls exist. The Amaan Capital (Pvt.) Limited Management & Staff enable the Board to meet these responsibilities by implementing standards and systems of internal control to provide reasonable assurance as to the integrity and reliability of the financial statements in terms of IFRS and to adequately safeguard, verify and maintain accountability for the assets as well as ensuring the sustainability of the organization.

Based on the information and explanations given by Management Staff and the assurance Providers, the board can provide an opinion on the internal controls and that the financial records may be relied upon for preparing the financial statements following IFRS and maintaining accountability for the assets and liabilities. In addition, the board is required to confirm that nothing has come to their attention to indicate a breakdown in the functioning of these controls, resulting in material loss to the company.

This policy therefore sets out the Key Internal Control objectives and principles as well as duties of the Board, Audit and Risk Committee, Management and Staff, Risk Assurance, Compliance, Internal Audit, External Audit, and other Internal Control Functions at Amaan Capital (Pvt.) Limited.

DEFINITION

Internal Control:

Internal control is a process, affected by an entity's board of directors, management, and other personnel, designed to reasonably manage risk affecting the achievement of objectives in the following categories.

- Effectiveness, efficiency, economy, and accuracy of operations.
- Reliability and relevance of reporting.
- Compliance with applicable laws and regulations.
- Safeguarding of assets and resources.
- Appropriate governance.

3. POLICY OBJECTIVES

Implementing a system of internal control allows the organization to stay focused on the strategic and business objectives while operating within the confines of relevant policies, laws and regulations thereby minimizing any surprises or risks along the way. Internal Control enables the organization to deal more effectively with changing economic environments, leadership, priorities, and evolving business models. It promotes the efficiency and effectiveness of operations and supports reliable reporting and compliance with laws and regulations.

The Internal Control Policy is intended to strengthen the governance of Amaan Capital (Pvt.) Limited Internal Control Processes and in its operations. The objectives of the policy are to provide reasonable assurance to Amaan Capital (Pvt.) Limited Board that.

- Data and information published either internally or externally is accurate, reliable, and timely;
- The actions of the Amaan Capital (Pvt.) Limited Board, Management and Staff comply with the policies, standards, procedures and all relevant laws and regulations.
- The Assets and resources including its people, systems and data/information bases are adequately protected.
- The Organization's strategic and business objectives plan and programs are achieved.
- The exposures to loss which relate to their related area of operations have been identified and
- Evaluated.

- Practical controlling processes have been established that require and encourage the board, Management and Employees to carry out their duties and responsibilities efficiently and effectively.

SCOPE OF POLICY

The Internal Control Policy applies to all Staff (Permanent, part-time and contractors) Management and the Board of Amaan Capital (Pvt.) Limited and its subsidiaries (if any) or Branches.

KEY POLICY PRINCIPLES

The Overall objective of the Internal Control Policy is to ensure that adequate and effective internal controls are in place and that these controls are applied consistently throughout the company to protect Amaan Capital (Pvt.) Limited and its stakeholders from potential losses. In this context, the Internal Control Policy will be managed within the following Key Principles.

4. DETAILED CONTROLS

BROKERAGE OPERATIONS (BOTH AT HEAD OFFICE AND BRANCHES, WHERE APPLICABLE)

4.1 Account Opening, KYC/AML Procedures and Processes

An account opening department should maintain a list of all new and existing customers and keep a record of their account opening forms.

Effective Know Your Customer (KYC) and Customer Due Diligence (CDD) policies and procedures should be developed by the Departments covering:

- Customer Identification;
- Sources of Income (In case of Individuals/Sole proprietorship);
- Risk Assessment of Customers;
- Circumstances where enhanced due diligence is required;
- Circumstances where simplified due diligence can be adopted;
- Compliance function with suitable human resources;

- Data Retention
- MIS reporting capability;
- Training of employees.

KYC and CDD policies and procedures should contain the following information and documents:

Individual/ Sole proprietorship	Partnership	Institutions/ Corporates
<ul style="list-style-type: none"> • Copy of CNIC of Principal and Joint holders/ NICOP for Non-Residential Pakistanis • Passport for Foreign Nationals • Evidence of Sources of Income • Business/ Employment Proof • NTN Certificate (If available) • Nominee details (Not in case of Joint holders) • Proof of ownership of mobile number in the name of investor. 	<ul style="list-style-type: none"> • Name of Partnership and Partners • Copy of CNIC/NICOP of all Partners • Partnership Deed • Copy of Latest Financials • Certificate of Registration (If registered partnership firm) • NTN Certificate 	<ul style="list-style-type: none"> • Name of Directors and Officers • Registered Address • Copy of CNIC/NICOP of all Directors and Authorized Signatories • Certificate of Incorporation • Certificate of Commencement of Business • Certified copy of Board Resolution • Memorandum & Articles of Association/ Bye Laws/ Trust Deed • Audited Accounts of the Institutions/ Corporates
Trust	Club Societies and Associations	Executors/Administrations
<ul style="list-style-type: none"> • Copy of CNIC of all Trustees • Certified copy of Trust Deed • Copy of the Latest Financials of the Trust • Document Evidence of Tax Exemption (If any) • Trustee/ Governing Body 'Resolution 	<ul style="list-style-type: none"> • List of Members of the Governing Body • Copy of CNIC/NICOP of Members of the Governing Body • Certified Copy of • Certificate of Registration • Certified Copy of by-laws/ Rules and Regulations • Copy of Latest Financials of Society/Association 	<ul style="list-style-type: none"> • Copy of CNIC of all Executors/Administrators • Certified Copy of Letter of Administration

- The relevant department should have control to ensure the retention of the records of the customer's identification and updating on a timely basis.
- Senior personnel of the compliance function; preferably the Compliance officer should approve the opening of accounts of the customers and should prepare a checklist for all the relevant supporting documents. The approval should be based on a checklist which covers the major areas of KYC guidelines.
- The total number of accounts opened/ customer codes should be matched by the compliance officer with the account opening forms and the checklist attached at regular intervals.
- Sufficient information as referred to above should be obtained and documented on the intended nature of the account to be opened/ maintained.
- Reasonable steps/checks should be taken by the account opening department to assess the correctness of the information, provided by the customer at the time of opening the account.
- All the updates in the customer's profile should be supported by reasonable evidence and retained by the Account Opening Department
- All departmental Heads should arrange Orientations & training sessions for their departments regarding compliance with all relevant laws and other anti-money laundering obligations.
- The Account Opening Department should provide the customer with a risk disclosure document following the specimen provided by the securities exchange containing basic risks involved in trading in securities.
- A written acknowledgement should be obtained from the customer confirming that he/she has understood the nature/ contents of the risk disclosure document.
- The customer should be provided with the CDC setup report for signatures. A copy of a complete set of Account Opening forms should be provided to the customer for his record.
- The Compliance Department should follow the policy and programs for reporting suspicious transactions and suspicious accounts as per the requirements of KYC guidelines.

4.2 Periodic Reporting to Customers

The adherence of the reporting framework with regulatory requirements should be ensured by the Compliance Department/compliance function in terms of frequency and comprehensiveness. This may include compliance with CDC regulatory requirements for sending securities balance reports and with the Pakistan Stock Exchange (PSX) rule book for account statements.

The compliance officer should check adherence with the reporting framework including maintenance of evidence of sending the reports to customers.

4.3 Account Closing

The Account Opening Department should maintain the details of accounts closed during the year and ensure that it complies with the regulatory requirements.

The Compliance Department should check that:

- a. No balance/securities outstanding against the customers;
- b. Customer's money has been transferred/ settled;
- c. No transaction was carried out after the account closing date.

There should be clear policies for account closing for:

- d. Settlement of outstanding balance in the customer's regular bank account (money and shares/ Securities held on the customer's behalf);
- e. Criteria for account closing date, whether after settlement or the date of application of account closing.

Adherence with the above policies should be checked by the compliance function.

4.4 Controls over order acceptance and execution to ensure compliance with regulatory Requirements

- Equity Dealers, Traders, KATS Operators, agents, or any other person performing regulated activity by whatsoever name should not deal in securities on account of the customer without instructions of such Customer.
- The compliance department ensures this objective including maintenance of evidence of instructions by the customers and matching the trades executed on behalf of the customer with the instructions by compliance function on a test basis.

- Authorized personnel should take reasonable measures to execute the orders placed by the customers on the most advantageous terms as expeditiously as practical in the prevailing market conditions.
- All orders placed by customers by telephone should be recorded by IT Department authorized personnel over dedicated telephone lines.
- Orders received in person from visiting customers should be adequately recorded and acknowledgement should also be obtained from the customers. Priority should be given to outstanding customer orders.
- The chronological register should be maintained in electronic form including the logs generated from the system and telephone recording.
- Records of all orders received from customers in writing or through any other document, fax, email, or through any other means should be preserved.

5. CORE FINANCIAL TRANSACTIONS CONTROLS

5.1 Account Opening / Closing

Approval for opening of bank accounts along with names of signatories authorized to operate should be obtained from the Board. The finance department is responsible for fulfilling requirements which are reviewed and approved by the company CFO. It is the sole responsibility of the finance department to obtain prior approval from the Board before closing any Bank Account.

5.2 Bank Reconciliations

The finance department shall prepare bank reconciliation of all bank accounts which are later reviewed and approved by the Chief Financial Officer (CFO). All unusual items in bank reconciliation should be investigated by the approver.

5.3 Payment / Receipts of Funds

Payment vouchers are prepared by the finance department personnel after the invoices or bills are received. Payment shall only be processed after the Payment Voucher is approved by the relevant authority. The finance department maintains all necessary documents to make relevant entries in the finance software.

Moreover, the company has clearly defined receipts and payments from customers through cross-cheques only. The company does not deal in any sort of cash receipts exceeding Rs. 25,000/- which if exceeds are to be reported to the stock exchange.

5.4 Petty Cash

The Chief Financial Officer (CFO) will authorize finance personnel to maintain cash means of petty cash to run the daily expenditures of the company. The periodic physical count should be performed by the relevant person in the presence of the Chief Financial Officer (CFO). No petty cash will be disbursed without the prior approval of the head of departments with supporting documents.

5.5 Profit Computation on Savings/ PLS Accounts

It is the sole responsibility of the finance department to compute the profit on different accounts using applicable rates which are approved by the CFO. Once the profit is credited in the bank account by the respective bank, a receipt voucher shall be prepared by the finance department personnel and an entry for the receipt will be recorded in the system. Any difference between such amounts shall be recorded in the system after the approval of the CFO.

5.6 Expenses

A purchase order should be prepared/controlled for all the expenditures incurred by the company above the threshold specified by the board or senior management. Approval of the purchase order is to be signed by the relevant authorized person before being processed. Invoices are compared with the purchase order for proper verification. Payment disbursement vouchers should be prepared and authorized by a relevant individual. All expense transactions and other cash disbursements are to be

recorded in separate heads in the system. All employee-related expense reimbursements are separately maintained and carry a valid voucher with the approval of the personnel.

6. INFORMATION TECHNOLOGY GENERAL CONTROLS (ITGCS)

6.1 Access Security

The company has approved the nature and extent of user-access privileges for new and modified user access. Certain individuals are provided with authorized software which carries rights defined by the management for department-wise needs. User accounts are terminated or transferred on time following the documented securities broker policy. A master user has been created with privileged access. The relevant individual periodically reviews the user access under the established requirements in the policy. Separate log recording is maintained to detect unauthorized or inappropriate activity. Certain password parameters are well defined keeping up with the professional policies and standards including the complexity of the password, idle logout and password expiration.

6.2 Data Centre and Network Operations

Physical security mechanisms and environment controls are established to protect the IT assets in the I.T. department from intentional or unintentional damage. Financial data is backed up daily with a backup stored in an appropriately secure location. Furthermore, backup processes are monitored for successful execution and failures are escalated and corrected to ensure data is usable and available for retrieval and restoration if needed. Restoration testing of backups is performed frequently to determine the usability and integrity of the files.

6.3 Application Acquisition, Development & Maintenance

A guideline to acquire, develop, modify, and run periodic maintenance of application systems, databases, Network/Domain controller and communication software, systems software, and hardware to establish consistency of development and maintenance activities within the entity management of the company is done with proper approval of the management.

6.4 IT Governance

The company has enforced a strict IT strategic Plan which addresses both long and short-term IT-related projects. An IT committee is formed to govern all IT-related matters. Moreover, an IT risk management framework is established that is aligned with the organization's risk management framework. A disaster recovery plan has been developed, approved, and tested regularly. IT policies and procedures are formally documented, approved and updated periodically. Security awareness training programs are conducted periodically to enable the users to understand applicable security policies and the measures taken to safeguard organizational assets. Furthermore, the Internal Audit function is overlooked and reviewed relating to IT-related matters.

6.5 Network

Unique user IDs and passwords or other such methods are placed as a method mechanism for validating that users are authorized to gain access to the system. Password parameters are also followed using industry standards. Certain scans of the network parameter should be performed by the network management team who also investigate potential vulnerabilities. The department issues certain notifications of threats if identified by the intrusion detection systems. Network firewalls are placed appropriately and reviewed to secure the company's network.

6.6 Disaster Recovery Planning / Business Continuity Plan

Business Continuity and Disaster recovery plans are in place duly approved by the Board of Directors, having the capability of restoring both the IT operations and business processes.

A coordinated strategy should be developed that involves plans, procedures, and technical measures to enable the recovery of systems, operations, and data after a disruption. A disaster recovery plan is tested periodically and proper documentation of the same.

7. COMPLIANCE DEPARTMENT

7.1 STRUCTURE

The company-designated or appointed compliance officer, which fulfils the fit and proper criteria specified in the Regulations, is in place. Appointment of a compliance officer is done by the CEO subject to the approval of the Audit Committee/ BOD. The compliance officer is held responsible for monitoring the compliance of the company with the applicable regulatory regime. The compliance officer is to report findings directly to the Audit Committee/ BOD for the actions.

7.2 BOARD OF DIRECTORS

The board of directors are ultimately accountable for the management of risk in Amaan Capital (Pvt) Limited and is responsible for ensuring adequate and effective internal control exists within the company.

The Board shall, under the direction of the Chairperson of the Board of the company. Be responsible to:

- Provide oversight on the general conduct of the operation of the company.
- Providing oversight on the maintenance of internal controls to minimize risk and financial loss to the company; and
- Ensure the fair presentation of interim and annual financial statements.

7.3 AUDIT COMMITTEE

The Audit Committee is a sub-committee of the Board and assures the Board of the adequacy and effectiveness of the internal controls. The Audit Committee is responsible for understanding the Amaan Capital (Pvt.) Limited major risk areas and ensuring that appropriate internal controls are in place to manage the risk exposures. Additionally, the Audit Committee is responsible for the monitoring of the control process and the adequacy of the system of internal control by reviewing internal and external audit reports. The Audits Committee's key responsibilities are to:

- Be continually aware of the current areas of significant risk exposures and ensure Amaan Capital (Pvt.) Limited management is effectively managing the risk.
- Ensure that effective systems of internal controls are established and maintained to Manage the risk exposure.

- Satisfy itself as regards the integrity and prudence of management's internal control system, including the review of policies and/or practice.
- Determine whether the CEO or Executive Management are aware of any matters that might have a significant impact on the financial situation of Amaan Capital (Pvt.) Limited.
- Report on the effectiveness of internal controls and comment on its evaluation of the financial statements in the company's annual report based on management assurance as well as internal and external assurance providers.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE:

The board of directors shall provide adequate resources and authority to enable the audit committee to carry out its responsibilities effectively. The terms of reference of the audit committee include the following:

- a) Determination of appropriate measures to safeguard the company's assets;
- b) Review of annual and interim financial statements of the company, prior to their approval by the Board of Directors, focusing on:
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - going concern assumption;
 - any changes in accounting policies and practices;
 - compliance with applicable accounting standards;
 - compliance with these regulations and other statutory and regulatory requirements; and
 - All related party transactions.
- c) Review of preliminary announcements of results prior to external communication and publication;
- d) Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- e) Review of management letter issued by external auditors and management's response thereto;
- f) Ensuring coordination between the internal and external auditors of the company.

- g) review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;
- h) Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- i) Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- j) Review of the company's statement on internal control systems prior to endorsement by the board of directors and internal audit reports;
- k) instituting special projects, value for money studies or other investigations on any matter specified by the board of directors, in consultation with the chief executive officer and to consider remittance of any matter to the external auditors or to any other external body;
- l) Determination of compliance with relevant statutory requirements;
- m) Monitoring compliance with these regulations and identification of significant violations thereof;
- n) Review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- o) Recommend to the board of directors the appointment of external auditors, their removal, audit fees, and the provision of any service permissible to be rendered to the company by the external auditors in addition to the audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
- p) Consideration of any other issue or matter as may be assigned by the board of directors.

Reporting Procedure: The secretary of the audit committee shall circulate minutes of meetings of the audit committee to all members, directors, head of internal audit and where required to the Chief Financial Officer prior to the next meeting of the board. Where this is not practicable, the chairman of the Audit Committee shall communicate a synopsis of the proceedings to the board and the minutes shall be circulated immediately after the meeting of the board.

8. MANAGEMENT AND STAFF

Management and staff are charged with the responsibility for establishing a network of processes to control the operations of the Amaan Capital (Pvt.) Limited. The day-to-day responsibility for designing implementing & monitoring controls in the business processes rests with Management. These areas and the required system of internal control are identified, documented, and regularly reviewed by management to ensure they are appropriate and relevant and that any necessary improvement is implemented

Management and Staff's key responsibilities are to:


- Plan, develop, implement, and monitor the required business policies, processes, and systems to achieve the company's objectives and strategies.
- Identify, Quantify, control, and manage all exposures to loss and risk within the company in a prudent manner:
- Implement and maintain adequate systems of internal control and monitor their continued effectiveness:
- Ensure that all systems and processes are efficient, effective, and economical:
- Safeguard and maintain the quality of the assets of the company:
- Monitor the performance of all aspects of the business activities of the company regularly:
- Implement those measures as recommended by the Risk Function, Internal and External Auditor as well as other Assurance Providers which, in Their opinion will enhance controls at a reasonable cost:
- Comply with the Delegations Framework:
- Ensure that legislation, policies, and procedures are strictly complied with:
- Ensure compliance with the system of internal control and the code of ethics:
- Ensure compliance with policies standard procedures and applicable legislation and regulation: and
- Assure the Chief Executive Officer and Board of Directors on the effectiveness of the internal controls system through the management Assurance Letter on an annual basis. This assurance letter will be phased in to the Division over a period of 12 months.

9. THE LIMITATIONS OF INTERNAL CONTROLS

The existence of a sound internal control environment provides the company with an assurance that activities are being carried out efficiently and effectively and that its assets are secure. Even with effective internal controls, errors and inappropriate activities are not eliminated. The following are factors not eliminated by an internal control framework:

- Human error may cause a breakdown in internal controls when staff are pressured with tight timeframes; exercise poor judgments; lack appropriate understanding of their responsibilities and delegations and lack appropriate training.
- Abnormal or non-routine transactions may not be appropriately captured by internal controls designed for routine transactions.
- Inappropriate behaviour by some staff acting together in collusion to bypass the systems of internal control.
- A deliberate decision to not implement cost-prohibitive internal controls
- Internal controls not being updated immediately when changes in procedures or changes in technology occurs.

Approved By



Mr. Aman Aziz Siddiqui
Chief Executive Officer
Amaan Capital (Pvt.) Limited