

## GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE POLICY

Dawood Hercules Corporation Limited (the “**Company**”) aims are to have strong governance practices across the spectrum of the Company’s activities along with a risk management framework to ensure that risks across the business are monitored and managed effectively.

### **Governance**

The CEO is responsible to ensure that the governance procedures are in place. The CFO and department heads are responsible for their implementation and putting in place necessary controls to ensure that the strategies, directions and instructions given to the departments and employees are carried out systematically and effectively. Detailed governance procedures are covered in the Code of Corporate Governance, Code of Conduct, Chairman / delegate Vice Chairman and Chief Executive Responsibilities and the Authority Policy.

### **Risk Management**

#### **Board’s Role in the Oversight of the Risk**

The Board must ensure that a risk management policy is in place and that all risk issues are reviewed and discussed by the boards of directors. This also includes reputational risk. Further the Board is required to address risk analysis, risk management and risk communication including any uncertainties surrounding the listed company in its annual report.

The Board’s role in the oversight of risk will cover the following:

1. Review of the process that management has put in place and ensure that it is as per risk appetite approved by the Board and meets the risk tolerances established by them.
2. To discuss the key issues and confirm the risk strategies implemented by management.
3. Ensure that this risk is communicated to the shareholders, stakeholders, regulators, stock exchange and other external parties in a timely manner.

### **Risk Management**

Risk management is the logical and systematic method of identifying, analyzing, evaluating, treating and monitoring risks in a way that will enable the organization to meet its objectives and minimize losses and maximize opportunities

While the CEO will be accountable for risk management, the Department heads will be responsible for the identification, assessment, and prioritization of risks. The methods and goals will be determined by the objectives of the department i.e. financial, public health and safety, environmental, security, industrial processes etc. Risk will be managed by having controls in place or by transferring the risk to another party or by avoiding the risk. Risk register will be maintained by each department and the risk mitigation plan will be approved by the appropriate level of authority.

### **Risk Management Plan**

Departmental Heads will be responsible for setting the appropriate controls or countermeasures for each risk. Hence the department heads need to ensure that:

1. Business processes have adequate built-in risk control and containment measures.
2. Risk is transferred to an external agency (e.g. an insurance company) where this is possible and appropriate.
3. Risks are avoided altogether (e.g. by closing down a particular high-risk business area).

### **Leadership and commitment**

The CEO and CFO responsibility include the following:

1. Develop and maintain a Risk Management System
2. Influence general risk awareness within the company
3. Review and monitor risk
4. Nominate Risk Owners
5. Oversee the operations of Risk Management Policy
6. Set up a staff induction training program

### **Monitoring, Review and Reporting of risk**

A regular schedule for the review of risk needs to be in place to ensure that risk is monitored and managed as per the risk appetite of the company. As per the schedule given in the department's risk register, the departments will develop:

1. Consistent and comprehensive reporting procedures
2. Risk monitoring and contingency procedures
3. A procedure for analyzing all feedback received that can be used for the mitigation for future risk assessment and allocation
4. A schedule will be established for the review of the risk management plans which will evaluate:
  - whether the previously selected security controls are still applicable and effective
  - the possible risk level changes in the business environment

The risk register is a dynamic document and will be reviewed by management on a regular interval and by BAC on a half yearly basis. The risk review report by the Internal Auditor will include a statement on the effectiveness of internal controls. If unanticipated risks emerge or a risk's impact is greater than the expected planned response or if risk impact to the business is significant, this must be brought immediately to the CEO and CFO's attention.

### **Compliance**

The CEO will be responsible for all external legal and regulatory compliance risks and these will be managed within the above risk management framework.