ARCHROMA PAKISTAN LIMITED
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PAKISTAN

Governance of Risk and Internal Control Measures

I. Purpose of the Policy

All activities undertaken by APL Limited (APL) carry an element of risk. The exposure to these risks is managed through the practice of Risk Management. In managing risk, it is the Company's practice to take advantage of potential opportunities while managing potential adverse effects. Managing risk is the responsibility of everyone in the Company.

This policy outlines the Company's risk management process and sets out the responsibilities of the Board, the Audit Committee, the CEO, senior management and others within the Company in relation to risk management.

II. Understanding Risk Management

Risks have been described in terms of combination of the consequences of an event occurring and its likelihood of occurring.

Risk is the chance of something happening that will have an impact on objectives.

APL risk management system is designed to identify the risks it faces and has measures in place to keep those risks to an acceptable minimum.

Risk owners have been assigned responsibility for the identified risks in the Risk Register. APL risk assessment matrix is used as the benchmark in planning and implementing the risk management measures.

The risk management process consists of the following main elements:

Identify: identify a risk and document the risks captured by the risk register owner.

Assess:

- Likelihood of (risks);
- Impact of each risk;
- Prioritisation based on scales.

Plan: preparation of management responses to mitigate threats and maximise opportunities.

Implement: risk responses are actioned.

Monitor and review: monitor and review the performance of the risk management system.

III. Responsibility

Every APL staff member is responsible for effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

Managers are accountable for strategic risk management within areas under their control, including the promotion and training of the risk management process to staff.

IV. Risk management process

The risk management system is based on a structured and systemic process which takes into account APL's internal and external risks.

APL's risks may come from any internal or external event which, if it occurs, may affect the ability to efficiently and effectively operate in the industry:

Internal risks – those risks that specifically relate to APL's business itself and as such as generally within its control. They include risks such as employee related risks, strategic risks, and financial risks.

External risks – those risks that are outside the control of APL. They include risks such as market conditions and legislative change.

Risks are effectively managed by APL through the effective implementation of various controls, which include:

Maintenance of risk register; and
Regular review of risks and controls, particularly as the business changes.

Risk management can be applied at many levels in an organization. It can be applied at a strategic level and operational level.