

## MAHMOOD TEXTILE MILLS LIMITED

### RISK MANAGEMENT POLICIES

#### Summary of the Board of Directors' Risk Management Policies:

1. **Strategic Risks:** Aligning the company's strategy with its risk appetite and regularly reviewing it in response to external changes.
2. **Financial Risks:** Overseeing financial performance, hedging against currency and interest rate risks, and ensuring sound capital allocation.
3. **Operational Risks:** Ensuring operational efficiency, supply chain stability, and technology adoption while maintaining business continuity.
4. **Governance and Compliance:** Ensuring adherence to governance principles, legal compliance, and anti-corruption policies.
5. **ESG Risks:** Managing environmental, social, and governance (ESG) risks, including sustainability efforts and ethical conduct.
6. **Risk Framework and Committees:** Establishing a comprehensive risk management framework and delegating to committees for detailed oversight.
7. **Reputation Management:** Safeguarding the company's reputation and managing crisis communication.
8. **Succession Planning:** Ensuring leadership continuity and managing employee risks.
9. **Audit and Reporting:** Ensuring the accuracy of financial reporting and maintaining strong internal controls.

The **Board of Directors** of Mahmood Textile Mills Limited is responsible for overseeing the company's strategic direction, financial performance, and governance practices. As part of their role, they establish and implement risk management policies that guide the company in identifying, assessing, and mitigating various risks. These policies help ensure the long-term stability, profitability, and sustainability of the company. While specific details of Mahmood Textile Mills' Board of Directors' policies might not be publicly available, a general framework for **risk management policies for a board of directors** would include the following key elements:

#### 1. Strategic Risk Management

- **Oversight of Strategic Direction:** The board is responsible for overseeing the company's strategic objectives and ensuring that these objectives align with the company's risk appetite. This includes assessing risks associated with major business decisions, investments, mergers, or market expansions.
- **Risk-Aware Decision-Making:** The board ensures that all major business decisions are made with a clear understanding of associated risks. This involves assessing the potential risks of entering new markets, investing in capital projects, or launching new products.

- **Periodic Strategic Reviews:** The board periodically reviews the company's strategy in light of changing market conditions, regulatory environments, and economic trends. These reviews help ensure that Mahmood Textile's strategy is resilient and adaptable to evolving risks.

## 2. Financial Risk Management

- **Financial Oversight:** The board ensures sound financial management by overseeing the company's financial performance, including liquidity, capital structure, and profitability. This includes monitoring key financial metrics and ensuring that the company has sufficient resources to meet its obligations.
- **Foreign Exchange and Interest Rate Risk:** Mahmood Textile Mills, being an export-oriented company, faces foreign exchange risk and interest rate risk. The board may establish policies for hedging these risks through financial instruments such as forward contracts, options, or swaps to mitigate the impact of currency fluctuations and interest rate volatility.
- **Capital Allocation and Investment Policies:** The board is responsible for approving the company's capital allocation strategies, ensuring that resources are invested in ways that maximize shareholder value while managing risk exposure. This could include policies for debt management, dividend distribution, and investment in growth initiatives.

## 3. Operational Risk Management

- **Supply Chain Risk Oversight:** The board ensures that operational risks related to the supply chain, production processes, and raw material procurement are effectively managed. Mahmood Textile Mills operates in a volatile textile market, so the board might implement policies to diversify suppliers and ensure consistent raw material availability.
- **Technology and Innovation Risk:** The board monitors the company's adoption of technology and innovation to ensure it remains competitive in the global textile industry. This includes reviewing risks associated with technology obsolescence and ensuring that the company invests in modern equipment and systems.
- **Crisis Management and Business Continuity:** The board plays a role in overseeing the company's business continuity plans, ensuring that Mahmood Textile is prepared to respond to disruptions such as natural disasters, political instability, or supply chain interruptions.

## 4. Governance and Compliance Risk Management

- **Corporate Governance Practices:** The board establishes strong corporate governance practices to ensure accountability, transparency, and ethical behavior across the organization. This includes adherence to the principles of good governance as outlined by regulatory bodies such as the Securities and Exchange Commission of Pakistan (SECP).
- **Compliance with Laws and Regulations:** The board ensures that Mahmood Textile Mills complies with all relevant laws, regulations, and industry standards. This includes overseeing compliance with environmental, labor, and health and safety regulations, both in Pakistan and in international markets where the company operates.

- **Anti-Corruption and Anti-Fraud Policies:** The board sets policies to prevent fraud and corruption within the company. These policies include measures such as financial controls, whistleblower mechanisms, and a zero-tolerance approach to unethical behavior.

## 5. Environmental, Social, and Governance (ESG) Risk Management

- **Sustainability and Environmental Impact:** The board oversees the company's sustainability initiatives, ensuring that Mahmood Textile Mills operates in an environmentally responsible manner. This includes managing risks related to environmental compliance, resource conservation, waste management, and carbon emissions.
- **Social Responsibility:** The board implements policies to ensure that the company adheres to fair labor practices, supports community development, and engages in corporate social responsibility (CSR) initiatives. This may include compliance with international labor standards and promoting a safe and inclusive workplace.
- **Governance and Ethical Standards:** The board is responsible for setting the tone at the top in terms of corporate governance and ethical standards. This includes ensuring that directors and executives act in the best interest of shareholders and stakeholders and that conflicts of interest are avoided or managed appropriately.

## 6. Risk Management Framework and Policy Oversight

- **Establishing a Risk Management Framework:** The board is responsible for setting up a comprehensive risk management framework for the company. This framework would outline the company's risk appetite, identify key risk areas, and define procedures for risk identification, assessment, and mitigation.
- **Delegation to Risk Committees:** The board has established **Audit Committee** to manage specific areas of risk in more detail. Audit Committee reports back to the full board on their findings and recommendations.
- **Regular Risk Assessments:** The board ensures that regular risk assessments are conducted across the company. This includes reviewing emerging risks, such as technological changes, market disruptions, and regulatory developments, that could impact the company's operations or profitability.
- **Internal Audit Function:** The board oversees the internal audit function, which provides independent assessments of the company's risk management practices, internal controls, and compliance with laws and regulations.

## 7. Reputation and Brand Risk Management

- **Reputation Management:** The board is responsible for protecting Mahmood Textile Mills' brand and reputation. This includes managing risks related to product quality, customer satisfaction, corporate social responsibility, and public relations.
- **Crisis Communication Plans:** The board ensures that the company has a crisis communication plan in place to respond to potential reputation risks. This could involve media relations strategies, stakeholder engagement, and timely responses to adverse events.

- **Stakeholder Engagement:** The board engages with key stakeholders, including shareholders, customers, suppliers, employees, and regulators, to manage expectations and build trust. Transparent communication and reporting are central to this effort.

## 8. Human Resources and Succession Planning

- **Leadership Risk Management:** The board oversees succession planning to ensure that the company has strong leadership in place. This involves identifying and developing talent within the company to fill key executive and management roles.
- **Employee Well-being and Risk Management:** The board ensures that the company has policies in place to manage risks related to employee health, safety, and well-being. This includes implementing workplace safety standards and ensuring compliance with labor laws.

## 9. Audit and Reporting

- **Financial Reporting Oversight:** The board ensures the accuracy and reliability of the company's financial statements. This includes overseeing the audit process, both internal and external, and ensuring that any issues raised are addressed promptly.
- **External Auditors:** The board appoints and oversees external auditors to ensure the integrity of the company's financial reporting and adherence to International Financial Reporting Standards (IFRS) and other relevant accounting standards.
- **Internal Controls:** The board is responsible for ensuring that Mahmood Textile has effective internal controls to safeguard assets, prevent fraud, and ensure the accuracy of financial data. For this a full fledged Internal Audit Department is built; team of internal audit professionals is present at every site also.

These policies help the board ensure that Mahmood Textile Mills Limited operates efficiently, complies with regulations, and manages risks to protect shareholder value and sustain long-term growth.