

FIRST CAPITAL EQUITIES LIMITED (“THE COMPANY”)

The risk is an integral component of the business, and that it is characterized by both threat and opportunity. The management of the Company must foster a risk aware corporate culture in all decision-making, and is committed to managing all risk in a proactive and effective manner through competent risk management. To support this commitment, risk is analyzed in order to inform the management decisions taken at all levels within the organization. Due to the limitations inherent in any risk management system, the process for identifying, evaluating and managing the material business risks is designed to manage, rather than eliminate, risk and to provide reasonable, but not absolute assurance, against material misstatement or loss. Certain risks, for example natural disasters, cannot be managed to an acceptable degree using internal controls. Such major risks are transferred to third parties in the local insurance markets, to the extent considered appropriate.

OVERVIEW

The risk management framework described in this document broadly covers all aspects of Company's operations which may be categorized into following areas:

RISK FACTORS

The various risk factors, which may affect the profitability of the Company are:

Regulatory risk

The Company is exposed to imposition/enhancement of regulatory and compliance requirements from SECP and PSX

Market Risk

In Pakistan there has been immense activity and growth in Stock Market during year 2012 to 2017, however, the trend shows that market is highly volatile

The Company is to focus on high quality research function, strengthening customer-services and support and building customer-relations that will allow it to meet the challenges accompanying a developing market.

Inflationary Risk

High inflation rate can effect the economy in general which may tickle down to the stock market. This phenomenon is mitigated to some extent by the fact that State Bank of Pakistan takes steps to manage the inflation rate.

POLICIES AND PROCEDURES

Risk management is most effective when it follows a top-down approach. In this approach, the senior management of The Company is the center of power and responsibility.

Based on various factors like the risk appetite and business strategy of the organization, the philosophy regarding risk should be developed. This philosophy should then be transmitted throughout the organization in the form of concrete and detailed policies, procedures and guidelines. The policy and

procedures documents should build a framework for the effective and efficient management of The Company.

REVIEW BY INTERNAL AUDITORS

After full implementation of the risk management system, it shall be made a part of internal audit and the auditors shall check on a constant basis about the adequacy of risk management systems.

RISK MANAGEMENT ACTIVITIES

Procedures

Consistent with the objective of The Company, the Board of Directors and the management of the Company shall ensure the smooth functioning of business activities.

Financial Risk and mitigation;

- CFO and Group Director finance shall be responsible for identification of potential financial risk and its mitigation;

Operational Risk and mitigation;

- Managing Director / Chief Operating Officer shall be responsible for identification of potential Operational risk and its mitigation;

Compliance related and legal Risk and mitigation;

- Chief Compliance Officer, shall be responsible for identification of potential regulatory or legal risk and its mitigation;

Potential and strategic Risk and mitigation;

- Chief Executive Officer shall be responsible for overall risk management and highlighting the potential strategic risks to the Board of Directors.
- The Company ensures full compliance of all the risk management practices within a period of 12 months.

Internal controls:

The management is responsible for the Company's system of internal controls and for reviewing annually its effectiveness in providing shareholders with a return on their investments that is consistent with a responsible assessment and management of risks. This includes reviewing financial, operational and compliance controls and risk management procedures and their effectiveness.

The audit committee shall regularly review reports of the internal audit function of the Company related to the Company's control framework in order to satisfy the internal control requirements. The Company's internal Audit function shall perform reviews of the integrity and effectiveness of control activities and provides regular reports to the Audit Committee and the Board.

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