



# **CRESCENT COTTON MILLS LIMITED**

## **CODE OF CONDUCT**

## **CONTENTS**

	<b><u>Page #</u></b>
<b>1. Introduction</b>	<b>3</b>
<b>2. Preamble</b>	<b>4</b>
<b>3. Vision &amp; Mission statements</b>	<b>5</b>
<b>4. Role of the Chairman</b>	<b>6</b>
<b>5. Role of Chief Executive Officer</b>	<b>7</b>
<b>6. Responsibilities, Powers and Functions Of The Board of Directors</b>	<b>8 - 11</b>
<b>7. Code of Conduct For the Directors</b>	<b>12 - 13</b>
<b>8. Code of Conduct For Employees</b>	<b>14 - 15</b>

## **INTRODUCTION**

Crescent Cotton Mills Limited ( CCML ) holds, and will continue to hold, a leading position among yarn, grey cloth and hosiery manufacturers in Pakistan. CCML's activities are guided by the highest standards and principles of business conduct as accepted by the national as well as international business community.

Crescent Cotton Mills Limited is proud of its reputation, its honest treatment of customers, directors and employees. The professionalism of management and employees of CCML and the corporate principles and ethics abided by them continue to be an essential factor in the development of the company. These factors continue to shape and strengthen its present position in the business community. We believe that adherence to these principles is key to a successful future for Crescent Cotton Mills Limited.

Crescent Cotton Mills Limited operates in an emerging economy. Following the principles of good corporate citizenship, CCML is committed to setting an example of high ethical and proper business practices. It is our belief that adherence to the principles of corporate governance and transparency sets the tone for the ongoing development of our industry and the economy in which we operate.

Pakistan is CCML's home. As such, we are committed to increasing wealth in Pakistan and we have made this, one of our business priorities.

## **COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

### **PREAMBLE**

Compliance with best practices of Corporate Governance may derive assurance that the company is being ethically managed according to prudently determined risk parameters in compliance with generally adopted corporate practices and that all transactions not only comply with all laws but are also fairly and accurately reflected in the financial statements.

The implementation and compliance of elements of Code of Corporate Governance is the responsibility of the Board of Directors of the Company.

This document reflects company's procedure for compliance with the elements of Code of Corporate Governance.

## **VISION STATEMENT**

To continue to hold a highly prestigious profile amongst the national as well as international industry through producing international quality yarn, embroidered cloth, grey cloth and socks, while ever endeavoring for a sustainable growth of the Company.

## **MISSION STATEMENT**

The company's primary mission is to be a profitable performance proven leader in quality yarn, embroidered cloth, grey cloth and socks manufacturing, with recognition coming from our customers, our equity holders, our employees and the public at large. The company seeks to accomplish this in a manner that contributes to the strengthening of the free enterprise system, to the development and growth of its employees, and to the goals of the country and the community towards fulfilling its social responsibilities/obligations in a befitting manner.

## **ROLE OF THE CHAIRMAN**

- A. The Chairman would ensure that all Board members, when taking up office, are briefed on the terms of their appointment, and on their duties and responsibilities, under:
- the Corporate Law, and
  - the Corporate Governance
- B. The Chairman has specific responsibility, with the Chief Executive Officer, for providing effective strategic leadership on matters such as:
- a) Formulating the Board's business strategy.
  - b) Presenting the views of the Board to the general public.
  - c) Encouraging high standards of propriety, and promoting efficient & effective use of human and other resources throughout the organization.
- C. The Chairman would ensure that the Board meets at regular intervals throughout the year, and that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Board members. Code of Corporate Governance requires at least four meetings of the Board per year. Articles of Association of the company stipulate the size and required composition of the Board's quorum.
- D. The Chairman keeps under review, informally, the contributions made by Board members to the company's work.
- E. Chairman would review from time to time the activities and effectiveness of the Board, and the contributions made by the individual Board members.
- F. Chairman would also ensure holding of appropriate and required number of Audit Committee meetings etc.

## **ROLE OF CHIEF EXECUTIVE OFFICER**

Following are the major functions typically addressed by job obligations of the Chief Executive Officer:

### **A. Board Administration and Support**

To support operations and administration of Board by providing information to Board members, co-ordination between Board and the employees, and supporting Board's evaluation of the functions of the Chief Executive Officer.

### **B. Human Resource Management**

Effectively manages the human resources of the organization according to authorized personnel policies and procedures that fully conform to current laws and regulations.

### **C. Community and Public Relations**

Assure the organization and its mission by consistently presenting strong and positive image towards environment and community.

### **D. Funds Management**

Oversee fund raising planning and implementation, including identifying resource requirements, researching funding sources, establishing strategies to approach lenders, submitting proposals and administrating fund raising records and documentation.

### **E. Routine Operational matters entrusted by the BOD under General Powers of Attorney, including but not limited to the following:**

- i) write-off of bad debts, advances and receivables and determination of a reasonable provision for doubtful debts;
- ii) write-off of inventories and other assets; and
- iii) Ensuring Adequate Resources

One of the Board's foremost responsibilities is to authorize adequate resources for the company to fulfill its mission. The Chief Executive Officer shall seek approval of the Board to raise funds and other resources to achieve company goals.

## **RESPONSIBILITIES, POWERS AND FUNCTIONS OF THE BOARD OF DIRECTORS**

The Board of Directors shall exercise their powers and carry out their fiduciary duties with an approach and view of objective judgment and independence in the best interest of the company.

The provisions contained in this memorandum are conforming with the provisions of the Companies Ordinance, 1984, Memorandum & Articles of Association of the Company and/or the listing regulation of stock exchanges, including Corporate Governance.

The Board members have Corporate responsibility for:

### **A. Establishing and reviewing company's vision, mission, purpose and policies**

The Board of Directors shall establish and review regularly the company's vision, mission and overall strategic directions as well formulating significant policies for compliance of clause (v) and implementation thereof.

Company Secretary will keep a complete record of particulars of the significant policies, along with their dates of approvals or amendments by the Board of Directors.

The Board of Directors shall define the level of materiality, based on the specific circumstances and the recommendations of any technical or executive sub-committee of the Board that may be set up for the purpose;

### **B. Appointment of Chief Executive Officer and other Executive Directors**

The Board of Directors shall appoint Chief Executive Officer and other Executive Directors and fix their remuneration and terms of appointment. The Board shall reach consensus on Chief Executive Officer's job description and role.



### **C. Ensuring Effective Company's Planning**

- i). The Board shall govern the company by broad policies, approved annual operating plans reflecting the mission and business plans, and receiving and approving quarterly and annual accounts, by delegating some functions to the CEO through General Power of Attorneys.

The following powers shall be exercised by the Board of Directors on behalf of the company and decisions on material transactions or significant matters are to be documented by a resolution passed at a meeting of the Board,

- a) Investment and disinvestments of funds where the maturity period of such investments is six months or more,
  - b) Determination of the nature of loans and advances made by the company and fixing a monetary limit thereof;
  - c) Determination of the terms of and the circumstances in which a law suit may be compromised and a claim/right in favour of the company may be waived, released, extinguished or relinquished;
- ii). Significant issues shall also be placed for information, consideration and decision of the Board of Directors, which subject to GPOA of the CEO may include:
- a) Annual business plans, cash flow projections, forecasts.
  - b) Budgets including capital, manpower and of overheads;
  - c) Quarterly operating results of the company
  - d) Internal audit reports, including cases of fraud or irregularities of material nature.
  - e) Management letter issued by the external auditors together with management response.
  - f) Details of joint venture or collaboration agreements or agreements with distributors, agents, etc.

- g) Status and implications of any law suit or proceedings of material nature, filed by or against the company.
- h) Default in payment or principal and/or interest, including penalties on late payments and other dues, to a creditor, bank or financial institution or default in payment of public deposit.
- i) Failure to recover material amounts of loans, advances, and deposits made by the company, including trade debts and inter-corporate finances.
- j) Any significant accidents, dangerous occurrence and instances of pollution and environmental problems involving the company.

**D. Managing Resources Effectively**

The Board shall ensure that sound internal controls are effectively implemented at all levels within the company.

**E. Powers Of Directors**

The business of Crescent Cotton Mills Limited (the "Company") shall be managed by the Directors, who may authorize all expenses incurred in connection with incorporation and operation of the Company.

The Directors shall have all powers to manage day to day affairs of the Company for effective discharge of its business except those powers which are to be exercised by the Company in the general meeting as required by the Ordinance, or by the Articles of Association of the Company or by a special resolution.

1. The Directors of the Company shall exercise the following powers on behalf of the Company by means of resolutions passed at Board meeting:

- a). to make calls on shareholders in respect of moneys unpaid on their shares;
- b). issue of shares and debentures or any instrument in the nature of redeemable capital;
- c). to borrow money otherwise than on debentures;
- d). to invest funds of the Company;

- e). to make loans;
  - f). to authorize a Director to enter into any contract with the Company for making sale, purchase or supply of goods or rendering services with the Company;
  - g). to approve annual or quarterly or other periodical accounts as are required to be circulated to the members;
  - h). to approve bonus to employees;
  - i). to incur capital expenditure on single item or dispose of a fixed asset of the value as may be prescribed by SECP from time to time;
  - j). to undertake obligations under leasing contracts exceeding one million rupees;
  - k). to declare interim dividend; and
  - l). having regard to such amount (as may be determined to be material as construed in generally accepted Accounting principles) by the Board:
    - to write off bad debts, advances and receivables and determination of a reasonable provision for doubtful debts;
    - to write off inventories and other assets of the Company;
    - and
    - to determine the terms and circumstances in which law suit may be compromised and a claim or right in favour of the Company may be released extinguished or relinquished.
2. The Directors of the Company shall not exercise the following powers without the consent of the general meeting specifically or by way of authorization:
- Sell, lease or otherwise dispose off the assets of the Company or sizeable part thereof; and
- Remit, give any relief or give extension of time for repayment of any debt outstanding against any Director of the Company, a Director of Group Company (ies) and relatives of such Directors.

## **CODE OF CONDUCT FOR THE COMPANY DIRECTORS**

### **OBJECTIVES**

This Code of Conduct supports enhancing the standards of corporate governance and corporate behavior with the following objectives:-

- 1 To establish standards of ethical conduct for directors based on acceptable beliefs and values one upholds.
- 2 To uphold the spirit of social responsibility and accountability in line with the legislations, regulations and guidelines governing a company.

### **CODE OF CONDUCT**

In the performance of his duties a director should at all times observe in general, the following ethics:

Perform his duties and obligations under the Companies Ordinance, 1984 Memorandum & Articles of Association and the Corporate Governance implemented by the Listing Regulations.

- a). Ensure at all times that the company is properly managed and effectively controlled and give directions only to the Chief Executive Officer whenever deemed necessary
- b). Disclose immediately all contractual interests whether directly or indirectly with the company.
- c). Promote professionalism and raise competency of management in the employees.
- d). Ensure effective use of natural resources and to improve quality of life by promoting corporate social responsibilities.
- e). Be more proactive to the needs of the community and to assist in society related programs.
- f). Avoid abusing their position to obtain advantage for themselves, family members or close associates, and/or demonstrate abuse of authority.
- g). Refrain from a conduct that would discredit and/or compromise the integrity of the board.

- h). Avoid situations where conflict of interest might arise with respect to their fiduciary responsibilities
- i). Refrain from diverting to his own advantage any of the company's business information and/or opportunity,

## **CODE OF CONDUCT FOR EMPLOYEES**

The Company's reputation and its actions as a legal entity depend on the conduct of its employees. Each employee must commit to act according to the highest ethical standards and to know and abide by applicable laws. We each must assure that our personal conduct is above reproach and complies with the highest standards of conduct and business ethics and have an obligation to assure that the conduct of those who work around us complies with these Standards too. The company's Code of Business Ethics and Standards of Conduct will be enforced at all levels fairly and without prejudice.

As a matter of policy, it is the obligation of every employee of Crescent Cotton Mills Limited to follow the highest business ethics and standards of conduct showing to be a responsible, honest, trustworthy, conscientious, and dedicated employee of the highest standards of ethical business practices.

### **CODE OF CONDUCT**

- a). Employees shall conduct their employment activities with the highest principles of honesty, integrity, truthfulness and honor.
- b). Employees shall not make, recommend, or cause to be taken any action known or believed to be in violation of any law, regulation or corporate policy.
- c). Employees have a legal, moral and ethical responsibility to report to the Company, or the appropriate authorities, known or suspected violations of law, regulations, or corporate policy, including the Company's Standards of Conduct.
- d). Employees shall not use their position in employment to force, induce, coerce, harass, intimidate, or in any manner influence any person, including subordinates, to provide any favor, gift or benefit, whether financial or otherwise, to themselves or others.
- e). Employees representing the Company to third parties shall not allow themselves to be placed in a position in which an actual or apparent conflict of interest exists.

- f). The employee shall immediately report the relationship to management of any previous employment, or relationship with any government employee that can influence his decision or action.
- g). Employees shall not engage in outside business activities, either directly or indirectly, with a customer, vendor, supplier or agent of the Company or engage in business activities which are inconsistent with, or contrary to, the business activities of the Company.
- h). Employees shall not use or disclose the Company's trade secrets, proprietary or confidential information, or any other confidential information gained in the performance of Company duties as a means of making private profit, gain or benefit.