FLORET CAPITALS (PRIVATE) LIMITED

INTERNAL CONTROL POLICIES

COMPLIANCE POLICY

Consistency with compliance is essential for smooth functioning and effectiveness of the organization. The Company including all Staff, Management and Executives are expected to adhere to this policy. Internal Audit and Compliance Department. will monitor and assess the compliance of all Branches and report quarterly to the Board of Directors. Non-compliance or breach of this policy may result in disciplinary action.

The Internal Control policy will be review every two years or at planned intervals whenever material changes occur to reflect the company's requirements.

POLICY STATEMENT:

The Board of Directors is ultimately responsible for the management of risk in the company and are responsible for ensuring adequate and effective internal controls exist. The management of FLORET CAPITALS Pvt ltd & Staff enables the Board to meet these responsibilities by implementing standards and systems of internal control to provide reasonable assurance as to the integrity and reliability of the financial statements in terms of IFRS and to adequately safeguard, verify and maintain accountability for the assets as well as ensuring the sustainability of the organization. Based on the information and explanations given by Management Staff and the assurance Providers, the board is able to provide an opinion on the internal controls and that the financial records may be relied upon for preparing the financial statements in accordance with IFRS and maintaining accountability for the assets and liabilities. In addition, the board is required to confirm that nothing has come to their attention to indicate that a breakdown in the functioning of these controls, resulting in material loss to the company. This policy therefore sets out the Key Internal Control objectives and principles as well as duties of the Board, Audit and Risk Committee, Management and Staff, Risk Assurance, Compliance, Internal Audit, External Audit and other Internal Control Functions at FLORET CAPITALS Pvt Ltd.

Internal Control:

Internal controls are the system / process, affected by company's board of directors, management and other personnel, designed to reasonably manage risk affecting the achievement of objectives in the following categories.

- Effectiveness, efficiency, economy and accuracy of operations.
- Reliability and relevance of reporting.
- Compliance with applicable laws and regulations.
- Safeguarding of assets and resources and
- Appropriate governance

OBJECTIVES OF POLICIES

Implementation of internal control policies allows the organization to stay focused on the strategic and business objectives while operating within the confines of relevant policies, laws and regulation thereby minimizing any surprises or risk along the way. Internal Control helps the organization to deal more effectively with changing economic environments, leadership, priorities and evolving business models. It promotes efficiency and effectiveness of operations and supports reliable reporting and compliance with laws and regulations.

The Internal Control Policy is intended to strengthen the governance of FLORET CAPITALS Pvt Ltd Internal Control Processes and in its operations. The objectives of the policy are to provide reasonable assurance to the Board that.

• Data and information published either internally or externally is accurate, reliable and timely;

• The actions of the FLORET CAPITALS Board, Management and Staff are in compliance with the policies, standards, procedures and all relevant laws and regulations.

• The Assets and resources including its people, systems and data/information adequately protected.

• The Organization's strategic and business objectives plans and programs are achieved

•The exposures to loss which relate to their particular area of operations have been identified and evaluated; and

• Practical controlling processes have been established that require and encourage the board, Management and Employees to carry out their duties and responsibilities in an efficient and effective manner.

SCOPE:

The Internal Control Policy applies to all Staff (Permanent, part time and contractors) Management and the Board of FLORET CAPITALS and its subsidiaries (if any) or Branches.

KEY PRINCIPLES:

The Overall objective of the Internal Control Policy is to ensure that adequate and effective internal controls are in place and that these controls are applied consistently throughout the company in order to protect FLORET CAPITALS and its stakeholders from potential losses. In this context the Internal Control Policy will be managed within the following Key Principles.

DETAILED CONTROLS

BROKERAGE OPERATIONS (BOTH AT HEAD OFFICE AND BRANCHES, WHERE APPLICABLE)

1. Account Opening, KYC/AML Procedures and Processes

An account opening department should maintain a list of all new and existing customers and also keep a record of their account opening forms.

Effective Know Your Customer (KYC) and Customer Due Diligence (COD) policies and procedures should be developed by the Departments covering Customer Identification; Sources of Income (In case of Individuals/ Sole proprietorship); Risk Assessment of Customers; Circumstances where enhanced due diligence is required; Circumstances where simplified due diligence can be adopted

Ongoing Customer Screening

Data Retention;

• Compliance function with suitable human resource;

• MIS reporting capability;

• Training of employees.

The relevant department should have a control to ensure the retention of the records of the customer's

Identification their updating on a timely basis.

Senior personnel of compliance function; preferably the Compliance officer should give approval of the opening of account of the customers and should prepare a checklist for all the relevant supporting documents. The approval should be based on a checklist which covers the major areas of KYC guidelines.

Total number of accounts opened/ client codes should be matched by the compliance officer with the account opening forms and the checklist attached on regular intervals.

Sufficient information as referred above should be obtained and documented on the intended nature of the account to be opened/ maintained.

Reasonable steps/checks should be taken by the account opening department to assess the correctness of information, provided by customer at the time of opening account.

All the updating in client's profile should be supported by reasonable evidence and retained by Account Opening Department

All departmental Heads should arrange Orientations & training sessions for their departments regarding compliance of all relevant laws and other anti-money laundering obligations

Account Opening Department should provide the customer with a risk disclosure document in accordance with the specimen provided by the securities exchange containing basic risks involved in trading in securities.

Risk disclosure documents should send to customers through registered email on which PMEX account is opened.

CLOSING / SUSPENSION OF ACCOUNT

Account Opening Department should maintain the details of accounts closed during the year and also ensure that it is in compliance with the regulatory requirements

Compliance Department should check that

a. There is no balance / securities outstanding against the customers;

b. Customer's money has been transferred/ settled; c. No transaction was carried subsequent to account closing date.

Adherence with the above policies should be checked by the compliance function

CORE FINANCIAL TRANSACTIONS CONTROLS.

Bank reconciliations

The finance department shall prepare bank reconciliation of all bank accounts which are later reviewed and approved by the Finance Manager. All unusual items in bank reconciliation should be investigated by the approver.

Petty cash

The Finance Manger will authorize finance personal to maintain cash in means of petty cash to run the daily expenditures of the company. Periodic physical count should be performed by the relevant person in presence Finance Manager No petty cash will be disbursed without the prior approval of the head of departs with supporting documents.

EXPENSES

A purchase order should be prepared/controlled for all the expenditure incurred by the company above the threshold specified by the board or senior management. Approval of the purchase order is to be signed by the relevant authorized person before being processed. Invoices are compared with the purchase order for proper verification. Payment disbursement vouchers should be prepared and authorized by a relevant individual. All expense transactions and other cash disbursement are to be recorded in separate head in the system. All the employee related expense reimbursements are separately maintained which carries a valid voucher with approval of the personal.

IT GOVERNANCE:

The company has enforced a strict IT strategic plan which address towards both long- and short-term IT related projects. Moreover, an IT risk management framework is established that is aligned to the

organization's risk management framework. A disaster recovery plan has been developed, approved and tested on a regular basis. IT policies and procedures are formally documented, approved and update on periodic basis. Security awareness training programs are conducted on periodic basis in order to enable the users to understand applicable security policies and the measures are taken to safeguard organizational assets.

Network

Unique user IDs and passwords or other such methods are placed as a method mechanism for validating that users are authorized to gain access to the system. Password parameters are also followed using industry standards. Certain scans of the network parameter should be performed by the network management team who also investigate potential vulnerabilities. The department issues certain notifications of threats if identified by the intrusion detection systems. Network firewalls are placed appropriately and reviewed to secure the company's network.

Disaster recovery planning / Business Continuity Plan

Business Continuity and Disaster recovery plan are in place duly approved by Directors, having capability of restoring both the IT operations and business process.

Coordinated strategy should be developed that involves plan, procedures and technical measures to enable the recovery of systems, operations and data after a disruption. Disaster recovery plan is tested on periodic basis and proper documentation of the same

COMPLIANCE DEPARTMENT

Structure:

The company designated or appointed compliance officer, which fulfills the fit and proper criteria specified in the Regulations, is in place. Appointment of compliance officer is done by the CEO subject to the approval of Audit Committee/ BOD. Compliance officer is held responsible for monitoring compliance of the company with the applicable regulatory regime. The compliance officer is to report findings directly to the Audit Committee/ BOD for the actions

BOARD OF DIRECTORS

The board of directors are ultimately accountable for the management of risk in the FLORET CAPITALS and are responsible for ensuring adequate and effective internal control exist within the company. The Board shall, under the direction of the Chairperson of the Board of the company. Be responsible to:

Provide oversight on the general conduct of the operating of the company

Providing oversight on the maintenance of internal controls to minimize risk and financial loss to the company: and

Ensure the fair presentation of interim and annual financial statement.

INTERNAL AUDIT DEPARTMENT:

The Audit Committee is a sub-committee of the Board and provides assurance to the Board on the adequacy and effectiveness of the internal controls. The Audit Committee is responsible for understanding the FLORET CAPITALS Major risk areas and ensuring that appropriate internal controls are in place to manage the risk exposures. Additionally, the Audit Committee is responsible for the monitoring of the control process and the adequacy of the system of internal control by reviewing internal and external audit reports.

The board of directors shall provide adequate resources and authority to enable the audit committee to carry out its responsibilities effectively. The terms of reference of the audit committee include the following:

a) Determination of appropriate measures to safeguard the company's assets;

b) Review of annual and interim financial statements of the company, prior to their approval by the Board of Directors, focusing on:

major judgmental areas;

significant adjustments resulting from the audit;

going concern assumption;

any changes in accounting policies and practices;

compliance with applicable accounting standards;

compliance with these regulations and other statutory and regulatory requirements; and

All related party transactions.

Review of management letter issued by external auditors and management's response thereto;

Ensuring coordination between the internal and external auditors of the company;

review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;

Determination of compliance with relevant statutory requirements

The Limitations of Internal Controls

The existence of a sound internal control environment provides company with an assurance that activities are being carried out in an efficient and effective manner and that its assets are secure. Even with effective internal controls, errors and inappropriate activities are not entirely eliminated. The following are factors not entirely eliminated by an internal control framework:

Human error may cause breakdown in internal controls when staff are pressured with tight tirne frames: exercise poor judgments; lack appropriate understanding of their responsibilities and delegations and when they lack appropriate training

Abnormal or non-routine transactions may not be appropriately captured by internal controls designed for routine transactions

Inappropriate behavior by a number of staff acting together in collusion to bypass the systems of internal control

deliberate decision to not implement cost prohibitive internal controls ~ Internal controls not being updated immediately when changes in procedures or changes in technology occurs.