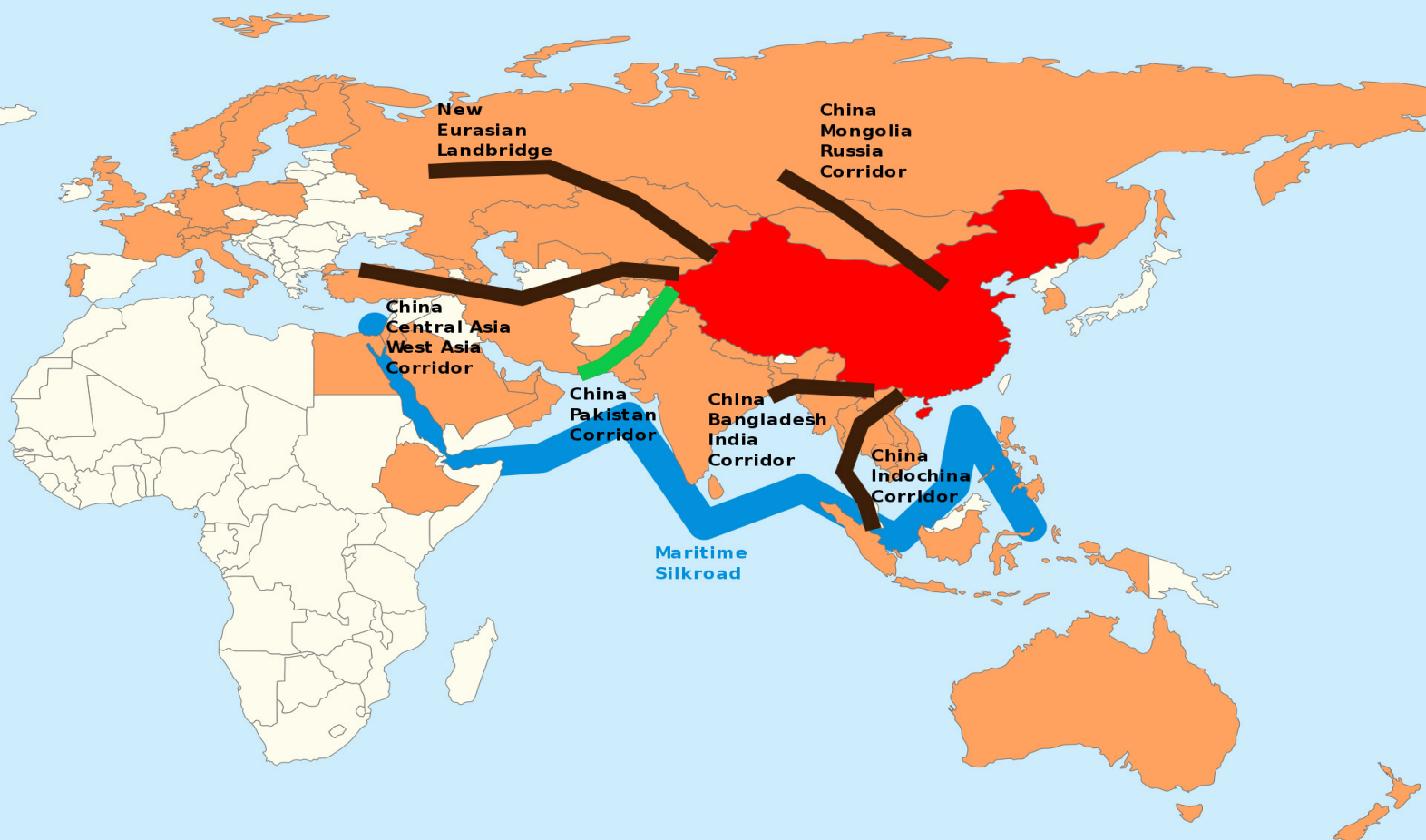




ISG-ES GRADING REPORT



INTERNATIONAL INDUSTRIES LIMITED

VIS



A joint product by

- VIS Credit Rating Company Limited;
- China Chengxin International Credit Rating Company Limited;
- Islamic International Rating Agency;
- Rating-Agentur Expert RA GmbH

Report Date: December 23, 2019

Analyst(s): Mr. Aarsal Ayub, CFA (VIS), Mr. Lingxuan Du (CCXI)

Company Status: Listed on Pakistan Stock Exchange.

External Auditors: M/s KPMG Taseer Hadi & Company.

Major Shareholders (>5%): Chinoy Family — 50.3%

Chairman: Mr. Mustapha A. Chinoy

CEO: Mr. Riyaz T. Chinoy

Locations: Head Office (Karachi), 5 Representative Offices: (Lahore, Islamabad, Multan, Faisalabad & Peshawar) and 3 Factories (Karachi [2] & Lahore)

Credit Ratings: AA-/A-1 by VIS (Reaffirmed on June 21, 2019)

Pakistan Country Risk Scoring: Country Risk Report Along the Belt And Road, Published 2017 — CCXI & VIS.

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ISG-ES GRADING

ISG-ES 1 Very Strong Investment Prospects
ISG-ES 2 Strong Investment Prospects
ISG-ES 3 Good Investment Prospects
ISG-ES 4 Medium Investment Prospects
ISG-ES 5 Weak Investment Prospects

GRADING RATIONALE

INVESTMENT STRENGTH (IS)

Investment Strength	Very Strong	Strong	Good	Medium	Low
Business/ Economic Risk	Very Low	Low	Moderate	Medium	High
Industry Risk	Very Low	Low	Moderate	Medium	High
Corporate Positioning	Very Strong	Strong	Sound	Adequate	Weak
Financial Performance	Very Strong	Strong	Sound	Adequate	Weak

- IIL's IS Grading has been assessed as 'Strong'. The Grading is particularly supported by IIL's corporate positioning, which takes into account the Company's dominant market positioning and prominent brand recall relative to other domestic producers. Furthermore, IIL's strong financial performance over the years has translated in relatively higher wealth generation for investor's vis-à-vis other companies in the industry.
- IS Grading is constrained by the business/economic and industry risk factors.

CORPORATE GOVERNANCE (CG)

Corporate Governance	Very Strong	Strong	Sound	Adequate	Weak
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- IIL's CG Grading is supported by a well-defined regulatory framework for governance and overall Board operations, which are generally in line with best practices.
- Some areas for improvement are there, including Board & Board Committee compositions, which may benefit by further alignment with best practices. Additional areas of improvement have also been outlined in the detailed report.

ENVIRONMENTAL ACCOUNTABILITY (EA)

Environmental Accountability	Very High	High	Good	Medium	Low
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- From an EA standpoint, IIL is an industry trendsetter. The numerous initiatives taken by the Company to limit greenhouse gas emissions, optimize water usage and streamline waste management, elevate IIL's EA score.
- The EA Score is limited by the general dynamics of steel production. Grading may also benefit by standardizing the carbon emissions disclosures.

SOCIAL RESPONSIBILITY (SR)

Social Responsibility	Very Strong	Strong	Sound	Adequate	Weak
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- IIL's 'Strong' Grading for SR takes into account the inclusion of social contribution as a policy measure. Employee remuneration practices are superior to market norms while overall health & safety record compares favorably to peers, with several internationally recognized accreditations. Grading is further supported by the emphasis on Learning & Development, superior transparency and a well-defined policy framework.

CORPORATE PROFILE

With top line revenues of roughly ~USD 160mn, International Industries Limited ('IIL' or 'the Company') can be classified as a medium-large Company in the domestic context. Having been incorporated in 1948, and listed on the Pakistan Stock Exchange in 1984, IIL is a vertically integrated manufacturer of steel and polymer pipes & fittings, with an annual pipe manufacturing capacity of 817,000 MTs. The Company's product suite includes Steel Pipes & Tubes, Hollow Structural Sections (HSS), Profiles, Galvanized Iron (GI) Pipes, Stainless Steel Pipes and Polymer Pipes & Fittings. The Company is headquartered in Karachi, and has 3 manufacturing facilities, 2 in Karachi and 1 in Sheikhpura. In addition, IIL also has sales offices in 5 major cities including Lahore, Islamabad, Faisalabad, Peshawar and Multan.

Besides its principle business, IIL holds strategic stake in International Steel Limited (ISL) and Pakistan Cables Limited (PCL), which are owned to the extent of 56% and 17% respectively. Both entities are listed on Pakistan Stock Exchange. The investment in ISL is relatively more significant to IIL's operations, as dividends from ISL constitute a sizable proportion of IIL's income, having averaged 40% of pre-tax profit during the 3 year period (FY17-FY19). At book value, the investment in ISL constitutes three-quarters of the investment portfolio — which in itself comprises 13% of the Company's asset base — while its market value is about 4x of book value. The remaining one-quarter of the portfolio mainly includes stake in PCL, wherein the market value is equal to book value.

ISL: Incorporated in 2007, ISL is Pakistan's premium producer of flat steel products with an annual production capacity of 1 mn MT. The primary activity of ISL is manufacturing Cold Rolled Coils (CRC), Hot Dipped Galvanized Coils (HDGC) and Color Coated Coils. ISL's manufacturing facility is situated in Karachi and the company has sales offices in Lahore, Islamabad and Multan.

PCL: Established in 1953 as a joint venture, PCL's shareholding has undergone major changes over the years. Presently, the controlling stake rests with the Chinoy Family. PCL's primary business includes manufacturing of copper rods, wires, cables and conductors, aluminum extrusion profiles and PVC compounds. PCL has a single manufacturing facility located in S.I.T.E., Karachi with annual installed capacity of 12,000 Equivalent Metal Tons (EMT).

Sales mix of IIL is diversified in terms of local and export sales and comprises multiple products from the two segments (Steel and Polymer). In recent years, domestic sales have been a major growth driver, and constituted 84% of the sales as of FY19 (FY18: 83%; FY17: 74%).

Table 2: Production Capacity (in MTs)	FY18	FY19
Steel Pipe	515,000	585,000
GI Pipe	150,000	150,000
CR Steel Strip	50,000	50,000
Polymer Pipes & Fittings	25,000	30,000
Stainless Steel - Pipe	1,200	2,400

IIL's business model can be characterized by its lean margin operations. The Company's gross margins have averaged 13.2% in the past five year period, and have depicted moderate volatility, on account of inventory gains/ losses. In recent

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Table 1: Key Financials

	FY17	FY18	FY19	FY20^p	FY21^p
Fixed Assets	7,898	9,119	10,645	11,381	12,190
Inventory	8,165	9,005	10,858	11,944	13,138
Total Assets	18,516	22,465	25,327	27,439	29,908
LT Debt	1,288	2,149	1,993	1,702	1,812
ST Debt	5,899	8,310	9,425	10,368	11,404
Equity*	5,841	6,936	7,498	8,862	9,426
Net Sales	17,327	25,923	25,750	28,326	31,158
Gross Profit	2,930	3,305	2,602	3,116	3,427
Opr. Exp.	(1,170)	(1,425)	(1,218)	(1,298)	(1,380)
Other Inc.	1,037	883	1,733	1,308	1,520
Other Op. Expenses	(180)	(172)	(98)	(108)	(119)
Fin. Cost	(224)	(442)	(924)	(1,174)	(1,138)
PAT	1,842	1,582	1,575	1,364	1,710
Gr. Margin	16.9%	12.7%	10.1%	11.0%	11.0%
FFO to LT Debt	2.1x	1.0x	1.1x	1.2x	1.2x
DSCR	7.9x	4.7x	3.4x	NA	NA
ROAA	11.3%	7.7%	6.6%	5.2%	6.0%
ROAE	33.4%	24.8%	21.8%	16.7%	18.7%

*Excludes surplus on revaluation of property, plant & equipment

Figure 1: IIL Share Performance

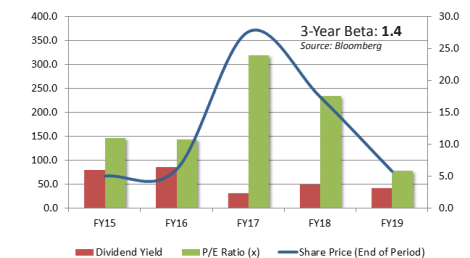


Figure 2: Product-wise Sales Revenues

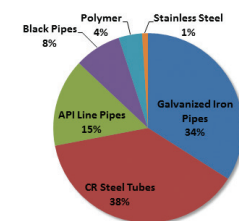
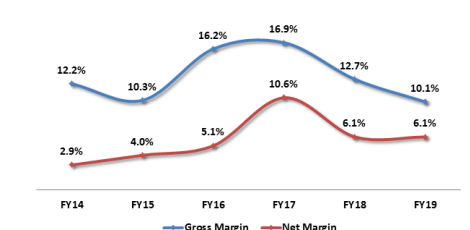


Figure 3: Profitability Margins



periods, the Company's gross margins have been impacted by an uptick in raw material costs, due to higher international steel prices and depreciation of local currency. Despite having the ability to pass on the cost to end-consumers, the adjustment period to address such a sharp depreciation in local currency (40%) is longer.

Given the growth in operating activities, the gearing levels have trended up in recent years, as IIL utilized short term borrowings for working capital financing. These short term borrowings are mainly secured against stock in trade. The long-term financings on the book are miniscule, whilst consistent profitability over the years has allowed the Company to accumulate substantial capital buffers. Given IIL's strengths, stable profitability, healthy cash flows and a sizable surplus on its subsidiary holding, the Company has significant room to generate long term financing as and when needed.

INVESTMENT STRENGTH: **STRONG**

Economic/ Business Risk: **Moderate**

Economic Growth Cycle: Having posted strong economic growth during the five-year period (FY14–18), averaging 5.3%, the country's economy is projected to undergo a slowdown. GDP growth projections for the medium term remain dismal at less than 4%, whilst we do expect normalization towards the long term growth rate of 5% over the longer term horizon.

Fiscal & External Risk: The accommodative monetary & fiscal policies, which were in place during the past five year period (FY14–18), have deepened the macroeconomic imbalances. In response, the country has taken a USD 6b Extended Fund Facility from IMF. In line with IMF pre-requisites, the newly elected government has had to undertake necessary structural adjustments, which has somewhat contained the external deficit. Nevertheless, given meager tax revenues, fiscal risk remains high; this is something that the Government of Pakistan plans to address by increasing tax revenues, through broadening the tax base, which is a medium to long term objective. Over the short to medium term, fiscal risk is expected to remain on the higher side, whilst external risk is expected to trend down, albeit the deficit will persist.

Governance: Governance score has improved in the last five years, albeit deficiencies continue to persist in areas of 'Government Effectiveness', 'Regulatory Quality' and 'Rule of Law'. The governance lags scores of regional peers. Pakistan also ranks adversely in the Corruption Perception Index at 117, which is lower than India (78) and Sri Lanka (89) but compares favorably to Bangladesh (149).

Geo-strategic Risk: The complicated relationship with bordering nations, such as India and Afghanistan, heightens the geo-strategic risk for Pakistan; albeit Pakistan has established an all-weather strategic partnership with China, with political & mutual trust and trade cooperation between the two growing on a timeline.

Competitive Environment: Although Pakistan's competitiveness rankings have improved considerably, from 129th position, in 2015, to 107th position in 2018, the country remains the lowest rated among its regional peers i.e. India, Sri Lanka & Bangladesh. Pakistan has shown notable improvement in World Bank's Ease of Doing Business index, with their ranking improving from 136 in 2019 to 108 in 2020.

Human Development: The United Nations Development Program (UNDP) categorizes Pakistan amidst 'Medium' category of its Human Development index. This is in line with regional peers.

Industry Risk: **Moderate**

Industry: IIL operates in the Steel Pipes (SP) industry, comprising more than 50 manufacturing units. Product type includes pipes, railings, tubes etc. while end-user product suite can be categorized into Black Pipe & Hollow Structural Sections (HSS), Cold Rolled (CR) Tubes (low and prime quality), Profiles, Galvanized Iron (GI) pipes, American Petroleum Institute (API) pipes and Polymer Pipes & Fittings.

Risk Categorization: As per the sector ranking criterion, the SP industry is classified as a 'Medium Risk' industry. The sector classification takes into account the following:

- **Demand Outlook:** The end product suite of the industry caters to public works, industrial and commercial clientele. Major demand drivers for the SP industry include the construction sector, CPEC and its ancillary projects, automotive, furniture & fittings, general fabrication, water & gas distribution and government-

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Table 3: Macroeconomic Indicators

	FY17	FY18	FY19	FY20*
GDP Growth	5.2%	5.5%	3.3%	2.4%
Inflation	4.2%	3.9%	7.3%	13.0%
Fiscal Deficit (% of GDP)	5.8%	6.4%	6.8%	7.1%
Current Deficit (% of GDP)	6.3%	4.6%	2.6%	2.0%
Total Debt to GDP	67.0	71.7	74.9	76.9
External Debt (% of GDP)	20.5	24.3	26.5	32.0
Gross Reserves (USD' Billions)	16.1	9.8	6.8	11.2
Gross Reserves (months of imports)	2.9	1.9	1.4	2.2
PKR/USD (year-end)	106.0	124.4	163.5	NA

Table 4: Pakistan Rankings

Global Competitiveness Index	107 of 140 (2018)
Ease of Doing Business	108 of 190 (2020)
Corruption Perception Index	117 of 180

Figure 4: Industry Sales Breakup

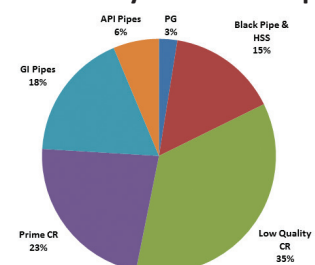


Table 5: Tariff Advantage

Product	Import Tariff
Coil (HRC)	19.5%
Pipes	32.5%

initiated infrastructure projects. Given the envisaged slowdown in GDP, short to medium term demand outlook has weakened. However, in overview of the population growth demographics and low per capita steel consumption, which significantly lags the global average by about 5x, the demand outlook for the industry is positive over the long term.

- **Domestic Competition:** The SP market can be broken up into lower and higher end, based on product quality. IIL operates mainly in the higher-end spectrum of the market, which features an oligopolistic market structure. IIL's domestic sales are protected by their strong quality management standards, economies of scale and lean margin operations. Furthermore, given recent efforts being made by the Government of Pakistan to broaden the tax base, companies in the higher-end / organized sector stand to benefit vis-à-vis smaller-sized domestic competitors, which are largely undocumented.
- **External Competition:** Import of finished steel pipes entails a significant freight cost, which discourages import of the same for domestic consumption. Furthermore, local production is also encouraged by a 13% duty advantage on import of raw material vis-à-vis finished product.
- **Capacity Utilization:** Recently several larger-sized industry participants have undertaken capacity enhancement. Given a weak demand outlook over the short to medium term horizon, we expect industry capacity utilization to persist at moderate level, at least for the medium-term.
- **Regulatory Support:** There is regulatory support to the sector in form of tariff advantage on imports, also discussed above. Recently, the duty protection was increased by 2%, which is expected to benefit both IIL and ISL. In addition, for large diameter pipe manufacturers, there is regulatory support in form of price preference against imports. The government has also provided some relief by increasing the rate of duty on secondary (low quality) raw material by 5%, which will benefit the organized sector.
- **Cyclicality:** Cyclicality in sales is a significant risk, particularly for large diameter pipe manufacturers, which rely significantly on public sector projects and automotive applications.
- **Barriers to Entry:** Overall barriers to new entrants in the pipe manufacturing industry are considered low, given the limited technical complexity of the process. Nevertheless, sizable initial capital outlay and lean margins, serve as deterrent to entry, which is more pronounced in the higher-end spectrum of the market.
- **Cost Risk:** Industry margins face significant variation on account of price volatility of main raw material i.e. HRC and CRC. For large diameter pipe manufacturers, who are dependent on the public gas utility company orders, a key risk is increase in HRC prices post bid submission as the bids are made based on current or expected HRC prices at the time of the contract while contract award and procurement of HRC is done with a time lag. For IIL, over a timeline, the cost risk has reduced due to increased reliance on locally sourced raw materials.
- **Exchange Rate Risk:** Large diameter pipes are hedged against any exchange rate movements on contract-based sales. However, for commercial products, any significant rupee depreciation, beyond levels that can be passed on to customers, impacts margins. Players like IIL, who have sizeable export-based revenues, will be better hedged against rupee depreciation as compared to players only relying on domestic sales. As IIL has reduced its reliance on imported raw material (CRC) by up to 40% in the past 2-3 years, the exchange rate risk for IIL is lower.
- **Power Supply Risk:** Given a national level energy shortfall, all industry participants suffer from a risk of power cuts affecting their capacity. Companies with their own captive power generation facilities, such as IIL, are at an advantage in this respect.

Corporate Positioning: **Strong**

Market Positioning: IIL operates primarily in the higher-end, quality driven segment of the market, which is contested by a handful of medium-sized participants. IIL is the largest and the only publicly listed Company amongst its domestic competitors and can be categorized as the market leader, particularly in products such as Prime CR and GI Pipes.

Product Diversification: One of IIL's primary strengths is its large product range. With sizable capital expenditure being made over the past 2-3 years, IIL has ventured into new product lines i.e. Hollow Structural Sections (HSS), Stainless Steel (SS) and Polymers. On a timeline, the sales mix is depicting increasing product diversification, with the Polymer segment being a significant growth driver. The resultant diversification is considered a strength.

Brand Recognition: Having dominant market positioning in Pakistan and export operations spanning across 60 countries, IIL brand is well known in both domestic market and internationally. The brand is supported by an extensive dealer network, which is regularly engaged through a myriad of events hosted across the country. Furthermore, IIL regularly sponsors events for architects, auto-parts industry and architectural and engineering universities to strengthen its brand recall.

In-house Power Generation: To cater to its power related needs, IIL has an in-house power generation plant, which compensates for the national shortages in energy supply and mitigates energy supply risk generally faced by domestic peers.

Capacity Utilization: Given recent expansions at IIL, part of the Company's capacity remains under-utilized. However, this is something that is being faced by the industry at large.

Financial Performance: **Strong**

Sales Growth: During the past five-year period (FY15-FY19), IIL's top line has grown at a CAGR of 8%. IIL's demand outlook is dependent on cyclical sectors, such as public infrastructure spending, construction and automotive and some relatively less cyclical sector like appliances and furniture making. In the domestic market, we expect the Company's topline to grow only modestly during short to medium term horizon. Sales in the export market have been affected by the anti-dumping duties imposed on the Company by the Governments of USA and Canada. However, the Company has established an overseas office in Australia, which focuses on exploring markets in the Asia Pacific region.

Holistically, we expect sales to only grow moderately over the short to medium term, while over the longer term, we expect sales growth to be more pronounced, supported by the growth in domestic consumption.

Investment in ISL: Having contributed 40% of the pre-tax profit over the past 3-year period (FY17-FY19), the operational performance of ISL has significant bearing on IIL's bottom line. Given the uptick in operating and finance costs, we expect ISL's margins to come under pressure, which will certainly impact the dividend distributions. A drop in dividend distribution from ISL has been incorporated in the projections.

Profitability: IIL's Return on Capital Employed (RoCE)¹ has averaged 23% during the

¹ EBIT/ (Equity + Non-current Liabilities)

Figure 5: Industry Sales Breakup

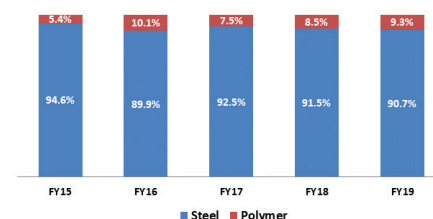


Table 6: Capacity Utilization

	FY18	FY19
Steel Pipe	47%	33%
Galvanizing	55%	50%
Polymer	44%	34%
Stainless Pipes	56%	32%

Figure 6: Sales (PKR millions)

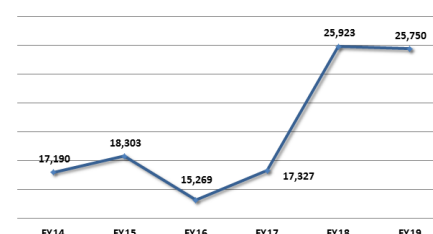
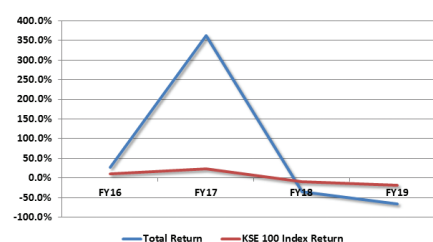


Figure 7: IIL Stock Return vs KSE-100 Index

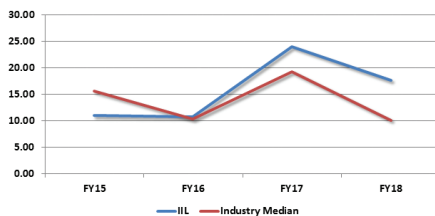


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Figure 8: Dividend Yield



Figure 9: P/E Comparison with Steel Industry



**Table 7: Board Operations
Compliance with CG Best Practices
and Domestic Regulations**

Board Independence (1/3rd Independent)	✓
Independent Board Chairman	✗
At least 1 Female Board Member	✓
Board Meets Quarterly	✓
Board Attendance (>80%)	✓
Adequate Board Committees	✓
Board Committees Composition Compliant with Domestic Regulations	✓
Board Committees Composition Compliant with International Best Practices	✗
Board Committee Attendance (>80%)	✓
Fixed Remuneration Policy for Board Members	✓
Board Self Evaluation	✓

past five year period (FY14–FY18), exceeding returns posted by other similar-sized steel companies², which recorded average RoCE of 18%. In addition, the dividend payout ratio of IIL has averaged 67% during the same period, which is significantly above peers. Given the strong profitability and healthy payouts, dividend yield for the Company, averaging 5% during the same period, has also remained above industry peers. In the short to medium term, IIL's profitability is expected to come under pressure, given the uptick in operational overheads & financing charges and reduced dividend expectations from ISL.

Liquidity & Cash Flows: IIL's cash flow generation ability has remained strong historically, as evident from the coverage of long-term debt by FFO, which has remained above 1x throughout the past five year period (FY15–FY19).

In addition to the long-term debt, IIL routinely utilizes short term borrowings to fund working capital requirements, which mainly arise on account of the Company's inventory holding days that are on the higher side, having averaged ~180 days during the past two years. Inclusive of short-term debt, the FFO to debt for IIL stood at 0.2x, as of end-FY19. The short-term borrowings are fully covered by inventory.

Credit Risk: As such credit risk is also adequately low, as trade debt as a proportion of sales stood at 12% as of end-FY19 and has historically moved within the range of 9–14%. Furthermore, provisioning for bad debts has remained very small historically.

Leverage: In recent years, IIL's leverage has increased, as the Company has added increasing amounts of short-term debt to finance working capital. Nevertheless, the interest coverage at 3.0x is indicative of strong debt repayment ability. As of end-FY19, IIL's capital structure in terms of debt to equity stood at 61:39.

CORPORATE GOVERNANCE: **STRONG**

REGULATORY SUPERVISION

- As a listed corporate, IIL is subject to the Corporate Governance regulations, as prescribed in the Listed Companies Regulations, 2017, by the Securities & Exchange Commission of Pakistan (SECP).
- The CG regulations were recently updated in 2017, and include specific rules concerning Board & Board Committee compositions, Terms of Reference (ToRs) of the Board, Director Remuneration & Training and requirements prescribed for personnel heading the control functions such as Financial Control, Internal Audit etc. In addition, the regulations also lay down the reporting requirements. The regulatory guidelines are well-documented and broadly cover best practices.

BOARD GOVERNANCE

Board of Directors: IIL has a nine-member Board of Directors (Board) in place, of which all are non-executive directors, with the exception of the CEO.

² Includes Aisha Steel Limited, Mughal Steel and Amreli Steel Limited

Independence & Objectivity: With more than a third of the Board comprising independent directors (4 off 9), the Board composition is aligned with domestic regulations and best practices. As per domestic regulations, an independent director's independence is deemed to be hampered, when he/she has been on the Board for more than 3 terms.

ILL's Board was recently re-elected, in Sep'19, given the end of its 3-year term. Presently, all independent directors comply with this requirement. Furthermore, given gender balancing requisites under the new regulations, a female director has been inducted on the Board, which fulfills requirements under domestic regulations. Going forward, Board composition can be further improved by inducting an independent director as Board Chairman.

Board Meetings: As per Company policy, Board meetings are required to be convened on quarterly basis. Historically, meeting frequency has remained in compliance with the minimum requirements. In FY19, a total of six Board meetings were convened. In addition to the mandatory quarterly meetings to approve financial statements, an annual Board meeting is convened to review Budget, Risk and Strategic Planning. Attendance in meetings has remained above 80% in the past couple of years, which is considered satisfactory.

Board Committees: IIL has two Board committees in place, which include the Board Audit Committee (BAC) and Board Human Resource & Remuneration Committee (BHRRRC).

- The BAC constitutes 4 Board members, including 2 independent directors. In accordance with best practices, BAC is chaired by an independent director, who also has a professional accountancy qualification. Ideally, it is recommended that the BAC should have an independent majority.
- The BHRRRC has 4 members, including 1 independent director. In accordance with best practices, the independent director in the committee is designated as the chairman. Committee composition can be further improved by instituting an independent majority.

Board Committee Meetings: As per internal policy, the BAC and BHRRRC meetings are required to be convened on quarterly and annual basis respectively. Actual meeting frequency observed comfortably complies with policy and regulatory requirements.

Board Remuneration: IIL has a fixed fee policy in place for directors.

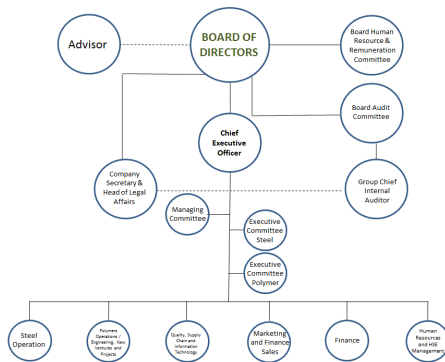
Related Party Transactions: Related party transactions with a subsidiary are sizeable and are conducted at an arm's length.

Key Policies developed by IIL, which support the CG Score include:

- Board & Board Committee Self-Evaluation Policy.
- Policy to address investor grievances.
- Document & Record Control Policy.
- Human Resources Management Policies and Succession Plan.
- Whistleblowing & Speak-up Policy.

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Figure 10: Organizational Structure



ORGANIZATIONAL STRUCTURE

- The management team at IIL is headed by Mr. Riyaz T. Chinoy, who has held the position since 2011 and has been part of the Company since 1992.
- There are two management committees in place; these are the 'Management Committee' and 'Executive Committee'. The former is in place to support the CEO in Board strategy implementation. The latter is tasked to ensure effective implementation of strategic directives.
- There are nine functions in place managing various facets of the Company, including one control function i.e. Internal Audit. In line with best practices, Internal Audit function reports to the BAC.

INTERNAL CONTROL INFRASTRUCTURE

Internal Audit: IIL has a dual internal audit mechanism in place, which includes an Internal Audit team of 3 personnel (including the functional head) in addition to an external firm that also conducts Internal Audit. The external firm conducting IA is classified as an 'A' category audit firm by regulators.

Information Technology: The Company has an Oracle based IT platform using ERP modules that cover areas of Finance, Procurement, Process Manufacturing, Asset Management, HR and Business Intelligence Applications.

Quality Assurance: The Company is ISO 9001 (Quality Management System), ISO 14001 (Environment Management System), ISO 45001 (Occupational Health & Safety Management System), OHSAS 18001, API 5L, API 15LE, PSQCA, UL, PNAC/ILAC and CE certified. IIL has instituted an in-house ISO team of 4 personnel, which ensures compliance with quality standards. Compliance to the standards is reviewed by Lloyds Register Quality Assurance (UK).

ENVIRONMENTAL ACCOUTABILITY: STRONG

Table 8: Generator (1-4) & GP Furnace Emissions

	G1	G2	G3	G4	GP F	SEQS Limit
Carbon Mon-oxide	196	211	209	191	178	800
Sulfur Diox-ide	75	63	68	71	52	1700
Nitro-gen Oxide	174	163	184	178	96	NA
Nitro-gen Oxide (NO ₂)	9.6	10.2	10.5	11.7	10.2	NA
Oxides of Ni-trogen	183.6	173.2	194.5	189.7	106.2	400
Oxygen	8.9	10.7	9.5	10.1	12.9	NA
Carbon Diox-ide	3.8	3.5	4.3	3.6	3.4	NA
Smoke	11	12	14	12	12	40

PRODUCT CATEGORY

Steel: Steel, which makes up ~90% of the Company's revenue stream, is considered an environmentally friendly product, given that it that it's recycled in its entirety at the end of the product cycle. Recycling rates vary globally, but are estimated in the range of 80-90%. IIL's Hollow Structural Sections (HSS) were used in infrastructure projects across Pakistan including Orange Line & Green Line bus stations. These products lower environmental impact through quicker construction and 100% salvage value.

Polymer: On the other hand, IIL also produces Polymer Pipes & Fittings; a smaller (9% of revenues), albeit growing segment. IIL's polymer division uses polyethylene & polypropylene. Both these materials are 100% recycled in house.

GREEN HOUSE GAS (GHG) EMISSIONS

Scope 1 Emissions: As a manufacturing concern, Scope 1 emissions are the primary area of environmental impact. At present, scope 1 emissions include emissions from the furnace and the captive power plant. IIL periodically checks

the quality of carbon emissions and their compliance with National Environmental Quality Standards (NEQS); the samples are tested by EPA certified laboratories in accordance with Pakistan Environment Protection Act 1997 and the reports are submitted to Sindh EPA. Carbon emissions have been found within allowable limits.

- IIL has a 4MW combined cycle gas-based co-generation power plant, which operates at full capacity and excess generation is sold to the National Grid.
- A feasibility study on potential conversion towards solar power was conducted, which concluded that the present availability of land area is inadequate to generate the quantum of power, through solar means, to meet the Company's power requirements. However, IIL's newly constructed office complex in Sheikhpura was designed to withstand the weight of solar panels, which signifies IIL's forward-looking strategic focus towards renewables.
- In recent period, IIL has undertaken a few energy conservation steps to limit internal electricity consumption. These are as follows:
 - Usage of natural gas is continuously monitored through energy meters and gas analyzers to gauge efficiency; this also reduces misuse as the auxiliary load is shut down when plant is not in operation.
 - In order to promote energy conservation, lately, IIL has installed energy efficient instruments such as the conversion from 400W SON high pressure sodium bulbs to 160W LEDs. On a YoY basis, production related electricity consumption (kWh/ Ton) has dropped by 13.7% in last year.
 - IIL has equipped the plant with fume scrubbers in acid fume exhaust chimneys. The fume scrubbers neutralize emissions prior to discharge.
- In recognition of its efforts, IIL has also been nominated as the SDG 7 (Clean and affordable energy for all) leader by the Center of Excellence in Responsible Business (CERB). IIL has conducted webinars and workshops, organized by CERB, to highlight its efforts towards promoting clean and efficient energy in industry.

Scope 3 Emissions: At present, there is no policy in place to monitor the GHG emissions at back-end supplier level. Developing such a policy will be viewed positively.

WATER CONSERVATION

- IIL's production operations are all located within Pakistan, which is a water-stressed nation. The water demand for the production operations are largely met through municipal water system, and tankers, which are used on ad-hoc basis. A recently commissioned Reverse Osmosis (RO) Plant helps as supplementary source of water. With the commission of an additional RO plant in Oct'18, the demand from the municipal water system has dropped by 50%.
- In order to promote water conservation, IIL continuously monitors the consumption of water through the installation of flow meters. On a YoY basis, water consumption during production (Gallons/Ton) has reduced by 12.2%.

Table 9: Effluent Water Sampling

	Unit	Sample	SEQS Limit
Acidity/Basicity	pH	8.8	6-9
5 Days Biochemical Oxygen Demand	mg/l	163	250
Chemical Oxygen Demand	mg/l	244.5	150
Oil & Grease	mg/Nm3	7.1	10
Total Suspended Solids	mg/l	141	150
Total Dissolved Solids	mg/l	2,863	3,500
Chloride	mg/l	274	1,000
Copper	mg/Nm3	0.7	1
Iron	mg/l	1.8	2

WASTE MANAGEMENT

Industrial waste of IIL is as follows:

Spent Acid (HCl): This is a discharge from the galvanizing plant, which treated at the Effluent Treatment Plant (ETP). The treated effluent is then checked for compliance to Sindh Environmental Quality Standards (SEQS) and, if found within standards, is discharged into the industrial sewerage system.

Sludge: Produced after treatment at the Effluent Treatment Plant (ETP), the sludge is disposed of at dedicated land fill sites through an EPA certified contractor.

Steel Scrap: All steel scrap is collected throughout the production process and are recycled in multiple ways. Certain types of steel scrap are collected, compressed and sold to steel recyclers to make iron bars. Steel side cuttings are reused as bailing hoops for pipe bundles. Steel edge side cuttings are compressed & auctioned as steel scrap. This includes side cuttings, saw dust and pipe pieces. These are collected and sold to foundries.

Zinc: Zinc ash and dust is a by-product of steel pipe production. IIL collects the zinc powder, which is processed and sold. Recently, IIL has installed a zinc reclamation unit, which ensures zero generation of smoke and dust during the zinc recovery process, hence reducing the emission impact on workers and the environment. The galvanizing plants have also been upgraded to control zinc powder in the environment and thereby secure health of workers. By making this modification, zinc powder collection has already been increased by 2%. The Company has planned to upgrade another galvanizing plant for better environment and fumes control in FY20.

Used Oil: Used oil is sold to re-cyclers and contractors.

Solid Waste: Solid Waste is sent to designated landfill sites for disposal.

Office Waste: The Group has targeted a 25% reduction in paper and printer ink consumption via reduction of excess paper usage and double sided printing. On a YoY basis, paper consumption has reduced by 7.1%. Initiatives include:

- Distribution of annual report in electronic form.
- Provision of digital tablets to Board Members, so as to eliminate the need for paper.

IMPACT ON SURROUNDINGS

Impact on Wild Life Habitat: IIL's facilities are situated within designated industrial compounds. Accordingly, there no such impact of IIL's operations on any wild life habitat.

Positive Impact: All facilities owned by the Group have dedicated green belts with trees & plants. Recent initiative included:

- Plantation of 1000 saplings in the vicinity of IIL Factories 1 & 2.
- Plantation of 117 tree saplings at Factory 3 Sheikhpura.

SOCIAL RESPONSIBILITY: **STRONG**

ISG-ES GRADING REPORT:
INTERNATIONAL INDUSTRIES LIMITED

INTERNAL STAKEHOLDERS

IIL has staff strength of more than 1,000. Commentary on each of the areas is as follows:

Gender Diversity: With only 4% of IIL's workforce comprising women, IIL lags in the area of gender diversity. However, this can largely be attributed to the nature of work being performed at the production facilities. In principle, IIL is committed to providing equal employment opportunity and a work environment free of discrimination & harassment without regard to race, color, religion or belief, national, social or ethnic origin, gender, pregnancy, age, physical or mental disability, or any other status protected by the laws or regulations in form from time to time. Policies covering these areas include 'Policy on Recruitment & Selection' and 'Policy on Behavior, Conduct & Responsibilities'.

Inclusiveness: Majority of factory workers are hired from low-income, local neighborhoods in and around the factory vicinity. Furthermore, the work force includes 20 employees, with special needs.

Worker Benefits: Overall standard worker benefits, such as paid leaves and leaves in cases of maternity, sickness or casual leaves are aligned with industry standard. However, as a leading corporate entity, the Company also provides a range of other benefits to its staff. Staff benefits are as follows:

- 30 annual leaves in addition to 10 medical leaves and 10 casual leaves
- Medical & Life Insurance Coverage.
- Subsidized food.
- Health & fitness facilities at work place
- Maternity leaves of up to 16 weeks to be availed for a maximum of two times for one employee.

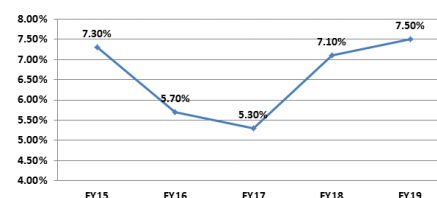
Staff Engagement:

- An annual job satisfaction survey is conducted. It is recommended that the Company appoint an external firm to independently gauge employee satisfaction.
- Various recreational activities are conducted on an annual basis such as the Growth Celebration Dinner, Long Service Awards, Managers Dinners, Employee Theatre Nights, Corporate Family Days Out, Employees picnic and a Group Cricket Tournament.

Policies: IIL has developed a number of policies to ensure protection of all stakeholders in production chain; these are as follows:

- IIL's Human Resource policy is available in the public domain and is periodically updated.
- IIL has a policy to ensure that front-end and back-end service providers are entities that pay their employees at least the minimum wage.
- The policy on Code of Conduct and Ethical Practices is reviewed and

Figure 11: Staff Attrition



acknowledged each year by all Directors, Managers, staff and new hires. The Code of Conduct covers business ethics, respect for rights of stakeholders, conflicts of interests, accounting records, controls and statements, environment, regulatory compliance and personal conduct.

- A 'Whistleblower' policy is in place and is reviewed periodically.
- **Process to Address Employee Grievances:** The employees can give suggestions, grievances and concerns or raise any matter related to the Company. Once every two years, IIL's Management and staff enter bilateral negotiations on Charters of Demands raised by both parties. IIL's Industrial Relations Department is dedicated to address all and any worker related issues and is constantly in communication with the CBA and Unions with the objective to maintain industrial peace.

Learning & Development: On an average, aggregate training time per employee stands at 4.5 hours. During the preceding year, the following activities were conducted:

- 42 in-house sessions for 920 employees on various technical topics,
- 25 employees attended external (local & foreign) programs arranged by various well-reputed institutes,
- IIL employee trainings take place at reputable institutions including: PICG, IBA, LUMS, ICAP, ICMAP, MAP, EFP, PSTD,
- In 2016-17 one of IIL's General Managers attended the Advanced Management Program at Harvard University.

Health & Safety:

IIL has a dedicated OHSE department, with OHSE representatives at all locations. The following OHSE committees meet on monthly basis as per policy:

- **OHSE Committee:** Chaired by the CEO & members include senior management team including heads of HR, Steel Ops, E&P & Polymers Ops, Supply Chain, Industrial Relations & Administration, OHSE and HR.
- **OHSE Zonal Team Leaders Committee:** Chaired by SM OHSE & has 28 members from all locations of IIL.
- **Service Providers OHSE Committee:** Committee chaired by SM OHSE
- OHSE Team leaders and service provider WhatsApp Groups for instant information sharing.

The Company has put in place safety procedure to control Lost Time Injuries (LTIs):

- Mandatory basic safety induction for new workers,
- Risk assessments for all new plants and processes before they are commissioned. These are also periodically reviewed,
- Provision of proper safety to staff,
- Monthly safety trainings,
- Round the clock OHSE monitoring for counseling against unsafe acts & unsafe conditions. Incentives for best practices,

- Monthly safety walks by senior management,
- Meri awaz suggestion scheme & cash award for best suggestion,
- First aid boxes placed at different locations,
- Ambulance is available round the clock and Company doctors provides consultancy on daily basis.

ILL's Lost Time Injury Frequency Rate (LTIFR) has averaged 1.5 per one millions hours worked over the past decade. In comparison to international peers, there is room for improvement.

EXTERNAL STAKEHOLDERS

Minority Shareholders: As a listed entity, IIL's ownership structure includes minority shareholders, such as the general public. The Company ensures protection of minority shareholder rights by means of the following:

- Adequate independent representation on the Board complying with CG best practices
- Transparency: IIL has made detailed disclosure, including Corporate Governance disclosures, which are considered superior in the domestic context. A comprehensive Sustainability Report is available on IIL's website covering the social and environmental initiatives of the Company.

Community: IIL acting as a responsible corporate citizen promotes its role towards betterment of the society in health and education sectors as a part of its Corporate Social Responsibility. As part of furthering IIL's objectives regarding the sustainability development goals, the Company has engaged 31 third parties, which include educational, health care and environment protection institutions. As a policy, IIL makes annual donations to the tune of 2.5% of its profit after tax (net off dividend received from ISL) towards its CSR Programs. This is verified by the external auditors on an annual basis. The amounts are donated to a list of charitable organizations, which have been disclosed in the annual report. None of these entities are related to the Company's senior management or directors. Major CSR initiatives undertaken by the Company are listed below:

- Health

- The Group has IIL-SINA Childlife Clinic near the IIL factory where 30,000 patients are given free or heavily subsidized medical care on an annual basis,
- IIL facilitated the establishment of two ambulance stations, one near its Landhi factory and the other in a main intersection at Landhi, by donating 10 ambulances. This area is located in the industrial area where there was a need for immediate health care, especially in an area where work injuries have a high probability to occur,
- IIL has contributed completely free of cost structures to The Indus Hospital, Jinnah Medical Center, The Society for Rehabilitation of Special Children, A mental illness rehab center for the Caravan of Life Trust.

Figure 12: Lost Time Injuries (LTI) and Lost Time Injury Frequency Rate (LTIFR)

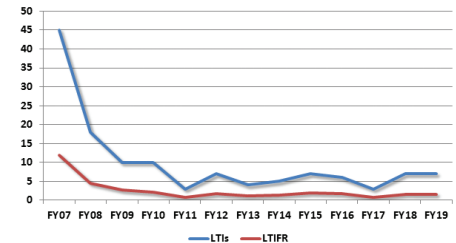
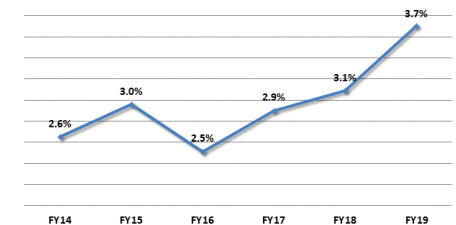


Figure 13: Donations (as % of Profit after Tax net off dividends received from ISL)



- Education

- IIL has linked up with The Citizens Foundation (TCF) and continues to support all operating expenses for a TCF primary school in the vicinity of the IIL factory. The TCF-IIL Campus provides free/affordable education to almost 400 students,
- IIL made substantial contribution towards the “Amir Sultan Chinoy Chair” at the Aga Khan University Hospital in Karachi – a permanent endowment fund,
- IIL & ISL sponsor a scholarship at NED University of Engineering & Technology. In the last 5 years, approximately 50 students have benefited from this scholarship,
- The Group regularly sponsors student seminars for NED Architectural Students,
- IIL recently completed an entirely free of cost structure for a ‘school under the bridge’ built for underprivileged children in Karachi
- IIL collaborated with the NGO, Literate Pakistan, to provide free education to older members of society that are not literate. Through this program, 100 workers have increased their literacy proficiency at varying degrees.

SOVEREIGN ANALYSIS: PAKISTAN

Pakistan has been attributed the highest risk country among regional counterparts, having the lowest score on the CCXI/VIS Country Risk scale.

Regional Risk: With rising domestic demand and sound investment environment, South Asia has been the fast growing regions in the world over the past few years, and is a popular destination for international investments. From country risk perspective, South Asia is advantageous in its large scale of economy, abundant labor and high economic growth. However, weak infrastructure and low per capita income are economic bottlenecks. Fiscal debt risk is relatively high, given long-term high fiscal deficit rate, heavy debt burden and limited solvency, as a result of fragile fiscal revenue base. Financial markets are not well developed, and banking system risk is relatively high due to poor capital adequacy, asset quality and profitability. Regionally current account deficit is much higher than the average of emerging market countries. Typically, many countries are in prolonged deficit. Exchange risk of South Asian countries except Bangladesh and India is relatively high. Besides, all over South Asia, except Sri Lanka, national politics are rocky and geopolitical risk is prominent, threatening regional stability.

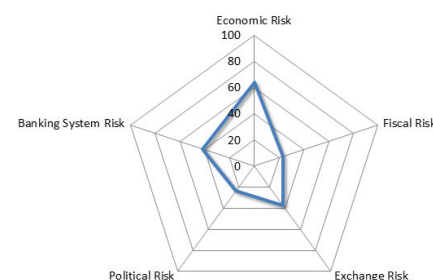
Table 10: Country Risk Scores

Country	Score*
India	54.98
Bangladesh	52.48
Sri Lanka	48.15
Pakistan	36.05

Source: Regional Risk of Countries along the Belt & Road – CCXI & VIS. * Scores are 0-100, with higher score depicting a lower risk level.

Country Risk – Pakistan: Over the years, Pakistan has gradually shifted from agriculture-led economy to service-industry oriented economy, with brisk performance in construction and service industries. As an ally of China, Pakistan has witnessed faster increase of foreign capital inflows and steadily higher growth of economy since it received bailout from IMF in 2013. However, given a worsening twin deficit situation, the newly elected government has undertaken mandatory structural adjustments, which is expected to result in an economic slowdown over the medium, whilst correcting the twin deficit situation.

Figure 14: Pakistan Risk Scores



- **Economic Risk:** Subsequent to a high growth period witnessed during the period FY14–FY18, averaging 5.3%, a slowdown in growth is projected, wherein growth is expected to remain below 4% over the medium term horizon. The low per capita income, weak infrastructure and high political risk are stumbling blocks to Pakistan's economic growth, leading to relatively high economic risk.
- **Fiscal Risk:** Given a narrow tax base, tax revenues are low and deficit scale is relatively large. Fiscal debt risk is quite high, given sizable debt to GDP, and relatively small revenue base.
- **Banking System Risk:** This is relatively high in Pakistan, mainly sourcing from heavy NPL pressure and deterioration of asset quality.
- **Political Risk:** Policy makers, military force and judicial authority have complicated relationship, and the political scene remains turbulent. The terrorist attack threat has been in existence for a long time, and the territorial dispute between Pakistan and India has raised the country's geographic risk.
- **Exchange Risk:** the country has moved from a managed float to free float, to manage currency parity, with the exception to intervene only in cases to curb speculation. Nevertheless, in view of the sizable external imbalance and limited foreign exchange reserves, exchange rate risk remains high.

Future Outlook: Under the recent government, adequate local currency depreciation has been undertaken, which should help in curbing the twin deficit situation. Nevertheless, economic growth is expected to remain depressed, while twin deficits are expected to persist over the medium term, with inflation expected to reach double digits as structural adjustment is undertaken. On the positive side, Pakistan has established an all-weather strategic partnership with China, with political and mutual trust and trade cooperation between the two deepening increasingly.

THE SCORING FRAMEWORK

The following factors are inputs in determining the overall ISG-ES Score which are reflected in respective range-bound scales as below:

INVESTMENT STRENGTH SCORING SCALE

Scale	Score Range	Definition
IS 1	(91-100)	Very Strong Investment Strength
IS 2	(76-90)	Strong Investment Strength
IS 3	(61-75)	Good Investment Strength
IS 4	(40-60)	Medium Investment Strength
IS 5	(less than 40)	Low Investment Strength

SOCIAL RESPONSIBILITY SCORING SCALE

Scale	Score Range	Definition
SR 1	(91-100)	Very Strong Social Responsibility
SR 2	(76-90)	Strong Social Responsibility
SR 3	(61-75)	Good Social Responsibility
SR 4	(40-60)	Adequate Social Responsibility
SR 5	(less than 40)	Weak Social Responsibility

CORPORATE GOVERNANCE SCORING SCALE

Scale	Score Range	Definition
CG 1	(91-100)	Very Strong Corporate Governance
CG 2	(76-90)	Strong Corporate Governance
CG 3	(61-75)	Satisfactory Corporate Governance
CG 4	(40-60)	Adequate Corporate Governance
CG 5	(less than 40)	Weak Corporate Governance

ENVIRONMENTAL ACCOUNTABILITY SCORING SCALE

Scale	Score Range	Definition
EA 1	(91-100)	Very High Environmental Accountability
EA 2	(76-90)	High Environmental Accountability
EA 3	(61-75)	Good Environmental Accountability
EA 4	(40-60)	Medium Environmental Accountability
EA 5	(less than 40)	Low Environmental Accountability

Based on the above discussed parameters, the overall ISG-ES is derived at using a weighted average score.

COMPONENT WEIGHTS

Components of ISG-ES	Weights
Investment Strength	60% (Business Risk 35%/ Financial Performance 25%)
Governance	20%
Social Responsibility	10%
Environment Accountability	10%

OVERALL ISG-ES SCALE

Scale	Score Range	Definition
ISG-ES 1	(91-100)	Very Strong Investment Strength Prospects
ISG-ES 2	(76-90)	Strong Investment Strength Prospects
ISG-ES 3	(61-75)	Good Investment Strength Prospects
ISG-ES 4	(40-60)	Medium Investment Strength
ISG-ES 5	(less than 40)	Low Investment Strength Prospects

A single (+) sign or a double (++) could be added to express relatively higher investment strength prospect within the category.

RATING COMMITTEE MEMBERS



Ms. Ariel Lei Yang is the Vice President of China Chengxin International Credit Rating Co., Ltd, and Executive Director and CEO of China Chengxin (Asia Pacific) Credit Ratings Co., Ltd. She is in charge of the company's international business and branding. She is also the head of the company's Shenzhen and Hong Kong offices.

Ms. Yang joined CCX Group in 2011 as the Chief of Staff to the Chairman, and later as General Manager of International Business Department and Managing Director of CCXI. Ms. Yang holds BA in Journalism from Wuhan University and MA in Mass Communication from UK.



Ms. Christine Zhang is the General Manager of Overseas Business Department of CCXI, responsible for rating service for sovereign and multinational institutions, as well as Panda bond rating. Ms. Zhang is also the member of Credit Rating Committee in CCXI & CCXAP, responsible for panda bond and offshore bond rating. Ms. Zhang and her team has undertaken most of the MDB, sovereign, sub-sovereign cases

Ms. Zhang earned Bachelor Degree of Economics, Master Degree of Macro Economics from Renmin University of China.



Ms. Faraha Perveen Khan is a Senior Analyst and a Rating Committee member at IIRA. She possesses over 10 years of experience in credit ratings covering corporate and financial institutions (FIs) domains; Since August 2016, Ms. Farah has been working as a senior financial analyst at IIRA where she is primarily involved in conducting fiduciary and credit ratings of Islamic FIs within MENA region, while she also worked on sovereign and corporate

ratings. Previously, Ms. Farah was associated with CRISIL — an S&P Global Company in India, for about 9 years.

She holds a BMS (Bachelor of Management Studies, with elective in Finance) from University of Mumbai, India and has completed Chartered Accountants Professional Examination II — The Institute of Chartered Accountants of India.



Mr. Hector Alvarez is an Associate Director at Rating-Agentur Expert RA where he oversees a wide portfolio of rated entities in the insurance and banking sectors as well as sovereigns. Mr. Alvarez also introduced the ESG Rating Methodology and leads its continuous improvement process. Previously, Hector worked as an advanced manufacturing engineer at Nemak in Monterrey, Mexico and was part of the collateral management team at State Street Bank in

Frankfurt. He graduated from Tecnológico de Monterrey with a degree in Industrial and Systems Engineering and from Frankfurt School of Finance & Management where he completed a Master of Finance with a Corporate Finance concentration. Recently, he obtained the International Certificate in Corporate Finance from Columbia Business School.



Mr. Javed Callea is Advisor in VIS since 2010. He is a professional in the financial sector with 35 years of experience mostly in the financial institutions with certain exposure to service and infrastructure sectors in Pakistan. He has held the position of Chief Executive of a leasing company for 10 years. His core areas of expertise cover leasing, development financing, project management, investment & merchant banking, strategic investment management and real estate. He has also served as Member Finance of Water & Power Development Authority of Pakistan and as member of the Inquiry committee on stock exchange crises in 2000 commissioned by the SECP. He earned his MBA degree from the Institute of Business Administration in 1974.



Ms. Rong TIAN Rong is currently the Managing Director of China Chengxin (Asia Pacific) Credit Ratings Company Limited.

Ms. Tian joined China Chengxin Credit Rating Group in 2008. Prior to her current post, she was the Credit Analyst and Assistant to General Manager of Business Development Department of China Chengxin Securities Rating Company Limited, as well as the Marketing Director of China Chengxin

International Credit Rating Company Limited.

Ms. Tian holds a Bachelor's Degree in Management and a Master's Degree in Finance from Southwestern University of Finance and Economics.



Ms. Svetlana Grishankova is the Managing Director of Rating-Agentur Expert RA GmbH since 2013. She holds BSc degrees from the Higher School of Economics in Moscow and University of London, as well as MSc degree in Finance and Economics from the London School of Economics. Ms Grishankova has been working in private equity in London and following that held leading positions in a number of investment projects. She was managing the rating

activity in Europe of Expert RA (Moscow) and then fully involved in the foundation of Rating-Agentur Expert RA GmbH in Frankfurt being responsible for the strategy and development of the agency, including its process of obtaining ESMA registration.



Ms. Sabeen Saleem, CFA is CEO of IIRA since 2012. She has 20 years of multifaceted experience in financial risk assessments spanning Banks, Manufacturing Concerns, Fund Managers and Insurance Companies, with specialized focus on Islamic finance in all of these areas. Sabeen has extensive experience working in developing countries. She has been associated with the credit ratings industry for over a decade and has pioneered ratings in the social sector of Pakistan while also being actively involved in research endeavors of considerable significance in the area of Islamic finance. She has a Masters degree from the Institute of Business Administration, Karachi and is also a CFA charter holder.

PROFILES OF PARTICIPATING RATING AGENCIES

VIS CREDIT RATING COMPANY LIMITED – PAKISTAN

VIS Credit Rating Company Limited (VIS), approved by Securities & Exchange Commission of Pakistan and State Bank of Pakistan, is operating as a 'Full Service' rating agency providing independent rating services in Pakistan.

VIS is a joint venture between Vital Information Services (Pvt.) Limited (VIS) — Pakistan's only independent financial research organization, Pakistan Stock Exchange Limited and ISE Towers RIET Management Company Limited.

Previously in 2001, Japan Credit Rating Agency, Japan (JCRA) and VIS had entered into a Joint Venture Agreement whereby JCRA acquired 15% shareholding in the then company (DCR-VIS Credit Rating Co. Ltd.) which has subsequently been bought back by VIS in December 2018. DCR-VIS Credit Rating Co. Ltd. was incorporated in 1997 as a joint venture between VIS, Karachi Stock Exchange Guarantee Limited (KSE), Islamabad Stock Exchange Limited (ISE) and Duff & Phelps Credit Rating Co., USA (DCR). Subsequent to DCR's merger with Fitch IBCA, DCR sold its interests in DCR-VIS to VIS in 2001.

CHINA CHENGXIN INTERNATIONAL CREDIT RATING COMPANY LIMITED - CHINA

China Chengxin International Credit Rating Co., Ltd. ("CCXI") was founded in October 1992. Approved by the head office of the People's Bank of China, CCXI was the first nation-wide credit rating agency in China.

CCXI, together with its wholly-owned subsidiaries CCXR and CCXAP, is officially qualified to provide full-range rating services in China's inter-bank bond market and exchange bond market, as well as offshore market. With the largest business operations and the best quality of services, CCXI enjoys the highest reputation of credit rating services in capital markets.

Leading China's credit rating industry in the past 26 years, CCXI has maintained the largest market share across the capital market, winning a dominant position in structured products and panda bonds. Almost all the first ratings of bonds and financing instruments in China were undertaken by CCXI. CCXAP is the first mainland Chinese rating agency to obtain Type 10 rating license in the strictly-regulated HK market. Qualified to provide credit rating services in the offshore and international market, CCXAP has already served clients from more than a dozen industries.

CCXI has operations and offices across China with regional headquarters in Beijing, Shanghai, Shenzhen, Wuhan and Hong Kong. CCXI has nearly 700 analysts, more than half of whom have overseas education and/or working background.

ISLAMIC INTERNATIONAL RATING AGENCY - BAHRAIN

IIRA has been set up to provide independent assessments to issuers and issues that conform to principles of Islamic finance. IIRA's special focus is on development of local capital markets, primarily in the region of the Organization of Islamic Countries (OIC) and to provide impetus through its ratings to ethical finance, across the globe.

IIRA was founded as an infrastructure institution for the support of Islamic finance as conceived by the Islamic Development Bank (IDB). This puts IIRA in league with system supporting entities like AAOIFI and IFSB. The IDB remains prominent shareholder, and maintains oversight through its nominee, as Chairman to the Board of Directors.

Headquartered in the Kingdom of Bahrain, IIRA commenced operations in 2005 and launched its series of conceptually distinctive methodologies, beginning 2011. IIRA believes that the strength of Islamic finance lies in its commitment to fairness. This renders the manner in which a transaction is carried out, as important as the transaction itself. IIRA's specialized focus on organizational governance and conduct of Shari'ah, augments the rating process, and incorporates the unique features of Islamic finance in a way that broadens the quality perspective.

RATING-AGENTUR EXPERT RA GMBH - GERMANY

Rating-Agentur Expert RA GmbH (trademark RAEX) is a business unit of International group «RAEX» in the European Union. The agency is operating since 2013 and its office is located in Frankfurt am Main (Germany).

The main aim of this credit rating agency is assigning credit ratings in accordance with the most stringent regulatory regimes and codes of ethics, which are in force in the European Union.

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