



INTERNAL CONTROL POLICY

Revision History

Version	Policy Owner	Approval Authority	Effective Date
1.0	Compliance & Risk Management	Board of Directors	October 30, 2025



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A. Introduction

This document sets out the Internal Control Policy (“Policy”) for Lucky Investments Limited (“the Company”) as required under Regulation No. 38(2)(n) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

B. Scope

The Policy is applicable to the Company, Collective Investment Schemes and Voluntary Pension Fund (herein after collectively referred to as “the funds”), Separately Managed Accounts including discretionary and non-discretionary portfolio (herein after collectively referred to as “SMA”) and its employees.

C. Internal Controls and its Objective

Internal controls are the process, policies, and procedures implemented by an organization's Board, management, and personnel to provide reasonable assurance that objectives related to operational efficiency, reliability of financial reporting, and compliance with laws and regulations are achieved. Internal Controls help the management to evaluate processes and manage risks.

D. Components of Internal Control

The Company’s internal control structure shall consist of following interrelated components;

- a) Control environment, Risk assessment and its Management
- b) Control Activities
- c) Accounting, Information & Communication
- d) Self-Assessment & Monitoring

a) Control Environment, Risk Assessment and its Management

The control environment shall set the tone of the Company, influencing the control consciousness of its people. It reflects the overall attitude, awareness and actions of the Board and management concerning the importance of control activities. It is the foundation of all other components of internal control, providing discipline and structure. Accordingly, in order for internal controls to be effective, an appropriate control environment reinforcing adherence to shari’ah principles and values shall be demonstrated through three Lines of Defense(LOD) model.

Board, its Committees and Senior management promote high ethical and integrity standards and establish a culture that emphasizes and demonstrates to all levels of personnel the importance of internal controls.

i. Three lines of defense

First LOD: CEO and Direct Reports of CEO shall ensure to set up internal control system across the company to cover key risks areas to meet the company’s objectives. Key Risk Areas include those core activities, the breakdown of which may render the Company unable to meet its obligations to customers, regulators and the shareholders.

Control owners are accountable for operating controls on behalf of Direct Reports as mentioned in First LOD. These are the direct reports of Risk Owners with the exception of cross functional control owners who may not be direct report of Risk Owners.

Second LOD: Risk Management and Compliance Function

The separate role of both functions has been stipulated in the Risk Management Policy. The combined role includes establishing risk management policies, conducting comprehensive risk assessments, monitoring the effectiveness of internal controls, ensuring regulatory compliance, and reporting on the Company's risk landscape and control effectiveness to First LOD and BRCC.

The two functions are deeply integrated; risk management sets the framework for what to control, and



internal control establishes how to control it, creating a holistic approach to governance, risk, and compliance (GRC) for a company.

Third LOD: An independent internal audit function (inhouse or outsourced) that directly report to the Board Audit Committee (BAC), which periodically tests and assesses compliance with internal control policies / procedures and reports the instances of non-compliance.

ii. Integrating Key Risk Areas (KRAs) with Key Performance Indicators (KPIs)

Integrating Key Risk Areas (KRAs) with Key Performance Indicators (KPIs) involves creating a unified system where risk metrics (KRIs) are directly linked to performance metrics, enabling a holistic view of business operations and fostering proactive decision-making to achieve strategic goals while managing potential negative impacts. The Company shall ensure such integration which will helps align risk management with business objectives, drives cross-functional collaboration, and ensures that risk considerations are embedded into daily business activities and strategic planning thereby ensuring robust control environment.

b) Control Activities

Control Activities are the policies and procedures that help to ensure that Board and management directives are carried out.

The management shall establish and maintain a system of adequate internal controls and procedures which cover all their functions in general and key risk areas in particular, for implementing strategies and policies as approved by the Board designed to provide reasonable assurance as to the integrity and reliability with respect to effectiveness of those controls and reports produced there from. All employees must ensure implementation of defined controls in discharge of their respective functions. It shall be ensured that all control activities are in compliance with the Shari'ah principles as stipulated in Shari'ah Governance Regulations.

Control activities include;

- i. **Covering all activities:** Company shall develop internal controls which have coverage over all functions, in general, and the key risk areas (KRA) in particular. Key Risk Areas include those core activities, the breakdown of which may render the company unable to meet its obligations to its customers, regulators and the sponsors. Examples of key risk areas are Liquidity Risk, Interest Rate Risk, Foreign Exchange Risk, Credit Risk, Operational Risk, Compliance risk, Reputational risk, etc.
- ii. **Regular Feature:** Control activities shall be an integral part of the daily activities of company in such a manner that it becomes ingrained in their on-going processes.
- iii. **Segregation of Duties:** Duties shall be divided so that no one person has complete control over a key function or activity. No single individual (regardless of rank, title, or function) will process a specific transaction from initiation to final authorization. This means that four eyes principle shall be strictly followed for all transactions prior to its completion. In case any individual is singly authorized to perform an end to end transaction, the exception shall be approved by the Board. There shall be appropriate segregation of duties and information barriers between the trading, risk management and processing functions, commonly referred to as the front, middle and back offices.
- iv. **Establishing 'Chinese Walls'**
 - The dealing room for trading on behalf of equity funds and trading on behalf of SMA shall be separate.
 - The dealing room doors shall remain lock the access to which shall be available to the authorized person.
 - The log of access to dealing room shall be maintained.
 - Cell phones and WhatsApp installed on laptops shall not be allowed inside dealing room.
 - The trading shall be done through recorded landlines. The record thereof shall be maintained. The record shall be tested to ensure that it is retrievable.



- The landline call recording shall be maintained for such period in accordance with the statutory requirement or best practices whichever is strict.
 - Concentration in brokers shall be avoided.
 - Under employee code of conduct employees shall be prohibited from improper or unintended dissemination of market sensitive information from one division of a multi-service AMC to another division.
 - The individuals involved in making investment decisions for the funds and SMAs shall adhere trading and blackout restrictions as stipulated in the Employee Trading Policy.
- v. **Authorization and Approval:** All transactions shall be authorized before recording and execution. All procedures in force shall ensure that transactions are correctly processed, authorized, completed, and recorded to provide an acceptable audit trail. Procedures shall also prevent accidental or intentional damage to processing systems and records. Delegation of authority shall be performed whenever practical. However, delegation of powers shall be in writing and based on the appropriate skills and experience of the employee.
- vi. **Custodial and Security Arrangements:** Responsibility for custody of assets shall be separated from the related record keeping.
- vii. **Review and Reconciliation:** Records shall be examined and reconciled regularly to determine that transactions are properly processed, approved and booked.
- viii. **Physical Controls:** Fixed assets and cash shall be secured physically, counted periodically and compared with details shown on fixed asset register / control records.
- ix. **Information Security Controls:** All information systems and activities shall be strictly subject to Company's approved IT Security Policy.
- x. **Training and Supervision:** Qualified, well-trained and supervised employees help to ensure that control processes function properly. Training needs are periodically assessed and extended to enhance the skill set of employees.
- xi. **Employees Onboarding**
- The hiring process shall be strictly in compliance with the approved HR policies ensuring Know Your Employee (KYE) procedures which must include credentials verification on timely basis.
 - Third party employee shall not be allowed any duty in violation of regulatory requirements on outsourcing.
 - Exercising internal controls is the responsibility of every individual employee of the company and violation to set policies and procedures are subject to accountability.
 - HR function shall ensure "Job Rotation" where applicable and possible on best effort basis.
- xii. **Documentation:** Documented policies and procedures promote employee understanding of duties and help to ensure continuity during employee absences or turnover. Therefore, policies and procedures shall be appropriated documented and recorded.
- c) **Accounting, Information & Communication**

Accounting systems are the methods and records that identify, assemble, analyse, classify, record, and report the transactions in accordance with prescribed formats and best international practices.

Information systems are the reports on operations, finance, and compliance-related activities. The system shall cover the full range of activities in such a manner that information remains understandable and useful for audit trail. The access to information systems is to be allowed or restricted as appropriate.

Information and Communication systems ensure that risk-taking activities are within policy guidelines and



that the systems are adequately tested and reviewed. It also captures and impart pertinent information in a form and timeframe that enables the Board, management and employees to carry out their responsibilities. The Company obtains or generates and uses relevant quality information to support the functioning of other components of internal control.

Communication systems impart significant information internally and externally. For effective information and communication system, management shall ensure following:

On a periodic basis (at least yearly) communication to all employees of a Group shall be taken out by the respective Heads advising them of the importance of internal controls in the Company and reminding them of their responsibilities in this regard. Approved policies and procedures shall be accessible to relevant staff for reference and implementation.

Direct reports shall foster an environment that encourages all personnel to come forward and seek help when risks and control problems are recognized.

d) Self-Assessment and Monitoring

Self-assessment and monitoring is an integral part of the internal control system. The process includes Board, BRCC and senior management oversight of the internal control, control reviews, and audit findings. The Company selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning. The Compliance Function shall evaluate and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and BRCC, as appropriate.

All Control Owners shall report issues (including control weaknesses, compliance issues and ineffectively controlled risks) in a timely manner, identified within their respective departments during the process of review of their processes/ Manuals. The source of such information can be;

- Self-Assessment
- Compliance and Risk Review
- Shari'ah Compliance and Risk Review
- External Auditors – Management Letter
- SECP Inspection /queries
- Trustee queries

The Internal Audit Function (in house or outsourced) shall evaluate, during its periodic internal audits, the adequacy and effectiveness of self-assessment testing activities.

E. Reporting on Internal Controls

- Head of Compliance shall report control deficiencies to Executive Committee and BRCC.
- Internal Audit Function shall report control deficiencies to the BAC.
- External Auditors shall report control deficiencies to the Board.
- Comment as to adequacy on internal controls in the Annual Directors report shall be ensured by the Board.

F. Policy and Procedures

All Control Owners shall devise policy and procedures for their respective departments. The policies shall be reviewed by Shari'ah Advisor to be ensure that the same are in accordance with the principles of Shari'ah. The policies shall be approved by the Board whereas the procedures shall be approved by Executive Committee / Investment Company of the Company, as applicable.

G. Review and Approval

The implementation of this Policy shall be subject to recommendation of BRCC and approval of the Board of Directors of the Company. The approved policy shall be subject to review every three years under there is amendment / promulgation of the applicable laws which necessitates earlier revision.