

STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE GUIDELINES (CGG)

Status of compliance with the conditions imposed by the Notification No SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 of Bangladesh Securities and Exchange Commission (BSEC) issued under section 2CC of the Securities and Exchange Ordinance 1969. Detailed in Annexure I, II & III below:

Annexure I

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1.1	Board's Size: The number of the Board members of the Company shall not be less than 5 (five) and more than 20 (twenty)	✓		The number of Board members of the Company is nine (9) including three (3) Independent Directors as prescribed by the Bangladesh Bank.
1.2	Independent Directors			
1.2(i)	At least one fifth (1/5) of the total number of directors in the Company's Board shall be Independent Directors	✓		
1.2(ii)(a)	Who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid up shares of the company	✓		
1.2(ii)(b)	Who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship.	✓		
1.2(ii)(c)	Who does not have any other relationship, weather pecuniary or otherwise, with the company or its subsidiary/associated companies	✓		
1.2(ii)(d)	Who is not a member, director or officer of any stock exchanges;	✓		
1.2(ii)(e)	Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market;	✓		
1.2(ii)(f)	Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm;	✓		

1.2(ii)(g)	Who shall not be an independent director in more than 3 (three) listed companies;	✓		
1.2(ii)(h)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a non-bank financial institution (NBF);	✓		
1.2(ii)(i)	Who has not been convicted for a criminal offence involving moral turpitude;	✓		
1.2(iii)	The Independent Director(s) shall be appointed by the Board of Directors and approved by the Shareholders in the Annual General Meeting (AGM)	✓		
1.2(iv)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days;;	✓		
1.2(v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded	✓		
1.2(vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only	✓		
1.3	Qualification of Independent Director (ID)			
1.3(i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	✓		
1.3(ii)	The person should be a Business Leader/ Corporate Leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The Independent Director must have at least 12 (twelve) years of corporate management/professional experiences.	✓		

1.3(iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.			Not applicable
1.4	Chairman of the Board and Chief Executive Officer: The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals. The Chairman of the company shall be elected from among the directors of the company. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.	✓		
1.5	The Directors' Report to Shareholders			
1.5(i)	Industry outlook and possible future developments in the industry	✓		
1.5(ii)	Segment-wise or product-wise performance	✓		
1.5(iii)	Risks and concerns	✓		
1.5(iv)	A Discussion on cost of goods sold, gross profit margin and net profit margin	✓		
1.5(v)	Discussion on continuity of any extra-ordinary gain or loss			Not applicable
1.5(vi)	Statement of all related party transactions	✓		
1.5(vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments			Not applicable
1.5(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.			Not applicable
1.5(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements, the management shall explain about the variance on their Annual Report			Not applicable

1.5(x)	Remuneration to directors including independent directors	✓		
1.5(xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	✓		
1.5(xii)	Proper books of account of the issuer company have been maintained	✓		
1.5(xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment	✓		
1.5(xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS) / International Financial Reporting Standards (IFRS) / Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed	✓		
1.5(xv)	The system of internal control is sound in design and has been effectively implemented and monitored	✓		
1.5(xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	✓		
1.5(xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained	✓		
1.5(xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized	✓		

1.5(xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given			Not applicable, as the company declared 23.50% stock dividend (i.e. 23.50 bonus shares for every 100 shares) for the year ended December 31, 2017
1.5(xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed	✓		
1.5(xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:	✓		
1.5(xxi)(a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details):	✓		
1.5(xxi)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details):	✓		
1.5(xxi)(c)	Executives;	✓		
1.5(xxi)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	✓		
1.5(xxii)	In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders:	✓		
1.5(xxi)(a)	A brief resume of the director;	✓		
1.5(xxi)(b)	Nature of his/her expertise in specific functional areas;	✓		
1.5(xxi)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board	✓		
2.0	Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary (CS)			
2.1	Appointment: The Company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	✓		

2.2	<p>Requirement to attend the Board Meetings: The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors, provided that the CFO and/or the Company Secretary shall not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to their personal matters.</p>	✓		
3.0	Audit Committee:			
3.0(i)	The Company shall have an Audit Committee as a sub-committee of the Board of Directors	✓		
3.0(ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	✓		
3.0(iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	✓		
3.1	Constitution of the Audit Committee:			
3.1(i)	The Audit Committee shall be composed of at least 3 (three) members.	✓		
3.1(ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) Independent Director	✓		
3.1(iii)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	✓		
3.1(iv)	Filling of casual vacancy in the Audit Committee	✓		

3.1(v)	The Company Secretary shall act as the secretary of the Committee;	✓		
3.1(vi)	The quorum of the Audit Committee meeting shall not constitute without Independent Director ;	✓		
3.2	Chairman of the Audit Committee			
3.2(i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an Independent Director ;	✓		
3.2(ii)	Chairman of the Audit Committee shall remain present in the Annual General Meeting (AGM)	✓		
3.3	Role of Audit Committee			
3.3(i)	Oversee the financial reporting process	✓		
3.3(ii)	Monitor choice of accounting policies and principles	✓		
3.3(iii)	Monitor Internal Control Risk management process	✓		
3.3(iv)	Oversee hiring and performance of external auditors	✓		
3.3(v)	Review along with the management, the annual financial statements before submission to the board for approval	✓		
3.3(vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval	✓		
3.3(vii)	Review adequacy of Internal Audit function	✓		
3.3(viii)	Review statement of significant related party transactions submitted by the management	✓		
3.3(ix)	Review management letters/letter of internal control weakness issued by statutory auditors	✓		
3.3(x)	Declaration of Audit Committee by the company regarding utilization of IPO/PRO, Right Issue money	✓		

3.4	Reporting of the audit committee:			
3.4.1(i)	The Audit Committee shall report on its activities to the Board of Directors	✓		
3.4.1(ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:	✓		
3.4.1(ii)(a)	Report on conflicts of interests;			No such event found
3.4.1(ii)(b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;			No such event found
3.4.1(ii)(c)	Suspected infringement of laws, including securities related laws, rules and regulations;			No such event found
3.4.1(ii)(d)	Any other matter which shall be disclosed to the Board of Directors immediately			No such event found
3.4.2	Reporting to the authorities- Reported to the Board of Directors about anything which has material impact on the financial condition and results of operation			No such event found
3.5	Reporting to the Shareholders and General Investors: Report on the activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.4.1(ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the Annual Report of the Issuer Company.			No such event found
4.0	External/Statutory Auditors: The issuer company should not engage its external/statutory auditors to perform the following services of the company; namely:	✓		
4.0(i)	Appraisal or valuation services or fairness opinions	✓		

4.0(ii)	Financial information systems design and implementation	✓		
4.0(iii)	Book-keeping or other services related to the accounting records or financial statements	✓		
4.0(iv)	Broker-dealer services	✓		
4.0(v)	Actuarial services	✓		
4.0(vi)	Internal audit service	✓		
4.0(vii)	Any other services that the Audit Committee determines	✓		
4.0(viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company	✓		
5.0	Subsidiary Company:			
5.0(i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company	✓		
5.0(ii)	At least 1 (one) Independent Director on the Board of Directors of the holding company shall be a Director on the Board of Directors of the subsidiary company	✓		
5.0(iii)	The minutes of the Board Meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company	✓		
5.0(iv)	The minutes of the respective Board Meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also	✓		
5.0(v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company	✓		

6.0	Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO): The CEO and CFO shall certify to the Board that:			
6.0(i)	They have received financial statements for the year and that to the best of their knowledge and belief:	✓		
6.1(i)(a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	✓		
6.1(i)(b)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	✓		
6.1(ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	✓		
7.0	Reporting and Compliance of Corporate Governance:			
7.0(i)	The Company shall obtain a certificate from a practicing Professional Accountant/Secretary (Chartered Accountant/Cost and Management Accountant/Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	✓		
7.0(ii)	The directors of the company shall state, in accordance with the Annexure attached, in the Director's Report whether the company has complied with these conditions.	✓		

Compliance of Section 1.5(xx)**Annexure – II**

Meeting of the Board of Directors and its Sub- Committees held during the year and attendance by each Director:-

Composition	Board of Directors Meeting		Executive Committee Meeting		Audit Committee Meeting	
	Meeting held	Attended	Meeting held	Attended	Meeting held	Attended
Mr. Feroz U. Haider	10	10	17	12		
Mr. Saber Hossain Chowdhury	10	6	17	8	4	2
Mr. Wolf-Peter Berthold	10	9				
Mr. Moin U. Haider	10	8	17	14	4	3
Ms. Silwat A. Haider	10	8				
Mr. Mohamed Abdul Jalil	10	5	17	8	4	3
Dr. ATM Shamsul Huda Independent Director	10	7			4	3
Col. M. Nurul Islam Psc. (Retd.) Independent Director	10	10	17	14	4	4
Mr. Wajid Ali Khan Panni Independent Director	10	10				

Compliance of Section 1.5 (xxi)

The pattern of Shareholding

Annexure – III

- a) Parent/Subsidiary/Associated companies and other related party:

Name	Relation	Shares Held
Nil		Nil

- b) Directors, Chief Executive Officer/Managing Director, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouse and minor children:

Name		Shares Held (nos.)
Mr. Feroz U. Haider	Sponsor Director & Chairman of the Board	8,440,611
Mr. Saber Hossain Chowdhury	Vice-Chairman of the Board (Nominated by Karnaphuli Industries Ltd.)	9,491,386
Mr. Wolf-Peter Berthold	Sponsor Director of the Board	3,752,167
Mr. Mohamed Abdul Jalil	Director of the Board (Nominated by Tai Ping Asian Investment Ltd.)	10,897,921
Mr. Moin U. Haider	Director of the Board	2,092,655
Ms. Silwat A. Haider	Director of the Board	2,092,658
Col. M. Nurul Islam psc. (Retd.)	Independent Director	78,772
Dr. ATM Shamsul Huda	Independent Director	None
Mr. Wajid Ali Khan Panni	Independent Director	None
Mr. Abu Zafar Hedaytul Islam	Managing Director & CEO	None
Mr. Mizanur Rahman	Deputy Managing Director & Company Secretary	None
Mr. Wahidul Islam	Chief Financial Officer (C.C.)	None
Mr. Masud Rana	Head of Internal Audit (C.C.)	None

- c) Executives (Top five salaried employees of the Company, other than Directors, CEO, CFO, Company Secretary and Head of Internal Audit):

Designation	Name	Shares Held
Deputy Managing Director	Mr. Zillur Rhahim Chowdhury	None
Sr. General Manager (Credit & Marketing)	Mr. Syed Sharif Zamal	None
Deputy General Manager (Sales)	Mr. Shazzad Hossain	None
Head of HR & Admin (C.C.)	A.K.M. Mojibul Haque	None
Head of Recovery (C.C.)	Mr. Raihanul Islam	None

- d) Shareholding ten percent (10%) or more voting interest in the company:

Name of Shareholder	Percentage	Shares Held (nos.)
Tai Ping Asian Investment Limited	10.42 %	10,897,921