

Report on Corporate Governance

[Report on Corporate Governance as per the guidelines of the BSEC's notification dated 07 August 2012 and a part of the report of the Director Report]

Corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way an organization (or company) is directed and administered. Corporate Governance also includes relationships among the stakeholders involved and achievement of the goals for which the organization is formed. The principal stakeholders of a FI are depositors, shareholders, board, management, employees and borrowers. Other stakeholders include suppliers, regulators, other banks, and the community at large.

Corporate governance is the acceptance by management of the inalienable rights of shareholders as the true owners of the company and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal & corporate funds in the management of a company. Fairness, Transparency, Accountability and Responsibility are the minimum standards of acceptable corporate behavior.

Corporate governance is also to ensure the accountability of certain individuals in an organization through mechanisms that try to reduce or eliminate the principal-agent conflict. A related discussion of corporate governance focuses the system of economic efficiency with a strong emphasis on enhancement of shareholders' value and welfare.

Since inception, NHFIL's corporate governance policies recognize the importance of the transparency to all its constituents; including employees, customers, investors, and the regulatory authorities demonstrating that the shareholders are the ultimate beneficiaries of the Company's economic activities.

In addition to the primary role of monitoring corporate performance, the function of the Board includes approving a business plan, reviewing and approving annual budgets and borrowing limits, fixing exposure limits and ensuring that our shareholders are kept informed about our plans, strategies and performance. To enable the Board of Directors to discharge these responsibilities effectively, the management provides detailed reports on performance to the Board on quarterly basis. The Board of Directors also functions through various committees such as the Audit Committee and the Executive Committee.

We are performing ethically and efficiently to generate long-term value and wealth for all its stakeholders. The Corporate Governance principles of the Company ensures that the Board remains informed, independent and involved in the Company and there are ongoing efforts towards better corporate governance to mitigate "non business" risks. The Board periodically reviews the compliance of all applicable laws and gives appropriate directions, wherever necessary.

Risk and Concern

Investment always associates with some internal/external risk factors and among factors, some can be averted, others are beyond control. The risk of NHFIL is defined as the possibility of losses, financial or otherwise. The risk management of the company covers core risk areas of the company, viz, interest rate risk, credit risk, liquidity risk, industry risk, market and technology related risk, exchange rate risk, operational risk, capital adequacy risk, risk from the competitors, change in regulatory policies, change in government policies, Change in economic and political conditions, assets quality risk, history of non-operation, if any etc. The prime objective of the risk management is that, the company evaluates and takes well calculated business risks and thereby safeguarding the company's capitals, its financial resources and profitability from various business risks through its own measures and through implementing Bangladesh Bank's guidelines and with the best practices.

Report on Corporate Governance

Internal Control and Compliance

NHFIL made relevant mandatory disclosure in its financial statements under the regulatory framework, including compliance with the provisions of International Accounting Standards (IAS) and Bangladesh Accounting Standards (BAS). The annual financial statements are audited by reputed chartered accountants firms who issue unqualified audit reports. There is an independent Internal Control & Compliance Department, which looks after compliance with the organizational policies by different departments.

Delegation of Authority

There is clearly spelled out delegation of authority in sanctioning loan as well as operational and capital expenditure with specific task authority relationship.

Board of Directors & Role of the Board

The Board of Directors is in full control of the Company's affairs and is also accountable to the shareholders. The Board is committed to achieve greater financial performance and long term prosperity, while meeting stakeholders' expectations of sound corporate governance practices.

The Board duly complies with the guidelines issued by Bangladesh Bank regarding the responsibility and accountability of the Board, its Chairman and Chief Executive/Managing Director, vide DFIM Circular No. 7 dated September 25, 2007.

The Board's main roles are to define the Company's strategic objectives, to provide entrepreneurial leadership for the Company, to create value for shareholders and to ensure that the necessary financial and other resources are available to enable the Company and the Board to meet these objectives. The specific responsibilities reserved to the Board include the approval of all information supplied to shareholders in the annual and interim accounts; the setting of Company strategy; approving annual budgets; reviewing operational and financial performance; approving capital expenditure; setting of borrowing limits; treasury policy; reviewing the Company's systems of financial control and risk management; ensuring that appropriate management development and succession plans are in place; approving appointments to the Board and ensuring that a satisfactory dialogue takes place with shareholders over the Company's results and its aspirations for the future. The CG principles of the Company ensure that the Board remains informed, independent and involved in the affairs of the Company and ensures that there are ongoing efforts towards better CG to mitigate "non business" risks. Directors of NHFIL possess the highest personal and professional ethics, integrity, and values and are committed to representing the long-term interests of the stakeholders.

The basic responsibility of the Board is to provide effective governance over the Company's affairs exercising its reasonable business judgments on behalf of the Company. The Company's business is conducted by its employees under the direction of the Managing Director and the overall supervision and guidelines of the Board. The management ensures that all provisions of law are complied with. The management develops Company's strategy, coordinates it with the Board, and ensures its implementation. It ensures appropriate risk management and risk controlling measures by relevant officers of the Company. The Board members have collective experience in diverse fields like finance, banking, insurance, economics, corporate laws and administration.

Short Bio-data of all the Directors are given in pages 16 to 22 of this Annual Report.

Report on Corporate Governance

Changes of the Board

National Life Insurance Co. Ltd. a sponsor shareholder of the Company had changed its representative, Mr. Mahmudul Huq Taher, and in his place had nominated Mr. Morshed Alam, who was subsequently appointed as Director by the Board in its 143rd meeting held on 11th September, 2013.

Eastland Insurance Co. Ltd. a sponsor shareholder of the Company had changed its representative, Mr. M. Azmal Hoque, and in his place had nominated Mr. Mahbubur Rahman, who was subsequently appointed as Director by the Board in its 147th Meeting held on 10th February, 2014.

National Bank Ltd. a sponsor shareholder of the Company had also changed its representative, Mr. Neaz Ahmed, and in his place had nominated Mr. AKM Shafiqur Rahman, who was subsequently appointed as Director by the Board in its 148th meeting held on 19th March, 2014.

Including Independent Directors, the Board of NHFIL comprises eleven non-executive Directors of whom ten are nominated Directors, one individual and three Independent Directors and the Managing Director who is ex-officio Director. They encompass a range of talents, skills and expertise to provide prudent guidance with respect to the operations of the Company.

There are two committees constituted by the Board members to assist the Board in discharging its responsibilities, namely, the Audit Committee and the Executive Committee. The Board fixes the terms of reference for each Committee and also delegates power from time to time. Various recommendations of the Committees are submitted to the Board for approval.

Board Meetings

The Board of Directors meet at regular intervals with a formal schedule of matters specifically reserved for its attention to ensure that it exercises full control over significant strategic, financial, operational and compliance matters. The Board is regularly briefed and updated on key activities of the business and is provided with briefings and presentations on other matters concerning the Company on a need basis. Besides, information about statutory compliance, minutes of the sub-committees of the Board and information as required under listing guidelines are also provided to the Directors on a regular basis. The dates of the Board meetings are fixed in advance and notices are served adequately ahead of the meeting to facilitate proper attention and maximum attendance of the Directors. During the year 2013, 12 (twelve) meetings of the Board of Directors were held. A detail of the Board Meetings is given on page 48 of this Annual Report.

Role of the Chairman

The Chairman serves as the primary link between the Board and Management, and works with the CEO and Company Secretary to set the agenda of the Board Meetings. He provides leadership to the Board and ensures that the Board works effectively and discharges its responsibilities efficiently.

Role of the Managing Director

The Managing Director is the key person and is responsible for running the business of the Company. He is also responsible for formulating as well as implementing Board strategy and policy. The Managing Director is responsible for establishing and executing the Company's operating plan that is necessary to achieve the Company's objectives. He has the overall control of the Company's day-to-day affairs and is accountable to the Board for the financial and operational performance of the Company.



Report on Corporate Governance

Role of the Company Secretary

Company Secretary is responsible for advising the Board through the Chairman on all governance matters. He is also responsible for ensuring proper information flow to the Board and its Committees and between the management and the non-executive directors. He is also acting as bridge between the regulators/stakeholders and the Company.

Role of the Head of Internal Control & Compliance

The head of Internal Control and Compliance is responsible for reporting to the Board Audit Committee regarding deviations from accounting and internal control system. He is also leading the internal audit team of the Company.

Chairman & Managing Director of the Company are different person

Chairman of the Board and Managing Director of the Company are different persons with different roles and responsibilities, defined by the Board and thereby preventing unregulated powers of decision making in a single hand. The Chairman is a non-executive Director while the Managing Director is an Executive Director.

Remuneration paid to Directors including Independent Directors

The Board members get only fees for attending Board/Committee meetings and they are not allowed other remuneration or incentive. According to the ceiling fixed by the Bangladesh Bank the Directors get an amount of Tk. 5,000 per meeting. Total remuneration including VAT for Board of Directors Meeting, Audit Committee Meeting and Executive Committee Meeting paid to Directors during 2013 is shown at page 50 of this Annual Report.

Board Committees

There are two committees constituted by the Board members to assist the Board in discharging its responsibilities, namely, the Audit Committee and the Executive Committee. The Board fixes the terms of reference for each Committee and also delegates power from time to time. Various recommendations of the Committees are submitted to the Board for approval.

Audit Committee

The primary role of the Audit Committee is to oversee the financial reporting process and disclosure of financial information, review the financial statements before submission to the Board, review adequacy of internal control systems as well as findings of internal investigations besides recommending appointment/ removal of statutory auditors and fixing their remuneration. The Committee holds discussions with the statutory auditors, to review the annual financial statements before submission to the Board with special emphasis on accounting policies, compliance of Accounting Standards and other legal requirements relating to financial statements. The Committee reviews all issues which are required to be reviewed by the Audit Committee pursuant to guidelines issued by the BSEC as well as those recommended by the Board, if any.

The Audit Committee was reconstituted on 1st June, 2013 and the members were:

- ▶ Professor Imran Rahman, Independent Director as the Chairman
- ▶ Md. Kabir Reza, FCMA representing Square Pharmaceuticals Ltd.
- ▶ Akhtar Ahmed representing Reliance Insurance Ltd.
- ▶ Azmal Hossain representing Eastern Insurance Co. Ltd.
- ▶ Syed Tanveer Hussain, Independent Director.

Mr. Md. Abdur Rob, Managing Director acts as its ex-officio member. Mr. Md. Sarwar Kamal, ACS, Company Secretary, acts as Secretary of the Committee. During the year 2013, 4 (four) meetings of the Audit Committee of the Board of Directors were held.

Report on Corporate Governance

Executive Committee

The Executive Committee is authorized to review and approve the proposals of loans and advances within prescribed limits set by the Board. The EC reviews all other proposals relating to loans and advances above the limits as well as other matters for Board approval.

The EC was reconstituted on 1st June, 2013 and the members are:

- ▶ Mr. Syed Ali Jowher Rizvi as the Chairman.
- ▶ Mizanur Rahman representing Shaw Wallace Bangladesh Ltd.
- ▶ Neaz Ahmed representing National Bank Ltd.
- ▶ Muminul Haque Chowdhury representing Borak Travels (Pvt.) Ltd.
- ▶ Md. Kabir Reza, FCMA representing Square Pharmaceuticals Ltd.

Following the expiry of contract Mr. Neaz Ahmed is no longer MD of National Bank Ltd. In the circumstances Board decided to include Mr. Syed Tanveer Hussain, Independent Director in place of Mr. Neaz Ahmed in the Executive Committee.

Mr. Md. Abdur Rob, Managing Director acts as its ex-officio member. Mr. Md. Sarwar Kamal, ACS, Company Secretary, acts as Secretary of the Committee. During the year 2013, 11 (eleven) meetings of the Executive Committee of the Board of Directors were held.

Related Party Transactions

Transactions with related parties are made on arm's length basis and are in the ordinary course of business. Detailed transactions with related parties are described at notes 45 of the Financial Statements at page 92 of this Annual Report.

Statement of Managing Director/CEO and CFO

A separate statement as to the fairness and presentation of the Financial Statements of the Company is given at page 40 of this report.

Key operating and financial data of at least last preceding 5 (five) years

Key operating and financial data of last preceding 5 (five) years is shown under the heading of Financial Highlights at page 24 of this Annual Report.

Corporate and Financial Reporting Framework

The Members of the Board, in accordance with the Securities & Exchange Commission's Notification no. SEC/CMRRCD/2006-158/Admin/129/43 dated 07 August 2012; confirm compliance with the financial reporting framework for the following:

- ▶ The financial statements prepared by the Management of NHFIL present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- ▶ Proper books of account of the issuer company have been maintained.
- ▶ Appropriate accounting policies have been consistently applied in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment.

Report on Corporate Governance

- ▶ 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 therefrom has been adequately disclosed.
- ▶ The system of internal control is sound in design and has been effectively implemented and monitored.
- ▶ There are no significant doubts upon the issuer company's ability to continue as a going concern.

Going Concern

The financial statements of the Company have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Board of Directors of NHFIL has made annual assessment about whether there exists any material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern, including review of budget and future outcome of inherent uncertainties in existence.

Based on the different indications, Directors feel it appropriate to adopt going concern assumptions and no material uncertainty exists in preparing the financial statements.

Shareholding Pattern

Shareholding patterns of the Company as at the end of the year 2013 is shown at page 51 of this report.

Right Offer

BSEC vide their letter no. SEC/CI/RI-80/2012/2105 dated March 27, 2013 has approved the Right Issue @ 01(one) [R]:02(two), i.e. one right share for every 02(two) shares of Tk.10/- each (at par) to meet regulatory requirement for capital adequacy. Accordingly, schedule of subscription was as follows:

Record date for entitlement of Right Share	:24-04-2013
Subscription opening date	:19-05-2013
Subscription closing date	:13-06-2013

NHFIL received the right application as per the schedule. After all legal compliance the Company used the entire fund as per given schedule in the Right offer Documents. Accordingly the schedule of the status reported to the concerned regulatory authority.

Report on Corporate Governance

Annual General Meeting (AGM)

NHFIL holds an Annual General Meeting (AGM) of shareholders once each year in due time and the Company ensures effective interaction with the shareholders at the AGM. The Directors pay special attention to answering the various queries raised by the shareholders at the AGM.

The Company's operational outcome/results and official news release are displayed on the Company's website and on the websites of the Dhaka and Chittagong Stock Exchanges. The Company also publishes the news required to be published in the daily newspapers.

Resolutions passed at the previous AGM, i.e., 14th AGM held on 1st June 2013

Details of the previous AGM are as follows:

Particulars	Date & Time Venue	Venue
14th AGM	1st June 2013 at 12.00 p.m.	Samarai Convention Center, 23/G/7, Panthapath (Opposite Bashundhara City Market), Dhaka.

Approval given by the shareholders;

- ▶ Financial Statements for the year ended December 31, 2012
- ▶ Dividend (Stock @ 5.00%)
- ▶ Election/Re-election of Directors who were eligible for elected/re-election and expressed their interest to be elected as Director in the 14th AGM: Mr. Latifur Rahman representing Bangladesh Lamps Ltd., Mr. Mizanur Rahman representing Shaw Wallace Bangladesh Ltd., Mr. Neaz Ahmed representing National Bank Limited and Mr. Akhtar Ahmed representing Reliance Insurance Limited.
- ▶ Appointment of Auditors; M/s Syful Shamsul Alam & Co., Chartered Accountants as external auditor of the Company.
- ▶ Confirmation the appointment of Independent Director: confirmation the appointment of Professor Imran Rahman, Vice Chancellor, ULAB, Mr. Syed Tanveer Hussain, Former Secretary to the Government of Peoples Republic of Bangladesh and Mr. Imtiaz Mahmood, Advocate, Supreme Court as Independent Directors.

General Shareholders' Information for 15th AGM

- ▶ **Date :** 28th day of May 2014; Time 11.00 am
- ▶ **Venue:** Lakeshore Hotel, Road: 41, House: 46, Gulshan 2, Dhaka-1212.
- ▶ **Financial Reporting Calendar :** 1st January 2013 to 31st December 2013
- ▶ **Dates of Book Closure/Record date :** 4th day of May 2014
- ▶ **Agenda to be discussed:**
 - 01 To receive, consider and adopt the audited financial statements of the Company for the year ended 31 December, 2013 together with reports of Auditors.
 - 02 Declaration of dividend for the year ended 31 December, 2013.
 - 03 To elect Directors, in accordance with the relevant provisions of the Articles of Association of the Company.
 - 04 To appoint Auditors and fix their remuneration for the year 2014.

Dividend Payment Date: The dividend if declared by the shareholders at the AGM shall be paid on or before 28 June 2014, i.e. within 30 days from the date of declaration.

Listing on Stock Exchanges:

- (i) Dhaka Stock Exchange Ltd. (ii) Chittagong Stock Exchange Ltd.

Report on Corporate Governance

Board Meeting and attendance of Directors During the year 2013

Name of the Directors	Nominated by	Designation	Total Meetings	Meeting Attended	Change During 2013
Mr. Latifur Rahman	Bangladesh Lamps Ltd.	Chairman	12	8	–
Mr. Neaz Ahmed	National Bank Ltd.	Director	12	8	–
Mr. Jalal Ahmed National	IFIC Bank Ltd.	Director	12	9	–
Mr. Akhtar Ahmed	Reliance Insurance Limited	Director	7	6	Appointed on 01.06.2013
Mr. Morshed Alam	National Life Insurance Co. Ltd.	Director	3	1	Appointed on 29.10.2013
Mr. Muminul Haque Chowdhury	Borak Travels (Pvt.) Ltd.	Director	12	12	–
Mr. Azmal Hossain	Eastern Insurance Co. Ltd.	Director	12	12	–
Mr. M. Azmal Hoque	Eastland Insurance Co. Ltd.	Director	12	3	–
Mr. Mizanur Rahman	Shaw Wallace Bangladesh Ltd.	Director	12	8	–
Mr. Md. Kabir Reza	Square Pharmaceuticals Ltd.	Director	12	7	–
Mr. Syed Ali Jower Rizvi		Director	12	10	–
Professor Imran Rahman		Independent Director	12	9	–
Mr. Syed Tanveer Hussain		Independent Director	12	10	–
Mr. Imtiaz Mahmood		Independent Director	8	4	Appointed on 14.05.2013
Mr. Mahmudul Huq Taher	National Life Insurance Co. Ltd.	Director	9	6	Resigned on 11.09.2013
Mr. Rezaul Karim	Shadharan Bima Corporation	Director	5	1	Resigned on 14.05.2013

Report on Corporate Governance

Executive Committee Meeting and attendance of Directors During the year 2013

Name of the Directors	Nominated by	Designation	Total Meetings	Meeting Attended	Change During 2013
Mr. Syed Ali Jowher Rizvi		Chairman	11	10	-
Mr. Mizanur Rahman	Shaw Wallace Bangladesh Ltd.	Member	11	9	-
Mr. Neaz Ahmed	National Bank Ltd.	Member	11	11	-
Mr. Muminul Haque Chowdhury	Borak Travels (Pvt.) Ltd.	Member	11	11	-
Mr. Md. Kabir Reza, FCMA	Square Pharmaceuticals Ltd.	Member	6	5	Appointed from 17.06.2013
Mr. Azmal Hossain	Eastern Insurance Co. Ltd.	Member	5	5	Resigned on 12.05.2013

Audit Committee Meeting and attendance of Directors During the year 2013

Name of the Directors	Nominated by	Designation	Total Meetings	Meeting Attended	Change During 2013
Professor Imran Rahman	Independent Director	Chairman	4	4	-
Mr. Md. Kabir Reza, FCMA	Square Pharmaceuticals Ltd.	Member	4	3	-
Mr. Akhtar Ahmed	Reliance Insurance Ltd.	Member	2	1	Appointed from 22.07.2013
Mr. Azmal Hossain	Eastern Insurance Co. Ltd.	Member	4	4	-
Mr. Syed Tanveer Hussain	Independent Director	Member	2	2	Appointed from 22.07.2013
Mr. Neaz Ahmed	National Bank Ltd.	Member	2	2	Resigned on 13.05.2013
Mr. Muminul Haque Chowdhury	Borak Travels (Pvt.) Ltd.	Member	2	2	Resigned on 13.05.2013

Report on Corporate Governance

Remuneration Paid to Directors Including Independent Director (including VAT)

During the year 2013

Amount in Taka

Name of the Directors	Nominated by	Designation	Board Meeting	Audit Committee	Executive Committee	Total
Mr. Latifur Rahman	Bangladesh Lamps Ltd.	Chairman	40,000	—	—	40,000
Mr. Neaz Ahmed	National Bank Ltd.	Director	40,000	55,000	10,000	105,000
Mr. Jalal Ahmed	IFIC Bank Ltd.	Director	45,000	—	—	45,000
Mr. Akhtar Ahmed	Reliance Insurance Ltd.	Director	30,000	—	5,000	35,000
Mr. Morshed Alam	National Life Insurance Co. Ltd.	Director	5,000	—	—	5,000
Mr. Muminul Haque Chowdhury	Borak Travels (Pvt.) Ltd.	Director	60,000	55,000	10,000	125,000
Mr. Azmal Hossain	Eastern Insurance Co. Ltd.	Director	60,000	25,000	20,000	105,000
Mr. M. Azmal Hoque	Eastland Insurance Co. Ltd.	Director	15,000	—	—	15,000
Mr. Mizanur Rahman	Shaw Wallace Bangladesh Ltd.	Director	40,000	45,000	—	85,000
Mr. Md. Kabir Reza	Square Pharmaceuticals Ltd.	Director	35,000	25,000	15,000	75,000
Mr. Syed Ali Jower Rizvi		Director	50,000	50,000	—	100,000
Professor Imran Rahman		Independent Director	45,000	—	20,000	65,000
Mr. Syed Tanveer Hussain		Independent Director	50,000	—	10,000	60,000
Mr. Imtiaz Mahmood		Independent Director	20,000	—	—	20,000
Mr. Mahmudul Huq Taher	National Life Insurance Co. Ltd.	Director	30,000	—	—	30,000
Mr. Rezaul Karim	Shadharan Bima Corporation	Director	5,000	—	—	5,000

Pattern of Shareholding

Shareholding Pattern of the Company as on 31st December 2013 On the basis of shareholders types:

Group Name	No. of Shareholder (S)	No. of Share (s)	Percentage (%)
Company	164	3,860,586	3.63
General Public	6,793	8,275,693	7.78
Investor Account (Omnibus)	61	341,087	0.32
Mutual Fund	16	718,508	0.68
NRB (Non Residential)	14	24,291	0.02
Sponsor Share	37	92,783,709	87.21
Unite Fund	4	388,126	0.36
Total :	7,089	106,392,000	100.00

Report on Corporate Governance

Distribution schedule of each class of equity security setting out of the number of holders and percentage:

Shareholding Range	Number of Shareholder (s)	No. of Shares	Percentage (%)
1 - 500	4,653	357,203	0.34
501 - 5000	1,951	3,358,446	3.16
5001 - 10000	233	1,729,363	1.63
10001 - 20000	120	1,768,846	1.66
20001 - 30000	36	905,408	0.85
30001 - 40000	20	697,490	0.66
40001 - 50000	13	595,247	0.56
50001 - 100000	17	1,261,026	1.19
100001 - 1000000	28	7,686,511	7.22
1000001 to above	18	88,032,460	82.74
Total :	7,089	106,392,000	100.00

Shareholding status of Parent/Subsidiary/Associated Companies and other related parties, Directors* and CEO and their spouses & minor children.

Name of Director/ Shareholder	Represented by	Designation	No. of Share (s) held	Percent (%)
Parent/Subsidiary/Associated Companies and other related parties			Nil	Nil
Bangladesh Lamps Ltd	Mr. Latifur Rahman	Chairman	5,123,276	4.82
National Bank Ltd.	Mr. Neaz Ahmed	Director	5,123,295	4.82
IFIC Bank Limited	Mr. Jalal Ahmed	Director	4,808,100	4.52
Reliance Insurance Ltd.	Mr. Akhtar Ahmed	Director	5,123,295	4.82
National Life Insurance Co. Ltd.	Mr. Morshed Alam	Director	5,123,295	4.82
Borak Travels (Pvt.) Ltd.	Mr. Muminul Haque Chowdhury	Director	5,213,276	4.82
Eastern Insurance Co. Limited	Mr. Azmal Hossain	Director	5,123,295	4.82
Eastland Insurance Co. Ltd.	Mr. M. Azmal Hoque	Director	5,123,295	4.82
Shaw Wallace Bangladesh Ltd.	Mr. Mizanur Rahman	Director	4,808,100	4.52
Square Pharmaceuticals Ltd.	Mr. Md. Kabir Reza	Director	5,023,450	4.72
Mr. Syed Ali Jowher Rizvi		Director	2,884,860	2.71
Professor Imran Rahman		Independent Director	Nil	Nil
Mr. Syed Tanveer Hussain		Independent Director	Nil	Nil
Mr. Imtiaz Mahmood		Independent Director	Nil	Nil
Mr. Md. Abdur Rob		Managing Director	Nil	Nil
Shareholders holding ten percent (10%) or more voting interest in the company			Nil	Nil

* All the Directors except Mr. Syed Ali Jowher Rizvi & Independent Directors are Directors' nominated by institutions and they do not hold any share in their personal name.

Report on Corporate Governance

Shareholding Status of CFO, CS and Head of Internal Audit and their spouse & minor children

Name of the Executive	Designation	No. of Share(s) held	Percent (%)
Mr. Syed Ahmed FCMA	CFO	Nil	Nil
Mr. Md. Sarwar Kamal ACS	Company Secretary	Nil	Nil
Mr. Probir Sheel	Head of Internal Audit	Nil	Nil

Executive (Top five salaried persons other than CEO, CFO, CS & HIA)

Name of the Executive	Designation	No. of Share(s) held	Percent (%)
Mr. Md. Khalilur Rahman	Additional Managing Director	Nil	Nil
Mr. Md. Kamal Pasha	Vice President	Nil	Nil
Mr. Shital Chandra Saha	Vice President & Head of Lease	Nil	Nil
Mr. Md. Nazrul Islam	AVP & Head of Recovery	Nil	Nil
Mr. Md. Abdul Baten	AVP & Head of Marketing	Nil	Nil

Status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/134/ Admin/44 dated 07 August, 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

[Report under Condition No.7.00]

Condition No.		Compliance Status ("✓" in appropriate column)		Remarks (If any)
		Complied	Not Complied	
1	BOARD OF DIRECTORS:			
1.1	Board's Size [number of Board members to be 5 - 20]	✓		
1.2	Independent Directors			
1.2 (i)	Number of Independent Directors [at least one-fifth]	✓		
1.2 (ii)	Independent Director (ID) means a director:			
1.2 (ii) (a)	Holding no share or holding less than 1% shares	✓		
1.2 (ii) (b)	Not being a sponsor and connected with any sponsor or director or shareholder holding 1% or more shares	✓		
1.2 (ii) (c)	Not having any pecuniary or otherwise relationship with the company or its subsidiary/associated companies	✓		
1.2 (ii) (d)	Not being member/director/officer of any stock exchange	✓		
1.2 (ii) (e)	Not being shareholder/director/officer of any member of stock exchange or intermediary of capital market	✓		

Report on Corporate Governance

Condition No.	Title	Compliance Status ("✓" in appropriate column)		Remarks (If any)
		Complied	Not Complied	
1.2 (ii) (f)	Not being partner/executive at present or during the preceding 3 years of the company's statutory audit firm	✓		
1.2 (ii) (g)	Not being an ID in more than 3 listed companies	✓		
1.2 (ii) (h)	Not convicted as defaulter in any loan of a bank or NBFI	✓		
1.2 (ii) (i)	Not convicted for a criminal offence	✓		
1.2 (iii)	To be appointed by BOD and approved in the AGM	✓		
1.2 (iv)	The post cannot remain vacant for more than 90 days	--	--	N/A
1.2 (v)	Laying down of code of conduct of Board members and recording of annual compliance of the code ?	✓		
1.2 (vi)	Tenure of ID : 3 years, may be extended for one term ?	✓		
1.3	Qualification of Independent Director			
1.3 (i)	Being knowledgeable, having integrity, ability to ensure compliance with laws and make meaningful contribution ?	✓		
1.3 (ii)	Being a Business Leader/ Corporate Leader/ Bureaucrat/ University Teacher(Economics/Business/Law)/CA/CMA/CS having 12 years of management/professional experience ?	✓		
1.3 (iii)	Prior approval of the Commission in special cases	--	--	N/A
1.4	Appointment of Chairman and CEO, defining their roles ?	✓		
1.5	The Director's Report to Shareholders shall include			
1.5 (i)	Industry outlook and possible future developments	✓		
1.5 (ii)	Segment-wise or product-wise performance	✓		
1.5 (iii)	Risks and concerns	✓		
1.5 (iv)	Discussion on COGS, Gross Profit and Net Profit Margins	✓		
1.5 (v)	Discussion on continuity of Extra-Ordinary gain or loss	--	--	N/A
1.5 (vi)	Basis for and a statement of related party transactions	✓		
1.5 (vii)	Utilization of proceeds from issuing instruments	✓		
1.5 (viii)	Explanation, if the financial results deteriorate after going for IPO, RPO Right Offer, Direct Listing, etc	--	--	N/A
1.5 (ix)	Explanation about significant variance between Quarterly Financial performance and Annual Financial Statements	--	--	N/A
1.5 (x)	Remuneration to directors including IDs	✓		
1.5 (xi)	Fair presentation in financial statements	✓		
1.5 (xii)	Maintaining proper books of accounts	✓		
1.5 (xiii)	Consistent application of appropriate accounting policies and accounting estimates being reasonable and prudent	✓		
1.5 (xiv)	Following applicable IAS/BAS/IFRS/BFRS, and adequate disclosure for any departure there-from, if any	✓		
1.5 (xv)	Soundness and monitoring of internal control system	✓		
1.5 (xvi)	Statement regarding ability to continue as going concern	✓		
1.5 (xvii)	Significant deviations from last year's operating results	--	--	N/A
1.5 (xviii)	Summary of key operating/financial data of last 5 years	✓		
1.5 (xix)	Reason for non declaration of Dividend	--	--	N/A
1.5 (xx)	Number of Board meetings and attendance of directors	✓		

Report on Corporate Governance

Condition No.	Title	Compliance Status ("✓" in appropriate column)		Remarks (If any)
		Complied	Not Complied	
1.5 (xxi)	Pattern of shareholding (along with name wise details) by-			
1.5 (xxi) (a)	Parent/Subsidiary/Associate Companies & related parties	✓		
1.5 (xxi) (b)	Directors, CEO, CS, CFO, HOIA, their spouses & children	✓		
1.5 (xxi) (c)	Executives (Top 5 salaried employees other than above)	✓		
1.5 (xxi) (d)	Shareholders holding 10% or more voting interest	✓		
1.5 (xxii)	In case of the appointment/re-appointment of a director,			
1.5 (xxii) (a)	A brief resume of the director	✓		
1.5 (xxii) (b)	Nature of his/her expertise in specific functional areas	✓		
1.5 (xxii) (c)	Names of companies in which he/she holds directorship and the membership of committees of the board	✓		
2	CFO, HEAD OF INTERNAL AUDIT AND CS:			
2.1	Appointment of a CFO, a Head of Internal Audit and a CS and defining their roles, responsibilities & duties	✓		
2.2	Attendance of CFO and CS in the meetings of the Board	✓		
3	AUDIT COMMITTEE:			
3 (i)	Having Audit Committee as a sub-committee of the BOD	✓		
3 (ii)	Audit Committee to assist the BOD in ensuring fairness of financial statements and a good monitoring system	✓		
3 (iii)	Audit Committee being responsible to the BOD; duties of Audit Committee to be clearly set forth in writing	✓		
3.1	Constitution of the Audit Committee			
3.1 (i)	Audit Committee to be composed of at least 3 members	✓		
3.1 (ii)	Directors (at least one Independent Director), as Audit Committee Members, to be appointed by BOD	✓		
3.1 (iii)	Audit Committee members to be "financially literate" and at least one to have accounting/financial experience	✓		
3.1 (iv)	Vacancy in Audit Committee making the number lower than 3 to be filled up immediately and within 1 month	--	--	N/A
3.1 (v)	The CS to act as the secretary of the Audit Committee	✓		
3.1 (vi)	No quorum in Audit Committee meeting without one ID	✓		
3.2	Chairman of the Audit Committee			
3.2 (i)	Chairman to be Independent Director, selected by BOD	✓		
3.2 (ii)	Chairman of audit committee to remain present in 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 the annual financial statements	✓		
3.3 (vi)	Review the quarterly and half yearly financial statements	✓		
3.3 (vii)	Review the adequacy of internal audit function	✓		
3.3 (viii)	Review statement of significant related party transactions	✓		
3.3 (ix)	Review Letters issued by statutory auditors	✓		

Report on Corporate Governance

Condition No.	Title	Compliance Status ("✓" in appropriate column)		Remarks (If any)
		Complied	Not Complied	
3.3 (x)	Review disclosures/statements/declarations about uses of funds raised through IPO/RPO/Rights Issue	✓		
3.4	Reporting of the Audit Committee			
3.4.1	Reporting to the Board of Directors			
3.4.1 (i)	Reporting on the activities of Audit Committee	✓		
3.4.1 (ii) (a)	Reporting on conflicts of interests	--	--	N/A
3.4.1 (ii) (b)	Reporting on suspected/presumed fraud or irregularity or material defect in the internal control system	--	--	N/A
3.4.1 (ii) (c)	Reporting on suspected infringement of laws	--	--	N/A
3.4.1 (ii) (d)	Reporting on any other matter to disclose immediately	--	--	N/A
3.4.2	Reporting to BSEC	--	--	N/A
3.5	Reporting to the Shareholders and General Investors	✓		
4	EXTERNAL / STATUTORY AUDITORS			
4.00 (i)	Non-engagement in appraisal/valuation/fairness opinions	✓		
4.00 (ii)	Non-engagement in designing & implementation of FIS	✓		
4.00 (iii)	Non-engagement in Book Keeping or accounting	✓		
4.00 (iv)	Non-engagement in Broker-Dealer services	✓		
4.00 (v)	Non-engagement in Actuarial services	✓		
4.00 (vi)	Non-engagement in Internal Audit services	✓		
4.00 (vii)	Non-engagement in services determined by Audit Com.	✓		
4.00 (viii)	Possessing no share by any partner or employee of the external audit firm during the tenure of assignment	✓		
4.00 (ix)	Non-engagement in audit/certification services on compliance of corporate governance as required under clause 1 of condition 7	✓		
5	SUBSIDIARY COMPANY			
5 (i)	Composition of BOD to be similar to holding company	--	--	N/A
5 (ii)	One ID to be in both holding and subsidiary company	--	--	N/A
5 (iii)	Minutes of Board meetings of subsidiary company to be placed at following Board meeting of holding company	--	--	N/A
5 (iv)	Minutes of respective Board meeting of holding company to state that affairs of subsidiary company be reviewed	--	--	N/A
5 (v)	Audit Committee of holding company to review financial statements / investments of subsidiary company	--	--	N/A
6	DUTIES OF CEO AND CFO:			
6 (i) (a)	To certify that they've reviewed FSs which contain no untrue or misleading statement or omit no material fact	✓		
6 (i) (b)	To certify that the statements present a true and fair view of affairs and are in compliance with accounting standards and applicable laws	✓		
6 (ii)	To certify that no transaction is fraudulent, illegal or violation of company's code of conduct	✓		
7	REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE:			
7 (i)	Obtaining certificate regarding compliance and sending it to shareholders along with the Annual Report	✓		
7 (ii)	To state, in accordance with annexure, in directors' report whether the conditions has been complied with	✓		