



BOARD OF DIRECTORS' REPORT



Dear Shareholders,

The Directors of LafargeHolcim Bangladesh Limited (the “Company”) are delighted to present the 25th Annual Report of the Company.

The Directors’ Report along with the audited financial statements (Consolidated and Standalone) for the year ended on December 31, 2022, and the Auditors Report thereon have been prepared in compliance with the provisions of Section 184 of the Companies Act, 1994, the Corporate Governance Code issued by Bangladesh Securities and Exchange Commission’s (BSEC) notification dated June 3, 2018 and the Listing Rules of the Dhaka Stock Exchange Limited and the Chittagong Stock Exchange Limited.

The Company has delivered another commendable performance in 2022. Strong cost control, efficiency improvements, introduction of new cement brands, excellent business performance of Aggregates and praiseworthy success in sustainable Alternative Fuel through Geocycle are the hallmarks of the successes of 2022!

The Company has undertaken a transformation journey – transformation from a clinker and cement producing company to a building materials solution and service providing company. The encouraging performance of 2022 is a giant leap in the transformation!

1. OVERVIEW OF THE FINANCIAL PERFORMANCE

Consolidated operating and financial results as compared to previous year of the Company are as follows:

Particulars	2022 (million BDT)	2021 (million BDT)	Growth
Revenue	23,594	20,534 ▲	15%
Cost of goods sold	15,260	13,894 ▲	10%
Gross Profit	8,334	6,640 ▲	26%
Net profit before tax (PBT)	5,744	4,828 ▲	19%
Net profit after tax (PAT)	4,445	3,882 ▲	14%
Total assets	28,971	29,622 ▲	-2%
Net asset value	17,711	19,794 ▼	-11%
Net operating cash flow	6,694	6,077 ▲	10%
Earnings per share (in BDT)	3.83	3.34 ▲	15%
Net Asset Value (NAV) per share (in BDT)	15.25	17.04 ▼	-11%
Net operating cash flow per share (in BDT)	5.76	5.23 ▲	10%
Return on equity	25.10%	19.61% ▲	28%
Gross margin	35.32%	32.34% ▲	9%
Net profit before tax (PBT) Margin	24.34%	23.51% ▲	4%
Net profit after tax (PAT) Margin	18.84%	18.90% ▲	0%

The Company delivered yet another resilient financial result in 2022. Net Sales increased by 15% to 23,594 million Bangladesh Taka (mBDT) as compared to 20,534 mBDT in 2021. The Company started its Aggregates business in 2021, which gave a leverage to the Company increasing its revenue by 10% in 2022. The Profit After Tax (PAT) during the year was up by 14% to 4,445 mBDT as compared to 3,882 mBDT in 2021.

The year 2022 has been challenging for the cement industry as it experienced spiralling cost increases for all the key raw materials, fuel and ocean freight resulting from global challenges and currency devaluation. Due to market reality, the cement industry could not pass the increased input costs to the customers. The Company has increased the price by 14% during the year. The cement volume sold by the Company was same as of 2021.

The Company successfully navigated through the external challenges. The biggest saviour for the Company was securing 95% volume growth of Aggregates and cost optimization. Our commitment to the customers to make international standard specialized cement available in local markets and the excellent market responses to the new brands like Supercrete Plus, Holcim Shokti and Holcim Water Protect played encouraging role in the good financial results of 2022. Digital applications and new E-commerce platform helped the Company to be more efficient. Direct to Retail (D2R) channel has been another prime factor of the Company's success.

2. DIVIDEND AND RETAINED EARNINGS

In July 2022, the Board of Directors of the Company recommended an interim dividend of fifteen percent (15%), in cash, on the paid-up capital of the Company out of the first six (6) months' profit of 2022 (from January 1, 2022 to June 30, 2022). At BDT 1.50 per share of BDT 10.00 each the said interim dividend amounted to BDT 1,742,060,250.

In November 2022, the Board of Directors recommended second interim dividend of eighteen percent (18%), in cash, on the paid-up capital of the Company out of the ten (10) months' profit of 2022 (from January 1, 2022 to October 31, 2022). At BDT 1.80 per share of BDT 10.00 each the said interim dividend amounted to BDT 2,090,472,300.

On March 2, 2023, the Board of Directors' of the Company recommended a final dividend of fifteen percent (15%), in cash, on the paid-up capital of the Company out of the profits of 2022 (January 1, 2022 to December 31, 2022). At BDT 1.50 per share of BDT 10.00 each the said final dividend to BDT 1,742,060,250.

Accordingly, the total dividend recommended by the Board of Directors for the year ended on December 31, 2022 is 48% of the paid-up capital amounting to BDT 5,574,592,800 which is BDT 4.80 per share of BDT 10.00 each.

As per the dividend distribution policy of the Company and applicable laws, a dividend (including interim dividend) can be declared out of current profits and/or profits accumulated of earlier years. The Board declared a dividend @125% of the profit to ensure the optimum use of retained earnings and sufficient cash balances.

The highest ever dividend recommendation by the Board of Directors demonstrates the dedication of the employees and successful implementation of the right strategy by the Management. It also reflects the continued support and confidence of the shareholders on the Company since inception.

The above dividend recommendation of the Board of Directors' shall be forwarded to the Shareholders for their consideration and approval at the 25th Annual General Meeting of the Company scheduled on May 9, 2023.

The status of unpaid/unclaimed cash dividend is annexed to this Report 2022 and is also uploaded on the Company's website.

Retained Earnings

The total Retained Earnings of the Company as of December 31, 2022, stood at BDT 5,871,541,000 details of which are given in the Statement of Changes in Equity of the Consolidated Financial Statement.

3. BUSINESS TRANSFORMATION

With the core focus on sustainability in terms of brand innovation, product diversification, innovative business model & digitalization, your Company has taken several initiatives in 2022. Through continuous efforts to provide more environment friendly green products and to adopt to business mode with digital footprints, we continued with our growth and transformation ambitions pioneering the building materials industry of Bangladesh. Some salient ingenuities in our way towards the most sustainable building material solution Company are as follows.

Brand Innovation:

Supercrete Plus – The Country's No. 1 Fair Face Cement: In pursuit of providing premium products and to ensure a robust portfolio, the Company added yet another brand named "Supercrete Plus" in November 2022. "Fair Face Cement" is whiter and brighter cement used for modern aesthetic look of a building without using paints. Supercrete Plus primarily focuses on the need of the Fair Face segment and adds up with a unique strength enhancing formula with a lower carbon footprint. Response of the customers to this new brand is excellent. We sold more than 14,000 Metric Ton (MT) in the first four months of the launch.

Holcim Shokti - the first rapid early strength cement in Bangladesh market: The "R" category specialized cement with its "Rapid Set" technology (solution for speedy construction) with lower energy emission formula, is spreading in the niche market segment. It was launched at the end of 2021 and ensures 50% extra strength in two days. Due to its rapid early strength, it saves 15%-25% construction time at the de-shuttering stage, leading to lower construction costs. In 2022, we have also completed a 9 month long research and development process for accrediting the Unique Selling Proposition (USP) for Holcim Shokti in collaboration with the nation's top engineering institute Bangladesh University of Engineering and Technology (BUET). Holcim Shokti delivers value for our customers and further reinforces customer faith in the innovation capabilities of the Company.

Holcim Water Protect – fit for purpose for the wet weather in Bangladesh: The success journey of the most unique brand with water proofing solution "Holcim Water Protect" continues, as this contributes 4% of the total Holcim brand sales. Holcim Water Protect is the only water proof cement in the country that can be used from the foundation to the roof. Our differentiated approach to establish the product in the market through influencer activations, live demonstration, digital communication based on USP, and loyalty programs has helped us to expand our distribution network for this unique brand in around 1300 retail stores, taking it closer to consumers. Given the heavy rainfall in the country, Holcim Water Protect is now helping our customers to build their dream homes free from dampness and seepages.

All these research and developments are supported by our very own CIAC (Concrete Innovation Application Centre) lab which was re-inaugurated in April 2022 with modern equipment, facilities and upgraded technical services. CIAC provides different product and solution related testing support to the external users and work as a knowledge hub and learning for the influencers.

Product Diversification:

The Company has been producing clinker and cement for almost two decades. To materialize our ambition to transform from a cement producing company to a building materials solution and service providing company, the first major step was introduction of Aggregates Project. The construction sector of the country has significant demand for world class high quality Aggregates, and the demand is met by imports from overseas. The Company commenced its production of

international standard Aggregates in its plant at Chhatak, Sunamganj in January 2021. The response from the market is overwhelming. This is an import substitution project; the country saves valuable foreign currency for every ton of high quality Aggregates that we produce. This segment of our business contributed 10% of the Company's total revenue of 2022. Your Company is the only manufacture of international quality Aggregates in the country adding more than 100% value addition.

Transformation towards Sustainable Business Model:

“Shojon” – Direct to Retail (D2R): Traditionally, the cement market is dependent on Distributors. By end of 2020, the Company took a bold step to break the shackle to expand its customer reach and to cover untapped white spaces in the market. The Company is also approaching directly to serve the retailers to increase numeric coverage and unlock growth potential. In 2022, this new marketing channel kept its flag flying high. It had a positive impact with higher margin and improved cash based transactions. Through this channel the Company covered more than 1200 new retailers contributing 8% additional sales over distributor channel & 14% Growth. The new retailers are using our customized self-sufficient digital customer App to capture Order to Delivery and Cash, which is unique in the cement industry.

4. OPERATIONAL PERFORMANCE - YEAR 2022

Currently the Company is having eight (8) major operational sites, which includes:

1. **The Quarry:** 100 ha limestone mine in Meghalaya, India, along with two (2) heavy duty crushing units and other ancillary services. In 2022, the Quarry exported 3.06 million tonnes of limestone to Surma Plant.
2. **The Belt Conveyor:** Seventeen (17) kilometre long cross border elevated belt conveyor systems transporting the crushed limestone from the Quarry in Meghalaya, India to Surma Plant in Chhatak, Bangladesh. In 2022, 3.06 million tons of limestone was transported through belt conveyor.
3. **Surma Plant:** The only integrated cement plant of the country established at Chhatak, Sunamganj produces clinker and cement. In 2022, Surma Plant produced 1,311 thousand tonnes of clinker and 1,131 thousand tons of Supercrete cement.
4. **Meghnaghat I Plant:** The grinding units are located at Sonargaon, Narayanganj. 963 thousand tonnes of cement have been produced in 2022 which includes Holcim Red, Holcim Strong Structure, Holcim Shokti, Holcim Black, Holcim Water Protect, Supercrete and Supercrete Plus brand cement.
5. **Meghnaghat II Plant:** The grinding units are located at Sonargaon, Narayanganj. 382 thousand tonnes of cement have been produced in 2022 which includes Holcim Strong Structure and Supercrete brand cement.
6. **Mongla Plant:** This grinding unit is located at Mongla, Bagerhat. 231 thousand tonnes of cement have been produced in 2022 which includes Holcim Strong Structure, Holcim Red and Supercrete brand cement.
7. **Aggregates Plant:** Located within the premises of Surma Plant. In 2022, the plant produced 757 thousand tonnes of Aggregates.
8. **Geocycle:** Waste Co-processing facilities: Located within the premises of Surma Plant. In 2022, Geocycle co-processed 37,000 tonnes of waste, contributing 7.25% TSR (Thermal Substitution Rate) enabling the Company to produce additional 79,000 tonnes of clinker.

Altogether, the Company is currently having the annual capacity to produce 1.3 million tons of clinker, 4.2 million tonnes of cement and 1.2 million tonnes of clear size Aggregates. The Quarry in Meghalaya, India has permits to produce up to 5 million tonnes of limestone per annum.

Health & Safety

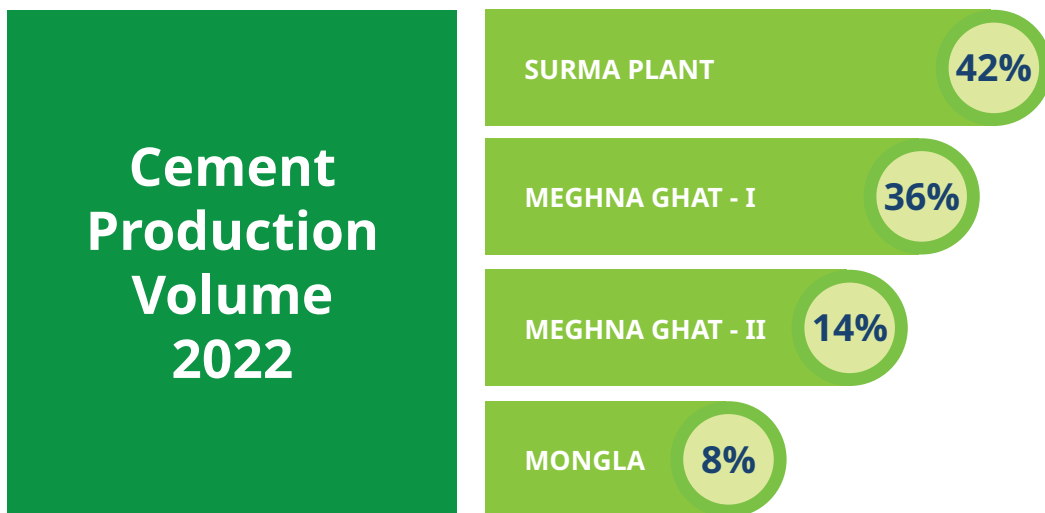
Health, Safety and Environment (HSE) is the core value of the Company. "ZERO Harm" to people, communities and the environment is the Company's uncompromised principle. Behind any business decision that we undertake, HSE gets the highest and foremost priority. All employees of the Company, irrespective of their position and responsibility, work continuously and relentlessly to improve our safety culture and performance across our operations in Bangladesh and in Meghalaya, India.

For the 5th consecutive year, the Company had zero (0) Lost Time Injury (LTI) and Lost Time Injury Frequency Rate (LTIFR) applicable for the employees and contractors. In 2022, the Company achieved 35.76 million Safe Man Hours and 1,873 safe days. To ensure a safe & healthy working environment and to ensure that every employee and contractor's employee return home safely after work, the Company undertakes various operational, training and visibility programs throughout the year in consultation with the Sponsor Groups. Transport safety is another area of focus for which the Company has installed modern facilities like In-vehicle Monitoring Systems (iVMS) in its vehicles to monitor drivers' behaviour, reduce logistics costs and carbon footprint. A Reward and Recognition and Consequence Management Policy is in place and regular follow ups conducted to improve safety culture in logistics operations.

Towards sustainable environment, the Company has set pilot projects for 2023 with an objective to achieve ZERO Environmental impact in terms of CO2 emissions, water discharge and waste disposal.

The Company is aware that there is no scope for complacency in health, safety and environment matters. The Company regularly and continuously emphasise on uncompromised, mandatory and strict compliance of HSE.

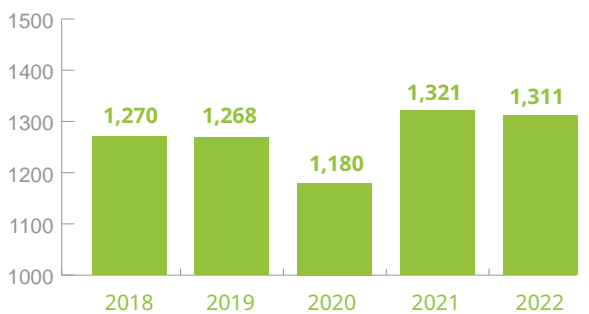
PRODUCTION PERFORMANCE: CEMENT



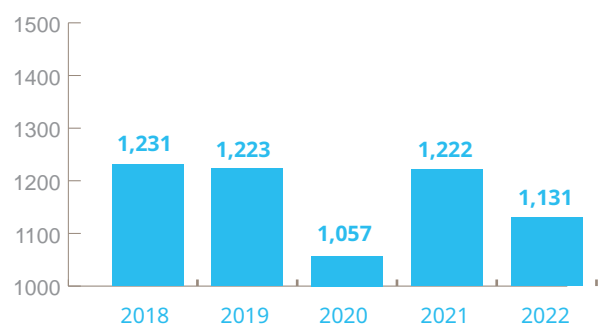
PERFORMANCE OF SURMA PLANT

In 2022 Surma Plant produced 1,311 thousand tonnes of clinker and 1,131 thousand tonnes of cement. Cement dispatch was 1,134 thousand tonnes. This is a commendable performance by the Surma Plant team, especially considering that normally our Kiln Shutdown is around 15 days in a year, but in 2022, Surma Plant had 32 days Kiln Shutdown for Electrostatic Precipitator (ESP) to Bag House Conversion project. This project contributed to the reduction of stack dust emission from 100 mg/Nm³ to 10 mg/Nm³, which is more environment friendly and also facilitated our waste co-processing systems.

Clinker Production (kt) (2018-2022)



Cement Production (kt) (2018-2022)



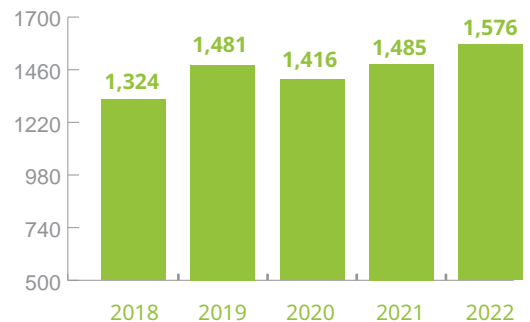
Surma Plant laboratory scored 100% in the “Global Round Robin Test” campaign of 2022 and secured First position in Asia Pacific Region in Holcim Group. We are working to achieve unprecedented performance levels in strong symbiosis with the environment and communities.

MEGHNAGHAT 1, MEGHNAGHAT 2 AND MONGLA PLANTS PRODUCTION

Meghnaghat and Mongla Plants achieved the highest ever cement production volume of 1,576 thousand tonnes and dispatch volume of 1,571 thousand tonnes in 2022.

Meghnaghat Plants are pioneer for developing specialized new product in Bangladesh cement market. In 2022, Supercrete Plus was developed and now being exclusively produced in Meghnaghat 1.

Meghnaghat and Mongla Cement Production (kt) (2018-2022)

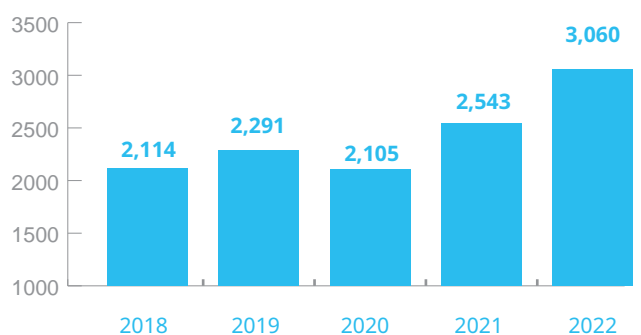


LIMESTONE QUARRY AT MEGHALAYA, INDIA

Lafarge Umiam Mining Private Limited (LUMPL), the subsidiary of the Company, owns and operates the limestone Quarry in Meghalaya, India, and transports the crushed limestone to the Surma Plant in Chhatak, Bangladesh through the 17 kilometre long cross border elevated belt conveyor system. LUMPL exported 3,060 thousand tonnes of limestone during the year in review, which is the highest ever export since inception. The Quarry team demonstrated an exemplary performance in optimization of mining and crushing costs. The 33 Kilovolt (kV) Grid Power line commissioned at the Quarry has decreased the dependency on diesel generators for crushers and belt conveyor. Use of Grid Power has reduced carbon footprint. It has reduced the power consumption cost by 50%, from Indian Rupees (INR) 48 per tonne to INR 24 per tonne.

The Quarry has been awarded Five Star rating for the consecutive 5th year by the Indian Bureau of Mines, Ministry of Mines, Government of India for the exemplary performance and initiatives taken for the implementation of all-round Sustainable Development at the mines. In the year 2021-22, total 1083 mines participated from all over India out of which only 76 mines were awarded Five Star rating. Our Quarry is the only mine awarded with such prestigious award in the north-eastern region of India.

Quarry Production (kt) (2018-2022)



Production Performance: Aggregates

The Aggregates business restarted at the end of March 2022 after about six (6) months stoppage due to opposition from some businessmen from the local community. An exceptional year in terms of performance, we recovered and performed better than what was budgeted for 2022. Despite challenging factors, we were able to grow our market base and improve on our margins to ensure that we made and maintained one of the most profitable EBITDA margins in the Group. We performed well and managed to improve month on month, manufacturing world class Aggregates.

Keeping sustainability at the core of our strategy and decarbonisation, we have now moved to a 100% delivered model to lower our carbon footprint and emission. To further streamline and lower our footprint we are going to be automating our entire circuit from Quarry to Lorry thereby ensuring better streamlining and cost effective energy efficient operations.

Production Performance: Geocycle

Geocycle waste management solution in a future oriented way requires disruptive thinking, active engagement and collaboration. Geocycle rethinks waste challenges to provide innovative ways to manage it. Sustainability is at the core of our strategy for the future and Geocycle is well placed to accelerate the green growth in the Company. Through Geocycle the Company dispose of the wastes of the country in an environment friendly sustainable manner. It reduces use of fossil fuel and increases our clinker production. With the increased use of high calorific wastes to substitute the demand for traditional fossil fuels we are well placed to attain our CO2 emission targets and the path for Net Zero by 2050.

Being the only Department of Environment (DOE) approved facility, the Company's dedication to the environment is reflected in the co-processing of waste through Geocycle. To obtain the sustainability goal of the Company, this year Geocycle Bangladesh has safely disposed of around 37,000 metric tonnes of various waste streams (hazardous, non-hazardous, plastic waste etc.), thus making a tangible contribution to bringing the society a step closer to a zero-waste future. This has resulted in a 7.25% TSR and production of additional 79,000 tonnes of clinker.

We are working on various projects with municipal corporations, various industries for proper segregation and disposal of different wastes categories to ensure less materials going to landfill. By energy recovery from these wastes streams through co-processing we aim to reduce the dependence on traditional fuels and build on the energy security of the Company.

As a member of the Diversity, Inclusion, Environment and Sustainability Committee of Foreign Chambers of Commerce and Industries (FICCI), we are working on extended Producers Responsibility Model for plastic waste disposal with various Multinational Companies in Bangladesh. This year we have been the sustainability partner for the Strategy Summit 2022 which had a focus on creating a sustainable future by transforming organizational operations in line with the Sustainability Development Goals (SDGs).

In February 2023, the Company has entered into an agreement with Sylhet City Corporation under which the Company shall co-process the wastes of Sylhet City, which shall be the beginning of a new era for the environment friendly sustainable municipal waste disposal in Bangladesh.

We strive to be the country's most reliable and trustworthy partner dedicated to your vision of future-friendly solutions, environmental protection, and sustainable waste management.

Sales and Marketing

Your Company has a strong pan Bangladesh presence supported by strategically located production facilities in north-east, central and south-west regions of the country. These production facilities have given the Company competitive advantages to be closer to the customers. The Company reaches to the end customers with around 750 dealers, 7,200 retailers and 700 corporate customers in real estate, industrial and Ready-Mix segments. Anticipating customer requirements early and being able to address them effectively requires a strong commercial backbone. The Company continues to develop this strength by institutionalising sound commercial processes and building world-class commercial capabilities across its marketing and sales teams.

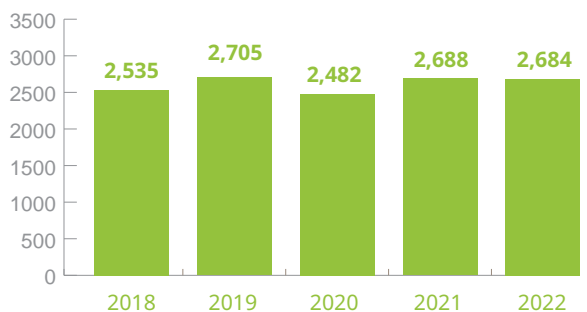
To drive people capability in order to evolve as a sustainable organization through driving business transformation and cultural shift, 8,960 Man hours of classroom training sessions were conducted for the Sales team on the functional and techno commercial aspect, soft (sales craftsmanship) skills and digital skills in both physical and virtual format. To instil a broader strategic perspective for the Company, different strategic team building sessions were organized through internal & external resources.

Our marketing team is driving the brand initiatives through digital, print and electronic media. We went ahead with a razor-sharp targeting approach in digital to reach individual house builders, their spouses, engineers, industry experts, retailers, distributors, masons etc. Apart from communication in digital arena, we maintained brand communication in TV and newspapers. As a tool to help customer taking the best decision in retail, we extensively branded cement selling outlets across the country with shop paint, stickers, banners, festoons, demo-kits, shop signboard etc. As a part of the

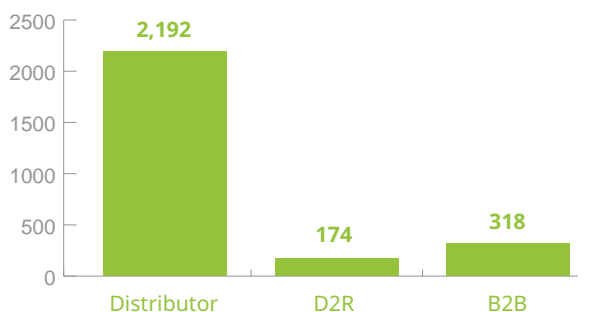
Company's focus on customer centricity, we conducted 1,290 engagement events including Influencers Meet, Individual Home Builders and Retail Meet. A dedicated Call Centre team is also relentlessly supporting all the channel development and telesales initiatives to explore untapped opportunities and assisting field sales force to focus more on business development activities.

With all of the above initiatives finally the business was secured with the below cement volume:

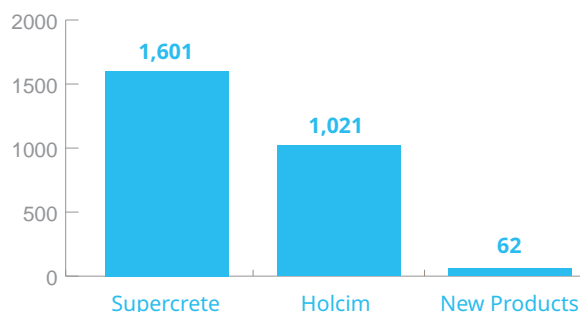
Last 5 years' Cement Sales Volume (KT)



Channel wise Cement Sales Volume (kt)



Product wise Cement Sales Volume (kt)



Towards Sustainable Digital Technologies

Digitalization is one of the key factors that ensure a sustainable future. The Company is the trailblazer in the cement industry in digitalization. Digital system in every aspect of our work streams are helping the Company to serve the customers efficiently. It is also reducing carbon footprint and increasing resource efficiency.

The Company is taking a purpose driven and digital approach on the journey to becoming a net-zero Company. We have introduced e-Office Invoice and Contract Management System, Price and Credit Approval System, Travel Claim System and HR-Connect solutions. With the help of these tools, we ensure that the Company conducts its daily operation in a paperless and eco-friendly manner.

On the commercial side, the Company has already ensured customer satisfaction by mobile app based customer order management tools i.e. Customer Portal, Shojon D2R App, Retails Management System, and Technical Service Engineers App. All these together contribute on the order to cash management with minimal human involvement. The Company has also introduced "Nirman Bandhob" which is an e-Commerce website, the first ever integrated online solution in the cement

industry of Bangladesh. Soon IHB customers will be able to receive the best building material one stop solution and value added services with the click of their finger.

The Digital transformation to achieve sustainable growth is a continuous journey and the Company is on the right track with the right strategy to improve product and service quality to maintain stakeholders' satisfaction.

Logistics & Procurement

The year 2022 was full of challenges in the field of supply chain as the world went through difficult times navigating rough markets and tough inflation environment. However, it also offered new opportunities and learnings.

Raw materials such as clinker, gypsum, slag etc. recorded highest ever prices and all other commodity prices also increased due to cost increase of energy and freight. In this dynamic and unprecedented time the Company planned well and executed agile procurement strategies to minimize cost impact on our bottom-line. Creating competition by introducing new suppliers, alternative sourcing, and eliminating unplanned / emergency purchases further helped us to maintain the cost discipline.

Sustainability has also been a core priority for us. Outbound and inbound logistics focused more on efficiency improvement and sustainability by reducing CO2 footprint. In 2022, all the green initiatives under logistics helped to reduce our CO2 emission. Overall freight cost increased in the market due to fuel price hike by more than 40%.

This year, the Company expanded the Stock on Wheel (SoW) model in new markets to support the sales channel expansion strategy including Direct to Retailer (D2R) and e-commerce. We started a 24x7 Logistics Call Center to provide support to the customers in terms of cement dispatch, monitor and control the safety and behavior of the drivers of the vehicles on the road.

The Company is committed towards sustainability with more decarbonisation in logistics and implementation of our sustainable competitiveness strategy in the coming years.

Human Resources

People are the most valuable assets of the Company. We focus on building teams that inspire each other to deliver the most innovative and sustainable solutions to accelerate the world's green transformation. Our strategy focuses on creating a stronger performance culture and investing in developing current and future leaders.

Diversity and Inclusion (D&I) is one of the HR agendas to ensure diversity, equity, inclusion and gender balance which ought to benefit the Company in many ways, from improved financial performance to enhancement in innovation to higher employee engagement. The Company aims at ensuring a diverse and inclusive culture by having 30% of female by 2025. As part of the continued endeavour on the Learning and Development (L&D), the HR Function is conducting skill gap analysis, identifying gaps and development opportunities; based on the finding and the organizational requirements, training and capacity building calendar is prepared and executed. Performance Management is ensured by individual and functional goal setting and continued feedback and evaluation. Employee Engagement (EE) is one of our priorities and we are driving it with required rigor and defined actions.

In line with the Company's strategic plan and vision, HR is playing an instrumental role in building and supporting the organization by recruiting the right talents including for the new business verticals. In the space of digital transformation, HR Connect (HRIS) project was launched in 2022 for one stop solutions for end-to-end HR processes. The efforts are focused on building a culture to support growth, transparency, learning, team work, and workforce agility. The Company is committed to continue its efforts in delivering the business results.

Governance, Ethics and Compliance

The Company is committed to conduct its business in full compliance with applicable law of the country. The Company has a Code of Business Conduct (COBC), set Policies and Directives covering every functions of the Company. Adherence to the COBC, Policies and Directives are mandatory for all employees and strictly followed up and monitored by the Company. Commitment to integrity, honesty and fairness is at the core of our culture. We conduct our businesses with strong ethical standards and resilience. The Board of Directors, senior management team, employees and our business partners, all strive to follow without exception.

Our compliance program is comprehensive and structured to confirm adequate assessment of risks, implementation of controls, trainings and communication, monitoring and governance. The compliance program enables the Company to prevent, detect and deter fraud. To ensure proper reporting and to encourage whistle blowing, the Company has an Integrity Line, which allows employees to report any concerns regarding breach of COBC without any fear or hesitation.

The Audit Committee, a sub-committee of the Board of Directors', in every meeting, evaluates and scrutinizes the status of compliance and suggests the management of the Company as it deems necessary.

Annual Evaluation of Board of Directors'

The Nomination & Remuneration Committee (NRC), a sub-committee of the Board, has framed the necessary criterion for the evaluation as per the guidelines provided by the Corporate Governance Code. In accordance with the criterion, the Company undertook the evaluation of the Board of Directors' in 2022, participated by all the members of the Board of Directors'. The details of the evaluation including the parameters and process have been provided in the Corporate Governance Statement of the Annual Report 2022.

5. CORPORATE SOCIAL RESPONSIBILITY (CSR) & SUSTAINABLE DEVELOPMENT

The Company views sustainable development of local communities around its operational sites both in Bangladesh and India as an integrated agenda and fundamental principle that endeavours to provide solutions to economic, social and environmental challenges.

As part of our continuous endeavour, in 2022 we strengthened our initiatives in the field of education, healthcare, skill development and women empowerment for the underprivileged people of the local communities. So far, 6,500 students have completed their primary and secondary education from our Community Welfare School in Chhatak and the wholly sponsored secondary school in Nongtraï Village in Meghalaya - the Nongtraï Secondary School. We also established 6 sub centres for outreach students of the communities particularly for the student from the remote areas who cannot come to our main school. The Company has also provided scholarship to 433 meritorious students in 2022.

The Company has been carrying out comprehensive health program for the Chhatak community and for Nongtraï & Shella communities in the Indian side since commencement of its operation through its community development centre and six sub-centres / dispensaries located in the remote areas. In the year 2022, the Company provided healthcare services to around 25,000 people. Skill development trainings has been provided to the local community people, especially the women so that they can earn their livelihood.

During the devastating flood in Sylhet region in May 2022, the Company and its employees stood by the local communities when they needed us the most. We provided shelter for homeless marginalized people and distributed necessary food items in three phases among more than 6000 families.

In 2022 we have planted around 3,000 saplings. The Company also collaborated with Water & Life for cementation of Bhashantek slum in Dhaka to ensure safe drinking water and proper walkway for about 5,000 slum dwellers.

The Company won "The Daily Star and CSR Window Bangladesh - A Better Tomorrow CSR Awards" in the Healthcare Category for its initiatives in Chhatak to improve the marginalized people's lives which is the most prestigious CSR award of the country.

For 2023 and beyond the Company plans to carry out its sustainable community development activities and to introduce new initiatives that will create a positive impact in the lives of the communities around its operations.

6. RISKS AND CONCERNS INCLUDING INTERNAL AND EXTERNAL RISK FACTORS, THREAT TO SUSTAINABILITY AND NEGATIVE IMPACT ON ENVIRONMENT.

The hearing of the Arbitration with Jalalabad Gas Transmission and Distribution Systems Ltd. has been concluded and the Company is awaiting the Award. In compliance with the Order of the Appellate Division of the Supreme Court of Bangladesh, the Company is (i) paying JGTDS the disputed amount in instalments, and (ii) from March 2021 paying JGTDS at the rate fixed by Bangladesh Energy Regulatory Commission (BERC), instead of Ceiling Price mentioned in the Gas Sales Agreement (GSA) between the Company and JGTDS. In the accounts of the Company, these payments are booked as an advance, because as per our assessment, the Company has a good arguable case and expecting a positive outcome in favour of the Company. If and when the Award is passed in favour of the Company, the advance payments will be recoverable from JGTDS.

Another major risk lies in the Company's cross border operation. Any interruption of limestone supply from its Indian subsidiary company causes a business continuity issue. Strict compliance with applicable laws coupled with strong community development programs are key to minimize this risk.

Bangladesh is a cement capacity surplus market. Despite this fact, new capacity is being added at a higher rate than demand growth. This may further intensify competition in the market resulting in pressure on price. The availability of clinker in Asia impacts the price of clinker imports, which has a significant impact on the level of cement prices in the market and hence on the Company's profitability.

7. RISK MANAGEMENT

The management of the Company is responsible for the establishment of the Company's risk management framework. Risk management policies require establishing standard procedures to identify and analyse the main risks to which the Company is exposed and continually deploying and managing risk management systems designed to eliminate or reduce the probability that risks will arise and to limit their impact. The Company is exposed to credit risk, liquidity risk and market risk.

A. Credit Risk

Credit risk is the risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other current assets. The management has established a credit policy under which each new customer is analysed individually for creditworthiness. Credit limits are established for each customer and reviewed on a regular basis. Any sales exceeding those limits require approval from the Credit Committee. The Company obtains bank guarantee from all trade customers. A large part of non-trade customers are also under the coverage of bank guarantee and security cheques.

B. Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

C. Market Risk

Market risk is the risk that changes in market prices, e.g. foreign exchange rates and interest rates that may impact the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company uses derivatives to manage market risks. Market risk comprises the following three types of risks:

- i. **Foreign Currency Risk** - The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which purchases and borrowings are denominated. The currencies in which these transactions are primarily denominated are Euro, US Dollars, Swiss Franc and Indian Rupee. Foreign Currency Risk is being mitigated through derivatives by the Company.
- ii. **Interest Rate Risk** - The risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its debts and short term deposits. However, the exposures of Interest Rate Risk are within the acceptable parameters to optimize the Company's return
- iii. **Commodity Risk** - Commodity risk arises from fluctuation of value of commodity in terms of price, quantity, and cost of the market from or to which the Company procure or sell product respectively. The Company does not have any significant exposure to commodity price risk.

8. RELATED PARTIES TRANSACTIONS

All the transactions/contracts/arrangements of the nature as specified under the provisions of International Accounting Standard (IAS) 24 entered by the Company during the year under review with related party (ies) are in ordinary course of business. The details of the names of the related parties, nature of the transactions/contracts/arrangements and their total value are contained in Note No. 29 of the Consolidated Financial Statements.

9. DIRECTORS' DECLARATION TO THE FINANCIAL STATEMENTS

The Directors are of the opinion that the Company is a going concern. Accordingly, Financial Statements are prepared on a going concern basis.

The Directors are responsible for the governance of the Company, as part of preparation and presentation of the Financial Statements, the Directors confirm, to the best of their knowledge that:

- ▶ The financial statements prepared by the Management of the Company presents fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- ▶ Proper Books of Account of the Company have been maintained.
- ▶ 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. The International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- ▶ The system of internal control is sound in design and has been effectively implemented and monitored.
- ▶ The minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress.
- ▶ The Board of Directors' have made appropriate examinations and analysed the significant financial, operating as well as other indicators for enabling them to understand the ability of the Company to continue its operations for a foreseeable period.
- ▶ The Board of Directors' is satisfied and has a reasonable expectation that the Company has adequate resources to continue its operation consistently for the foreseeable future. Hence, the Company adopted the going concern basis in preparing of the Company's financial statements.
- ▶ An interim dividend of 33% has been declared by the Company in 2022.
- ▶ The Company issued IPO Share in 2003 and Rights Share in 2011. No further issuance of any kind was made since then.
- ▶ No remuneration was paid to any Director of the Company during the year.

- ▶ The key operating and financial data for the last five (5) years, discussion on cost of goods sold, gross profit margin and net profit margin and explanation on significant deviation from the last year's operating results are disclosed in Annex I.
- ▶ Details of the Board Meetings held, attendance in the meetings are disclosed in Annex II.
- ▶ The pattern of shareholding is disclosed in Annex V.
- ▶ A declaration signed by the CEO and CFO to the Board as required under the Corporate Governance Code is disclosed in Annex VI.
- ▶ A Management's Discussion and Analysis signed by CEO presenting detailed analysis of the Company's position and operations along with a brief discussion of changes in the financial statements is disclosed in Annex VII.

10. RESEARCH, DEVELOPMENT AND INNOVATION

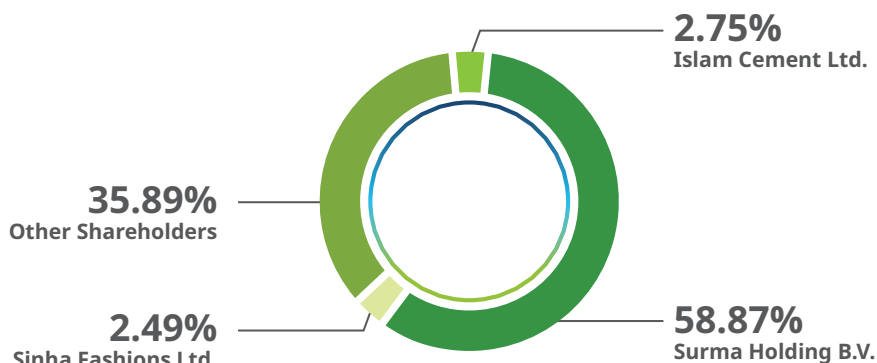
As part of the Holcim and Cementos Molins Group, Research and Development (R&D) of the Company is driven by customer's needs, who face today's major challenges. Together with our partners and customers, our best-in-class R&D teams develop the most innovative products, solutions, and services, as well as advanced manufacturing processes to achieve energy efficiency, lower cost of construction, reduce our environmental footprint, and meet the high standards of aesthetics, health, comfort, and well-being.

11. INTERNAL CONTROL SYSTEM

The Company has well-documented Policies, Directives and operating standards which are periodically reviewed. Implementation and compliance with the Policies, Directives and operating standards are monitored and reported to the Audit Committee.

12. SHARE HOLDING PATTERN

Your Company is listed at the Dhaka Stock Exchange and Chittagong Stock Exchange. The total Shareholdings of the Company are distributed as follows:



Further information on Shareholding pattern is annexed to this report as **Annexure V**.

Surma Holding B.V.

Surma Holding B.V., incorporated in The Netherlands, owns 58.87% shares of your Company. Lafarge S.A. (a subsidiary of Holcim) owns 50% shares of Surma Holding B.V., and the other 50% are owned by Cemolins Internacional S.L.U. of Spain.

About the Sponsors

ABOUT HOLCIM

Holcim builds progress for people and the planet. As a global leader in innovative and sustainable building solutions, Holcim is enabling greener cities, smarter infrastructure and improving living standards around the world. With sustainability at the core of its strategy Holcim is becoming a net zero company, with its people and communities at the heart of its success. The company is driving circular construction as a world leader in recycling to build more with less. Holcim is 60,000 people around the world who are passionate about building progress for people and the planet through four business segments: Cement, Ready-Mix Concrete, Aggregates and Solutions & Products. More information is available on <https://www.holcim.com>.

ABOUT CEMENTOS MOLINS

Cementos Molins is one of the most important companies in the sector in Spain. Born as a family business, over the years, it has developed products of recognized prestige in the construction materials industry, keeping intact its traditional values of integrity, continuous improvement, efficiency, passion, sustainability and environmental protection. Cementos Molins operates in Spain, Argentina, Uruguay, Mexico, Bolivia, Colombia, Tunisia and Bangladesh. In addition to cement, it participates in the business of concrete, aggregates, prefabricated concrete, special mortars, adhesive cements and eco-materials. More information is available on <https://www.cemolins.es>.

Besides Surma Holding B.V., other sponsors of this venture are Islam Cement Limited and Sinha Fashions Limited from Bangladesh.

13. BOARD OF DIRECTORS

(a) Board composition

The Board of Directors' of the Company has twelve (12) members. Three (3) of them are Independent Directors.

(b) Resignation of Directors:

Mr. Rajesh Kumar Surana, Director and Chief Executive Officer of the Company submitted his resignation, which was accepted by the Board of Directors effective from February 14, 2023. The Members of the Board very gratefully acknowledged the valuable contributions of Mr. Surana during his tenure in office and wish him all the success in his new enlarged role at Holcim Group.

Ms. Naheed Akhter, Director, submitted her resignation which was accepted by the Board of Directors effective from March 28, 2023. The Board acknowledged the valuable contributions and guidance of Ms. Akhter during her association with the Company.

(c) Appointment of Director and Chief Executive Officer:

In accordance with Article 15.1.2 of the Articles of Association of the Company, Surma Holding B.V., the parent company of the Company, on February 9, 2023 nominated Mr. Mohammad Iqbal Chowdhury on the Board of Directors of the Company. Following the nomination, the Board of Directors appointed Mr. Chowdhury as Director of the Company.

In accordance with Article 15.2.1 of the Articles of Association of the Company, the Board of Directors appointed Mr. Mohammad Iqbal Chowdhury as the Chief Executive Officer of the Company, for a term of five (5) years from February 15, 2023, subject to ratification by the shareholders of the Company in a General Meeting.

Credentials of Mr. Chowdhury is provided in this Annual Report.

(d) Independent Directors

Dr. Rubana Huq, Independent Director, completed one (1) term of three (3) years in office. Pursuant to the provisions of the Corporate Governance Code, the Board of Directors' reappointed Dr. Rubana Huq as Independent Director for a 2nd term of three (3) years, effective from December 7, 2022.

It is proposed that the Shareholders approve the appointment of Dr. Rubana Huq as an Independent Director of the Company, not liable to retire by rotation at the 25th Annual General Meeting of the Company.

Credentials of Dr. Huq is provided in this Annual Report.

(e) Recommendation for re-elections

Pursuant to Regulation 79 of Schedule I of the Companies Act, 1994, the following Directors of the Board shall retire at the 25th Annual General Meeting. Being eligible they offer themselves for re-election:

- Mr. Jorge Bonnin Bioslada
- Mr. Manzurul Islam
- Mr. Martin Kriegner

Credentials of the above mentioned three Directors are provided on page numbers 7, 9 & 11 in this Annual Report.

(f) Sub Committee of the Board

For ensuring good governance, the Board of Directors' have formed two sub-committees.

(i) The Audit Committee of the Board

The Audit Committee consists of three (3) Directors including one (1) Independent Director as the Chairman of the Audit Committee. The Audit Committee ensures that adequate internal checks & balances supported by adequate Minimum Control Standards as defined by the Sponsor Groups are in place for detection of errors, frauds and other deficiencies. The Audit Committee also ensures compliance of requirements of

Bangladesh Securities & Exchange Commission (BSEC). The Audit Committee reviews the Quarterly and Annual Financial Statements. The Audit Committee also reviews adequacy and effectiveness of financial reporting process, accounting policies, internal control and risk management process. In addition, the Audit Committee oversee the compliance and provides necessary advices to the Management and Board of Directors' to ensure running the business in 100% compliance of the applicable laws, policies and directives.

(ii) Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) consists of three (3) Directors including one (1) Independent Director as Chairman of the NRC to set the principles, parameters and governance framework for the nomination and remuneration of the Directors, Key Managerial Personnel, Top-Level Executives and other employees comprising the senior management.

(g) Board and Sub Committee Meetings and Attendance

In 2022, the Board of Directors' of the Company met on six (6) and Audit Committee of the Company met on four (4) occasions respectively. The NRC of the Company met on one (1) occasion.

The meetings of the Board of Directors', Audit Committee and NRC meetings were held virtually (except 1 (one) Board of Directors meeting that was held in Zug, Switzerland on October 13, 2022) in terms of the Bangladesh Securities and Exchange Commission's (BSEC) Order No. SEC/SRMIC/94-231/25 dated July 08, 2020.

The details including dates of the meetings and attendance records of the Directors are annexed to this Annual Report as Annex II. The Directors who could not attend the meetings were granted leave of absence.

14. CORPORATE GOVERNANCE COMPLIANCE STATEMENT

The Company complied with all the necessary guidelines under BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018. A separate section on Corporate Governance and the Compliance Report along with the necessary remarks and disclosures is appended in this Annual Report for the year 2022. A Certificate of Compliance required under the said Guidelines, as provided by M/s Al-Muqtadir Associates, Chartered Secretaries and Consultants, is annexed to this Annual Report as Annex IX.

In 2022, the Company received two (2) prestigious awards in the field of Corporate Governance and Corporate Social Responsibility (CSR). The Institute of Chartered Secretaries of Bangladesh (ICSB) recognised the Company for Corporate Governance Excellence and The Daily Star & CSR Window awarded the Company for its contribution in the healthcare sector at the "A Better Tomorrow CSR Awards 2022".

15. AUDITORS

(a) Auditors Report

The Statutory Auditors of the Company submitted their Report to the Shareholders on the Consolidated Financial Statements, which is forming part of the Annual Report.

(b) Statutory Auditors

Pursuant to Section 210 of the Companies Act, 1994, the Company's Statutory Auditors; M/s Hoda Vasi Chowdhury & Co., Chartered Accountants, retire at the 25th Annual General Meeting of the Company on completion of consecutive term of three (3) years. They are not eligible for reappointment as per BSEC Notification on financial reporting and disclosure dated June 20, 2018 and Dhaka & Chittagong Stock Exchange (Listing) Regulations, 2015 dated June 30, 2015.

M/s Nurul Faruk Hasan & Co., Chartered Accountants expressed their interest to be appointed as statutory auditors of the Company for the year 2023. The Board of Directors has accepted the willingness of M/s Nurul Faruk Hasan & Co., Chartered Accountants, as per recommendation of Audit Committee, for appointment as statutory auditors for the year ending December 31, 2023 which is being placed in the 25th Annual General Meeting.

(c) Corporate Governance Compliance Auditors

Every year, the Company obtains a certificate of compliance from a Practicing Professional Accountant/Secretary (Chartered Accountant/Cost and Management Accountant/Chartered Secretary) regarding compliance of conditions of the Corporate Governance Code.

M/s Al-Muqtadir Associates, Chartered Secretaries & Consultants completed three (3) consecutive years and shall retire at the 25th Annual General Meeting of the Company. The Company need to change the Compliance Auditors every three (3) consecutive years for the good Corporate Governance.

M/s Mohammad Sanaullah & Associates, Chartered Secretaries & Management Consultants expressed their interest to be appointed as compliance auditors of the Company for the year 2023. The Board of Directors has accepted the willingness of M/s Mohammad Sanaullah & Associates, Chartered Secretaries & Management Consultants, as per recommendation of Audit Committee, for appointment as compliance auditors for the year ending December 31, 2023 which is being placed in the 25th Annual General Meeting.

16. INDUSTRY: OUTLOOK & POSSIBLE FUTURE DEVELOPMENTS

According to the International Monetary Fund, Bangladesh's economic growth is expected to be 6.0% for the fiscal year 2023 that is lower than the previous year. Despite being hit by multiple external challenges including increase of oil & gas prices elevated throughout the year, it has ultimately resulted in sky-high commodity prices. Inflation rate went up to ~9%, highest in the last 9 years. The country's Ready Made Garment industry showed strength in adversity. However, remittances reached a record high in 2022.

Though construction activities got back to normal after COVID 19, global and external challenges stalled the construction industry and interrupted the growth. The shipping crisis ignited the freight costs to increase by USD 6-7/ per tonne, which in turn increased the costs of imported raw materials abnormally. In addition, the surge in the diesel price caused logistics costs to increase by 20%-30% across the country. Most projects and individual house builders (IHB) segments have slowed down for lower funds, high priced construction materials, no revision to schedule of rates, non-payment of contractors, and problems in opening LCs for dollar crisis. Meanwhile, the Government has decided to stop the subsidy in the power sector eventually and as a first step increased the natural gas price to ~179% and electricity price to ~15% recently. Cement prices however remained stagnant and the abnormal increase in the raw material costs could not be passed on to the consumers for the high competition in market.

Bangladesh is still one of the lowest consumers of cement products in the world, with per capita cement consumption of around 200 kg, despite the rapid growth of the industry.

17. ACKNOWLEDGEMENTS

Your Directors are thankful to the various departments and offices of the Government of Bangladesh, the Government of India and the State Government of Meghalaya for their continued guidance and co-operation. The Directors are grateful to all the valuable stakeholders of the Company viz. customers, dealers, vendors, banks, suppliers, business partners for their relentless support and services during the year. The Directors are also obliged to the local communities around the Surma Plant in Chhatak, Mongla Plant, Meghnaghat Plants and the Quarry in Meghalaya for the support received. The Directors would like to recognize the efforts of the management and all employees of the Company and thank them for their dedication and perseverance. The results achieved are outstanding and were only possible due to their robust and continued believe in building a better Company every day. Finally, the Directors are grateful to the Shareholders for their continued and valuable support to the Company.

For and on behalf of the Board of Directors



Christof Hässig
Chairman

Date: April 7, 2023