

# BOARD OF DIRECTORS' REPORT





## Dear Shareholders,

We are delighted to present the 26<sup>th</sup> Annual Report of LafargeHolcim Bangladesh Limited (the “Company”). The report includes the Board of Directors’ review, audited financial statements for the year ending on December 31, 2023, and the Auditors Report. These documents adhere to the Companies Act, 1994 (Section 184), the Corporate Governance Code by Bangladesh Securities and Exchange Commission (BSEC) and Listing Rules of both the Dhaka and Chittagong Stock Exchanges.

Our success in 2023 was driven by sustainability initiatives! Advances in our Aggregates business and the implementation of Alternative Fuel using environmentally friendly waste co-processing were notable contributors. Our achievements represent a significant milestone in our ongoing transformation journey. The year marked a shift towards offering comprehensive building materials solutions rather than solely focusing on cement production. Key factors such as process efficiency, expanding market reach, optimizing resources and fostering a performance-driven culture were instrumental in our success.



## Overview of the Financial Performance

The Company's consolidated operating and financial results, when compared with the preceding year, unfold as follows:

Figures in Million BDT

Revenue	2023 <b>28,388</b> 23,594 in 2022	Cost of goods sold	2023 <b>18,119</b> 15,260 in 2022
<b>20%</b> Growth		<b>19%</b> Increase	
Gross Profit	2023 <b>10,269</b> 8,334 in 2022	Gross margin	2023 <b>36.2%</b> 35.3% in 2022
<b>23%</b> Growth		<b>90</b> BPS Growth	
Net profit before tax (PBT)	2023 <b>7,716</b> 5,744 in 2022	Net profit before tax (PBT) Margin	2023 <b>27.2%</b> 24.3% in 2022
<b>34%</b> Growth		<b>290</b> BPS Growth	
Net profit after tax (PAT)	2023 <b>5,942</b> 4,445 in 2022	Net profit after tax (PAT) Margin	2023 <b>20.9%</b> 18.8% in 2022
<b>34%</b> Growth		<b>210</b> BPS Growth	
Earnings per share	2023 <b>5.12</b> 3.83 in 2022	Return on equity	2023 <b>27%</b> 25% in 2022
<b>34%</b> Growth		<b>200</b> BPS Growth	
Total assets		2023 <b>36,196</b> 28,971 in 2022	
<b>25%</b> Growth			
Net asset value	2023 <b>22,226</b> 17,710 in 2022	Net Asset Value (NAV) per share	2023 <b>19.14</b> 15.25 in 2022
<b>25%</b> Growth		<b>26%</b> Growth	
Net operating cash flow	2023 <b>7,927</b> 6,694 in 2022	Net operating cash flow per share	2023 <b>6.83</b> 5.76 in 2022
<b>18%</b> Growth		<b>18%</b> Growth	

## Resilient Performance and Sustainable Growth

This report outlines your Company's financial performance and strategic initiatives in 2023. Despite unprecedented challenges, we achieved significant growth and advanced our sustainability and market leadership goals.

**Snapshot of Financial Performance:** In 2023, your Company demonstrated resilience with a 20% increase in net sales to 28,388 million Bangladesh Taka (mBDT) and a 34% rise in profit after tax (PAT) to 5,942 mBDT, despite escalating costs.

**Challenges Faced:** The past year presented unparalleled challenges, including soaring raw material costs, currency devaluation and high inflation.

**Market Performance:** Despite adversities, the Company achieved exceptional results. Cement prices grew by 9%, outpacing industry norms, while cement volume surged by 5.5%, surpassing industry growth. Record production and sales in Quarry and Aggregate operations further strengthened our market position.

**Sustainability Initiatives:** Our commitment to sustainability yielded positive results. Your Company achieved a full-year Thermal Substitution Rate (TSR) of 9.5% and reduced net CO<sub>2</sub> emissions by 5 KG/t. Additionally, Specific Electrical Energy Consumption (SEEC) decreased to 0.8 kWh/t of cement, reflecting our environmental efforts.

**Strategic Initiatives:** Strategic initiatives helped to navigate challenges effectively. Introducing fit for purpose specialized cement brands like Supercrete Plus and Holcim Water Protect received favorable market responses. Digital applications and Direct to Retail (D2R) channel boosted our success.

Your Company's resilient financial performance, combined with sustainable practices and strategic initiatives, positions us for continued growth. The Company is optimistic about the future prospects and remain committed to delivering value to the stakeholders.



## Dividend Recommendation and Retained Earnings

### Dividend Recommendation

On February 29, 2024, the Board of Directors of your Company recommended a final dividend of fifty percent (50%), in cash, on the paid-up capital of the Company out of the profits of 2023 (January 1, 2023 to December 31, 2023) and also from retained earnings. The total dividend of 50% of the paid-up capital amounting to BDT 5,806,867,500 which is BDT 5 per share of BDT 10 each for the year ended on December 31, 2023.

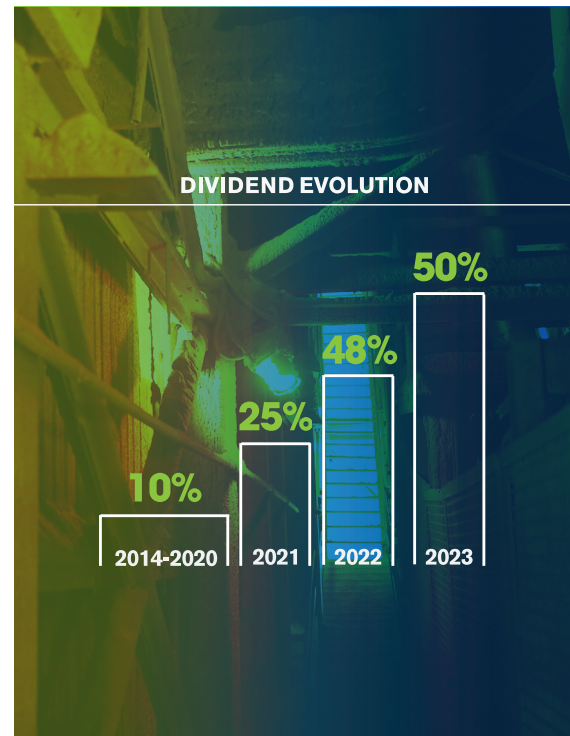
As per the dividend distribution policy of the Company and applicable laws, a dividend can be declared out of current profits and/or profits accumulated of earlier years. The Board declared a dividend @111% of the profit to ensure the optimum use of retained earnings and sufficient cash balances.

The above dividend recommendation of the Board of Directors shall be forwarded to the Shareholders for their consideration and approval at the 26th Annual General Meeting of the Company scheduled on May 14, 2024.

The status of unpaid/unclaimed cash dividend is annexed to this Report for the year 2023 and is also uploaded on the Company's website.

### Retained Earnings

As of December 31, 2023, the total Retained Earnings are mBDT 10,072. Details are in the Statement of Changes in Equity of the Consolidated Financial Statements.





# Health, Safety and Environment (HSE) Report



## ONSITE SAFETY

0

Fatal incidents in 2018-2023

45

CRITICAL CONTROLS TO ELIMINATE

11



APPLICABLE UNWANTED EVENTS



## ZERO HARM CULTURE

Lost Time Injury Frequency Rate ~0

Best in class performance since 2018



Boots on the Ground

04 Sites covered

188 App users



HSE Conversations

8,335

Visible Personal Commitments

5,456

Critical Visible Personal Commitments



## SYSTEMS & PROCESSES

iCARE

~800

actions created each month



14001 & 45001 Compliant



HSE Audits

01

SURMA PLANT CORE ASSESSMENT CONDUCTED IN 2023



### CONTROL OF HEALTH RISKS

# 04

sites covered  
mental & physical  
well-being



### OCCUPATIONAL HEALTH

# 01 UNIT

INDUSTRIAL HYGIENE  
CONDUCTED



### Cultural Perception Survey

# 909

Participants

**+10.3%**  
improvement YoY



### ROAD FATALITY REDUCTION

# 0

Road Fatal incidents  
in 2018-2023



### ROAD SAFETY

# 97.7% km

WITH TRAINED  
DRIVERS



### PEOPLE TRANSPORT

# 18% km

IMPROVED WITH  
APPROVED iVMS



### ENVIRONMENTAL EXCELLENCE



# CO<sub>2</sub>

# 5 kg/t

cementitious reduction of  
Specific net CO<sub>2</sub> emission



# WATER

# 8 lt/t

cementitious reduction of  
Specific freshwater  
withdrawal



# WASTE

# 3%

increase of  
recycled waste

# 166

PARTICIPANTS OF  
TREASURE HUNT

Global limits for  
air emissions & real  
time air emissions  
monitoring

# 84%

DUST  
EMISSION  
REDUCTION



## Operational Landscape: Bridging Borders for National Service

The operational sites of the unique cross border project of your Company is spread over two neighboring countries and in three geographical locations in Bangladesh.

1. **100 hectare limestone mine in Meghalaya, India;**
2. **The elevated cross border 17 kilometer long Belt Conveyor.**
3. **Surma Plant**, with unique facilities to produce **Clinker, Cement and Aggregates**,
4. **Geocycle**, the environment friendly waste processing segment at the Surma Plant.
5. **Meghnaghat 1 and Meghnaghat 2**, the cement grinding units at Sonargaon Narayanganj; and
6. **Mongla Plant**, the cement grinding unit located at Bagerhat.

## Commitment to Sustainability: Driving Long-Term Value

We prioritize environmental stewardship, efficiency, social responsibility and economic viability in all our operations.



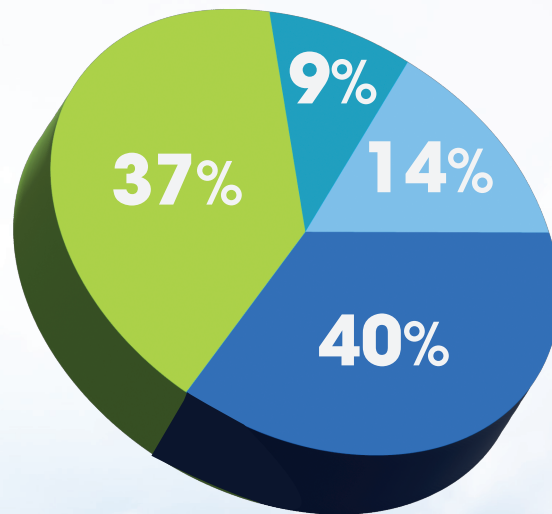
*Night View of Surma Plant*





# Production Performance

## Production Performance: Cement



- Surma Plant
- Meghnaghat 1
- Mongla
- Meghnaghat 2

## Cement Production Volume in 2023

*Surma Plant*

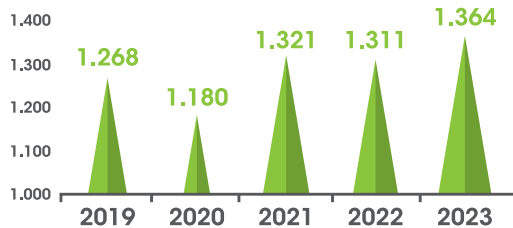


## Surma Plant's Operational Efficiency

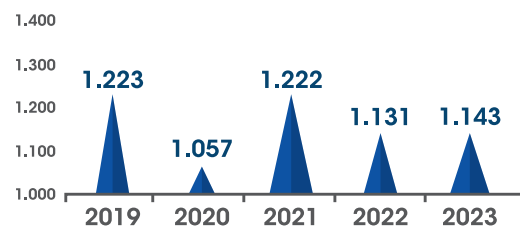
Surma Plant enhances operational resilience, raising Kiln Net Availability Index (NAI) by 3% and Production Rate Index (PRI) by 1%. This highlights the plant's commitment to continuous improvement. In the 2023 Global Industrial Performance Benchmarking (IPB) ranking, Surma achieved 9th place in operational efficiency.

Surma Plant excelled in 2023 achieving clinker production of 1.364 million tonnes, a remarkable 4% increase from the previous year, marking its highest output in the last 5 years.

**Clinker Production (Million Tonnes)**  
2019-2023



**Cement Production (Million Tonnes)**  
2019-2023



**Strategic Power Boost:** Commissioning of 5MW (mega-watt) Grid power in October 2023 led to a commendable 1% rise in cement production, part of a 4% increase, showcasing proactive power management.

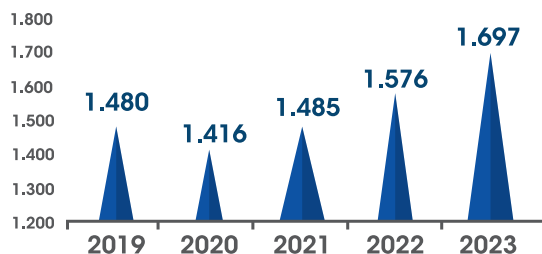
**Steady Cement Dispatch Growth:** Cement dispatch for 2023 reached 1.138 million tonnes, displaying a modest yet steady 0.3% growth compared to the previous year.

Surma Plant's Lab Tops Global Quality Control Rankings: Achieving a flawless 100% score in 2023, Surma Plant's lab surged from 26th to 8th place in the Global Laboratory Accuracy Index (LAI).

## Meghnaghat & Mongla Plants' Success in 2023

Meghnaghat 1, Meghnaghat 2 and Mongla Plants excelled in cement production and dispatch, achieving a record 1.697 million tonnes – an 8% increase. Key indicators show notable efficiency enhancements: Gross Availability Index (GAI) up 7%, Net Availability Index (NAI) up 1%, and Production Rate Index (PRI) up 2%.

**Meghnaghat & Mongla  
Cement Production (Million Tonnes)**  
2019-2023

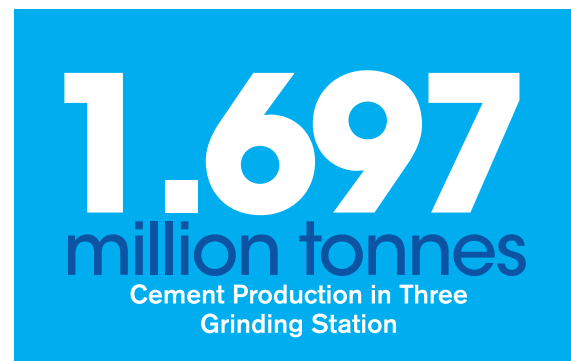


**Dispatch Achievements:** The cement dispatch in 2023 saw a notable 7% increase, reaching 1.691 million tonnes, showcasing production prowess and market responsiveness.

**Robust Growth:** Affirming a robust growth trajectory, the Plants emerge as industry leaders, with evident continuous improvement in GAI, NAI, and PRI.

**Future Prospects:** Milestones lay a solid foundation for sustained success, highlighting adaptability, efficiency gains and capacity for higher production volumes.

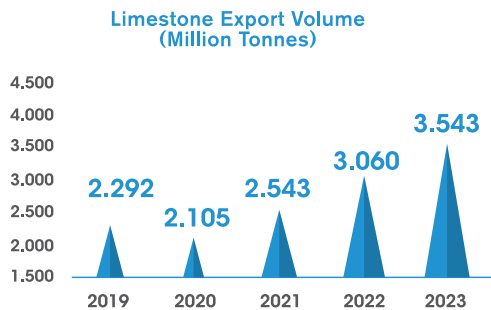
**2023 Performance:** The Plants demonstrated dedicated commitment to excellence, solidifying their role as industry frontrunners.



## Lafarge Umiam Mining Private Limited's Limestone Quarry Operations

Lafarge Umiam Mining Private Limited (LUMPL), a subsidiary of the Company extracts limestone from its Quarry in Meghalaya, India and exports the crushed limestone to Surma Plant in Chatak, Bangladesh. This report highlights the notable achievements in 2023 and strategic plans for further growth and operational excellence.

**2023 Performance Highlights:** In 2023 LUMPL achieved an export volume of 3,543 million tonnes of limestone, marking 16% increase from the previous year's production of 3,060 million tonnes. This commendable performance underscores LUMPL's dedication to seamless operations and cross-border logistics.



**Strategic Targets for 2024:** In anticipation of 2024, LUMPL strategically plans to boost limestone production and dispatch, empowering the Surma Plant to generate more clinker and aggregates to meet the rising demand in Bangladesh.

## Aggregates Business: 2023 Highlights & 2024 Outlook

The report celebrates 2023's successes and outlines 2024's strategic initiatives of Aggregates business of the Company.

**2023 Performance Highlights:** Despite global freight rate fluctuations and election-related uncertainties, the Company's Aggregates Business surpassed predictions. Meticulous planning secured Company's top global ranking among Holcim Group countries with under 50 mCHF revenue, highlighting profitability and operational excellence.

**Decarbonization and Operational Streamlining:** The Company embraces future growth and decarbonization by automating the dispatch circuit. This initiative aims to enhance dispatch efficiency by reducing manual intervention and utilizing conveying systems for loading Aggregates.



**2024 Strategic Goals:** Building on 2023's success, the Company aims to maximize Aggregates production and dispatch capabilities in 2024. Internal process innovation and optimization across plant operations and sales are key to achieving this ambitious endeavor. Company's proven track record and ongoing initiatives demonstrate its commitment to excellence, safety, and future growth, setting new benchmarks for the industry.

## Geocycle: Advancing Environmentally Friendly Waste Management

**Sustainability and Waste Management Challenges:** Bangladesh faces persistent challenges in waste management, leading to environmental pollution. Geocycle addresses this through scientific waste disposal, aligning with national policies and community involvement.

**Turning Waste into Assets:** Leveraging high-temperature (1450 degree) clinkerization kiln, Geocycle pioneers waste co-processing, minimizing waste generation, and maximizing material reuse. By adopting innovative technologies, it transforms waste into valuable resources, contributing to a circular and sustainable construction industry.



**Aggregates Plant**

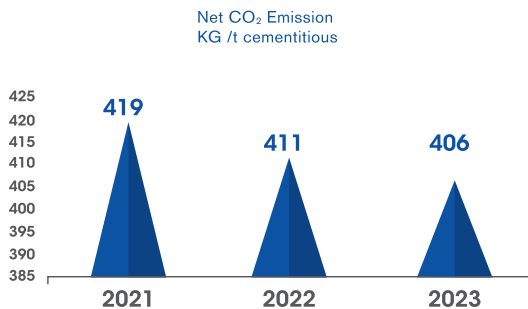
Memorandum of Understanding with BGMEA for comprehensive textile waste solutions.

**Pioneering Municipal Waste Management:** Geocycle collaborates with Sylhet City Corporation to commission the country's first state-of-the-art municipal waste segregation and disposal facility in Sylhet. With a capacity of 1,000 MT per day, the facility ensures zero waste to landfill, enriching the local environment and recovering precious land resources.

**Key Force in Sustainability:** Geocycle spearheads Bangladesh's sustainable journey through strategic advancements. With plans to replicate the facility across major city corporations, Geocycle aims to dispose of 200,000 MT of segregated solid waste by 2026, offering sustainable solutions through circular economy principles.

**Remarkable Growth and Leadership:** Geocycle achieves a remarkable 30% Year-Over-Year growth, advancing Thermal Substitution Rate to 9.5%. Future plans aim to double the rate and expand daily waste management capacity to address 5% of the country's waste.

**Environmental Commitment:** Geocycle helped to reduce CO<sub>2</sub> emissions per MT of cementitious material to 406 kg/MT. Collaborating on plastic waste management reflects a cradle-to-grave approach, striving for zero waste to landfill. As Bangladesh's sole approved waste management facility, Geocycle significantly contributes to the circular economy.



**Eco-Friendly Hazardous Waste Disposal:** The commitment extends to eco-friendly disposal of hazardous tannery and textile waste, highlighted by a





## Promoting Responsible Growth Through De-Carbonization

In 2023 your Company strategically advanced responsible growth, emphasizing sustainability initiatives. This report highlights key achievements, with a focus on the Special Green Product Revolution and our commitment to sustainable environment.



*Surma Clinker Plant*

## Special Green Product Revolution



### Holcim Water Protect

Complete Protection from Roof to Foundation:

**Sustainable Growth:** Experienced an 18% growth rate with a substantial 63% additional margin over regular products.

**Strategic Engagement:** Success attributed to influencer activations, team engagement, live demonstrations and targeted digital communication.

**Widespread Accessibility:** Distribution expanded to approximately 1600 retail stores, a commendable 15% increase from 2022.

Contributed  
**5%** to Holcim  
brand sales



### Supercrete Plus

The Country's No. 1 Fair Face Cement

**Premium Aesthetics:** Met market demands for premium Fair Face cement without the need for paint.

**Sustainable Impact:** Unique formula and lower carbon footprint contributed to widespread acceptance.

**Extended Reach:** Distribution expanded to 1400 retailers in 2023, showcasing growing market presence.

Achived  
**3%** contribution  
to the overall  
Supercrete  
brand sales



### CIAC Lab: Innovation and Knowledge Hub

The Concrete Innovation Application Centre (CIAC) lab facilitates research on high-strength concrete, mortar mix design, aggregate analysis, and special product development. CIAC promotes collaboration among stakeholders to ensure impactful innovations. In 2023, our focus on the Special Green Product Revolution and Coastal Areas expansion underscores our commitment to responsible growth and sustainability leadership in eco-friendly building materials.

## Sustainable Channel Transformation: D2R Initiative

Direct to Retail (D2R) revolutionizes channel strategy, serving retailers directly, enhancing coverage and driving growth. Operating on a 100% advance model, D2R yields 28% higher margins than traditional dealers. Contributing 7% in volume by serving 1300 retailers nationwide, our commitment lies in customer delight through team engagement, delivery excellence and seamless contactless operations, enabled by digitalization and process automation.





The Company is serving  
**1300**  
Retailers nationwide







## Sales and Marketing Success in 2023

**Overview:** Amidst 2023's economic challenges like fuel price hikes, inflation, and national elections, your Company achieved commendable results, surpassing industry standards. This success stems from our commitment to key sales and marketing strategies.

**Sales Team Performance:** Our efficient team, spanning Bangladesh, served 900 dealers, 10,000 retailers, and 700 corporate clients. Expanding our channel, we increased net coverage by 2026 retailers and onboarded 316 new dealers.

**Commercial Capabilities Development:** We invested 2,894 man-hours in training sessions to enhance commercial processes and elevate capabilities across sales and marketing teams. Focusing on a techno-commercial approach fosters a unified team with a broader strategic outlook.

**Brand Positioning and Marketing Strategies:** Maintaining price premium, we targeted home builders, influencers, and channel partners through ATL, BTL and digital platforms. Brand awareness efforts at points of

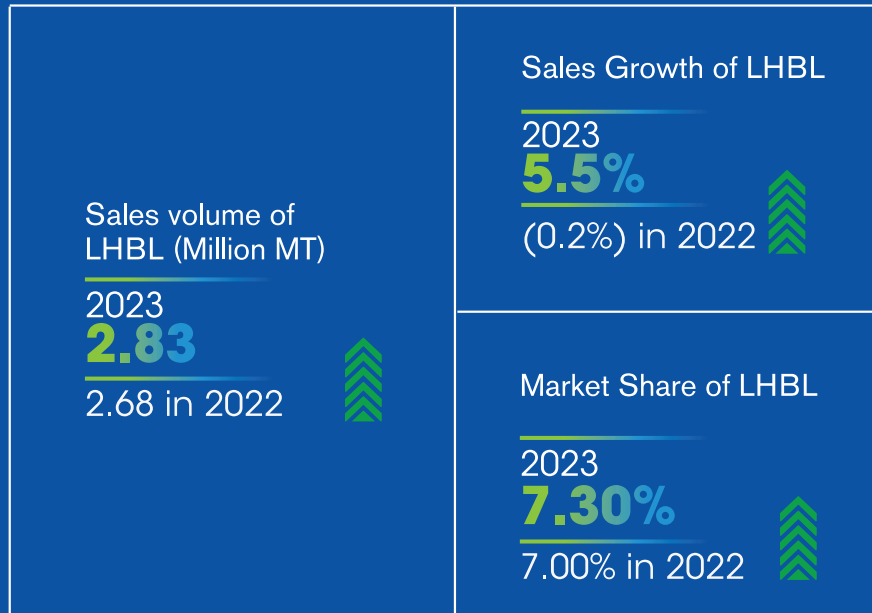
purchase included extensive nationwide outlet branding.

**Influencer Engagement and Customer Satisfaction:** Engaging 21,300 influencers through events and loyalty programs, we prioritized customer satisfaction. Our Call Center team played a key role in customer relationship management and sales support.

**Digital Transformation:** We are moving towards consolidating operational apps into a single platform to enhance digital capabilities, resulting in higher customer satisfaction and operational efficiency. Our Technical Services App facilitates targeted influencer engagement and customer interaction.

**Brand Success Amid Market Pressures:** Despite market challenges, our brands, Holcim and Supercrete, maintained remarkable price premiums, reflecting customer trust in our products' quality. Moving forward, our strategic initiatives and innovative marketing approaches position us for sustained success in the evolving sales and marketing landscape.

## 2023 Results at a Glance





## Navigating Challenges and Advancements in Logistics & Procurement - 2023

**Priorities for Sustainable Supply Chain Operations:** Safety, Environment, Quality and Cost Optimization are key priorities guiding your Company's sustainable supply chain operations.

**Road & Transport Safety Success:** Achieving Key Performance Indicators (KPIs) with zero fatalities marks a significant milestone in Road & Transport Safety. Increased utilization of In-Vehicle Monitoring Systems (IVMS) enhances safety for passengers and goods.

**Decarbonization Initiatives:** Strategically increasing transshipment to reduce empty backhaulage remains central to our decarbonization efforts, contributing to environmental sustainability.

**Sustainability Commitment:** With a focus on further decarbonization, we align logistics with our sustainable competitiveness strategy. This commitment reflects our vision for a resilient and environmentally conscious future, supporting overall corporate sustainability goals.

**Facing External Challenges Successfully:** Rising fuel costs, currency devaluation, and foreign exchange reserve issues in 2023 posed significant challenges.

Our strategic approach emphasizes comprehensive cost optimization and innovative solutions to achieve logistics excellence.

**Comprehensive Cost Optimization:** To counter challenges, we pursue import substitution, collaborate with alternative suppliers, and enhance supply chain efficiency through automation, ensuring financial prudence and operational efficiency.

**Optimizing Aggregates Business:** Optimizing cost through operational modality changes is reflecting our commitment to financial prudence and operational efficiency in supporting our thriving Aggregates business.

**Digitalization for Operational Efficiency:** Introduction of the "E-Auction" mobile application and adoption of E-sourcing enhance competitiveness and transparency in sourcing raw materials, promoting operational efficiency.

Despite challenges, our strategic initiatives and commitment to innovation position us to navigate effectively, contributing to a sustainable and efficient future in Logistics & Procurement.



## **Advancing Towards Sustainable & Eco-friendly Digital Journey**

The company has enhanced its operational efficiency, compliance and customer satisfaction by implementing cutting-edge technologies such as Sales Force Automation (SFA), Distributors Management System (DMS), Customer Relationship Management (CRM), Workflow Management System like Invoice & Contract Management of E-Office, Price & Credit Approval System, Employee Self Service (ESS) in HR Application, Electronic Document Management System (EDMS), Host-to-Host Collection and Payment Automation with SAP and Banks, and many more which eventually lead to a significant and incremental revenue growth.

In 2024 our key initiatives will be focused on Geocycle optimization through high tech digital solutions, promoting Waste Management efficiency and eco friendly practices. Our commitment towards technological innovation and environmental responsibility ensures business success while fostering a brighter, sustainable future.





## Human Resources in 2023 Nurturing Talent and Improving Capability

**Employee Engagement:** Throughout the year, initiatives focused on decarbonization and product innovation boosted employee engagement, with scores rising from 3.82 in 2022 to an impressive 4.16 in 2023.

**Diversity and Inclusion (D&I) Drive Excellence:** D&I initiatives thrived with the establishment of a dedicated committee and the introduction of the "Back-to-School" learning platform. In 2023, 18,825 man-hours were dedicated to learning sessions, enriching capabilities and contributing to overall success.

**Strategic Alignment for Long-Term Success:** Functional alignment sessions engaged 370 employees, crafting a meticulous long-term strategy in line with Group Strategy 2027. Efforts in female leadership development and targeted graduate hiring underscored commitments to sustainable talent management.

**Cultivating a Performance-Centric Culture:** Efforts focused on fostering a culture of performance, transparency, learning, teamwork and agility, ensuring business results and a dynamic workplace. HR remains pivotal in driving sustained success and innovation as we conclude 2023.



## Corporate Social Responsibility (CSR) & Sustainable Development

**Ambitious Sustainability Goals:** Your Company commits to innovate sustainable building solutions aiming for 1.5 C validated by the Science Based Target Initiative (SBTi).

**Community Engagement:** Our continued endeavor on infrastructure, skill development, education and environment are creating positive social impact both in Bangladesh and India.

**Future Initiatives:** Continued commitment to positive social initiatives in 2024 and beyond.

## Corporate Communications and Stakeholder Engagement

Strengthening our rapport and professional relationship through effective engagement with the media, and stakeholders including diplomats, trade bodies, NGOs, policy makers helped us to create positive brand image. We obtained 280 mBDT PR value by publishing positive stories in the national and local media in 2023.

# 18,825

Man Hours of learning  
session

# 4.16%

Employee Engagement  
Increased in 2023



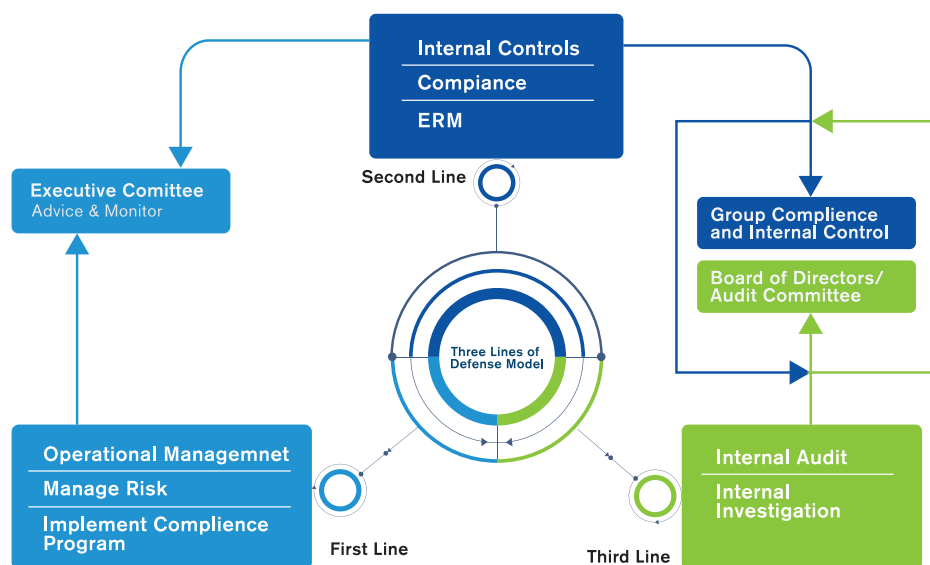
**312** Students got Supplementary Tution-support in 2023



## Governance, Ethics and Compliance

**Integrated Approach:** We maintain integrity, embedding robust ethical standards across all levels. This report details our governance, ethics and compliance strategy, ensuring adherence to industry best practices.

**Comprehensive Compliance:** Key policies like the Code of Business Conduct (COBC), Anti-Bribery & Corruption, Compliance Policy and Fair Competition Directive are integrated. Supported by rigorous monitoring, these policies form the foundation of our compliance framework. Our 'Three Lines of Defense Model' systematically addresses risk assessment, control implementation, training, communication and monitoring. Behold, presented herein is an exquisite portrayal of the Three Lines of Defense Model:



## Risk Management and Assessment

**Proactive Risk Management:** We conduct Compliance Risk Assessments (CRA) and Enterprise Risk Assessments (ERM) to manage risks effectively. These assessments encompass areas like Business Integrity, Pricing Integrity and Anti-Competition Compliance, ensuring a resilient operational foundation.

**Assurance Metrics:** Holcim Group measures compliance effectiveness through "The 6 Packs" metrics quarterly. Ratings of Green, Amber and Red indicate performance in areas such as training, communication, due diligence, risk assessments, internal controls and audits. In 2023, your Company achieved an All Green rating in the 6 Packs, reflecting our continued focus on ethics and compliance.

**Whistleblower Mechanism:** The Integrity Line, a global 24/7 confidential online & hotline service, allows employees to report concerns anonymously. Operated by a third-party supplier, it addresses breaches of COBC, Company Policies, or local laws, ensuring accountability and transparency.

**Audit Committee Oversight:** The Audit Committee evaluates and scrutinizes compliance status, offering insights for continuous improvement. Their oversight guides management, ensuring alignment with regulatory standards.

Our commitment to governance, ethics and compliance fosters a culture of integrity and transparency, driving sustainable success.

**Annual Evaluation of Board of Directors:** The Nomination and Remuneration Committee (NRC), a sub-committee of the Board, set evaluation criteria aligned with Corporate Governance Code guidelines. In 2023, the Company conducted the evaluation with full Board participation. The Corporate Governance Statement in the Annual Report 2023 outlines evaluation details, parameters and processes.



## Alteration of the Memorandum and Articles of Association

Your Company is in the journey of transformation – transforming from a cement manufacturing entity to a building materials solution and services providing company. The vision of your Company is to become the leader in innovative and sustainable building solutions and services in Bangladesh with profitable growth across all its businesses, driven by sustainability and innovation. The Company is accelerating the expansion of its Solutions & Products, positioning itself in the most attractive segments of the construction value chain with new technologies and move to a digital and innovation driven company from a traditional model.

The Memorandum of Association and Articles of Association of the Company needs to reflect the transformation, sustainability and growth ambitions of the Company. Accordingly, The Board of Directors of the Company in its meeting dated February 29, 2024, has recommended to alter the Memorandum and Articles of Association of the Company. The recommendation of the Board of Directors to alter the Memorandum and Articles of Association of the Company shall be forwarded for the approval of the Shareholders of the Company at the 26th Annual General Meeting of the Company scheduled on May 14, 2024, subject to approval of the High Court Division of the Supreme Court of Bangladesh.





## Awards & Recognition

Your Company's relentless efforts have been recognized by various authorities. In 2023, the Company received six (6) prestigious awards in the field of Corporate Governance and Sustainable Development.

1. "Corporate Governance Excellence Award" by the Institute of Chartered Secretaries of Bangladesh (ICSB).
2. "Best Corporate Award 2022" by the Institute of Cost and Management Accountants of Bangladesh (ICMAB).
3. "Best Presented Annual Report, Integrated Reporting and Corporate Governance Disclosures Award" by the Institute of Chartered Accountants of Bangladesh (ICAB)..
4. 'Bangladesh Sustainability Excellence Award 2023' by The Daily Star and CSR Window.
5. "SDG Brand Champion Awards 2023 for Affordable and Clean Energy" by Bangladesh Brand Forum.
6. "SDG Brand Champion Awards 2023 for Sustainable Community Development" by Bangladesh Brand Forum.







## Risks and Concerns in Company Operations

- i. **Dispute Resolution with Jalalabad Gas Transmission and Distribution System Limited (JGTDS) and the Company:**

The Company had an Arbitration with Jalalabad Gas Transmission and Distribution System Limited (JGTDS). On September 15, 2023, the Arbitration Tribunal issued the Final Award in favor of the Company. As per the Award, the Ceiling Price is a valid and enforceable provision of the Gas Sales Agreement (GSA).

The Primary Term of the GSA is for 20 years from the Gas Delivery Commencement Date which is due on January 17, 2026. As per the GSA, the Primary Term shall automatically be extended for a further period of five (5) years unless terminated by either party. On January 25, 2024, JGTDS communicated their intention not to extend the GSA beyond

the Primary Term. The Company has taken the communication by JGTDS with due importance and is presently working on it.

- ii. **Cross-Border Operations:**  
Cross-border activities, notably limestone sourcing from our Indian subsidiary, pose significant risks. Any disruption in supply threatens business continuity, necessitating strict legal compliance and community development initiatives.
- iii. **Market Dynamics in Bangladesh Cement Industry:**  
Bangladesh faces a surplus cement capacity market, yet new additions surpass demand, heightening market competition. Asian clinker availability directly impacts import prices, influencing Bangladesh's cement market and your Company's profitability.



## Risk Management Overview

The Company's management is tasked with establishing a robust risk management framework. This entails developing standard procedures for risk identification, analysis and ongoing management to mitigate their impact. The organization confronts credit, liquidity and market risks.

contractual obligations. Primarily originating from receivables and current assets, the management individually assesses the creditworthiness of new customers, sets credit limits and periodically reviews them. Sales surpassing these limits necessitate approval from the appropriate authority level. Additionally, the Company secures bank guarantees from a substantial portion of both trade and non-trade customers.

### 1. Credit Risk

Credit risk represents potential financial losses arising if customers or counterparties fail to fulfill



## 2. Liquidity Risk

The Company faces the challenge of liquidity risk, impacting its ability to meet financial liabilities settled in cash or other financial assets. To counter this risk, the Company ensures sufficient liquidity to fulfill obligations under normal and stressed conditions without incurring unacceptable losses or damaging its reputation.

## 3. Market Risk

Market risk stems from fluctuations in market prices, encompassing foreign exchange rates and interest rates, affecting the Company's income or financial instrument values. Utilizing derivatives, the Company manages market risk, which includes:

- ▶ **Foreign Currency Risk:** Mitigated through hedging, particularly for transactions denominated in Euro, US Dollars, Swiss Franc and Indian Rupee.

- ▶ **Liquidity of Foreign Currency Risk:** LC opening with foreign currency is managed through opening various banks to ease the ongoing liquidity crisis.
- ▶ **Interest Rate Risk:** Ensuring exposures are maintained within acceptable parameters to optimize returns, affecting debts and short-term deposits.
- ▶ **Commodity Risk:** Managed via negotiation to minimize exposure to commodity price, quantity, and market cost fluctuations during procurement or sales.

By proactively addressing these risks, the Company strengthens its resilience and enhances its ability to navigate uncertainties in the business environment effectively.



## Related Parties Transactions

Transactions with related parties, as per International Accounting Standard (IAS) 24, were conducted in the ordinary course of business. Details, including nature of related party, transaction nature and total value, are in Note No. 29 of the Consolidated Financial Statements.



## Directors' Declaration to The Financial Statements

The Directors affirm the Company's status as a going concern, reflected in the Financial Statements. They assert:

- **Fair Presentation:** Financial Statements fairly represent the Company's state, operations, cash flows, and equity.
- **Proper Bookkeeping:** Accurate maintenance of Company books.
- **Consistent Accounting Policies:** Adherence to appropriate accounting policies and prudent judgment in estimates.
- **Compliance:** Adherence to International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS) with adequate disclosure of any deviations.
- **Effective Internal Control:** Implementation and monitoring of a sound internal control system.
- **Minority Shareholder Protection:** Assurance against abusive actions by controlling shareholders.
- **Financial Analysis:** Examination of financial indicators to ensure continued operation viability.
- **Going Concern Basis:** Adoption of going concern basis, with adequate resources for future operations.

Other disclosures include:

- **Dividend and Share Issuance:** No interim dividend in 2023, and no share issuance since Rights Share in 2011.
- **Director Remuneration:** No director remuneration for the year.
- **Financial Data:** Annex I details key financial data for the past five years and explains significant deviations.
- **Board Meetings:** Annex II discloses Board meeting details and attendance.
- **Shareholding Pattern:** Annex V presents the shareholding pattern.
- **CEO and CFO Declaration:** Annex VI includes the CEO and CFO's declaration per Corporate Governance Code requirements.
- **Management's Discussion and Analysis:** Annex VII features CEO-signed analysis of the Company's position, operations, and financial statement changes.



## Research, Development and Innovation

Holcim and Cementos Molins Group's R&D aligns with customer needs, addressing contemporary challenges. Collaborating, our elite teams deliver innovative products, enhance energy efficiency and minimize environmental impact while maintaining high standards in aesthetics, health, comfort and well-being.



## Internal Control System

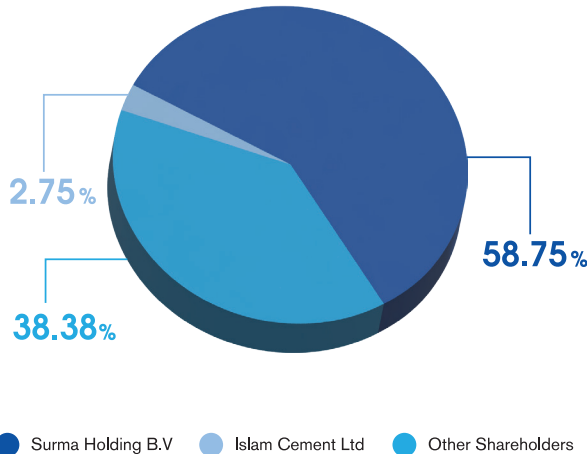
Well-documented policies, directives and operating standards undergo regular review. Implementation and compliance are monitored and reported to the Audit Committee.



## Shareholders' Overview

### Crafting A Symphony of Investments

### Shareholder Composition Symphony



Further details regarding the shareholding pattern are attached to this report as Annexure V.

#### Surma Holding B.V.

Leads with 58.87%, showcasing significant presence and influence.

#### Surma Holding B.V. and Lafarge S.A.

Hold commanding shares, orchestrating 58.87% and 50% respectively, while Cemolins Internacional S.L.U. complements the harmony.

#### Islam Cement Ltd.

Contribute delicately, with 2.75%, adding elegance and strength to the shareholder ensemble.

#### Other Shareholders

Combine for 38.38%, highlighting diversity and collective strength within the investor community.



**Building Progress:** 60,000 employees focus on decarbonizing buildings and elevating global living standards, driven by innovative solutions like ECOPact and ECOPlanet.

**Circular Solutions:** Commits to recycling over 54 million tons of materials by 2021, with a target to double by 2030, aligning with 2050 net-zero objectives.

**Net-Zero Targets and Green Building Solutions:** Aims for 25% of ready-mix net sales from ECOPact, ensuring a 30% to 100% lower CO<sub>2</sub> footprint, aligning with 1.5°C targets.

Holcim's sustainability initiatives position it as a leader in sustainable building practices.



Founded in 1928 in Barcelona, Spain, Cementos Molins has over 90 years of cement manufacturing experience. It extends its industrial resonance globally through collaborations with Lafarge S.A., Cemolins Internacional S.L.U., Islam Cement Limited, and Sinha Fashions Limited. Each shareholder contributes to a legacy of progress, sustainability and global collaboration.



## Board of Directors

### a) Board composition

The Board comprises eleven (11) members, including three (3) Independents

### b) Resignation of Director

Ms. Sonal Srivastava resigned, effective June 15, 2023, acknowledged for her contributions.

### c) Director Appointment

Ms. Claudia Iris Albertini was nominated by Surma Holding B.V. on June 22, 2023, and officially appointed

### d) Independent Directors

Mr. Rajiv Prasad Shaha's tenure extended for three (3) years, proposed for re-election at the AGM.

### e) Recommendation for re-elections

Directors scheduled for retirement propose re-election:

- Mr. Christof Hässig
- Mr. Julio Rodriguez Izquierdo
- Ms. Claudia Iris Albertini

### f) Governance Sub-Committees Overview

#### i. Audit Committee:

Ensures internal controls, accountability, and adherence to regulations set by BSEC.

#### ii. Nomination and Remuneration Committee (NRC):

Defines principles for nomination and remuneration, shaping the governance framework.

### g) Board and Sub-Committee Meetings

In 2023, the Board held five (5) meetings, the Audit Committee four (4), and the NRC one (1), mostly virtual, with detailed attendance records in Annex II.



## Corporate Governance Compliance Statement

Our commitment to Corporate Governance excellence is evident in our adherence to BSEC Notification No. BSEC/CMRRC/2006-158/207/Admin/80. The 2023 Annual Report includes a dedicated section on Corporate Governance, featuring the Compliance Report and transparent disclosures. M/s Mohammad Sanallah & Associates, Chartered Secretaries & Management Consultants, provided the Certificate of Compliance, annexed as **Annex IX**, reinforcing our dedication to upholding the highest standards of corporate governance.



## Auditors' Report

The Company's Statutory Auditors have submitted their report on the Consolidated Financial Statements to the Shareholders, included in the Annual Report

### Statutory Auditors

As per Section 210 of the Companies Act, 1994, the Company's Statutory Auditors, M/s Nurul Faruk Hasan & Co., Chartered Accountants, will retire at the 26th Annual General Meeting. They are eligible for reappointment and have expressed their willingness to continue.

### Corporate Governance Compliance Auditors

Annually, the Company obtains a compliance certificate from a Practicing Professional Accountant/Secretary (Chartered Accountant/Cost and Management Accountant/Chartered Secretary) regarding adherence to the Corporate Governance Code.

M/s Mohammad Sanallah & Associates, Chartered Secretaries & Management Consultants, will retire at the 26th Annual General Meeting. They are eligible for reappointment and have expressed their willingness to continue.



## Unveiling Bangladesh's Economic Landscape:

### Navigating Challenges and Charting Future Courses

Despite global uncertainties, Bangladesh has exhibited robust growth, propelled by a demographic dividend, strong RMG exports, and resilient remittance inflows. While the country rebounded swiftly post-COVID-19, impending challenges like import suppression measures may temper growth in FY24, though IMF projects a sustained 6% GDP growth.

#### Navigating the Foreign Currency Crisis

With reserves dwindling and currency depreciating, Bangladesh faces credit rating downgrades and inflationary pressures. Increased costs, exacerbated by the war and conflict situations in Europe and Middle East, have strained economic activity, especially impacting industries reliant on imports like cement.

#### Cement Industry: Weathering the Storm

Escalating energy and raw material costs, coupled with currency depreciation, have inflated production expenses for cement manufacturers. Despite these challenges, fierce price competition and subdued demand from IHBs and real estate developers have added to industry woes.

While headwinds persist, resilience remains a hallmark of Bangladesh's economy, offering optimism for future growth and development.



## Acknowledgements

With profound gratitude, the Directors extend heartfelt appreciation to the esteemed departments and offices of the Governments of Bangladesh, India, and Meghalaya for their guidance and collaborative spirit. We extend sincere thanks to our stakeholders – customers, dealers, vendors, banks, suppliers, and business partners – for their support, vital to our success.

We deeply appreciate the solidarity from the local communities surrounding the Surma Plant in Chhatak, Mongla Plant, Meghnaghat Plants, and the Quarry in Meghalaya.

A special acknowledgment is dedicated to our management and employees, whose dedication and perseverance have been played a key role in achieving outstanding results. This success is a testament to their enduring belief in tirelessly building a better Company each day.

Finally, heartfelt thanks to our shareholders, whose ongoing and invaluable support has been instrumental in our journey.

For and on behalf of the Board of Directors

**Christof Hässig**  
Chairman

Date: March 25, 2024