

LAFARGEHOLCIM BANGLADESH LIMITED

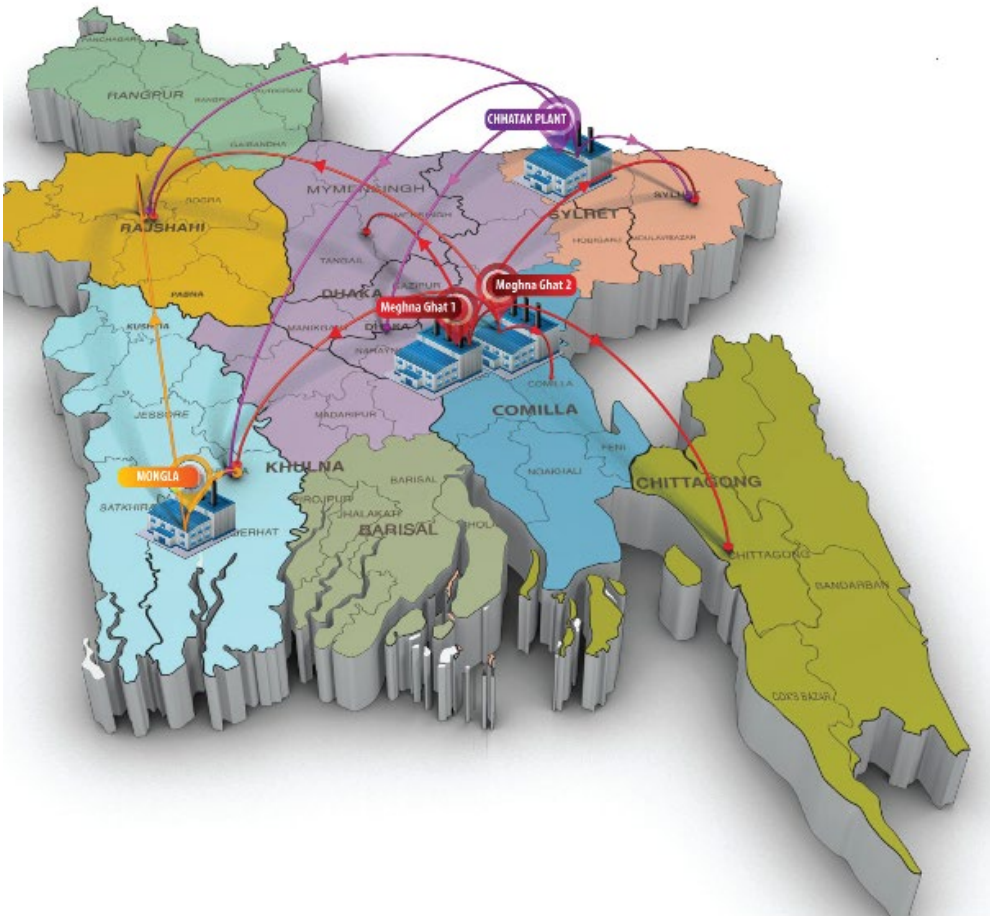
BOARD OF DIRECTOR'S REPORT

Dear Shareholders:

The Directors of LafargeHolcim Bangladesh Limited (the "Company") take the pleasure in presenting the 20th Annual Report together with the audited accounts for the year ended on December 31, 2017.

1. STRONGER TOGETHER

The Company completed the acquisition of 100% of the shares of Holcim Cement (Bangladesh) Limited ("HBL") on January 07, 2018. Since then HBL is a wholly owned subsidiary of your Company. The combination has created ideal business opportunities. The Surma plant of your Company is producing more clinker than it can grind and HBL is having underutilized grinding capacity – complementing each other. The combined company assets reflect a pan Bangladesh presence. The Company is now perfectly positioned to produce cement near to the markets all over Bangladesh, which gives significant advantages to deliver products of high and consistent quality to the doorsteps of every customer with optimized logistics. The consolidation of the two companies is expected to generate very good returns for the shareholders. With the acquisition of HBL, the annual cement production capacity of your Company has increased from ~1.4 million tonnes to ~4.2 million tonnes.



2. FINANCIAL RESULTS

(i) Summary of key operating and financial consolidated data of preceding five (5) years:

Tk. 000s

Particulars	2017	2016	2015	2014	2013
Revenue	10,819,131	10,728,855	10,967,952	11,583,029	11,330,374
Gross Profit	2,598,875	3,814,233	3,919,201	4,466,871	4,703,338
Operating profit	1,270,595	2,884,125	2,891,028	3,778,223	3,985,707
Profit before tax	1,355,822	2,947,462	2,823,371	3,532,862	3,215,807
Profit for the year	805,291	2,226,483	2,289,534	2,819,798	2,546,099
Property, plant and equipment	11,499,747	11,776,095	11,837,497	12,409,080	12,763,354
Intangible assets	974,607	828,230	862,086	935,564	987,293
Current assets	8,923,293	8,238,217	7,854,708	6,320,457	5,190,219
Share capital	11,613,735	11,613,735	11,613,735	11,613,735	11,613,735
Retained earnings	3,132,305	3,488,351	2,423,190	1,295,008	(944,130)
Shareholders' equity- Parent company	15,273,707	15,372,461	14,361,460	13,255,558	11,044,425
Non-controlling interests	(4)	(23)	39	81	118
EQUITY	15,273,703	15,372,438	14,361,499	13,255,639	11,044,543
Current liabilities	3,981,531	3,236,475	3,938,543	4,382,835	6,100,280

Particulars	2017	2016	2015	2014	2013
Net asset value per share	13.15	13.24	12.37	11.41	9.51
Net operating cash flow per share	1.12	2.26	2.92	3.07	3.89
Earnings per share (Taka)	0.69	1.92	1.97	2.43	2.19

3. OVERVIEW OF COMPANY'S FINANCIAL PERFORMANCE

In 2017, the Company faced multiple challenges beyond the control of the Company:

- The country experienced the highest rainfalls of the last 40 years causing severe floods. Sales were significantly impacted by the prolonged rainy season and the floods.
- Cement prices declined due to the sustained pressure from competitors to push volumes and gain market shares.
- The costs of raw materials were on the rise.
- The delay in obtaining necessary regulatory approvals for acquisition of 100% shares of HBL negatively impacted the performance of the Company.

Furthermore, in the year 2017, your Company incurred one-time cost including the implementation of a new Enterprise Resource Planning software and the costs relating to the acquisition of HBL.

On the backdrop of the above, your Company continued its focus on cost control. All major cost elements of freight, production and financing have been kept well within budget. Finance costs reduced from BDT 71 million to BDT 41 million, which helped our strong cash flow. Corporate tax charges have increased due to the Dividend Deduction Tax of our Indian subsidiary, Lafarge Umiam Mining Private Limited (LUMPL). LUMPL declared 60% interim dividend to your Company amounting to 246.80 million INR which attracted dividend distribution tax @ 20.35% in India and also 20% tax in Bangladesh. Your Company kept a tight rein in working capital as a result of which net working capital has been kept in line with 2016.

	Taka'000	
	2017	2016
Profit before tax	1,355,822	2,947,462
Income tax	(550,531)	(720,979)
Profit after tax for the year	805,291	2,226,483
Earnings per share	0.69	1.92

Cost of Goods Sold have gone up by 11.53% compared to last year (2016) due to increase of raw material costs.

The Gross Profit Margin went down compared to last year (24.02% in 2017 & 35.55% in 2016) due to multiple reasons stated above.

The Net Profit Margin stood at 7.4%, down from 20.8% in the last year (2016).

4. DIVIDEND AND RETAINED EARNINGS

In June 2017 the Board of Directors recommended an interim dividend of five percent (5%), in cash, on the paid-up capital of the Company out of the first five (5) months' profit of 2017 (from January 1, 2017 to May 31, 2017). At BDT 0.50 per share of BDT 10.00 each the said interim dividend amounted to BDT 580,686,750.

In March 2018 the Board of Directors recommended a final dividend of further five percent (5%), in cash, on the paid-up capital of the Company out of the last seven (7) months' profits of 2017 (from June 1, 2017 to December 31, 2017) and retained earnings.

Inclusive of the interim dividend of 5% already paid, this would make a cumulative total dividend of 10% of the paid-up capital amounting to BDT 1,161,373,500 which is BDT 1.00 per share for the year ended on December 31, 2017.

The above dividend recommendation of the Board of Directors shall be forwarded to the shareholders at the 20th Annual General Meeting for their consideration and approval.

Retained Earnings:

The total Retained Earnings of your Company as of December 31, 2017, stood at BDT 3,132,305,000 details of which are given in the Statement of Changes in Equity of the Consolidated Financial Statement.

5. BUSINESS PERFORMANCE

a) Production: the cement plant at Chattak

The clinker production of the Surma plant at Chattak reached a new record. The plant was consistent in ensuring highest product quality. During the year the plant maintained a close focus on effective cost management, among others through various initiatives to reduce the dependencies on imported spare parts. This initiative and successful implementation not only decreased the operation cost of your Company but also helped the country to save a significant amount of foreign currency.

b) Production: The quarry at Meghalaya, India

In 2017, the quarry in Meghalaya recorded the highest production since the inception of quarry operations: 8.33% above its previous record achieved in 2016. The quarry team demonstrated an exemplary performance; not only in production but also in health and safety the target of “Zero Harm” was achieved. The initiatives of the team have resulted not only in the new production record but also in cost reduction.

c) Sales and Marketing:

The sales performance of the Company in 2017 has been impacted by the external reasons as highlighted in the Overview of Financial Performance above. In order to regain the lost grounds, your Company successfully implemented and is still implementing various initiatives in all regions of the country. The efforts of 2017 have yielded positive results from the beginning of 2018: The sales volume is increasing and the Company is regaining market share.

Bangladesh is a fast growing economy and the Government is supporting this growth with investments in infrastructure. There is a significant growth of cement demand originating from Large Infrastructure Projects. In 2017, your Company established a dedicated and specialized LIP Team. The LIP Team managed to gain contracts for cement supplies and related services for Rooppur Nuclear Power Plant Project, Rampal Coal based Power Plant Project and Ghorashal Power Plant Unit 4.

d) Logistics:

2017 was a year of transformation for the Logistics and Procurement function. Your Company has identified ways to further improve the Order to Cash process to have a more customer friendly system backed up by digitization of the system. The initiatives of cost savings have generated substantial benefits; as a result we have been able to keep our costs within budget amidst many external challenges and inflation. These initiatives have further allowed to implement debottleneckings in dispatch as well as an improvement of safety in delivering clinker and cement to our customers.

6. INDUSTRY OUTLOOK AND POSSIBLE FUTURE DEVELOPMENT IN THE INDUSTRY

Bangladesh's GDP growth is now more than 7%. Increasing population, low labour cost, rapid urbanization, fast industrialization and infrastructure projects will continue to support the country's growth which is expected to remain on a high level for the foreseeable future.

The country's strategic location on the Indian Ocean has led to increasing levels of infrastructure investment from China, India and Japan as they seek to gain market share and influence.

The Bangladesh cement market grew more than 10% on average for the last 5 years and it is expected that high growth rates will continue on the backdrop of the positive GDP development as well as of the significant infrastructure investments. However, this positive outlook is also leading to significant investments in the country's cement production capacity expansion which may result in continued price pressure in the market.

7. SUSTAINABLE DEVELOPMENT & CORPORATE SOCIAL RESPONSIBILITY (CSR)

Sustainability is an intrinsic part of the Company's value and is vital to its long term growth strategy. Sustainability is manifested in its operating practices and systems which are geared towards conservation of resources, environment management, innovation and people motivation to create value for all stakeholders. During the past year, the initiatives on sustainability continued with improved performance on several parameters of the operations.

The Company continues to contribute to the welfare of the local communities through its CSR projects. We are proud of the fact that since the initiation of the project of the Company, the economy and livelihood of the communities in which we operate has experienced positive changes. The focus of the CSR activities of your Company continues to be healthcare, education, livelihood skill development trainings and infrastructure developments.

8. HEALTH & SAFETY

Health and Safety is a core value of your Company. Your Company is taking the necessary measures to ensure that its employees and the employees of the third party contractors work safely on the Company's sites as well as in the distribution of its products. This commitment is embedded in the personal objectives of every employee.

We had no Lost Time Injury in 2017 and managed to reduce the number of the injuries requiring medical treatment by 50% from 2016 to 2017.

9. RESEARCH, DEVELOPMENT AND INNOVATION

Research & Development (R&D) of the Company is driven by the systematic analysis of the pain points and emerging needs of our customers, who face major challenges to come up with cost-efficient solutions and high quality performance.

10. HUMAN RESOURCES (HR)

The Company has a solid framework for Talent Development, Performance Management as well as Communication and Engagement which is based on its core values of "CRISP" that stands for "Customers, Results, Integrity, Sustainability and People".

The HR Department works closely with internal and external stakeholders to deliver business success. Starting with designing the right organization structure, it works on enhancing competences through internal and external programs, creating leadership role models and engaging our workforce across all sites. Effective performance management is a pivotal element of people development; we take a cross-functional approach led by senior leaders to ensure an equitable performance evaluation of each employee and the meeting of the business objectives. Our goal is to become one of the top employer brands in Bangladesh.

11. BUSINESS RISKS AND OPPORTUNITIES

The supply of natural gas is crucial for the success of your Company. Bangladesh is facing a decline of its domestic gas production. The Government is working towards importing Liquefied Natural Gas (LNG) which will be supplied through the National Grid. This will have an impact on gas prices. Your Company has a Gas Sales Agreement (GSA) with Jalalabad Gas T&D System Ltd. ("Jalalabad Gas") under which the Company is entitled to get supply of gas until end of 2025 at a price which is capped by a Ceiling Price. Despite the binding terms of the GSA, Jalalabad Gas is contemplating to increase the price of gas supplied to the Company beyond the Ceiling Price. This poses significant financial risks to the Company. Your Company is engaged with Jalalabad Gas to resolve the difference of opinions on the terms of the GSA.

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 your Company's profitability.

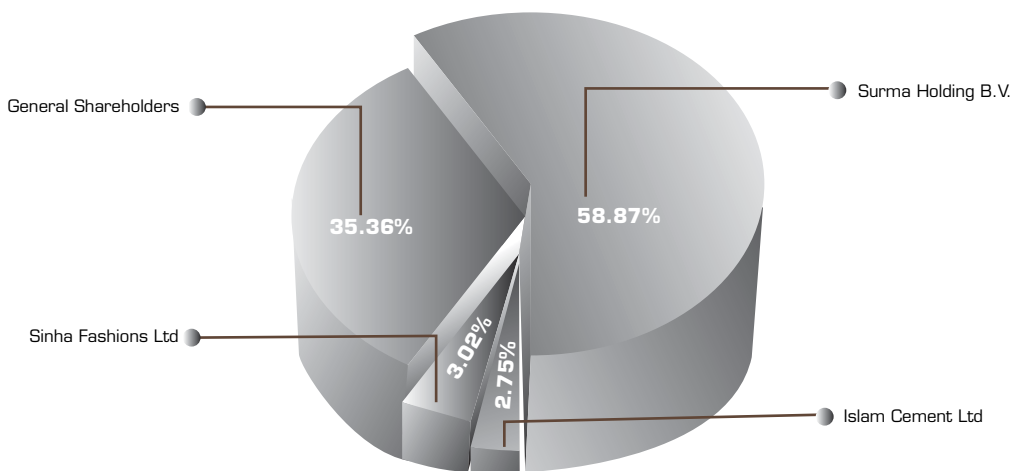
The acquisition of HBL has created opportunities for your Company to become a pan Bangladesh supplier with increased production capacity and brand diversity. The developing economy of Bangladesh and growing demands for building materials sets the platform for opportunities for your Company.

12. INTERNAL CONTROL SYSTEM

The Company has well-documented Policies, Directives and Work Instructions which are periodically reviewed. Implementation and compliance with the Policies, Directives and Work Instructions are monitored and reported to the Audit Committee. The Audit Committee consists of five (5) members from the Board of Directors. The Chairman of the Audit Committee is an Independent Director.

13. 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.

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 LafargeHolcim of Switzerland) owns 50% shares of Surma Holding B.V., and the other 50% are owned by Cemolins Internacional S.L.U. of Spain.

LafargeHolcim

LafargeHolcim is one of the leading global building materials and solutions companies serving masons, builders, architects and engineers all over the world. Group operations produce cement, aggregates and ready-mix concrete which are used in building projects ranging from affordable housing and small, local projects to the biggest, most technically and architecturally challenging infrastructure projects. As urbanization increasingly impacts people and the planet, the Group provides innovative products and building solutions with a clear commitment to social and environmental sustainability. With leading positions in all regions, LafargeHolcim employs around 90,000 employees in more than 80 countries.

Cementos Molins

Based in Barcelona, Spain, is a renowned cement company founded in 1928. With an experience of almost 90 years in the cement industry world, Cementos Molins is one of the most important companies in the sector in our country. 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 elements, special mortars, adhesive cements and ecomaterials. All of that to accomplish what is Cementos Molins' mission, to create value to its stakeholders and satisfaction to its clients

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

14.COMPLIANCE

Your Company is a law abiding corporate citizen of the country. We are committed to run our business in strict adherence with the applicable local and international laws. Compliance with our Code of Business Conduct, Anti-Bribery & Corruption Policy and Fair Trade Practices Directive are part and parcel of our daily business activities and mandatory to follow by each and every employee of the Company.

15.BOARD AND AUDIT COMMITTEE MEETINGS AND ATTENDANCE

During the financial year ended on December 31, 2017, six (6) meetings of the Board of Directors of the Company and four (4) meetings of the Audit Committee were held. The details including dates of the meetings and attendance records of the Directors are annexed to this report. The Directors who could not attend the meetings were granted leave of absence.

16.BOARD

(a) Board composition

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

(b) Term extension of Independent Directors

During the year, Mr. Monzurur Rahman, Independent Director completed a tenure of 3 years in office, and being eligible, Mr. Rahman's term as Independent Director has been extended for another term, i.e. another three years.

(c) Resignation of Directors:

Mr. Daniel Nikolaus Bach, Chairman and Ms. Johanna Leffler, Director of the Company submitted their resignations, which were accepted by the Board of Directors effective from March 15, 2018. The Members of the Board gratefully acknowledged the valuable contributions of Mr. Bach and Ms. Leffler during their tenure in office.

(d) Appointment of Directors:

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 March 9, 2018 nominated Mr. Christof Hässig and Ms. Rajani Kesari on the Board of Directors of the Company. Following the nominations, the Board of Directors appointed Mr. Hässig and Ms. Kesari as Directors of the Company.

Mr. Hässig and Ms. Kesari shall retire at the 20th Annual General Meeting and shall be eligible for reappointment as Directors of the Company, in terms of Section 86 of Schedule I of the Companies Act, 1994.

In accordance with Article 15.3 of the Articles of Association of the Company, the Board of Directors appointed Mr. Christof Hässig as the Chairman of the Company.

Bio-data of Mr. Hässig and Ms. Kesari are provided in this Annual Report.

(e) Recommendation for re-elections:

Pursuant to Section 79 of Schedule I of the Companies Act 1994 the following Directors of the Board shall retire at the 20th Annual General Meeting and shall be eligible for re-appointment:

1. Mr. Manzurul Islam
2. Mr. Anisur Rahman Sinha

Note: Section 79 of Schedule I of the Companies Act 1994 is not applicable for Independent Directors, Chief Executive Officer, and Directors retiring under Section 86 of Schedule I of the Companies Act, 1994. It is applicable on to the other members of the Board of Directors.

17.AUDITORS

Pursuant to Section 210 of the Companies Act, 1994, the Company's statutory auditors M/S Nurul Faruk Hasan & Co., Chartered Accountants, retire at the 20th Annual General Meeting. Being eligible, they express their willingness to be re-appointed.

18.DIRECTORS' DECLARATION AS TO 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:

- i) The Financial Statements, prepared by the Management of the Company, present fairly the Company's state of affairs, result of its operations, cash flows and changes in equity;
- ii) Proper books of account of the Company have been maintained;
- iii) Appropriate accounting policies have been consistently applied in preparation of the Financial State ments and that the accounting estimates are based on reasonable and prudent judgment;
- iv) The International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the Financial Statements and any departure there from has been adequately disclosed;
- v) The system of internal control is sound in design and has been effectively implemented and monitored;
- vi) There is no doubt, whatsoever, upon the Company's ability to continue as a going concern.

As required under the Bangladesh Securities and Exchange Commission directives, the Directors further confirm that:

- a. The CEO and CFO have certified to the Board that they have reviewed the Financial Statements and affirmed that these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
- b. The CEO and CFO have certified to the Board that they have reviewed the Financial Statements and affirmed that these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- c. The CEO and CFO have further certified to the Board that there are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's Code of Business Conduct.

19. OTHER REGULATORY DISCLOSURES AS PER THE CORPORATE GOVERNANCE NOTIFICATION OF BSEC

- (I) The Company is aware of its various risks and concerns, mainly from the policy and regulatory fronts, and is prepared to meet those by systematic control.
- (II) Financial risk management has been disclosed under note 32 of the financial statements
- (III) All transactions with related parties have been made on a commercial basis and the basis was the principle of "Arm's Length Transaction". Details of related party and transactions have been disclosed under note 30 of the Financial Statements.
- (IV) The Company's IPO was made in year 2003. 1:1 rights share was issued in 2011. No further issue of any instrument was made during the year.
- (V) From inception, the financial results of the Company have continued to grow as reflected in the yearly financial statements of the Company. As per IAS 1 Presentation of Financial Statements, no items of income and expense are to be presented as 'extraordinary gain or losses in the financial statements.
- (VI) Accordingly, no extraordinary gain or loss has been recognized in the Financial Statements.
- (VII) No significant variations have occurred between quarterly and final financial results of the Company during 2017
- (VIII) All significant deviations from the previous year in operating results of the Company have been highlighted and reasons thereof have been explained.
- (IX) The key operating and financial data for the last five years have been disclosed in the Directors' Report.
- (X) The Company has proposed both interim and final dividend for the year 2017.
- (XI) The Directors' profiles have been included in the Annual Report.

20. CORPORATE GOVERNANCE COMPLIANCE STATEMENT

The Company has complied with all the necessary guidelines under BSEC Notification No. SEC/CMRRC-D/2006-158/134/Admin/44 dated 7 August 2012. 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 2017. A Certificate of Compliance required under the said Guidelines, as provided by M/s. Ahmed Mashuque and Co., Chartered Accountants, is annexed to this Directors Report.

21. PARTICULARS OF CONTRACTS / ARRANGEMENTS WITH RELATED PARTIES

The particulars of contracts/ agreements with related parties are provided in Note no. 30 of the Financial Statements.

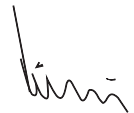
22. AWARD & RECOGNITIONS

- LUMPL, the subsidiary of your Company in India, has been awarded with “Guru Dronacharya Award” presented by the Directorate General of Mines Safety of the Government of India, in recognition of its consistent and outstanding achievements in the field of health & safety.
- LUMPL was also awarded for the second consecutive time the first prize in the overall performance during the Mines Environment and Mineral Conservation Week held under the aegis of the Indian Bureau of Mines of the Government of India.
- Your company has been awarded certification of its Integrated Management System based on the standards ISO 9001:2015, ISO 14001:2015 and BS OHSAS 18001:2007.
- The quality team in your Company's plant in Chattak is performing consistently on “excellent” level in the Laboratory Accuracy competition of the LafargeHolcim Group.

23. 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 valuable stakeholders of the Company viz. customers, dealers, vendors, banks, suppliers, business partners for their support and services rendered during the year. The Directors are also grateful for the support received from the local communities around the Surma plant in Chattak and the Quarry in Meghalaya (India). The Directors would like to recognize all employees of the Company for their dedicated work. 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 11, 2018

ADDITIONAL STATEMENTS BY THE BOARD OF DIRECTORS

The pattern of shareholding:

Parent/Subsidiary/Associated companies and other related parties (name wise details):

Sl. No.	Name of Shareholders holding ten percent or more voting interest	Status	Share held	Percentage
1	Surma Holding B.V.	Foreign	683,698,700	58.87%
2	Islam Cement Limited	Local	31,914,200	2.75%
3	Sinha Fashions Limited	Local	35,100,000	3.02%

Composition of Shareholders up to December 31, 2017:

Name of the Shareholders	Nationality or incorporated in	Number of Shares	Holding %
Surma Holding B.V.	The Netherlands	683,698,700	58.87
Sinha Fashions Limited	Bangladesh	35,100,000	3.02
Islam Cement Limited	Bangladesh	31,914,200	2.75
Others Shareholders	Bangladesh & NRB	410,660,600	35.36
Total		1,161,373,500	100.00

Classification of Shares by holding up to December 31, 2017:

Slabs by number of Shares	Number of Shareholders	Number of Shares	Total Holding
Less than 500 Shares	9,167	2,353,157	0.20
501 to 5,000 Shares	14,075	28,324,670	2.44
5,001 to 10,000 Shares	2,550	19,163,284	1.65
10,001 to 20,000 Shares	1,564	22,812,732	1.96
20,001 to 30,000 Shares	560	14,048,419	1.21
30,001 to 40,000 Shares	301	10,501,015	0.90
40,001 to 50,000 Shares	221	10,240,544	0.88
50,001 to 100,000 Shares	375	27,455,862	2.36
100,001 to 1,000,000 Shares	389	106,273,568	9.15
Over 1,000,000 Shares	43	920,200,249	79.23
Total	29,245	1,161,373,500	100.00

Shareholders holding ten percent (10%) or more voting interest in the Company (name wise details):

Sl. No.	Name of Shareholders holding ten percent or more voting interest	Status	Share held	Percentage
1	Surma Holding B.V.	Foreign	683,698,700	58.87%

Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details):

Sl. No.	Name	Position	No. of shares		
			Self	Spouse	Minor Children
1	Mr. Daniel Nikolaus Bach	Director/Chairman as nominee of Surma Holding BV	Nil	Nil	Nil
2	Mr. Rajesh K Surana	Director as nominee of Surma Holding BV and CEO	Nil	Nil	Nil
3	Mr. Anisur Rahman Sinha	Director as nominee of Sinha Fashions Ltd	Nil	Nil	Nil
4	Mr. Carlos Martinez Ferrer	Director as nominee of Surma Holding BV	Nil	Nil	Nil
5	Ms. Johanna Leffler	Director as nominee of Surma Holding BV	Nil	Nil	Nil
6	Mr. Julio Rodriguez Izquierdo	Director as nominee of Surma Holding BV	Nil	Nil	Nil
7	Mr. Manzurul Islam	Director as nominee of Islam Cement Ltd	500,200	Nil	Nil
8	Mr. Marcos Cela Rey	Director as nominee of Surma Holding BV	Nil	Nil	Nil
9	Mr. Monzurur Rahman	Independent Director	2,000	Nil	Nil
10	Mr. Shivesh Kumar Sinha	Director as nominee of Surma Holding BV	Nil	Nil	Nil
11	Mr. Syed Shujauddin Ahmed	Independent Director	Nil	Nil	Nil
12	Mr. Tufail K Haider	Independent Director	Nil	Nil	Nil
13	Mr. Mohammad Iqbal Chowdhury	Chief Financial Officer	Nil	Nil	Nil
14	Mr. Kazi Mizanur Rahman	Company Secretary	Nil	Nil	Nil
15	Mr. Moshorrof Hossain	Head of Internal Audit	Nil	Nil	Nil

Note: The Directors' shares shown above are as per the holdings in their personal names; but the shareholdings of the companies that they represent are as follows:

- Surma Holding B.V.: 683,698,700 shares
- Islam Cement Ltd: 31,914,200 shares
- Sinha Fashions Ltd: 35,100,000 shares

Executives (top five salaried employees other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit):

Name	Position	No. of shares
Mr. Eung -Rae Kim	Industrial Director	Nil
Mr. Mohammed Shariful Islam	Human Resources Director	Nil
Mr. Kwang Beom Kim	Project Manager	Nil
Mr. Harpal Singh	Head of Operations	Nil
Mr. Mohammed Arif Bhuiyan	Procurement and Logistics Director	Nil

Brief resume of the Directors, nature of their expertise in specific functional areas and names of companies in which they also hold the directorship and membership of committees of the Board are given at page 8 to 13 of the Annual Report, which fulfil the condition 1.5 (xxii) of the Corporate Governance Guidelines of BSEC.

Board Meetings held during the year:

Date on which the Board Meetings were held	Total Strength of the Board	No of Directors Present
January 31, 2017	12	07
March 9, 2017	12	10
June 14, 2017	12	09
September 27, 2017	12	11
November 15, 2017	12	08
December 23, 2017	12	09

Attendance of Directors at Board Meetings and Annual General Meeting:

Name of the Director	Attendance at the Board Meetings held on						Attendance at the AGM held on June 15, 2017
	January 31, 2017	March 9, 2017	June 14, 2017	September 27, 2017	November 15, 2017	December 23, 2017	
Ms. Bi Yong Chungunco (resigned w.e.f. 01-02-2017)	✓	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Daniel Nikolaus Bach (Joined w.e.f. 01-02 2017)	Not applicable	✓	✓	✓	✓	✓	✓
Mr. Neeraj Akhoury (resigned w.e.f. 01-02-2017)	✓	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Mr. Rajesh K Surana (Joined w.e.f. 01-02-2017)	Not applicable	✓	✓	✓	✓	✓	✓
Ms. Johanna Leffler	Leave of Absence	✓	✓	✓	✓	✓	✓
Mr. Julio Rodriguez Isquierdo	Leave of Absence	✓	✓	✓	Leave of Absence	✓	Not present
Mr. Marcos Cela Rey	✓	✓	✓	✓	✓	✓	✓
Mr. Carlos Martinez Ferrer	Leave of Absence	Leave of Absence	✓	✓	Leave of Absence	✓	✓

Name of the Director	Attendance at the Board Meetings held on						Attendance at the AGM held on June 15, 2017
	January 31, 2017	March 9, 2017	June 14, 2017	September 27, 2017	November 15, 2017	December 23, 2017	
Mr. Manzurul Islam	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Leave of Absence	Not present
Mr. Anisur Rahman Sinha	Leave of Absence	✓	Leave of Absence	✓	✓	Leave of Absence	Not present
Mr. Shivesh Kumar Sinha	✓	✓	Leave of Absence	✓	✓	✓	Not present
Mr. Monzurur Rahman	✓	✓	✓	✓	✓	✓	✓
Mr. Syed Shujauddin Ahmed	✓	✓	✓	✓	✓	✓	✓
Mr. Tufail K Haider	✓	✓	✓	✓	Leave of Absence	Leave of Absence	✓

The composition of the Audit Committee as at December 31, 2017 and details of the Members participation at the Meetings of the Committee are as under:

Name of the Member	Category	Attendance at the Audit Committee Meeting held on			
		February 27, 2017	April 24, 2017	July 25, 2017	October 26, 2017
Mr. Syed Shujauddin Ahmed	Independent Director	✓	✓	✓	✓
Mr. Tufail K Haider	Independent Director	✓	✓	✓	Leave of Absence
Ms. Johanna Leffler	Director		✓	Leave of Absence	✓
Mr. Carlos Martinez Ferrer	Director	✓	✓	✓	✓
Mr. Rajesh K Surana	Chief Executive Officer	✓	✓	✓	✓



AHMED MASHUQUE & CO.
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**CERTIFICATE TO THE SHAREHOLDERS OF
LAFARGEHOLCIM BANGLADESH LIMITED
ON
COMPLIANCE STATUS OF THE CONDITIONS OF CORPORATE GOVERNANCE
GUIDELINES OF BANGLADESH SECURITIES AND EXCHANGE COMMISSION (BSEC)**

We have examined the compliance status to the BSEC guidelines on corporate governance by LafargeHolcim Bangladesh Limited for the year ended 31st December 2017. These Guidelines relate to the Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 and amendment thereon of Bangladesh Securities and Exchange Commission (BSEC) on Corporate Governance.

It is the responsibility of the management to ensure compliance with the conditions of Corporate Governance guidelines and proper reporting thereof as stated in the aforesaid notification. Our examination for the purpose of issuing this certification was limited to the verification of procedures and implementations thereof, adopted by the company for ensuring the compliance of conditions of Corporate Governance guidelines and proper reporting thereof in the annexure attached herewith on the basis of evidence obtained and representation received from the management of the company.

To the best of our knowledge, information and according to the explanations given to us, we certify that the company has fully complied with the conditions of Corporate Governance guidelines as stipulated in the above mentioned BSEC Notification. It is also certified that the compliance status has been properly reported in the annexure attached herewith.

We also state that such compliance is neither an assurance as to the future viability of the Company nor a certification on the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Date: 26th April 2018
Place: Dhaka, Bangladesh

Ahmed Mashuque & Co.
Chartered Accountants

STATUS OF COMPLIANCE WITH CONDITIONS IMPOSED BY THE BANGLADESH SECURITIES AND EXCHANGE COMMISSION:

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

(REPORT UNDER CONDITION NO.7.00)

Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
1	Board of Directors			
1.1	Board's Size The number of Board Directors should not be less than 5 (five) and more than 20 (twenty).	✓		12 (Twelve) Board member including 3 (Three) Independent director
1.2	Independent Directors			
	(i) At least one fifth (1/5) of the total number of directors in the company's board shall be independent directors.	✓		There are three independent directors in the Board.
	(ii) a) Who either does not hold any share or holds less than 1% shares to the total paid - up shares of the company;	✓		
	(ii) b) Who is not a sponsor of the company and is not connected with the companies any sponsor or director or shareholder who holds one percent (1%) or more share of the total paid - up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company.	✓		
	(ii) c) Who does not have any other relationship whether pecuniary or otherwise, with the company or its subsidiary/ associated companies.	✓		
	(ii) d) Who is not a member, director or officer of any stock exchange .	✓		
	(ii) e) Who is not a share holder, director or officer of any member of stock exchange or an intermediary of the capital market .	✓		
	(ii) f) Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm.	✓		
	(ii) g) Who shall not be an independent director in more than 3 (three) listed companies .	✓		
	(ii) h) Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non - Bank Financial Institution (NBFI).	✓		
	(ii) i) Who has not been convicted for a criminal offence involving moral turpitude.	✓		
	(iii) The independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM).	✓		
	(iv) The post of independent director(s) can not remain vacant for more than 90 (ninety) days.	✓		No vacancy occurred.
	(v) The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.	✓		
	(vi) The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only.	✓		
1.3	Qualification of Independent Director (ID)			
	(i) Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	✓		
	(ii) The person should be a Business Leader / Corporate Leader / Bureaucrat / University Teacher with Economics or Business Studies or Law background / Professionals like Chartered Accountants, Cost & Management Accountants, and Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management /professional experience.	✓		
	(iii) In special cases the above qualifications may be relaxed subject to prior approval of the Commission.	N/A		
1.4	Chairman of the Board and Chief Executive Officer			
	The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals with defined different roles and responsibilities. The Chairman of the company shall be elected from among the directors of the company.	✓		Chairman of the Board and CEO are different individuals and Chairman is elected from amongst the Directors.

1.5	The Directors' Report to Shareholders			
(i)	Industry outlook and possible future development in the industry.	√		
(ii)	Segment -wise or product-wise performance.	√		
(iii)	Risks and concerns.	√		
(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	√		
(v)	Discussion on continuity of any Extra-Ordinary gain or loss.	N/A		
(vi)	Basis for related party transactions - a statement of all related party transactions should be disclosed in the annual report.	√		
(vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments.	√		
(viii)	An explanation if the financial result deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.	N/A		
(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report .	N/A		
(x)	Remuneration to directors including independent directors .	N/A		No remuneration are to be paid to any director
(xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity .	√		
(xii)	Proper books of account of the issuer company have been maintained .	√		
(xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	√		
(xiv)	International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	√		
(xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	√		
(xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	√		
(xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	√		
(xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized .	√		
(xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	N/A		Total 10% Cash Dividend for the year 2017 Inclusive of 5% interim Cash Dividend.
(xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed .	√		
(xxi)	The pattern of shareholdings and name wise details disclosing the aggregate number of shares			
(xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details) .	√		
(xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details) .	√		
(xxi) c)	Executives (top five salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit) .	√		
(xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√		
(xxii)	Appointment/Reappointment of Directors .			
(xxii) a)	A brief resume of the director .	√		
(xxii) b)	Nature of his/her expertise in specific functional areas .	√		
(xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board .	√		

2	Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary (CS)				
2.1	The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	√			
2.2	The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors. Provided that the CFO and/or the Company Secretary shall not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to their personal matters.	√			
3	Audit Committee				
(i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	√			
(ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	√			
(iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√			
3.1	Constitution of the Audit Committee				
(i)	The Audit Committee shall be composed of at least 3 (three) members.	√		The Audit Committee is comprised of 5 (five) members. The Members of the Audit Committee are appointed by the Board who are Directors and which includes two Independent Directors.	
(ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) independent director.	√			
(iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	√			
(iv)	When the term of service of the Committee members expires or there is any circumstance causing any Committee member to be unable to hold office until expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board of Directors shall appoint the new Committee member(s) to fill up the vacancy(ies) immediately or not later than 1 (one) month from the date of vacancy(ies) in the Committee to ensure continuity of the performance of work of the Audit Committee.	N/A			No vacancy occurred
(v)	The company secretary shall act as the secretary of the Committee.	√			
(vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	√			
3.2	Chairman of the Audit Committee				
(i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.	√			
(ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	√		Mr. Syed Shujauddin Ahmed is Chairman of the Audit Committee who is an Independent Director.	
3.3	Role of Audit Committee				
(i)	Oversee the financial reporting process.	√			
(ii)	Monitor choice of accounting policies and principles.	√			
(iii)	Monitor Internal Control Risk management process.	√			
(iv)	Oversee hiring and performance of external auditors	√			
(v)	Review along with the management, the annual financial statements before submission to the board for approval.	√			
(vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval .	√			
(vii)	Review the adequacy of internal audit function .	√			
(viii)	Review statement of significant related party transactions submitted by the management.	√			
(ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	√			
(x)	When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/prospectus.	N/A			
3.4	Reporting of the Audit Committee				
3.4.1	Reporting to the Board of Directors				
(i)	The Audit Committee shall report on its activities to the Board of Directors.	√			
(ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:				
(ii a)	Report on conflicts of interests .	N/A		None	
(ii b)	Suspected or presumed fraud or irregularity or material defect in the internal control system.	N/A		None	
(ii c)	Suspected infringement of laws, including securities related laws, rules and regulations .	N/A		None	
(ii d)	Any other matter which shall be disclosed to the Board of Directors immediately.	N/A		None	

3.4.2	Reporting to the Authorities: If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.	N/A		None
3.5	Reporting to the Shareholders and General Investors: Report on activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.4.1 (ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company.	√		
4	External /Statutory Auditors			
	(i) Appraisal or valuation services or fairness opinions.	√		
	(ii) Financial information systems design and implementation.	√		
	(iii) Book-keeping or other services related to the accounting records or financial statements.	√		
	(iv) Broker -dealer services.	√		
	(v) Actuarial services.	√		
	(vi) Internal audit services.	√		
	(vii) Any other service that the Audit Committee determines.	√		
	(viii) No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	√		
	(ix) Audit Certification/Certificate service on Compliance of corporate Governance as required under clause (i) of condition number 7	√		
5	Subsidiary Company			
	(i) Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	N/A		The Subsidiaries are governed by guidelines applicable in India.
	(ii) At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	N/A		
	(iii) The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	√		
	(iv) The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.	√		
	(v) The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	√		
6	Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO)			
	The CEO and CFO shall certify to the Board that:-			
	(i) They have reviewed financial statements for the year and that to the best of their knowledge and belief:	√		
	(i) a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	√		
	(i) b) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;	√		
	(ii) There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	√		
7	Reporting and Compliance of Corporate Governance			
	(i) The company shall obtain a certificate from a practicing Professional Accountant./ Secretary (Chartered Accountant./ Cost and Management Accountant./ Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	√		
	(ii) The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	√		