

CORPORATE GOVERNANCE STATEMENT

The Directors present the Company's Report on Corporate Governance, pursuant to the new notification dated June 3, 2018 issued by the Bangladesh Securities and Exchange Commission (the "Notification") for the year ended December 31, 2018.

Company's philosophy on corporate governance

Corporate Governance has been the hallmark of your Company's identity before the term became a part of the corporate lexicon. The Governance Philosophy of your Company is based on a robust foundation of ethical values and highest levels of professionalism, which the Company has effectively sustained and nurtured since its inception. The three pillars of good governance viz. ethics, values and professionalism are integrated in your Company's DNA. Integrity, transparency, fairness, accountability and compliance with the law are embedded in the Company's business practices, ensuring ethical and responsible leadership at the Board as well as the Management level.

The Company has rigorously abided by the core principles of Corporate Governance, which have been the bedrock of its two-fold governance, with the Board of Directors and the Committees of the Board at the apex level, and the Management structure at the operational level - the Executive Committee. The Board and its Committees guide, support and complement the Management team, which in turn assumes accountability and endeavours to achieve the set objectives and enhances stakeholder value.



Board of Directors

LafargeHolcim Bangladesh Limited is a professionally managed Company functioning under the overall supervision of the Board of Directors. The Board comprises of twelve (12) Directors in the required proportion of Independent Directors, Non-Executive Directors, including general directors. The Chief Executive Officer (CEO) of the Company is the only Executive Director.

The Board of Directors play fundamental role in upholding and nurturing the principles of good governance. The Board of Directors is the highest body of the governance of the Company, who works within the framework of the Memorandum & Articles of Association of the Company, as approved by the Shareholders.

The Board of Directors is made up of eminent and qualified persons who ensure that the tradition of demonstrating high standards of Corporate Governance is maintained. The Board sets out the overall corporate objectives and provides direction and independence to the Management to achieve these objectives for value creation through sustainable profitable growth. The Board of Directors seeks accountability of the Management in creating long term sustainable growth leading to the fulfilment of stakeholders' aspirations. It also sets out standards of corporate behaviour and ensures compliance with laws and regulations.



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Duties and functions of the Board

The Board of Directors sets the corporate culture and values for the Management, by ensuring high ethical standards. It provides strategic guidance, monitors operational performance and ensures that robust policies and procedures are in place. The Board of Directors, through its various Committees, reviews the identified risks and the mitigation measures undertaken/to be undertaken in respect thereof, ensures integrity in the Company's accounting and financial reporting systems, adequacy of internal controls and compliance with all relevant laws. In particular, the Board of Directors reviews and approves quarterly/half yearly unaudited financial results and the audited annual financial statements, corporate strategies, business plans, annual budgets, sets corporate objectives and monitors its implementation and oversees the major capital expenditure. It monitors overall operating performance, Health & Safety (H&S) performance and reviews such other items which require the Board of Directors attention. It directs and guides the activities of the Management towards achieving set goals and seeks accountability. It also sets standards of corporate behaviour and ensures transparency in corporate dealings. The Agenda for the Board Meetings are supported by relevant information, documents and presentations to enable the Board of Directors to take informed decisions. The Agenda is sent out to the Directors within the prescribed time period.

In compliance with clause 1(5) of the Notification and section 184 of the Companies Act, 1994, the Board of Directors have placed its Report before the Shareholders, which is forming part of the Annual Report 2018.

Directors' profile

The Board of Directors comprises of highly renowned professionals drawn from diverse fields. They collectively bring with them a wide range of skills and rich experiences, which enhances the quality of the Board's decision making process. The profile of the Directors is enclosed to this Annual Report.



Round Table Discussion on Construction Safety

Remuneration of Directors

None of the Independent Directors or the Non Executive Directors receive any sitting fee or remuneration from the Company. The CEO, who is an Executive Director is paid as per the terms and conditions of his employment contract with the Company.

The Company provides for the travel arrangements for the Directors attending the Board meetings of the Company.

Meetings of The Board of Directors

The Company conducts its Board meetings and records the Minutes of the meetings as well as keeps required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code.

Independent Directors

In compliance to the Notification, there are three (3) Independent Directors, on the Board of Directors of the Company. The Independent Directors are appointed by the Board of Directors and approved by the Shareholders in the Annual General Meeting (AGM). Independent Directors are appointed for a period of three (3) years, which may be extended for one (1) term only. None of the Independent Directors serve as "Independent Directors" in more than five (5) listed companies. The Independent Directors are not subject to retire by rotation.

All the three (3) Independent Directors qualify with the requirements of clause 1(2)(b) and clause 1(3) of the Notification.



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Committees of Directors

For ensuring good corporate governance, the Board has constituted the following Committees viz. Audit Committee and Nomination & Remuneration Committee.

(i) Audit Committee:

In compliance with Clause 5 of the Notification, the Board of Directors has formed an Audit Committee as a sub-committee of the Board of Directors. The Committee comprises of three (3) Directors including one (1) Independent Director and two (2) Non Executive Directors who are nominated and appointed by the Board of Directors. The Chairman of Audit Committee is an Independent Director. The Company Secretary acts as the Secretary of the Committee. As required, all members of the Audit Committee are 'financially literate' and are able to analyze and interpret financial statements to effectively discharge their duties and responsibilities as members of the Audit Committee. The Chief Executive Officer, the Chief Financial Officer, and the Head of Internal Audit & Compliance are invitees to the Audit Committee meetings.

The Composition of the Audit Committee as of December 31, 2018 and details of the Members participation at the meetings of the Committee, and a report on the activities carried out by the Audit Committee are enclosed to this Annual Report.

(ii) Nomination & Remuneration Committee:

In compliance with Clause 6 of the Notification, the Company has a Nomination & Remuneration Committee (NRC) as a sub-committee of the Board of Directors. The NRC assists the Board of Directors in formulation of the nomination criteria and policy for determining qualifications, positive attributes, experiences and independence of directors and top level executives as well as a policy for formal process of considering remuneration of directors, top level executives. The NRC comprises of one (1) Independent Director and two (2) Non Executive Directors and who are nominated and appointed by the Board of Directors. The Chairman of NRC Committee is an Independent Director. The Company Secretary acts as the Secretary of the NRC.

As required by clause 6(5)(c) of the Notification, the nomination and remuneration policy and the evaluation criteria and activities of the NRC during the year is enclosed to this Annual Report as **Annexure V**.

Chairperson of the Board of Directors

The Chairman is responsible for the providing leadership and governance of the Board of Directors and ensures that all key and appropriate issues are discussed by the Board of Directors in a timely manner. He promotes effective relationships and open communication, and creates an environment that allows constructive debates and challenges, both inside and outside the Boardroom, between Independent & Non-Executive Directors and the Management. He ensures that the strategies and policies agreed by the Board of Directors are effectively implemented by the Chief Executive Officer. He sets, in consultation with the Chief Executive Officer and Company Secretary, the Board meeting schedule and agenda to take full account of the important issues facing the Company and the concerns of all Directors, and ensures that adequate time is available for thorough discussions on critical and strategic issues. The Chairman establishes good corporate governance practices and procedures and promotes the highest standards of integrity, probity and corporate governance throughout the Company and particularly at Board level.



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Chief Executive Officer (CEO)

The CEO is an Executive Director of the Company. CEO is in overall operational control and responsible for the day-to-day working of the Company in terms of the Articles of Association of the Company. He provides strategic directions, lays down policy guidelines and ensures implementation of the decisions of the Board of Directors and its various Committees and functions under the superintendence, direction and control of the Board of Directors.

Chief Financial Officer, Head of Internal Audit and Compliance and Company Secretary

In compliance of clause 3 of the Notification, the Board of Directors has appointed a Chief Financial Officer, Company Secretary and a Head of Internal Audit and Compliance. The Board of Directors has clearly defined their respective roles, responsibilities and duties. They attend the meetings of the Board of Directors.

Executive Committee

This committee supports the CEO and comprises of the Chief Financial Officer, Industrial Director, Sales & Marketing Director, Legal & Human Resources Director & Company Secretary, Procurement & Logistics Director, Chief Corporate Affairs Officer and Operations Director, LUMPL. It operates within the framework of the strategic policies laid down by the Board of Directors and is responsible and accountable for overall business deliverables. The Executive Committee meets on a regular basis to review and monitor the performance vis-a-vis the annual plans and budgets, discusses cross functional operational issues and addresses business challenges and issues.

Subsidiary Companies

The Company has 3 (three) subsidiary companies i.e. Holcim Cement (Bangladesh) Limited, Lafarge Umiam Mining Private Limited and Lum Mawshun Minerals Private Limited (collectively the "Subsidiary Companies").

in compliance with Clause 2 of the Notification.

- (i) The Company reviews the affairs of the Subsidiary Companies and the minutes of the Board Meeting of the Company records the same.

- (ii) Minutes of the Board Meetings of the Subsidiary Companies are placed for review at the following Board meeting of the Company. The Audit Committee of the Company also reviews the Financial Statements of the Subsidiary Companies at the Meetings of the Audit Committee and Board of Directors of the Company.
- (iii) The quarterly financial results of the subsidiaries are also provided to the Audit Committee for an overview prior to their consolidation with the Parent Company
- (iv) There are two (2) Independent Directors who have been appointed on the Board of HBL; the Bangladeshi subsidiary company.
- (v) The quarterly financial results of the subsidiaries are also provided to the Audit Committee for an overview prior to their consolidation with the Parent Company.

Strictures and Penalties

No strictures or penalties have been imposed on the Company by the Stock Exchanges or by the Bangladesh Securities and Exchange Commission or by any statutory authority on any matters related to capital markets during the last three years.

Code of Business Conduct

The Board of Directors has approved a Code of Business Conduct which is applicable to the Members of the Board, the Chairperson, CEO and to all employees. The Company follows a policy of "zero tolerance" to bribery and corruption of any form and the Board has laid down the "Anti Bribery & Corruption Directive" which forms an Appendix to the above Code. The Code has been posted on the Company's website <https://www.lafargeholcim.com.bd/>

The Code lays down the standard of conduct which is expected to be followed by the Directors and by the employees in their business dealings and in particular on matters relating to integrity at the work place, in business practices and in dealing with stakeholders. The Code gives guidance through examples on the expected behaviour from an employee in a given situation. It also provides the reporting structure.

All the Board Members and the employees have confirmed compliance with the Code. All Management Staff were required to complete an e-learning module on the Code in addition to the face-to-face training conducted by the Company from time to time.

Fair Competition

The Company has been carrying out extensive training sessions for creating awareness among relevant employees on fair competitive practices. The training sessions are conducted on an annual basis for the employees of the Company, particularly those in sales and procurement functions, on various aspects of competition law and on behaviour aspects for ensuring fair competition in the market place. E-Learning training is imparted to all such employees in addition to face-to-face training.

In addition to the above, the processes of the Company are subject to periodic reviews and where required have been further strengthened.



Clicked by: Fazlul Karim Chowdhury

Vigil Mechanism / Whistle Blower Policy

The Company has an ethics advice and reporting system called the Integrity Line to deal with instances of report violations of the LafargeHolcim Code of Business Conduct, policies, or directives or any other breaches of law fraud and mismanagement, if any. The Integrity Line ensures that strict confidentiality is maintained whilst dealing with concerns and also ensures that no discrimination is meted out against any person for a genuinely raised concern. The Integrity Line can be contacted to report any suspected or confirmed incidence of violations of the LafargeHolcim Code of Business Conduct, policies, or directives or any other breaches of law fraud and mismanagement.

Means of Communication

The Company follows a robust process of communicating with its stakeholders and investors. For this purpose, it provides multiple channels of communications viz. through dissemination of information on the online portal of the Stock Exchanges, Press Releases, the Annual Reports and uploading relevant information on its website.

The unaudited quarterly results (both standalone and consolidated) are announced within 45 days of the close of the first quarter and within 30 days of the Second Quarter & Third Quarter. The audited annual results are announced within 120 days from the close of the financial year, as required under Listing Regulations. The aforesaid financial results are disseminated to the Stock Exchanges within thirty minutes from the close of the Board Meeting at which these are considered and approved. The results are published in leading daily newspapers having national circulation and online newspapers.

The audited financial statements form a part of the Annual Report which is sent to the Members within the statutory period and well in advance of the Annual General Meeting.

The Annual Report of the Company, the quarterly / half yearly results and the annual audited financial statements and the press releases of the Company are also placed on the Company's website: <https://www.lafargeholcim.com.bd/> and can be downloaded.

The Company discloses to the Stock Exchanges, information required to be disclosed including material information which have a bearing on the performance / operations of the Company or which is price sensitive in nature. All information is filed electronically on Dhaka and Chittagong exchanges online portal.

The Board of Directors decides on the materiality of information for the purpose of making disclosure to the Stock Exchanges.

All disclosures made to the Stock Exchanges are also made available on the Company's website and can be accessed through weblink <https://www.lafargeholcim.com.bd/>.

Statutory Auditor

The Audit Committee recommends and the Board endorses the appointment of the Statutory Auditor which is approved by the Shareholders at the Annual General Meeting. Along with the appointment, the Shareholders also fix the remuneration of the Statutory Auditor. The Statutory Auditor can continue in office for maximum three (3) consecutive years.

The Audit Committee meets with the Statutory Auditor to ensure that the auditors are acting independently and reviews the financial statements before submission to the Board for approval. Apart from statutory audit, in order to ensure full and complete regulatory discharge, a Compliance Certificate is also obtained from a licensed practicing professional who certifies, on the basis of his audit, that the Company has duly complied with all the regulatory requirements as stipulated by the Notification. The report is presented to the Shareholders and forms part of the Annual Report.

Corporate Governance Compliance Statement

The Company has obtained a certificate from a Practicing Chartered Secretary, Ahmed Mashuque & Co., who has considered the Company's relevant statutory compliance. A copy of the said certificate is appended as **Annexure - IX** to this Report.

The status of compliance with BSEC's Notification no. BSEC/ CMRRCD/2006-158/207/Admin/80 dated June 3, 2018 is captured in the checklist appended as **Annexure - X** to this Report.

The Company proposes that at the next Annual General Meeting the Shareholders appoint M/s. Ahmed Mashuque and Co., Chartered Accountants, to review the Company's compliance with the Corporate Governance Code and issue the necessary certification.



LHBL stands beside Euro Bangla Foundation Model School