

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

The Directors of LafargeHolcim Bangladesh Limited (the "Company") are pleased to present the 24th Annual Report of the Company.

The Directors' Report along with the audited financial statements (Consolidated and Standalone) for the year ended on December 31, 2021, and the Auditors Report thereon have been prepared in compliance with the provisions of Section 184 of the Companies Act, 1994, the Corporate Governance Code issued by Bangladesh Securities and Exchange Commission's (BSEC) notification dated June 3, 2018 and the Listing Rules of the Dhaka Stock Exchange Limited and the Chittagong Stock Exchange Limited.

Your Company has delivered yet another exceptional performance in 2021 backed by strong cost control and efficiency improvements. Successful launch of Aggregates, an important segment of building materials, positive response to the new specialized cement brands - Holcim Water Protect and Holcim Shokti, and the new channel SHOJON are examples that our customers continued to repose their confidence in our wide range of products and solutions. Our business through digital platforms has entered into a new league of growth and creates potential for continued momentum. Your Company continued the focus on the execution of the action plan engrossed on HEALTH, COST & CASH. Successful execution of this strategy for yet another year has yielded encouraging financial results for the year with a 64% growth in Net Profit After Tax (PAT).

Holcim Group, one of the Sponsors of the Company, has overachieved "Strategy 2022" one year in advance and announced its "Strategy 2025 - Accelerating Green Growth". In line with the vision, your Company aims to become the leader in innovative and sustainable building solutions in Bangladesh by the year 2025. This will be achieved by positioning your Company in the most attractive segments of the construction value chain with new technologies and by becoming a digital and innovation driven company from a traditional model.

1. OVERVIEW OF THE FINANCIAL PERFORMANCE

Consolidated operating and financial results as compared to previous year of LafargeHolcim Bangladesh Ltd. are as follows:

Particulars	2021 (Taka'000)	2020 (Taka'000)	Growth
Revenue	20,534,442	16,222,483	27%
Cost of goods sold	13,894,205	11,616,410	20%
Gross Profit	6,640,237	4,606,073	44%
Net profit before tax	4,827,659	2,848,778	69%
Net profit after tax	3,881,843	2,361,385	64%
Total assets	29,589,806	26,218,984	13%
Net asset value	19,727,188	17,289,075	14%
Net operating cash flow	6,042,516	4,540,495	33%
Earnings per share	3.34	2.03	64%
NAV per share	16.99	14.89	14%
Net operating cash flow per share	5.20	3.91	33%
Return on equity	19.68%	13.66%	44%
Gross margin	32.34%	28.39%	14%
Net profit before tax (PBT) Margin	23.51%	17.56%	34%
Net profit after tax (PAT) Margin	18.90%	14.56%	30%

The Company delivered very resilient financial results in the year 2021. Net Sales increased by 27% to 20,534 million Bangladesh Taka (mBDT) as compared to 16,222 mBDT in 2020. Since 2006, the Company's products were limited to clinker and cement. Presently, the Company is transforming into a building materials solutions and service provider in the country. The Aggregates project is a step in this direction. The Company invested around 400 mBDT to set up the Aggregates business. Production commenced in January 2021 and within nine (9) months, generated a sales volume of 350 thousand tonne (kt) and contributed around 12% to the Net Profit of the Company.

The Profit After Tax (PAT) during the year was up by 64% to 3,882 mBDT as compared to 2,361 mBDT in 2020. SHOJON, a new distribution channel was introduced with digital application to cater white space retailers where our brand was not available. Holcim Shokti - the first Rapid Early Strength Cement in Bangladesh market was launched at the later part of 2021. Holcim Water Protect, the water resistant cement, introduced in November 2020 received positive response from the customers. The Company is consistently delivering strong business performance over the years and generating healthy cash flow.

LafargeHolcim Bangladesh Ltd. demonstrated strength and resilience in execution of the action plan focused on HEALTH, COST & CASH. The year 2021 had seen spiralling cost increases for all the key raw materials, fuel price and ocean freight for the construction industry. However, the cement industry could not pass the increased input costs to the customer to recover. The Company was successful in increasing the price by 7% during the year and also was successful in securing 8% cement volume growth. The journey for cost leadership remained a focal point.

2. DIVIDEND AND RETAINED EARNINGS

On January 31, 2022, the Board of Directors' of your Company recommended a final dividend of twenty-five percent (25%), in cash, on the paid-up capital of the Company out of the profits of 2021. The total dividend of 25% of the paid-up capital amounting to BDT 2,903,433,750 which is BDT 2.50 per share of BDT 10.00 each for the year ended on December 31, 2021.

From 2014 to 2020 financial years, the Company declared 10% dividends every year, The dividend recommended by the Board of Directors for the financial year 2021 is 150% higher compared to previous years. The highest ever dividend recommendation by the Board of Directors demonstrates the dedication of the employees and successful implementation of the right strategy by the Management. It also reflects the continued support and confidence of the shareholders on the Company inception.

The above dividend recommendation of the Board of Directors' shall be forwarded to the Shareholders for their consideration and approval at the 24th Annual General Meeting of the Company scheduled on March 21, 2022.

The status of unpaid/unclaimed cash dividend is annexed to this Report 2021 and is also uploaded on the Company's website.

Retained Earnings

The total Retained Earnings of your Company as of December 31, 2021, stood at BDT 8,162,968,000 details of which are given in the Statement of Changes in Equity of the Consolidated Financial Statement.

3. BUSINESS TRANSFORMATION

The Company's constant focus to transform the business from a traditional cement manufacturing company to a sustainable building material solutions provider continued through its innovation and digitalization. Your Company is focused on maintaining a culture of being the best in class because we know that the **FUTURE ISN'T WRITTEN, IT'S BUILT!** We continued with our growth plans in 2021 to provide exclusive solutions to our customers. Here are a few of our recent success stories:

Holcim Shokti - the First Rapid Early Strength Cement in the Bangladesh Market: The Company launched Holcim Shokti, the country's first rapid early strength cement product. The product is a game changer for Bangladesh cement market and ensures 50% extra strength in two days. Due to its rapid early strength, it saves 15%-25% construction time at the de-shuttering stage, leading to lower construction costs. The product can be used in Reinforced Cement Concrete (RCC) structure, renovation and development of both residential and commercial projects. Since the date of launching the new brand is receiving encouraging responses from the customers.

Holcim Water Protect: We focused on innovation of products to cater to the untapped need of the consumers. Towards the end of 2020, we introduced the magic product Holcim Water Protect. The product has been very well received by the customers. Holcim Water Protect has become the most innovative and premium cement in Bangladesh. Given the heavy rainfall in the country, Holcim Water Protect is now helping our customers to build their dream homes free from dampness and seepages. Holcim Water Protect is the only water proof cement in the country that can be used from the foundation to the roof. Our differentiated approach to establish the product in the market through

influencer activations, live demonstration, digital communication based on unique selling points (USP), and loyalty programs took the market by storm and in the first year of launch, the solution contributed to 5% of the total cement sales.

New bags for Supercrete Cement: In June 2021, your Company unveiled a new look of its Supercrete Cement bag with a new tagline '*Shera Maan Shothik Nirman*'. Supercrete is the only Portland Limestone Cement (PLC) brand in Bangladesh and is well recognized and recommended by the professionals for its consistent high quality.

Clear Size Aggregates: For the first time since commencement of commercial production, your Company has taken a giant step and has diversified its product portfolio by commencing production and marketing of Aggregates, an important product in the building materials segment. The state-of-the-art Aggregates production unit has been setup with a current capacity to produce 1.1 million tonnes annually of clear size Aggregates (graded limestone chips having uniform size and shape conforming to international standards) at the Company's Surma Plant. The unit commenced commercial production in January 2021. The Aggregates complement our cement segment and provide us with a competitive advantage. The Aggregates market of Bangladesh is totally dependent on imports. The project of LafargeHolcim Bangladesh Ltd. is an import substitute project and contributing in savings of valuable foreign exchange for Bangladesh. Every ton of Aggregates produced by your Company, the country is saving approximately USD 15 foreign exchange expense.

4. OPERATIONAL PERFORMANCE - YEAR 2021

Presently your Company is having seven (7) major operational sites, which includes:

1. **The Quarry:** 100 ha limestone mine in Meghalaya, India, along with two (2) heavy duty crushing units and other ancillary services. In 2021, the Quarry exported 2.54 million tonnes of limestone to Surma Plant.
2. **The belt conveyor:** The seventeen (17) kilometre long cross border elevated belt conveyor systems transporting the crushed limestone from the Quarry in Meghalaya, India to Surma Plant in Chhatak, Bangladesh. In 2021, 2.54 million tons of limestone was transported through belt conveyor.
3. **Surma Plant:** The only integrated cement plant of the country established at Chhatak, Sunamganj produces clinker and cement. In 2021, Surma Plant produced 1,321 kt of clinker and 1,222 kt of Supercrete cement.
4. **Meghnaghat I Plant:** The grinding units are located at Sonargaon, Narayanganj. 893 kt of cement have been produced in 2021 which includes Holcim Red, Holcim Strong Structure, Holcim Shokti, Holcim Black, Holcim Water Protect and Supercrete brand cement.
5. **Meghnaghat II Plant:** The grinding units are located at Sonargaon, Narayanganj. 366 kt of cement have been produced in 2021 which includes Holcim Strong Structure and Supercrete brand cement.
6. **Mongla Plant:** This grinding unit is located at Mongla, Bagerhat. 226 kt of cement have been produced in 2021 which includes Holcim Strong Structure, Holcim Red and Supercrete brand cement.
7. **Aggregates Plant:** Located within the premises of Surma Plant. In 2021, the plant produced 350 kt of Aggregates.

Altogether, your Company is currently having the annual capacity to produce 1.3 million tons of clinker, 4.2 million tons cement and 1.1 million tonnes of clear size Aggregates. The Quarry in Meghalaya, India has permits to produce up to 5 million tonnes of limestone per annum.

Health & Safety

Health and Safety (H&S) is our fundamental value. This overarching principle is a critical success factor for our operational performance. H&S is regarded as the core competency at all levels of the organization.

In 2021, the Company achieved 28.68 million Safe Man Hours and 1,508 safe days. All major parameters of H&S including zero (0) Lost Time Injury (LTI) and Lost Time Injury Frequency Rate (LTIFR) have been met. For the fourth consecutive year, the Company had Zero Lost Time Injury (LTI) which is testimony of focus, dedication and commitment to H&S of all the employees of the Company. The Company gives topmost priority on core indicators to prevent incidents through H&S audits and follow up actions, H&S trainings, alerts, Incident Reporting and Investigations etc. The Company has continued its emphasis on transport safety and has installed In-vehicle Monitoring Systems (iVMS) in all trucks and bulkers to monitor drivers behaviour. A Reward and Recognition and Consequence Management Policy has been implemented to improve safety culture in transport operations. A visible leadership and engagement tool - Boots on Ground (BOG) has been implemented in June 2021 to ensure management's engagement in the field. Global HSE Days 2021 were held from October 18 to 28, 2021 with the theme "Speak up to stop unsafe act" in line with the spirit of "FIND IT & FIX IT". We received overwhelming participation from our employees as well as contractor's employees.

Your Company has been putting efforts to cover 100% employees and contractor's employees under the vaccination program offered by the Government. Our Business Resilience Teams (BRT) are fully engaged to manage COVID 19 norms at all our sites. "Operating During COVID 19 - Health & Safety Minimum Requirement" are in place for all the employees and contractors covering sanitization, use of mask and social distancing. Process are in place for providing both physical monitoring and personal level support. Mental wellbeing sessions were also conducted for boosting mental health and awareness.

PRODUCTION PERFORMANCE: CEMENT

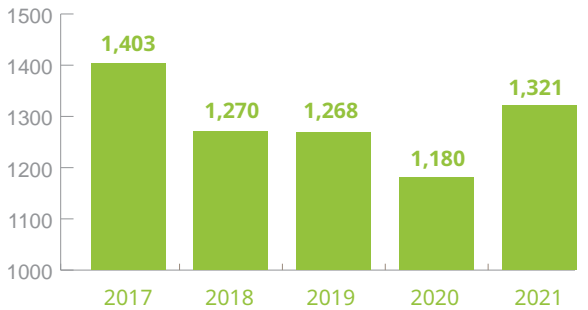
Cement Production in 2021



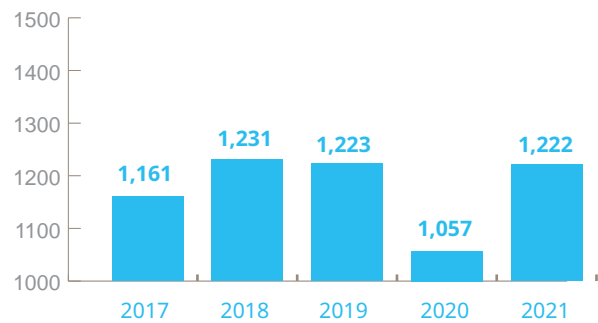
PERFORMANCE OF SURMA PLANT

In 2021, Surma Plant produced 1,321 kt of clinker and 1,222 kt of cement as compared to 1,180 kt of clinker and 1,057 kt of cement in 2020. Cement dispatch was 1228 kt. This is commendable performance despite the limited supply of gas by Jalalabad Gas Transmission and Distribution Systems Ltd.

Surma Plant Clinker Production (kt) (2017-2021)



Surma Plant Cement Production (kt) (2017-2021)



Surma Plant ranked 2nd in the efficiency category in the Industrial Performance Benchmark among 127 cement plants in the Holcim Group across the world. Surma Plant is one of the “Plants of Tomorrow” globally initiated by the Holcim Group. We are working to achieve unprecedented performance levels in strong symbiosis with the environment and communities. The Plants of Tomorrow solutions are being deployed across our entire value chain to accelerate the transition to net-zero building.

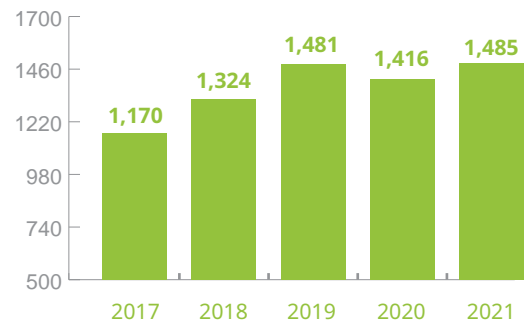
The solutions implemented in your Company include High Level Controls (HLC), Performance and Collaboration Tool (PACT) and Walk by Inspection (WBI). The HLC solutions have made contributions to increase the Raw Mill Output Rate by 2.7%, Cement Mill Output Rate by 0.5% to 1.0%. It also reduced Raw Mill Power Consumption by 1.7%. PACT enables remote operation and allows our Plant teams to stay on top of operational decision making which helps to improve the collaboration through data transparency and achieve the targets more consistently. WBI solution has enabled migration from a manual process done on paper sheets to a digital platform that enables tasks lists, equipment, functional locations and work order and the possibility to create notifications within Systems Applications & Products in data processing (SAP). The Surma Plant took various initiatives and reduced fixed cost and variable costs through optimization of plant security cost, transport cost, heavy mobile equipment usages, scrap sale etc. These efforts have saved 65 million BDT compared to last year.

MEGHNAGHAT 1, MEGHNAGHAT 2 AND MONGLA PLANTS PRODUCTION

Collectively these three plants achieved the highest ever cement production volume of 1,485 kt and dispatch volume of 1,478 kt in 2021. Meghnaghat, being the hub for innovative product development, our new products - Holcim Water Protect and Holcim Shokti - are exclusively produced in Meghnaghat 1.

These plants also implemented solutions for Plants of Tomorrow in order to achieve improvements in the processes. Positive results are already visible in strong cost control and efficiency improvements, the performance indicators i.e. Specific Electrical Energy Consumption, Clinker Factor, Mean Time Between Failures (MTBF), and Net Availability Index.

Meghnaghat and Mongla
Cement Production (kt) (2017-2021)

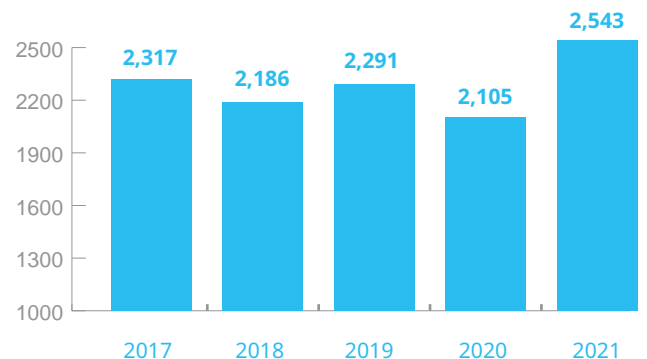


LIMESTONE QUARRY AT MEGHALAYA, INDIA

Lafarge Umiam Mining Private Limited (LUMPL), the subsidiary of your Company, exported 2,543 kt of limestone during the year in review. The Quarry team demonstrated an exemplary performance in optimization of mining and crushing costs. A 33 Kilovolt (kV) Grid Power line has been commissioned at the Quarry which has eliminated the dependency on diesel for crushing, and Long Belt Conveyor. Use of Grid Power has reduced the Quarry's carbon footprint, and also reduced the power consumption cost by Indian Rupees (INR) 38 per tonne i.e. from INR 58 per tonne to INR 20 per tonne.

The Quarry received 5-star rating at the National level awarded by the Ministry of Mines, Government of India for its efforts and initiatives taken for implementation of all round Sustainable Development at the mine for the last three (3) consecutive years from 2018 to 2020. Only 4% of mining companies in India have received the 5-star rating and our quarry is the only one in the north-eastern region of India awarded with such prestigious rating.

Quarry Production (kt) (2017-2021)



Production Performance: Aggregate

The production of Aggregates commenced in January 2021. LafargeHolcim Bangladesh Ltd. has set up the Aggregates plant with an investment of around four hundred mBDT. In the nine (9) months of its operations in 2021, the project generated a sales volume of 350 kt and contributed around 12% to the Net Profit of the Company. From the very first day, the customers responded overwhelmingly. The Aggregates business is not only beneficial for the Company, but more importantly it is beneficial for the country. The demand for quality Aggregates in Bangladesh is constantly increasing which is met by imports from overseas spending valuable foreign currency. On the contrary, your Company is producing Aggregates locally which is an import substitution. For every ton of Aggregates produced by your Company, the country saves USD 15 in foreign exchange.

The Company is presently having 1.1 million tonnes of production capacity, which is only marginal as compared to the country's total demand. Accordingly, the Company is having significant growth potentials in this sector. Most importantly, cement and aggregates complement each other and create further growth opportunities for both products. It also paves the way for the Company to further explore into the building materials sectors.

Unfortunately, by letter dated September 16, 2021, the Ministry of Industries instructed the Company to stop production and selling of Aggregates. We have challenged the stoppage order issued by the Ministry of Industries before the proper judicial forum, which is presently pending before the Appellate Division of the Supreme Court of Bangladesh. In the meantime, the selling of Aggregates by the Company in the open market is closed.

Production Performance: Geocycle

Your Company is the pioneer in Bangladesh to turn waste into usable energy through co-processing in our Cement Kiln. Various industrial and municipal wastes including plastic, Fast Moving Consumer Goods (FMCG), textile industry, sludge and liquids are burnt in the Cement Kiln at high temperatures to generate additional energy.

Co-processing of waste through Geocycle is a result of the Company's commitment to environment. This waste, if not co-processed by your Company, would have polluted the traditional landfills or the rivers and water bodies. Co-processing is a major contributor to the concept of industrial symbiosis and circular economy. Waste products of one industry is a resource for another industry resulting in the overall reduced consumption of traditional fuels, resulting in reduced CO₂. Our vision is to dispose of around 5% of national waste by the year 2025. Geocycle is the future of alternative energy. Your Company is planning to make investments to ramp up the Total Substitution Rate (TSR) to 25% by 2025. We are upgrading the Geocycle co-processing facilities, which will increase the current co-processing capacity from 15 tonnes per day to 100 tonnes per day through mechanised feeding facility, air supported belt with weighing and feeding system.

Geocycle remains your Company's commitment towards sustainable development and its contribution towards protection of the environment and efficient waste disposal.

Sales and Marketing

Your Company has a strong pan Bangladesh presence through around 700 dealers, 7,100 retailers and 750 corporate customers in real estate, industrial and RMX segments. Anticipating customer requirements early and being able to address them effectively requires a strong commercial backbone. The Company continues to develop this strength by institutionalising sound commercial processes and building world-class commercial capabilities across its marketing and sales teams.

In 2021, your Company focused heavily on innovation of products to cater the untapped needs of consumers. 'SHOJON', a new distribution channel was introduced with digital application to cater white space retailers. Holcim Shokti - the first Rapid Early Strength Cement in Bangladesh market was launched at the later part of 2021. The water resistant cement, Holcim Water Protect introduced in November 2020 received positive response from the customers.

We have undertaken a differentiated approach to establish our products in the market through activations, live demonstrations, digital communications, engagement events and loyalty programs. Through our highly qualified and efficient Sales and Technical team, we are serving our customers round-the-clock. Your Company continues its focus on digital platforms. Facebook, YouTube, Google Display Network, local news portals were the core platforms in 2021. Your Company also added application based marketing (example: TrueCaller, Imo, Shareit, Viber etc.) to reach the customers at their mobile devices. Implementation of Retail Management System (RMS) & Customer Portal ensured higher customer satisfaction in terms of simplicity and transparency in business operation. In 2021, we introduced Direct-to-Retail (D2R) self-ordering application with the inclusion of Individual House Builders (IHB) to provide a convenient cash management and delivery system. Through D2R, additional 2300 retailers have been added under our portfolio which is 34% additional over the active retail base.

Digital First

The future is unfolding more quickly and unpredictably than ever before. Customer habits and expectations are rapidly changing with the adoption of technology. To thrive amidst these profound changes, your Company has developed a Digital Transformation enabled strategy to meet today's challenges and seize tomorrow's opportunities.

Over the last one decade, we have been driving digital initiatives in order to create automation of our existing business processes and to meet changing business and market requirements.

In 2021, our teams settled into the new ways of working with the implementation of seventeen (17) different digital initiatives which range from enabling and managing logistics and supply chain planning to facilitate digital customer experience. Our cellular phone application is helping distributors to place orders directly to the Company. Another cellular phone application helps our engineering team to track their performance efficiently. We are entering into e-commerce and commenced our e-commerce based website, Nirman Bandhob, which will act as one-stop solution for all construction related needs of an end user customer.

Logistics & Procurement

LafargeHolcim Bangladesh Ltd. continues to focus on efficiency improvements. The year 2021 had seen spiralling cost increases for all the key raw materials, fuel price and ocean freight for the construction industry. Your Company undertook special initiatives to avoid any disruption to its business. We implemented various actions to minimise cost impact. e-auction, alternative sourcing and Best Cost Country sourcing are some of the tools used to reduce the costs.

With the installation of a new unloading crane at Meghnaghat Plant I, we achieved 50% efficiency improvement in discharging imported raw materials. Outbound logistics transformation started with introduction of Direct to Retailer (D2R) and e-commerce. This is supported by multiple initiatives like Stoke on Wheel (SoW) and a small size truck fleet delivering small quantity orders. As part of its digital initiatives, your Company introduced the Inland Water Vessel Management System (IWVMS) to monitor and manage the outbound logistics barge fleet efficiently and effectively. Your Company also launched a green logistics initiative "Backhauling by Barge", to carry Surma Plant bound imported raw materials. This has not only reduced the CO₂ emission but also reduced the carrying cost by 35%.

In the coming years, your Company shall focus more on innovation, automation and digitalization to achieve efficiency and sustainability.

Human Resources

People are integral part of the achievements of LafargeHolcim Bangladesh Ltd. Our strategy focuses on developing a stronger performance culture and investing in developing current and future leaders. We emphasize on the strategic development of the organisation, culture and its people with acquisition of the right talents and retaining them. The Company has driven a number of initiatives for developing in-house talent for future leadership and critical roles, which embedded the business success and helped to achieve the strategic growth in 2021. The Company organised several development programs including in-house trainings and e-learning platform trainings deriving from development needs and skill gap assessment.

In 2021, your Company conducted several H&S awareness programs for its employees and their family members. Your Company also enhanced insurance facilities for the employees and incorporated top hospitals as our corporate health care partner. In order to motivate its employees, the Company acknowledges best employees. Your Company is committed to continue its efforts on developing its employees in the coming years.

Governance, Ethics and Compliance

Commitment to integrity, honesty and fairness is the bedrock of our culture. We conduct our businesses with strong ethical standards and engage employees across the business to ensure that they are committed to them. The Board of Directors, senior management team, employees and our business partners, all strive to do well and do only the right things.

We maintain a comprehensive risk-based compliance program aligned with the legal requirements of Bangladesh and international standards. Our compliance program is structured to ensure adequate assessment of risks, implementation of controls, training and communication, monitoring and governance. We operate a compliance program within a clear framework of policies and procedures, training and communications, continuous monitoring and testing, corrective actions and open lines of communication.

The compliance program enables your Company to prevent, detect and deter fraud, and includes an Integrity Line, which enables employees to report any concerns regarding breach of rules laid down in the Code of Business Conduct.

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

Annual Evaluation of Board of Directors'

The Nomination & Remuneration Committee (NRC), a sub-committee of the Board, has framed the necessary criterion for the evaluation as per the guidelines provided by the Corporate Governance Code. In accordance with the criterion, the Company undertook the evaluation of the Board of Directors' in 2021, participated by all the members of the Board of Directors'. The details of the evaluation including the parameters and process have been provided in the Corporate Governance Statement of the Annual Report 2021.

5. CORPORATE SOCIAL RESPONSIBILITY (CSR) & SUSTAINABLE DEVELOPMENT

Your Company has been playing a forerunner role in developing the socio economic conditions of the communities around its operational sites both in Bangladesh and India.

In continuation of our CSR and sustainability efforts over the years, in 2021 we strengthened our initiatives in the field of education, healthcare, skill development and women empowerment for the underprivileged individuals from the local communities ensuring sustainability. We provided healthcare services to around 25,000 people, planted around 2,200 saplings, built a footpath benefiting around 1,100 people, and provided scholarships to 358 students. We supported the community by providing equipment for cage fish culturing along with donations of cement to a number of social organisations engaged in the field of community development in different parts of the country. We continued in our outreach programmes and initiatives to stand beside the communities and help them fight COVID 19. Your Company donated Hi Flow oxygen equipment to the Government of Meghalaya. Full body Personal Protective Equipment (PPEs), N95 masks, gloves and disinfectant sprayers were donated to the Community Corona-care Centre (CCC) at Sohra, Meghalaya. We also donated oxygen cylinders to the Shella Public Health Centre (PHC) and to the Nongtraï Dispensary to ensure the two villages are equipped to handle COVID 19 crisis. Sustainability is at the core of our every activity. Your Company is committed to continue its sustainable development initiatives in the coming years while ensuring maximum benefits for the local communities.

Net Zero climate pledge

A net zero world requires collaboration across the entire value chain from architects to policy makers. Your Company is playing its part to support the transition to low-carbon business in line with Holcim Group's 2030 climate targets.

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

The Auditors of the Company in their Report to the Shareholders have drawn attention on two (2) Emphasis of Matters: on the ongoing Arbitration process with Jalalabad Gas Transmission and Distribution System Limited (JGTDS) and, on the Writ Petition filed by the Company before the appropriate judicial forum challenging the validity of the letter issued by the Ministry of Industry stopping the Company from selling Aggregates in the open market.

In this regard, the Board of Directors' would like to mention that the Arbitration with JGTDS is presently under procedural stage and the final hearing is expected in December 2022. As per our assessment, we are having a good arguable case and expecting a positive outcome in favour of the Company.

The Writ Petition filed by the Company challenging the order passed by the Ministry of Industries stopping the Company to sell Aggregates in the open market is presently pending before the Appellate Division. As per our assessment, we have a good arguable case in our favour.

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.

7. RISK MANAGEMENT

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

A. Credit Risk

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

B. Liquidity Risk

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

C. Market Risk

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

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

8. RELATED PARTIES TRANSACTIONS

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

9. DIRECTORS' DECLARATION TO THE FINANCIAL STATEMENTS

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

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

- ▶ The financial statements prepared by the Management of the Company presents fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- ▶ Proper Books of Account of the Company have been maintained.
- ▶ Appropriate Accounting policies have been consistently applied in preparation of the Financial Statements and that the accounting estimates are based on reasonable and prudent judgment. The International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- ▶ The system of internal control is sound in design and has been effectively implemented and monitored.
- ▶ The minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress.
- ▶ The Board of Directors' have made appropriate examinations and analyzed the significant financial, operating as well as other indicators for enabling them to understand the ability of the Company to continue its operations for a foreseeable period.
- ▶ The Board of Directors' is satisfied and has a reasonable expectation that the Company has adequate resources to continue its operation consistently for the foreseeable future. Hence, the Company adopted the going concern basis in preparing of the Company's financial statements.
- ▶ No interim dividend has been declared by the Company in 2021.
- ▶ The Company issued IPO Share in 2003 and Rights Share in 2011. No further issuance of any kind was made since then.
- ▶ No remuneration was paid to any Director of the Company during the year.
- ▶ The key operating and financial data for the last five (5) years, discussion on cost of goods sold, gross profit margin and net profit margin and explanation on significant deviation from the last year's operating results are disclosed in **Annexure I**.
- ▶ Details of the Board Meetings held, attendance in the meetings, appointments and reappointments of Directors with a brief resume are disclosed in **Annexure II**.
- ▶ The pattern of shareholding is disclosed in **Annexure VI**.
- ▶ A declaration signed by the CEO and CFO to the Board as required under the Corporate Governance Code is disclosed in **Annexure VII**.
- ▶ A Management's Discussion and Analysis signed by CEO presenting detailed analysis of the Company's position and operations along with a brief discussion of changes in the financial statements is disclosed in **Annexure VIII**.

10. RESEARCH, DEVELOPMENT AND INNOVATION

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

11. INTERNAL CONTROL SYSTEM

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

12. SHARE HOLDING PATTERN

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



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

Surma Holding B.V.

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

About the Sponsors

ABOUT HOLCIM

On May 4, 2021, LafargeHolcim Group changed its name to Holcim Ltd. The simplification of the Group name reflects its transformational journey to become the global leader in innovative and sustainable building solutions. The new name provides efficiency and impact, while building on its legacy.

Holcim builds progress for people and the planet. As a global leader in innovative and sustainable building solutions, Holcim is enabling greener cities, smarter infrastructure and improving living standards around the world. With sustainability at the core of its strategy Holcim is becoming a net zero company, with its people and communities at the heart of its success. The company is driving the circular economy as a world leader in recycling to build more with less. Holcim is the company behind some of the world's most trusted brands in the building sector including ACC, Aggregate Industries, Ambuja Cement, Disensa, Firestone Building Products, Geocycle, Holcim and Lafarge. Holcim is 70,000 people around the world who are passionate about building progress for people and the planet through four business segments: Cement, Ready-Mix Concrete, Aggregates and Solutions & Products. More information is available on <https://www.holcim.com>.

ABOUT CEMENTOS MOLINS

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

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

13. BOARD OF DIRECTORS

(a) Board composition

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

(b) Independent Directors

Mr. Syed Mahmudul Huq, Independent Director, completed one (1) term of three (3) years in office. Pursuant to the provisions of the Corporate Governance Code, the Board of Directors' reappointed Mr. Syed Mahmudul Huq as Independent Director for a 2nd term of three (3) years, effective from September 18, 2021.

It is proposed that the Shareholders approve the appointment of Mr. Syed Mahmudul Huq as an Independent Director of the Company, not liable to retire by rotation at the 24th Annual General Meeting of the Company.

(c) Recommendation for re-elections

Pursuant to Regulation 79 of Schedule I of the Companies Act, 1994, the following Directors of the Board shall retire at the 24th Annual General Meeting. Being eligible they offer themselves for re-election:

- (i) Mr. Julio Rodriguez Izquierdo
- (ii) Mr. Marcos Cela Rey
- (iii) Ms. Naheed Akhter

A brief profile of the above mentioned three Directors is disclosed in **Annexure III** as a part of the Board of Directors' Report.

(d) Recommendation for re-appointment as CEO

Mr. Rajesh Surana, Chief Executive Officer, completed one (1) term of five (5) years as the CEO of the Company. As per Section 110 of the Companies Act, 1994, the terms of the CEO is five (5) years and any extension beyond five (5) years shall require consent of the shareholders in the General Meeting. Pursuant to the provisions of Article 15.2.1 of the Articles of Association of the Company, and following the recommendation of the Nomination and Remuneration Committee of the Company, the Board of Directors' recommended reappointment of Mr. Rajesh Surana, as Chief Executive Officer for the 2nd term of five (5) years, effective from February 1, 2022, which shall be presented before the 24th Annual General Meeting of the Company for approval of the shareholders.

(e) Sub Committee of the Board

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

(i) The Audit Committee of the Board

The Audit Committee consists of three (3) Directors including one (1) Independent Director as the Chairman of the Audit Committee. The Audit Committee ensures that adequate internal checks & balances supported by adequate Minimum Control Standards as defined by the Sponsor Groups are in place for detection of errors, frauds and other deficiencies. The Audit Committee also ensures compliance of requirements of Bangladesh Securities and Exchange Commission (BSEC). The Audit Committee reviews the Quarterly and Annual Financial Statements. The Audit Committee also reviews adequacy and effectiveness of financial reporting process, accounting policies, internal control and risk management process. In addition, the Audit Committee oversee the compliance and provides necessary advices to the Management and Board of Directors' to ensure running the business in 100% compliance of the applicable laws, policies and directives.

(ii) Nomination and Remuneration Committee

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

(f) Board and Sub Committee Meetings and Attendance

In 2021, the Board of Directors' of the Company and Audit Committee of the Company met on four (4) occasions respectively. The NRC of the Company met on one (1) occasion.

Due to the COVID 19 pandemic and the ensuing travel restrictions and social distancing requirements, the meetings of the Board of Directors', Audit Committee and NRC meetings were held virtually in terms of the Bangladesh Securities and Exchange Commission's (BSEC) Order No. SEC/SRMIC/94-231/25 dated July 08, 2020.

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

14. CORPORATE GOVERNANCE COMPLIANCE STATEMENT

The Company complied with all the necessary guidelines under BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018. A separate section on Corporate Governance and the Compliance Report along with the necessary remarks and disclosures is appended in this Annual Report for the year 2021. A Certificate of Compliance required under the said Guidelines, as provided by M/s Al-Muqtadir Associates, Chartered Secretaries and Consultants, is annexed to this Annual Report as **Annexure X**.

In 2021, your Company received two (2) awards for excellence in Corporate Governance from two (2) premier Institutes of Bangladesh – The Institute of Cost and Management Accountants of Bangladesh (ICMAB) and the Institute of Chartered Secretaries of Bangladesh (ICSB).

15. AUDITORS

(a) Auditors Report

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

(b) Statutory Auditors

Pursuant to Section 210 of the Companies Act, 1994, the Company's Statutory Auditors; M/s. Hoda Vasi Chowdhury & Co., Chartered Accountants, retire at the 24th Annual General Meeting. Being eligible, they express their willingness to be re-appointed.

(c) Corporate Governance Compliance Auditors

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

M/s. Al-Muqtadir Associates, Chartered Secretaries & Consultants, retire at the 24th Annual General Meeting. Being eligible, they express their willingness to be re-appointed.

16. INDUSTRY: OUTLOOK & POSSIBLE FUTURE DEVELOPMENTS

According to the International Monetary Fund, Bangladesh's economic growth is expected to increase to 6.6% for the fiscal year ending June 2022. Despite being hit by multiple waves of the COVID 19 pandemic, quick and decisive actions by the Bangladeshi authorities led to a much quicker rebound of the economy. Remittances reached a record high in 2021. The country's Ready Made Garment industry showed strength in adversity.

Construction activities are back to normal. Most projects and individual house builders (IHB) segment are picking up pace. The shipping crisis ignited the freight costs to increase by approximately USD 10 to 15/per tonne which in turn increased the costs of imported raw materials. In addition, the surge in the diesel price by 23% caused logistics costs to increase by approximately 10% across the country. Cement prices however remained stagnant and the abnormal increase in the raw material costs were not passed on to the consumers.

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

17. ACKNOWLEDGEMENTS

Your Directors are thankful to the various departments and offices of the Government of Bangladesh, the Government of India and the State Government of Meghalaya for their continued guidance and co-operation. The Directors are grateful to all 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 Chhatak, Mongla Plant, Meghnaghat Plants and the Quarry in Meghalaya. The Directors would like to recognize the management and all employees of the Company for their dedication and commitment. The results achieved are outstanding and were only possible thanks to their strong and continued believe in building a better company every day. Finally, the Directors are grateful to the Shareholders for their continued and valuable support to the Company.

For and on behalf of the Board of Directors



Christof Hässig
Chairman

Date: February 15, 2022