

# CORPORATE GOVERNANCE

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Lafarge Surma Cement Limited (the “Company”) is 100% committed to operate business with trust, confidence, integrity, transparency through high degree of corporate governance standards. The Company believes that high standards of corporate governance are keys to success and best serve the shareholders interests.

The Company is a law abiding responsible corporate citizen of the country. The Company gives highest priority to absolute transparency in conducting business and in its dealings and communications with its suppliers, customers, service providers, business partners, as well as with the local communities wherever it operates. At the same time the Company expects that its shareholders, Board of Directors, employees and suppliers would act in compliance with applicable laws and with honesty, integrity and openness.

The Company also ensures compliance with the accounting and reporting standards in consonance with the requirements of Bangladesh Securities and Exchange Commission and applicable laws of the countries in which the Company operates.

## CODE OF BUSINESS CONDUCT

For your Company, compliance with applicable laws, set policies and directives, and adherence to highest standards of integrity is the core values in conducting business. As far as integrity is concerned, we believe in uncompromising zero tolerance. For this purpose the Company has adopted clearly defined Code of Business Conduct. The Company’s values of integrity trust and openness reflects in all aspects of the Company’s activities. The Code of Business Conduct provides clear direction for the Company and its employees on how it shall conduct business, giving highest importance to Health & Safety, respecting diversity and fairness, protection of Company assets, protection of environment, avoiding conflict of interest, ensure avoidance of abuse of information systems and social media, anti-corruption, gifts and hospitality policies and fairly dealing with the competitors, suppliers and customers.

The Codes of Business Conduct is communicated to all the employees including the members of the Board of Directors and others acting on behalf, who are strictly required to abide by it. They are expected to read and understand this Code of Business Conduct, uphold these standards in day-to-day activities, comply with all applicable laws, and Company policies and directives, and ensure that all our business partners are aware of, understand and adhere to these standards as well.

## ROLES OF THE BOARD

The present Board of the Company consists of 12 Directors headed by the Chairman of the Company. The Chief Executive Officer leads the management of the Company. He is also a member of the Board of Directors. He works as the bridge between the Board and the management of the Company. Three (3) Independent Directors are members of the Board of Directors as per the requirements of Bangladesh Securities and Exchange Commission notification dated August 07, 2012. The business of the Company is managed by the Board of Directors. The Board of Directors is responsible to ensure that the business activities are soundly administrated and effectively controlled. At the same time the Board of Directors provides the management of the Company necessary guidance and directors ensure and uphold the highest interest of the shareholders.

The Board of Directors meets at least once in a quarter. Apart from that the Board of Directors passes necessary resolution through Resolutions by Correspondence as per the provisions of the Articles of Association of the Company.

## AUDIT COMMITTEE

In compliance with the Notification of the Bangladesh Securities and Exchange Commission dated August 07, 2012, the Board of Directors of the Company has formed an Audit Committee as the sub-committee of the Board of Directors. The present Audit Committee of the Company is comprised of four (4) members of the Board of Directors. Out of them, two (2) members are the Independent Directors. The Chairman of the Audit Committee is an Independent Director.

With an aim to ensure a true and fair view of the financial statements and good monitoring system within the business, Audit Committee assists the Board of Directors to discharge its responsibilities by reviewing and/or overseeing the financial reporting, internal control, risk management process, auditing activities and compliances with applicable laws and regulations and the Code of Business Conduct.

The members of the Audit Committee attended in four (4) meetings held during the year 2015. The Company Secretary acts as the secretary of the Committee and the Chief Financial Officer, the Head of Internal Audit and the representatives of the Statutory Auditors, when applicable, attend the meetings as invitees.

## INTERNAL AUDIT

Internal Audit assures the existence and pertinence of process controls and the integrity of information. Internal Audit operates under the direct supervision of the Audit Committee. Having unrestricted access all over the Company, Internal Audit plays independent roles to evaluate the effectiveness and efficiency of the Company's overall performances in terms of internal control structure, governance and risk management processes.

In conformity with the risk-based audit plan approved by the Audit Committee, Internal Audit performs operational audits on the business processes, IT controls and reliability of financial reporting and acts as the management consultant and strategic partner in designing and improving the reporting & control systems, policies and procedures and business processes where necessary.

It also works in partnership with the Group Internal Audit sharing its knowledge and resources in order to ensure global parameters of internal auditing practices in the Company.

## STATUTORY AUDIT

Statutory audit of the Company is governed by the Companies Act 1994 of Bangladesh and Bangladesh Securities and Exchange Commission dated August 07, 2012, which explicitly provide guidelines for the appointment, scope of work, and retirement of auditors. Shareholders appoint auditors in the Annual General Meeting (AGM). In addition to the annual audit, they carry out the interim audit and review the quarterly financial reports.

## LEGAL AND COMPLIANCE

Compliance is the key to build stakeholders trust. The Company has adopted clearly defined Compliance Policy. Following the national law is core to the business. The regulatory bodies like National Board of Revenue, Bangladesh Securities and Exchange Commission, Registrar of Joint Stock Companies & Firms and the Board of Investment (BOI) maintain a close monitoring process on the Company. In addition, for routine approval from regulatory bodies, we provide information to Bangladesh Bank, Customs Authority and other relevant organizations.

Throughout the years of operations, we have been fully compliant with national laws and have paid all applicable taxes and duties. We methodically check and review the legal papers and presence of necessary permission to perform business in Bangladesh. Our robust internal processes have ensured that all activity is reviewed and necessary changes are acknowledged to bring us in line with conformity, wherever required.