

# Report on Compliance of BSEC's Notification on Corporate Governance

In order to enhance corporate governance in the interest of investors and the capital market, Bangladesh Securities and Exchange Commission (BSEC) has issued a Notification No. SEC/CMRRCD/2006-158/ 134/ Admin/44 dated 07 August 2012 (as amended) containing certain conditions to be complied with by the listed companies. Given below is the compliance status on the BSEC's conditions by Union Capital Limited:

No.	Conditions	Compliance status		Remarks
		Complied	Not complied	
<b>1</b>	<b>BOARD OF DIRECTORS</b>			
<b>1.1</b>	<b>Board size</b> The members of the Board shall not be less than 5 (five) & more than 20 (twenty)	√		
<b>1.2</b>	<b>Independent Directors</b>			
	1.2 (i) At least one fifth (1/5) of the Board Members shall be Independent Directors	√		
	1.2 (ii) Independent Directors who:			
	a. do not hold any share or hold less than one percent (1%) shares of the total paid-up shares of the company	√		
	b. are not a sponsor and do not have family relationship with any sponsor/Director/Shareholder who holds 1% or more shares of total paid-up shares of the company, and his/her family members should not hold mentioned shares of the company	√		
	c. do not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	√		
	d. are not a member, Director or officer of any stock exchange	√		
	e. are not a shareholder, Director or officer of any member of stock exchange or an intermediary of the capital market	√		
	f. were not be a partner/executive during preceding 3 years of any statutory audit firm	√		
	g. were not be an Independent Director in more than 3 listed companies	√		
	h. have not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a NBF	√		
	i. have not been convicted for a criminal offense involving moral turpitude	√		
	1.2 (iii) Independent Directors shall be appointed by the Board of Directors and approved by the shareholders in the Annual General Meeting	√		
	1.2 (iv) The post of Independent Directors can not remain vacant for more than 90 days	√		
	1.2 (v) The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded	√		
	1.2 (vi) The tenure of office of an Independent Director shall be appointed for a period of 3 years and can be extended for 1 more term only	√		
	1.3 (i) Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance and can make meaningful contribution to business	√		
	1.3 (ii) He/she can be a business leader/corporate leader/bureaucrat/university teacher with economics or business studies or law background/professionals like CA, CMA or CS, must have at least 12 years of corporate management/professional experiences	√		
	1.3 (iii) In special cases the above qualifications may be relaxed subject to prior approval	√		
	Attachment Bio-data/CV of Independent Director is attached	√		

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1.4	Chairman and CEO will be different individuals, The BOD should clearly define the role and responsibilities of the Chairman and CEO	√		
1.5	<b>The Directors' Report to Shareholders shall include:</b>			
1.5 (i)	Industry outlook and possible future development in the industry	√		
1.5 (ii)	Segment-wise or product-wise performance	√		
1.5 (iii)	Risk & Concerns	√		
1.5 (iv)	A discussion on cost of goods sold, gross profit margin and net profit margin	√		
1.5 (v)	Discussion on continuity of any Extra-ordinary gains or loss	√		
1.5 (vi)	Basis of related party transactions- a statement of all related party transactions should be disclosed in annual report	√		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments	√		
1.5 (viii)	An explanation if financial results deteriorate after the company goes for Initial Public Offering (IPO), Rights Offer, Direct Listing etc.			Not applicable
1.5 (ix)	If significant variance occurs between quarterly financial performance and annual financial statements the management shall explain about the variances on their annual report	√		
1.5 (x)	Remuneration to directors including independent directors	√		
1.5 (xi)	The financial statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity	√		
1.5 (xii)	Proper books of account of the company have been maintained.	√		
1.5 (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 judgement	√		
1.5 (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	√		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored	√		
1.5 (xvi)	There are no significant doubts upon the company's ability to continue as a going concern. If the company is not considered to be a going concern, the fact along with reason thereof should be disclosed.	√		
1.5 (xvii)	Significant deviations from the last years operating results of the issuer company shall be highlighted and the reasons thereof should be explained	√		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summerized	√		
1.5 (xix)	If the company has not declared dividend (Cash or Stock) for the year, the reasons should be given			Not applicable
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed	√		
1.5 (xxi)	The pattern of the shareholding shall be reported to disclose the aggregate number of shares held by:			
	a. Parent/Subsidiary/Associated Companies and other related parties (name wise details);	√		
	b. Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details)	√		

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	c. Executives (top 5 salaried employees, other than Director, CEO, CFO, CS, Head of Internal Audit)	√		
	d. Shareholders holding ten percent (10%) or more voting interest in the company (name wise details)	√		
1.5 (xxii)	Company shall disclose the following information in case of appointment/re-appointment of a director:			
	a. A brief resume of the Director	√		
	b. Nature of his/her expertise in specific functional ares	√		
	c. Directorship in other companies and membership at Board Committees	√		
<b>2</b>	<b>CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS)</b>			
2.1	The company shall appoint a CFO, a Head of Internal Audit and a Company Secretary. Board of Directors should clearly define their respective roles, responsibilities and duties.	√		
2.2	The CFO and CS shall attend the Board meetings, they should not attend such part of Board meeting, which involves consideration of an agenda item relating to their personal matters	√		
<b>3</b>	<b>AUDIT COMMITTEE</b>			
3 (i)	Company shall have an Audit Committee as a sub-committee of the Board of Directors	√		
3 (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	√		
3 (iii)	The Committee shall be responsible to the Board of Directors. The duties of the Committee shall be clearly set forth in writing	√		
<b>3.1</b>	<b>Constitution of the Audit Committee</b>			
3.1 (i)	The Committee Shall be composed of at least 3 members of the Board	√		
3.1 (ii)	Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least one Independent Director	√		
3.1 (iii)	All members of the Committee should be 'financially literate' and at least one member shall have accounting or related financial management experiences	√		
3.1 (iv)	In any circumstances, where the Committee members become less than three, the Company will get 1 month time to fill up new Committee	√		
3.1 (v)	The Company secretary shall be the Secretary of the Committee	√		
3.1 (vi)	Quorum of the Audit Committee meeting shall not constitute without at least one independent director	√		
<b>3.2</b>	<b>Chairman of the Audit Committee</b>			
3.2 (i)	Board of Directors shall select one member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director	√		
3.2 (ii)	The Chairman of the Committee shall remain present in the AGM	√		

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<b>3.3</b>	<b>Role of Audit Committee shall include:</b>			
	3.3 (i) Oversee the financial reporting process	√		
	3.3 (ii) Monitor choice of accounting policies and principles	√		
	3.3 (iii) Monitor internal control risk management process	√		
	3.3 (iv) Oversee hiring and performance of external auditors	√		
	3.3 (v) Review along with the management the annual financial statements before submission to the Board for approval	√		
	3.3 (vi) Review along with the management the quarterly and half yearly FS before submission to the Board for approval	√		
	3.3 (vii) Review the adequacy of internal audit function	√		
	3.3 (viii) Review statement of significant related party transactions submitted by the management	√		
	3.3 (ix) Review Management Letters/Letter of Internal Control Weakness issued by statutory auditors	√		
	3.3 (x) When money is raised through IPO/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.			Not applicable
<b>3.4</b>	<b>Reporting of the Audit Committee</b>			
	3.4.1 (i) The committee shall report on its activities to the Board of Directors	√		
	3.4.1 (ii) a. Shall report to the Board of Directors on conflicts of interests	√		
	b. Shall report to the Board of Directors on suspected or presumed fraud or irregularity or material defect in internal control system	√		
	c. Shall report to the Board of Directors on suspected infringement of laws, including securities related laws, rules and regulations	√		
	d. Shall report to the Board of Directors on any other matters	√		
	3.4.2 If the 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 Committee should 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 months from the date of first reporting to the Board of Directors, whichever is earlier			There was no such matters
<b>3.5</b>	A Report on the activities of the Audit committee, including any report made to the Board of Directors, should be disclosed in annual report under the signature of the Chairman of the Committee	√		
<b>4</b>	<b>EXTERNAL/STATUTORY AUDITORS</b>			
	The External auditors should not be engaged for the following services:			
	4 (i) appraisal or valuation service or fairness opinion	√		
	4 (ii) financial information systems design and implementation	√		
	4 (iii) book keeping or other services related to accounting records or Financial Statements	√		

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4 (iv)	broker-dealer services	√		
4 (v)	actuarial services	√		
4 (vi)	internal audit services	√		
4 (vii)	any other service that the Audit Committee determines	√		
4 (viii)	No partner or employees of the external audit firms shall possess any share of its client during the tenure of their audit assignment.	√		
4 (ix)	Audit/certification services on compliance of corporate governance as required under clause (i) of condition No. 7.	√		
<b>5</b>	<b>SUBSIDIARY COMPANY</b>			
5 (i)	Composition: Same as Holding Company	√		
5 (ii)	Independent Director: At least one Independent Director of holding company shall be in the Board of subsidiary company	√		
5 (iii)	Minutes of the Board meeting: The minutes of Board meeting of the subsidiary company shall be placed for review at the following Board meeting of holding company	√		
5 (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.	√		
5 (v)	The Audit Committee of the holding company shall review the financial statements particularly the investments made by the subsidiary company	√		
<b>6</b>	<b>DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO)</b>			
6	Both the CEO and CFO shall certify to the Board that:			
6 (i)	they have reviewed annual Financial Statements and that to the best of their knowledge and belief:			
	a. those statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	√		
	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	√		
6 (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 company's code of conduct	√		
<b>7</b>	<b>REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE</b>			
7 (i)	The directors of the company shall state, in prescribed format, in the directors' report whether the company has complied with these conditions	√		
7 (ii)	The company shall obtain a certificate from Chartered Accountant/Cost & Management Accountant/Chartered Secretary) regarding compliance of conditions of CG Guidelines that will be a part the annual report	√		