

## **Corporate Governance Report**

Corporate governance refers to the structures and processes for the direction and control of companies. Sound corporate governance is a fundamental part of the culture of the company and ensures long term success. The company believes in adopting the best practices in the area of Corporate Governance and follows the principles of transparency and accountability, thereby protecting the interests of management, Board of Directors, controlling shareholders, minority shareholders and other stakeholders. Strong corporate governance works as the backbone of an upright organization.

The Company and its Board of Directors accordingly, remain dedicated in its commitment towards maintaining excellence in corporate governance. The Board of Directors of RAK Ceramics is firmly committed to upholding principles of sound corporate governance. The main objective of corporate governance is creation of lasting value for stakeholders. Transparency in business transaction and disclosure of information to regulatory bodies as part of its legal obligations constitute sound corporate Governance. Good corporate governance also means conformity to sound ethical principles and a code of conduct in business dealings.

At RAK Ceramics, we believe in transparency and commit ourselves to adherence to good corporate governance practices at all times, as we believe that good governance generates goodwill among business partners, customers and investors and helps the company grow.

### **Board of Directors**

The Board of Directors is juxtaposed between the shareholders and operational management of the organization. Directors are elected or appointed by the shareholders. The Board of Directors is responsible for operation of the company for best interest of its shareholders and accountable to the shareholders.

### **Composition of the Board**

The Board of Directors of RAK Ceramics (Bangladesh) Limited comprised of 05 (Five) members including two independent directors in compliance with the corporate governance guidelines of the BSEC. Board of Directors is performing the responsibilities, among others, setting the company's strategic objectives, providing leadership, supervision and safeguarding shareholders' interest. The Company has a nonexecutive Chairman and Managing Director, separately. The day-to-day management of the Company is conducted by the Managing Director who is assisted by the executive management.

### **Board Procedure**

To ensure transparency, the Board follows the practice of advance planning in matters requiring discussion and decision by the Board. The Board is apprised the presentation on finance, sales, marketing, major business segments and operations of the Company and other matters, as the members want. The Managing Director along with the Company Secretary finalizes the agenda papers for the Board meeting in consultation with the other person concerned. The minutes of the proceedings of each Board meeting are maintained in terms of statutory provisions. The Board of Directors of RAK Ceramics (Bangladesh) Limited has been laid down a Code of Conduct of all Board members and annual compliances of the code has been recorded.

### **Committee of the Board**

In accordance with the requirement of corporate governance of the BSEC, RAK Ceramics (Bangladesh) Limited has an Audit Committee as a sub-committee of the Board of Directors.

### **Audit Committee**

The Audit Committee assists the Board of Directors in ensuring a good monitoring system within the business. The Audit Committee is responsible to the Board and the duties and responsibilities of the Audit

Committee are clearly set forth in writing by the Board in the Audit Committee Charter. According to the corporate governance notification of BSEC, the audit committee reports to-

- a) The Board of Directors
- b) The authorities
- c) The shareholders and general investors

The number of the Audit Committee meeting held and attendance of each member during the year 2016 are as follows:

Name of directors	Position	Number of meetings held while a member	Number of meetings attended
Mr. Rafique-ul Huq, Barrister-at-Law	Independent Director and Chairman of the Committee till July 27, 2016	03	03
Mr. Faheemul Huq, Barrister-at-Law	Independent Director and Chairman of the Committee appointed in the Board Meeting held on July 27, 2016	01	01
Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla (Nominee of RAK Ceramics PSC, UAE)	Director and Member of the Committee till July 27, 2016	03	Nil
Mr. Wassim Moukahhal, (Nominee of RAK Ceramics PSC, UAE)	Director and Member of the Committee appointed in the Board Meeting held on July 27, 2016	01	01
Mr. Pramod Kumar Chand (Nominee of RAK Ceramics PSC, UAE)	Director and Member of the Committee	04	03
Mr. Muhammad Shahidul Islam	Company Secretary and Member Secretary of the Committee	04	04

The detail about Audit Committee including background, composition, responsibilities, meetings, reporting and activities carried out by the Audit Committee is disclosed in this annual report in "Report of Audit Committee" signed by the Chairman of the Committee.

### **Chairman of the Board and Chief Executive Officer**

The position of the Chairman of the Board and the Managing Director of RAK Ceramics (Bangladesh) Limited filled by different individuals. The Chairman of the Company is elected among the directors of the Company. In addition, RAK Ceramics (Bangladesh) Limited has also appointed a Chief Executive Officer (CEO) of the Company. The Board of Directors also clearly defined respective roles and responsibilities of the Chairman, the Managing Director and the CEO in addition to their roles and responsibilities as per Articles of Association of the Company.

### **Chief Financial Officer**

Mr. Kushik Das is the Chief Financial Officer (CFO) of RAK Ceramics (Bangladesh) Limited. He is responsible for accounts and finance activities of the Company. The Board of Directors clearly defined respective roles, responsibilities and duties of the CFO.

### **Head of Internal Audit**

Mr. Zakir Hossain is the Head of Internal Audit of RAK Ceramics (Bangladesh) Limited. He is a qualified Chartered Accountant and fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB). He is responsible for internal control and compliance of the Company. The Board of Directors clearly defined respective roles, responsibilities and duties of the Head of Internal Audit.

### **Company Secretary**

Mr. Muhammad Shahidul Islam is the Company Secretary of RAK Ceramics (Bangladesh) Limited and has been appointed by the Board of Directors of the Company. He is a qualified Chartered Secretary and fellow member of the Institute of Chartered Secretaries of Bangladesh (ICSB). The Board of Directors clearly defined respective roles, responsibilities and duties of the Company Secretary.

### **Statutory Auditors**

A. Qasem & Co. Chartered Accountants (a member firm of Ernst & Young Global Limited, UK) was the external/ statutory auditor of the Company for the year 2016. They carry out systematic examination of books and records of the Company and ascertain, verify and report upon the facts regarding the financial Operation and the results of the Company. To comply with the corporate governance properly, the Company did not engage its statutory auditors to perform the following services:

- (i) Appraisal or valuation services or fairness opinions;
- (ii) Financial information systems design and implementation;
- (iii) Book-keeping or other services related to the accounting records or financial statements;
- (iv) Broker-dealer services;
- (v) Actuarial services;
- (vi) Internal audit services; and
- (vii) Any other service that the Audit Committee determines.
- (viii) No partner or employees of the auditors are holding any shares of RAK Ceramics (Bangladesh) Limited during the tenure of their audit assignment.
- (ix) Audit/certification services on compliance of corporate governance. External/ Statutory auditors are appointed by the shareholders in the Annual General Meeting and fix their remuneration thereof.

### **Internal Audit and Control**

RAK Ceramics (Bangladesh) Limited often considered that internal audit is one of the “four pillars” of corporate governance, the other pillars being the Board of Directors, Management and the External Auditors. Hence, the Company has an independent internal audit department under control of the Audit Committee of the Board. Internal auditing of RAK Ceramics (Bangladesh) Limited assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization’s risk management, control and governance processes.

It helps the Audit Committee of the Board of Directors to perform their responsibilities effectively. This includes reporting critical internal control problems, informing the committee on the material issues or findings, suggesting questions or topics for the Audit Committee’s meeting agendas and coordinating carefully with the committee to receive effective information.

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management process, system of internal control structure and the quality of performance to achieve the organization's stated goals and objectives. It includes:

-Reviewing the reliability and integrity of financial and operating information and the means to identify measure, classify and report such information.

-Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports and whether the organization is in compliance.

-Reviewing the means of safeguarding assets and as appropriate, verifying the existence of such assets.

-Reviewing operations or programs to ascertain whether results are consistent with established. Objectives and goals and whether the operations or programs are being carried out as planned.

-Reviewing specific operations at the request of the Audit Committee or management, as appropriate.

-Monitoring and evaluating the effectiveness of the organization's risk management system. Reviewing the quality of performance of external auditors and the degree of coordination with internal audit.

-Review the internal control statement by the senior management used by the external auditor for audit planning.

### **Subsidiary Company**

RAK Ceramics (Bangladesh) Limited has two subsidiary companies and in compliance with the corporate governance guidelines of the BSEC, the Company ensured followings in all subsidiaries:

- The conditions relating to composition of the Board of Directors including independent directors is fulfill  
- Independent director of the Company is also a director in subsidiary companies.

- The affairs of subsidiary companies have been reviewed in the Board meeting of the Company.

- Minutes of the Board meeting of subsidiary companies have been placed for review in the Board meeting of the Company.

- Financial statements of subsidiary companies have been reviewed by the audit committee of the Company.

### **Code of Ethics**

As an organization, our values include integrity, self determination and valuing people. Our parent company has specified corporate values for the Company and stipulated a code of ethics for employees, ensuring that the latter maintain the highest integrity and comply with the relevant laws and ethical principles. Therefore, the Company considers the significance of ethical, human and environmental matters in the conduct of its business. The Board of RAK Ceramics (Bangladesh) Limited also established a separate 'Code of Conduct' for its Directors in compliance with the requirement of Bangladesh Securities and Exchange Commission (BSEC) notification.

### **Compliances**

To ensure the spirit of the corporate governance with accountability for inspiring confidence of investors, regulators, financier and other stakeholders, RAK Ceramics (Bangladesh) Limited is committed to comply with all the requirements of corporate governance as required by the Bangladesh Securities and Exchange Commission (BSEC).

### **Human Resources**

RAK Ceramics believes that Human Resources of the company are their best capital. This human capital push the organization towards achieving the goal. Frequently changing business environment requires having a well trained work force, therefore, the Company has given more emphasis on developing management skills to suit today's business environment. Various training programs and workshops were carried out during the year. The management and employee relationship in the company was excellent throughout the year.

### **Communication with Shareholders**

The Company encourages communications with the shareholders throughout the year and welcomes their participation in the annual general meeting. In the annual general meeting, the management of the Company received their valuable opinion and tries to implement it's for the betterment of the Company. The Company discloses the quarterly and yearly financial statements and other reports to its shareholders in due time.

### **Company's Corporate Website**

The Company's website is a comprehensive reference of RAK Ceramics (Bangladesh) Limited management, vision and mission, value statement, investor relations, sales network, products, promotions and events. All the information regarding financial statements, patterns of shareholding, corporate benefits, notices, price sensitive information, dividend, refund warrant etc are disclosed in the sub-menu 'Investors' of the website. In addition to that, the Company regularly publishes the entire regulatory requirement in the website of the Company.

### **Conclusion**

RAK Ceramics (Bangladesh) Limited ensured highest standards in corporate good governance and strict adherence to the requirements of ethical code of conduct, through close monitoring. Through the code of ethics all levels of staff have been educated and encouraged to report to whistle blowing, when they suspect wrong doings by other employees.