

Corporate Governance Report

Corporate governance refers to the structures and processes for the judicious direction and control of companies. Sound corporate governance is a fundamental part of the culture of a company and ensures long-term success and sustainability. In this context, RAK Ceramics (Bangladesh) believes in adopting the best practices in the area of corporate governance, a good governance process provides transparency of corporate policies, strategies and the decision making process. This further strengthens internal control systems and helps in building relationships with all stakeholders. The principal characteristics of corporate governance are transparency, independence, accountability, responsibility, fairness, and social responsibility.

The Board of Directors of RAK Ceramics (Bangladesh) is firmly committed to upholding the principles of sound corporate governance. A strong corporate governance framework works as the backbone of a transparent organization. Our corporate governance framework ensures that we make timely disclosures and share accurate information regarding our financials and performance, as well as disclosures related to the leadership and governance of RAK Ceramics (Bangladesh). We believe in transparency and commit ourselves to adhere to good corporate governance practices at all times. 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 an effective intermediary between shareholders and the management of an organization. Directors are elected or appointed by the shareholders at the Annual General Meeting and are accountable to the shareholders. The Board of Directors is the highest governing authority within the management structure and they are also responsible for the operations of the Company, thereby serving the best interests of the shareholders.

Composition of the Board

The Board of Directors of RAK Ceramics (Bangladesh) comprises 05 (five) members, including two Independent Directors in compliance with the Corporate Governance Code 2018 of the Bangladesh Securities and Exchange Commission Dated: June 03, 2018. Some of the core responsibilities of the Board include setting the Company's strategic objectives, providing leadership, supervision and safeguarding shareholders' interests. The Company has a non-Executive Chairman and Managing Director (separately). The day-to-day management of the Company is conducted by the Managing Director who is assisted by the top level executives of the Company.

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 by means of a presentation on finance, sales, marketing, major business segments and operations of the Company and other matters, as per their demand. The Managing Director, along with the Company Secretary, finalizes the agenda papers for the Board meeting in consultation with the 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) has laid down a comprehensive Code of Conduct for the Chairperson of the Board, other Board members and Chief Executive Officer and annual compliance to the code is recorded.

Committee of the Board

In accordance with the requirements of corporate governance of the BSEC, RAK Ceramics (Bangladesh) has an Audit Committee as a subcommittee of the Board of Directors.

Audit Committee

In accordance with the Corporate Governance Code 2018 of the Bangladesh Securities and Exchange Commission Dated: June 03, 2018, the Audit Committee of RAK Ceramics (Bangladesh) Limited comprises of three members including two Independent Directors. The Chairman of the Committee is an Independent Director of the Company. The Company Secretary is the member secretary of the Committee. The Audit Committee is the subcommittee of the Board assists the Board of Directors in ensuring a strong 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 Code 2018 of the BSEC, the audit committee reports to:

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

The details about the Audit Committee including terms of reference, composition, responsibilities, meetings, reporting and activities carried out by the Audit Committee are disclosed in this annual report in the “Report of Audit Committee”, signed by the Chairman of the Committee.

Nomination and Remuneration Committee

In accordance with the Corporate Governance Code 2018 of the BSEC Dated: June 03, 2018, the Nomination and Remuneration Committee of RAK Ceramics (Bangladesh) Limited comprises of three members including two Independent Directors. The Chairperson of the Committee is an Independent Director of the Company. The Company Secretary is the member secretary of the Committee. The NRC is independent and responsible or accountable to the Board and to the shareholders. The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors and top level executive.

According to the Corporate Governance Code 2018 of the BSEC, the NRC shall:

- a) Report and recommendation to the Board of Directors
- b) Disclose the nomination and remuneration policy and the evaluation criteria and its activities to the shareholders

The details about the NRC including terms of reference, composition, responsibilities, meetings, nomination and remuneration policy, evaluation criteria and activities carried out by the NRC are disclosed in this annual report in the “Nomination and Remuneration Committee (NRC) Report”, 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) is filled by different individuals. The Chairman of the Company is elected among the Directors of the Company. In addition, RAK Ceramics (Bangladesh) has also appointed a Chief Executive Officer (CEO) of the

Company. Also, the Board of Directors has clearly defined the respective roles and responsibilities of the Chairman, Managing Director and CEO, in addition to their roles and responsibilities, as per the Articles of Association of the Company.

Chief Financial Officer

Kaushik Das is the Chief Financial Officer of RAK Ceramics (Bangladesh). He is a qualified finance professional from the Institute of Cost Accountants of India and the Indian Institute of Management, Kolkata. He carries with him over 25 years of rich industry experience in India and has been a part of large business conglomerates in India. As CFO, he is responsible for the finance and accounting activities and is also entrusted with the task of driving the companies' endeavor to move to the next level of growth. The Board of Directors has clearly defined the roles, responsibilities and duties of the CFO.

Company Secretary

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

Head of Internal Audit and Compliance

Mr. Mohammad Samsul Arefin is the Head of Internal Audit and Compliance of RAK Ceramics (Bangladesh) Limited. He is a qualified Cost and Management Accountant and fellow member of the Institute of Cost and Management Accountants of Bangladesh (ICMAB) and he is also a Chartered Global Management Accountant (CGMA) qualified from CIMA, UK. 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 and Compliance.

Statutory Auditors

External/ Statutory Auditors are appointed by the shareholders in the Annual General Meeting and also fix their remuneration thereof. M/s ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL), was the external/ Statutory Auditor of the Company for the year 2018. They carry out systematic examination of the books and records of the Company and ascertain, verify and report upon the facts regarding the financial results of the Company. To ensure the highest levels of compliance with corporate governance, 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 or special audit services;
- (vii) Any service that the Audit Committee determines;

(viii) Audit or certification services on compliance of corporate governance as required under condition No. 9(1); and

(ix) Any other service that creates conflict of interest.

(x) No partners or employees or any family members of any partners or employees of Statutory Auditors are holding any shares of RAK Ceramics (Bangladesh) Limited during the tenure of audit assignment.

Internal Audit and Control

RAK Ceramics (Bangladesh) often considers 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 the control of the Audit Committee of the Board. Internal auditing of RAK Ceramics (Bangladesh) 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 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 processes, system of internal control structures 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 organisation is in compliance with these.

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 the established results.

Reviewing the 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.

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

Subsidiary Company

RAK Ceramics (Bangladesh) has two subsidiary companies and in compliance with the corporate governance code 2018 of the BSEC, the Company ensured the following in its subsidiaries: The provisions relating to the composition of Board of Directors for each subsidiary company have been complied. The

conditions relating to composition of the Board of Directors including independent directors is fulfilled. 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 Conduct

As an organization of repute, our values include integrity, self-determination and valuing our people. Our parent company has specified the corporate values for the Company and also stipulated a code of conduct for employees, ensuring that the latter maintain the highest integrity, promote fair and accurate disclosure and financial reporting and comply with all 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) has also established a separate 'Code of Conduct' for the Chairperson of the Board, other Board members and Chief Executive Officer in compliance with the requirements the Corporate Governance Code 2018 of the Bangladesh Securities and Exchange Commission Dated: June 03, 2018.

Compliances

To ensure that excellence in corporate governance is achieved with accountability for inspiring the confidence of investors, regulators, financiers and other stakeholders, RAK Ceramics (Bangladesh) is committed to comply with all the requirements of corporate governance code, as required by the Bangladesh Securities and Exchange Commission. The certificate on compliance of conditions of corporate governance code of the Company is attached herewith on page - in this annual report.

Human Resources

RAK Ceramics (Bangladesh) believes that human resources are its most important asset. Each and every employee is considered, developed and motivated to contribute optimally towards the achievement of corporate goals and aspirations. A vibrant business environment requires a well-trained workforce and hence, the Company has given more emphasis on developing management skills to suit today's dynamic business environment. Various training programs and workshops were carried out during the year. Moreover, we believe that building and maintaining healthy employee relations is an essential prerequisite in attaining ultimate success in business. The management and employee relationship in the Company was excellent throughout the year.

Conclusion

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