

SECURITIES AND EXCHANGE COMMISSION
Jiban Bima Tower
10, Dilkusha (15th, 16th and 20th Floor)
Dhaka-1000

ORDER
Dated the 9th January, 2006

No. SEC/CMRRCD/2006-158/Admin/02-06: Whereas, the Securities and Exchange Commission (herein after referred to as the ‘Commission’) deems it fit that the consent already accorded by the Commission, or deemed to have been accorded by it, or to be accorded by it in future, to the issue of capital by the companies listed with any stock exchange in Bangladesh, should be subject to certain further conditions, on ‘comply or explain’ basis, in order to improve corporate governance in the interest of investors and the capital market;

Now, therefore, in exercise of the power conferred by section 2CC of the Securities and Exchange Ordinance, 1969 (XVII of 1969), the Commission hereby imposes following further conditions to the consent already accorded by it or deemed to have been accorded by it, or to be accorded by it in future to the issue of capital by the companies listed with any stock exchange in Bangladesh:

Provided, however, that these conditions are imposed on ‘comply or explain’ basis. The companies listed with any stock exchange in Bangladesh should comply with these conditions or shall explain the reasons for non-compliance in accordance with the condition No.5.

The Conditions :

1.00 BOARD OF DIRECTORS:

1.1. Board’s Size

The number of the board members of the company should not be less than 5 (five) and more than 20 (twenty) with a view to enabling access to diverse expertise and meaningful discussion:

Provided, however, that in the case of banks and non-bank financial institutions, insurance companies and statutory bodies for which separate primary regulators like Bangladesh Bank, Department of Insurance etc. exist, the Board of those companies should be constituted as may be prescribed by such primary regulators in so far as those prescriptions are not inconsistent with the aforesaid condition.

1.2. Independent non-shareholder Directors

All companies should encourage effective representation of independent non-shareholder directors on their Boards of Directors so that the Board as a group includes core competencies considered relevant in the context of each company. For this purpose, the companies should comply with the following:-

- i. At least one fifth (1/5) of the total number of the company's board of directors should be independent non-shareholder directors;

Explanation: For the purpose of this clause, the expression “independent non-shareholder director” means a director who is not connected with the company or its promoters or directors on the basis of family relationship; who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies; who is not a member, director or officer of any stock exchange; and who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market.

- ii. The independent non-shareholder directors should be appointed by the elected directors.

1.3. **Chairman of the Board and Chief Executive**

The positions of the Chairman of the Board and the Chief Executive Officer of the companies should be filled by different individuals. The Chairman of the company should be elected from among the directors of the company. The Board of Directors should clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.

1.4 **The Directors' Report to Shareholders**

The directors of the companies should include following additional statements in the Directors' Report prepared under section 184 of the Companies Act, 1994:

- (a) The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- (b) Proper books of account of the issuer company have been maintained;
- (c) 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;
- (d) International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure therefrom has been adequately disclosed;
- (e) The system of internal control is sound in design and has been effectively implemented and monitored;
- (f) There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed;
- (g) Significant deviations from last year in operating results of the issuer company should be highlighted and reasons thereof should be explained;

- (h) Key operating and financial data of at least immediately preceding three years should be summarised;
- (i) If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof should be given;
- (j) Significant plans and decisions, such as corporate restructuring, business expansion and discontinuance of operations, should be outlined along with future prospects, risks and uncertainties surrounding the company;
- (k) The number of Board meetings held during the year and attendance by each director should be disclosed;
- (l) The pattern of shareholding should be reported to disclose the aggregate number of shares (along with name wise details as stated below) held by:
 - ? Parant/Subsidiary/Associated companies and other related parties (name wise details);
 - ? Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);
 - ? Executives; and
 - ? Shareholders holding ten percent or more voting interest in the company (name wise details).

Explanation: For the purpose of this clause, the expression “executive” means top five salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit.

2.00 **CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY:**

2.1. **Appointment**

The company should appoint a Chief Financial Officer (CFO), a Head of Internal Audit and a Company Secretary. The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the Company Secretary.

2.2. **Requirement to Attend Board Meetings**

The CFO and the Company Secretary of the companies should attend meetings of the Board of Directors, Provided that the CFO and/or the Company Secretary should not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to the CFO and/or the Company Secretary.

3.00 **AUDIT COMMITTEE:**

The company should have an Audit Committee as a sub-committee of the Board of Directors.

The Audit Committee should assist the Board of Directors in handling the issues which might be overlooked and should ensure a good monitoring system within the business.

The aims of the establishment of an Audit Committee should be to create efficiency in the operations and to add value to the organization. The Audit Committee should be responsible to the Board of Directors according to the duties and responsibilities assigned by the Board of Directors. The duties of the Audit Committee should be clearly set forth in writing.

3.1. **Constitution of Audit Committee**

- i. The audit committee should be composed of at least 3 (three) members;
- ii. The Board of Directors should appoint members of the Audit Committee who should be directors of the company and should include at least one independent non-shareholder director;
- iii. When the term of service of the committee members expires or there is any circumstance causing any committee member to be unable to hold office until expiration of the term of service, thus making the number of the committee members to be lower than the prescribed number of 3 (three) persons, the Board of Directors should appoint the new committee member(s) to fill up the vacancy(ies) immediately or not later than 1 (one) month from the date of vacancy(ies) in the Committee to ensure continuity of the performance of work of the Audit Committee.

3.2. **Chairman of the Audit Committee**

- i. The Board of Directors should select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee;
- ii. The Chairman of the audit committee should have a professional qualification and must have knowledge, understanding or experience in accounting or finance.

3.3. **Reporting of the Audit Committee**

3.3.1 **Reporting to the Board of Directors**

- i. The Audit Committee should report on its activities to the Board of Directors;
- ii. The Audit Committee should immediately report to the Board of Directors on the following findings, if any:-
 - (a) Report on conflicts of interests;
 - (b) Suspected or presumed fraud or irregularity or material defect in the internal control system;
 - (c) Suspected infringement of laws, including securities related laws, rules and regulations;
 - (d) Any other matter which should be disclosed to the Board of Directors immediately.

3.3.2. Reporting to the Authorities

If the Audit 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, upon completion of the period of time mutually fixed, if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee or its members should report such finding to the Commission.

3.4. Reporting to the Shareholders and General Investors

Report on activities carried out by the audit committee, including any report made to the board of directors under condition 3.3.1 (ii) above during the year, should be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company.

4.00. **EXTERNAL/STATUTORY AUDITORS**

The company should not engage its external/statutory auditors to perform the following services of the company:

- i. Appraisal or valuation services or fairness opinions;
- ii. Financial information systems design and implementation;
- iii. Bookkeeping or other services related to the accounting records or financial statements;
- iv. Broker-dealer services;
- v. Actuarial services;
- vi. Internal audit services;
- vii. Any other service that the Audit Committee determines.

5.00 REPORTING THE COMPLIANCE IN THE DIRECTOR'S REPORT

The directors of the company shall state, in accordance with the annexure attached, in the directors' report whether the company has complied with these conditions.

By order of the Commission

Dr. Mirza Azizul Islam
Chairman
Securities and Exchange Commission

Status of compliance with the conditions imposed by the Commission's Order No. SEC/CMRRCD/2006-158/Admin/02-06 dated 09/01/2006, Condition No. 5 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

(Report under condition No. 5.00)

Condition No.	Title	Compliance status (Put ? in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not complied	
1.1				
1.2 (i)				
1.2 (ii)				
1.3				
1.4 (a)				
1.4 (b)				
1.4 (c)				
1.4 (d)				
1.4 (e)				
1.4 (f)				
1.4 (g)				
1.4 (h)				
1.4 (i)				
1.4 (j)				
1.4 (k)				
1.4 (l)				
2.1				
2.2				
3.00				
3.1 (i)				
3.1 (ii)				
3.1 (iii)				
3.2 (i)				
3.2 (ii)				
3.3.1 (i)				
3.3.1 (ii) (a)				
3.3.1 (ii) (b)				
3.3.1 (ii) (c)				
3.3.1 (ii) (d)				
3.3.2				
3.4				
4.00 (i)				
4.00 (ii)				
4.00 (iii)				
4.00 (iv)				
4.00 (v)				
4.00 (vi)				
4.00 (vii)				

Chairman
Securities and Exchange Commission