**Compliance Report on BSEC Notification**

Status of Compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission’s Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 issued under section 2CC of the Securities and Exchange Commission Ordinance 1969 on “Comply or Explain” basis. The Board of Directors of the company has taken appropriate steps to comply with the conditions and implemented as many of those as practicable. Status report on compliance with those conditions is given below in prescribed format:

**(Report under Condition No. 7.00)**

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| --- | --- | --- | --- | --- | --- |
| **Condition no.** | Title | **Compliance status**  **(Put √ in the appropriate column)** | | | **Remarks**  **(if any)** |
| **Complied** | **Not complied** |  | |
| **1.** | **BOARD OF DIRECTORS** | | | | |
| 1.1 | Board’s size: should be not less than 5 (five) and more than 20 (twenty) | **√** |  | Currently the Board size is 7 (seven) including an Independent Director. | |
| **1.2** | **Independent DIRECTORS** | | | | |
| 1.2(i) | Independent Director: at least 1/5 shall be Independent Director | **√** |  | Another Independent Director will be appointed within short time. | |
| 1.2(ii) a) | Who does not hold any shares or hold less than 1% shares | **√** |  | The Independent Director does not hold any share of the company | |
| 1.2(ii) b) | Who is not a sponsor or not connected with the company’s sponsor | **√** |  |  | |
| 1.2(ii) c) | who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies | **√** |  |  | |
| 1.2(ii) d) | who is not a member, director or officer of any stock exchange | **√** |  |  | |
| 1.2(ii) e) | who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market | **√** |  |  | |
| 1.2(ii) f) | who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company’s statutory audit firm | **√** |  |  | |
| 1.2(ii) g) | who shall not be an independent director in more than 3 (three) listed companies | **√** |  |  | |
| 1.2(ii) h) | who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI) | **√** |  |  | |
| 1.2(ii) i) | who has not been convicted for a criminal offence involving moral turpitude | **√** |  |  | |
| 1.2(iii) | the independent director(s) shall be appointed by the board of directors and approved by the shareholders in the AGM | **√** |  |  | |
| 1.2(iv) | the post of independent director(s) cannot remain vacant for more than 90 (ninety) days |  |  | **N/A** | |
| 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 | **√** |  | Formal Code of Conduct has been clearly spelled out and approved by the Board | |
| 1.2(vi) | the tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only | **√** |  |  | |
| **1.3** | **Qualification of Independent Director (ID)** |  |  |  | |
| 1.3(i) | Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business | **√** |  |  | |
| 1.3(ii) | The person should be a Business Leader/ Corporate Leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professionals | **√** |  |  | |
| 1.3(iii) | In special cases the above qualifications may be relaxed subject to prior approval of the Commission |  |  | **N/A** | |
| 1.4 | **Chairman of the Board and Chief Executive Officer**  The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer. | **√** |  |  | |
| **1.5** | **The Directors’ Report to Shareholders** |  |  |  | |
| 1.5(i) | Industry outlook and possible future developments in the industry | **√** |  |  | |
| 1.5(ii) | Segment-wise or product-wise performance | **√** |  |  | |
| 1.5(iii) | Risks and concerns | **√** |  |  | |
| 1.5(iv) | A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin | **√** |  | ICBIBL being a bank, cost of profit expenses and GP% along with profit margin were discussed | |
| 1.5(v) | Discussion on continuity of any Extra-ordinary gain or loss | **√** |  | ICBIBL does not have such gain or loss | |
| 1.5(vi) | Basis for related party transactions-a statement of all related party transactions should be disclosed in the annual report | **√** |  | Please refer to Note No. 44 of Financial Statement | |
| 1.5(vii) | Utilization of proceeds from public issues, rights issues and/or through any others instruments |  |  | **N/A** | |
| 1.5(viii) | An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc |  |  | **N/A** | |
| 1.5(ix) | If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on the Annual Report |  |  | **N/A** | |
| 1.5(x) | Remuneration to directors including independent directors | **√** |  |  | |
| 1.5(xi) | 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 | **√** |  |  | |
| 1.5(xii) | Proper books of account of the issuer 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 judgment | **√** |  |  | |
| 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 and any departure there-from has been adequately disclosed | **√** |  |  | |
| 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 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 | **√** |  |  | |
| 1.5(xvii) | Significant deviations from the last year’s 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 summarized | **√** |  |  | |
| 1.5(xix) | If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given | **√** |  | The Bank is not in the state of generating sufficient income to pay such dividends. | |
| 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 shareholding** |  |  |  | |
| 1.5(xxi)a | Parent/Subsidiary/Associated Companies and other related parties (name wise details) | **√** |  |  | |
| 1.5(xxi)b | Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details) | **√** |  |  | |
| 1.5(xxi)c | Executives | **√** |  | |  |
| 1.5(xxi)d | Shareholders holding ten percent (10%) or more voting interest in the company (name wise details) | **√** |  | |  |
| **1.5(xxii)** | **In case of the appointment/re-appointment of a director** |  |  | |  |
| 1.5(xxii)a | a brief resume of the director | **√** |  | | Information regarding the Director disclosed. |
| 1.5(xxii)b | nature of his/her expertise in specific functional areas | **√** |  | |  |
| 1.5(xxii)c | names of companies in which the person also holds the directorship and the membership of committees of the board | **√** |  | |  |
| **2.0** | **CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS)** | | | | |
| 2.1 | Appointment of CFO, Company Secretary & Head of Internal Audit and defining their responsibilities | **√** |  | |  |
| 2.2 | Attendance of CFO & Company Secretary in the Board of Directors meeting | **√** |  | |  |
| **3.0** | **AUDIT COMMITTEE** | | | | |
| 3(i) | The 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 Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing | **√** |  | |  |
| **3.1** | **Constitution of the Audit Committee** |  |  | |  |
| 3.1(i) | The Audit Committee shall be composed of at least 3 (three) members | **√** |  | |  |
| 3.1(ii) | The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) independent director | **√** |  | |  |
| 3.1(iii) | All members of the audit committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management experience | **√** |  | |  |
| 3.1(iv) | Casual Vacancy of the Audit Committee fill up immediately |  |  | | **N/A** |
| 3.1(v) | The company secretary shall act as the secretary of the Committee | **√** |  | |  |
| 3.1(vi) | The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director | **√** |  | |  |
| **3.2** | **Chairman of the Audit Committee** |  |  | |  |
| 3.2(i) | Selection of Chairman of Audit Committee from independent director | **√** |  | | The Chairman of Audit Committee is an independent director |
| 3.2(ii) | Chairman of the audit committee shall remain present in the Annual General Meeting(AGM) | **√** |  | |  |
| **3.3** | **Role of the Audit Committee** |  |  | |  |
| 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 financial statements 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) | 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. | **√** |  | |  |
| **3.4** | **Reporting of the Audit Committee** |  |  | |  |
| 3.4.1(i) | The Audit Committee shall report on its activities to the Board of Directors | **√** |  | |  |
| 3.4.1(ii) | The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:- |  |  | |  |
| 3.4.1(ii)a) | report on conflicts of interests |  |  | | **N/A** |
| 3.4.1(ii)b) | suspected or presumed fraud or irregularity or material defect in the internal control system |  |  | | **N/A** |
| 3.4.1(ii)c) | suspected infringement of laws, including securities related laws, rules and regulations |  |  | | **N/A** |
| 3.4.1(ii)d) | any other matter which shall be disclosed to the Board of Directors immediately |  |  | | **N/A** |
| 3.4.2 | Reporting to the Authorities |  |  | | **N/A** |
| 3.5 | Reporting to the Shareholders and General Investors | **√** |  | |  |
| **4.00** | **EXTERNAL/STATUTORY AUDITORS** | | | | |
|  | The issuer company should not engage its external/statutory auditors to perform the following services of the company |  |  | |  |
| 4(i) | Appraisal or valuation services of fairness  opinions | **√** |  | |  |
| 4(ii) | Financial Information systems design and implementation | **√** |  | |  |
| 4(iii) | Book keeping or other services related to the accounting records or financial statements | **√** |  | |  |
| 4(iv) | Broker-Dealer services | **√** |  | |  |
| 4(v) | Actuarial services | **√** |  | |  |
| 4(vi) | Internal Audit services | **√** |  | |  |
| 4(vii) | Any other services that the audit committee determines | **√** |  | |  |
| 4(viii) | No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company | **√** |  | |  |
| 4(ix) | Audit/certification services on compliance of Corporate Governance as required under clause (i) of condition No. 7. | **√** |  | |  |
| 5 | **SUBSIDIARY COMPANY** |  |  | |  |
| 5(i) | Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company |  |  | | **N/A** |
| 5(ii) | At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company |  |  | | **N/A** |
| 5(iii) | The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company |  |  | | **N/A** |
| 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 |  |  | | **N/A** |
| 5(v) | The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company |  |  | | **N/A** |
| **6** | **DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO)** | | | | |
| **6(i)** | **They have reviewed financial statements for the year and that to the best of their knowledge and belief** |  |  | |  |
| 6(i)a) | these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading | **√** |  | |  |
| 6(i)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 the company’s code of conduct | **√** |  | |  |
| **7** | **REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE** | | | | |
| 7(i) | The company shall obtain a certificate from a practicing Professional Accountant/Secretary (Chartered Accountant/Cost and Management Accountant/Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis | **√** |  | | The certificate is enclosed in this Annual Report 2014 |
| 7(ii) | 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 | **√** |  | |  |