

ITRAT HUSAIN & ASSOCIATES
CHARTERED SECRETARIES IN PRACTICE

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

1. We have examined the compliance of conditions of Corporate Governance by **Bangladesh Building Systems Ltd.** (“the Company”) for the period ended 30 June, 2017 as per the Corporate Governance Guidelines issued by the Bangladesh Securities and Exchange Commission (BSEC) vide Notification No. SEC/CMRRCD/2006-158/134/Admin 44 dated 7 August 2012.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanation given to us and the representations made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the BSEC notification mentioned above.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.



Itrat Husain & Associates
Chartered Secretaries in Practice

Signed by : Itrat Husain FCMA, FCS
Chief Executive

Dhaka, 8 November, 2017

“CRYSTAL PALACE” REGUS, 3RD FLOOR, SE (D) 22, ROAD 140, SOUTH GULSHAN AVENUE, GULSHAN-1, DHAKA-1212, BANGLADESH
CELL: 01713092222; 01819259703, EMAIL: itratsahed@gmail.com

STATUS OF COMPLIANCE

Status of compliance with the Corporate Governance Guidelines (CGC) for the year from 01 July, 2016 to 30 June, 2017

Status of compliance with the conditions imposed by the Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August, 2012 of Bangladesh Securities and Exchange Commission (BSEC) issued under section 2CC of the Securities and Exchange Ordinance, 1969.

(Report under Condition No. 7.00)

Condition No.	Title	Complied	Not Complied	Remarks
1.1	Board Size: The number of the Board members of the Company shall not be less than 5 (five) and more than 20 (twenty).	✓		The BBSL Board is comprised of 7 Directors.
1.2 (i)	Independent Directors: At least one fifth (1/5) of the total number of Directors in the Company's Board shall be Independent Directors.	✓		There are two Independent Directors in the BBSL Board, namely Md. Anwar Hossain FCMA and A. S. M Ali Kabir.
1.2 (ii)a)	Independent Director does not hold any share or holds less than (1%) one percent shares of the total paid-up capital.	✓		The Independent Director has declared his compliance.
1.2 (ii)b)	Independent Directors or his family members are not connected with the Company's any Sponsor or Director or Shareholder who holds 1% or more shares.	✓		DO
1.2 (ii)c)	Does not have any other relationship, whether pecuniary or otherwise, with the Company or its subsidiary/associated companies.	✓		DO
1.2 (ii)d)	Independent Director is not a Member, Director or Officer of any stock exchange.	✓		DO
1.2 (ii)e)	Independent Director is not a Shareholder, Director or Officer of any member of stock exchange or an intermediary of the capital market.	✓		DO
1.2 (ii)f)	Independent Director is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of any statutory audit firm.	✓		DO
1.2 (ii)g)	Independent Director shall not be an Independent Director in more than 3 (three) listed companies.	✓		DO
1.2 (ii)h)	Independent Director 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 (NBF).	✓		DO
1.2 (ii)i)	Independent Director has not been convicted for a criminal offence involving moral turpitude.	✓		DO
1.2 (iii)	The Independent Director(s) shall be appointed by the Board of Directors and approved by the shareholders in the AGM.	✓		DO
1.2 (iv)	The Post of Independent Director(s) can not remain vacant for more than 90 (ninety) days			No vacancy occurred.
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.	✓		In Practice.
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.	✓		The Independent Directors (IDs) are in thier 2nd term of office.
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.	✓		The qualification and background of IDs justify their abilities as such.
1.3 (ii)	Independent Director should be a Business Leader/Corporate Leader/Bureaucrat/ University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent Director must have at least 12 (twelve) years of corporate management/professional experiences.	✓		Existing Independent Directors are Business Leader/Corporate Leader with more than (12) twelve years of experience.
1.3 (iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.			Not Applicable.
1.4	Chairman & CEO shall be filled by different individuals. Chairman shall be elected from among the Directors. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the CEO.	✓		Chairman of the Board and CEO are different individuals. The roles and responsibilities of the Chairman of the Board and the CEO are approved by the Board of Directors.
1.5	The Directors report to Shareholders on:			
1.5 (i)	Industry outlook and possible future developments in the industry.	✓		The Directors report complies with the guidelines.
1.5 (ii)	Segment-wise or product-wise performance	✓		DO
1.5 (iii)	Risks and concerns.	✓		DO
1.5 (iv)	A discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin.	✓		DO
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss.	✓		DO
1.5 (vi)	Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report.	✓		DO
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments.	✓		DO
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.			Not Applicable.

STATUS OF COMPLIANCE

Condition No.	Title	Complied	Not Complied	Remarks
1.5 (x)	If significant variance occurs between Quarterly Financial Performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	✓		The Directors report complies with the guidelines.
1.5 (x)	Remuneration to Directors including Independent Directors	✓		DO
1.5 (xi)	The Financial Statements prepared by the management of the issuer company present fairly its state of affairs, the results of its operations, cash flows and changes in equity	✓		DO
1.5 (xii)	Proper books of account of the issuer company have been maintained	✓		DO
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	✓		DO
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 statement and any departure therefrom has been adequately disclosed.	✓		DO
1.5 (xv)	The System of Internal Control is sound in design and has been effectively implemented and monitored.	✓		DO
1.5 (xvi)	There are no significant doubts on 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.	✓		DO
1.5 (xvii)	Significant deviations from the last year's in Operating Results of the issuer company shall be highlighted and the reasons there of should be explained.	✓		DO
1.5 (xviii)	Key operating and financial data of at least preceding 05 (five) years shall be summarized	✓		DO
1.5 (xix)	No Declaration of Dividend	Not Applicable		10% Stock dividend & 5% Cash dividend
1.5 (xx)	The number of Board Meetings held during the year and attendance by each Director shall be disclosed.	✓		The Directors report complies with the guidelines.
1.5 (xxi)	The pattern of shareholding shall be reported to disclosed the aggregate numbers of shares (along with name wise details where stated below) held by:-	✓		DO
1.5 (xxi)a	Parent/Subsidiary/Associated Companies and other related parties (name wise details) and their spouses and minor Children (name wise details).	✓		DO
1.5 (xxi)b	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit	✓		DO
1.5 (xxi)c	Executives	✓		DO
1.5 (xxi)d	Shareholders Holding Ten Percent (10%) or More Voting Interest in the company (name wise details).	✓		DO
1.5 (xxii)	In case of appointment/re-appointment of a Director the Company shall disclose the following information to the shareholders:- a) a brief resume of the Director; b) nature of his/her expertise in specific functional areas; c) names of companies in which the person also holds the Directorship and the membership of committees of the Board.	✓		DO
2.1	The company shall appoint a Chief Executive Officer, Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Director should clearly define respective roles, responsibilities and duties of CFO, the Head of Internal Audit and the CS.	✓		The company has appointed CFO, CS and Head of Internal Audit. There are clearly defined roles, responsibilities and duties which have been approved by Board as per requirement of BSEC notification.
2.2	Attendance of CFO and the Company Secretary in the Board Meeting.	✓		In practice
3(i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	✓		Already in place.
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.	✓		In practice.
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.	✓		In practice.
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members.	✓		The Audit Committee is composed of 3 (three) members.
3.1 (ii)	The Board of Directors shall appoint member of the Audit Committee Members who shall be Directors of the company and shall include at least 1(one) Independent Director.	✓		The member of the Audit Committee are appointed by the Board who are Directors which includes 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: The term Financially literate means the ability to read and understand the financial statements i.e.; Balance Sheet, Income Statement and Cash flows Statement and a person will be considered to have accounting or related financial management expertise if (s)he possesses professional qualification or accounting/finance graduate with at least 12 (twelve) years of corporate management/professional experiences.	✓		Based on the academic qualifications professional experiences the Board reviewed and considered that all the existing members of the Audit committee are "financially literate" and they have "related financial management experience" as per BSEC notification.
3.1 (iv)	Casual vacancy in Audit Committee shall be filled by the Board.	✓		The Board appointed AC member in due time and they work as per the ToR.
3.1 (v)	The company secretary shall act as the secretary of the Committee.	✓		In practice
3.1 (vi)	The quorum of the Audit Committee (AC) meeting shall not constitute without at least 1 (one) independent director.	✓		In practice

STATUS OF COMPLIANCE

Condition No.	Title	Status		Remarks
3.2(i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.	Complied	Not Complied	Md. Anowar Hossain FCMA has been appointed as Independent Director who is also the Chairman of BAC.
3.2(ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	✓		In practice
3.3(i)	The role of Audit Committee: Oversee the financial reporting process.	✓		In practice
3.3(ii)	Monitor choice of accounting policies and principles.	✓		In practice
3.3(iii)	Monitor Internal Control Risk management process.	✓		In practice
3.3(iv)	Oversee hiring and performance of external auditors.	✓		In practice
3.3(v)	Review along with the management, the annual financial statements before submission to the board for approval.	✓		In practice
3.3(vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	✓		In practice
3.3(vii)	Review the adequacy of internal audit function.			In practice
3.3(viii)	Review statement of significant related party transactions submitted by the management.	✓		In practice
3.3(ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	✓		In practice
3.3(x)	When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose 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.	✓		
3.4.1(i)	The Audit Committee shall report on its activities to the Board of Directors.	✓		
3.4.1(ii)a)	Reporting of Conflict of Interest to the Board of Directors.	✓		There was no reportable case of conflict of interest.
3.4.1(ii)b)	Will report any suspected or presumed fraud or irregularity or material defect in the Internal Control System to the Board.	✓		There was no such case in this period.
3.4.1(ii)c)	Will report any suspected infringement of laws, including securities related laws, rules and regulations to the Board.	✓		DO
3.4.1(ii)d)	Will report any other matter which shall be disclosed to the Board of Directors immediately.	✓		DO
3.4.2	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 and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board of Directors for three times or completion of the period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.	✓		DO

STATUS OF COMPLIANCE

Condition No.	Title	Complied	Not Complied	Remarks
3.5	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 3.4.1(i) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company.	✓		The Audit Committee report is disclosed in the Annual Report and signed by the Chairman of the BAC.
4(i)	Non- engagement of external/statutory auditors in appraisal or valuation services or fairness opinions.	✓		In practice
4(ii)	Non-engagement of external/statutory auditors in Financial Information System design and implementation.	✓		In practice
4(iii)	Non-engagement of external/statutory auditors in Book Keeping or other services related to the accounting records or financial statements Complied.	✓		In practice
4(iv)	Non- engagement of external/statutory auditors in Broker-Dealer services Complied.	✓		In practice
4(v)	Non- engagement of external/statutory auditors in Actuarial services Complied.	✓		In practice
4(vi)	Non- engagement of external/statutory auditors in Internal Audit services Complied.	✓		In practice
4(vii)	Non- engagement of external/statutory auditors in any other services that the Audit Committee determines.	✓		In practice
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.	✓		In practice
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.			Not Applicable
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			Not Applicable
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			Not Applicable
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.			Not Applicable
5(v)	The Audit Committee of the holding company shall also review financial statements, in particular the investments made by the subsidiary company			Not Applicable
6(i)a)	The CEO and CFO will certify to the Board that they have reviewed the Financial Statements and believe that these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	✓		CEO and CFO certified to the Board during finalization of Financial statements which is stated in the "Directors declaration as to Financial statements in the Directors' Report".
6(i)b)	The CEO and CFO will certify to the Board that they have reviewed the Financial statements and believe that 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	✓		In practice
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	✓		In practice
7(i)	The company shall obtain a Certificate from a Professional Chartered Secretary /Accountant (Chartered Accountant /Cost 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	✓		Required certification has been obtained from Itrat Husain & Associates, Chartered Secretaries in Practice, for the year ended 30 June, 2017.
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	✓		Status of Compliance is published with the Directors' Report as required.