

# Corporate Governance

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## CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE GUIDELINES TO THE SHAREHOLDERS OF ONE BANK LIMITED

We have examined the status of compliance to the BSEC guidelines on Corporate Governance by ONE Bank Ltd (Bank) for the year ended 31 December 2015. These guidelines relate to the Notification no. SEC/CMRRCD/2006-8/134/Admin/44 dated 7 August 2012 and amendment no SEC/CMRRCD/2006-158/147/Admin of Bangladesh Securities and Exchange Commission (BSEC) on Corporate Governance.

The compliance with the said conditions of Corporate Governance and reporting the status thereof is the responsibility of the management of the Bank. Our responsibility is to provide a certificate about whether the Bank is in compliance with the said conditions of Corporate Governance based on our examination. Our examination for the purpose of issuing this certificate was limited to the procedures including implementation thereof as adopted by the Bank for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

To the best of information and explanations provided to us, we certify that in our opinion the Bank has complied with the conditions of Corporate Governance as stipulated in the above mentioned guidelines issued by BSEC.

We also state that such compliance certificate is neither an assurance as to the future viability of the Company nor a certification on the efficiency or effectiveness with which the Management has conducted the affairs of the Bank.

Dated, Dhaka  
7 March, 2016

  
ACNABIN  
Chartered Accountants

# Corporate Governance

## ONE Bank Limited

### Securities and Exchange Commission compliance issues- Status and Recommendations

For the Year ended 31 December, 2015

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
<b>Status of Compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/Admin/44 dated 07 August 2012 and amendment no SEC/CMRRCD/2006-158/147/Admin/ dated 21 July 2013 issued under section 2CC of the Securities and Exchange Ordinance, 1969 is presented below:</b>				
<b>1</b>	<b>Board Size</b>			
1.1	Board members should not be less than 5 (five) and not more than 20 (twenty)	✓		
<b>1.2</b>	<b>Independent Director</b>			
1.2 (i)	Independent Director: At least 1/5th	✓		
1.2 (ii) (a)	An independent director does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company	✓		
1.2 (ii) (b)	An independent director is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/ her family members also should not hold above mentioned shares in the company	✓		
1.2 (ii) (c)	An independent director does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	✓		
1.2 (ii) (d)	An independent director is not a member, director or officer of any stock exchange	✓		
1.2 (ii) (e)	An independent director is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	✓		
1.2 (ii) (f)	An independent director 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)	An independent director shall not be an independent director in more than 3 (three) listed companies	✓		

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Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
1.2 (ii) (h)	An 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 (NBFI)	✓		
1.2 (ii) (i)	An independent director 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	✓		
	Appointment of the independent director shall be approved by the shareholders in the Annual General Meeting (AGM)	✓		
1.2 (iv)	The post of independent director(s) can not remain vacant for more than 90 (ninety) days	✓		
1.2 (v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code of conduct of the Board of Director to be recorded	✓		
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	✓		
<b>1.3</b>	<b>Qualification of Independent Director</b>			
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)	He/ She 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. He/she must have at least 12 (twelve) years of corporate management/ professional experiences.	✓		
1.3(iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission	—	—	Not applicable (No special case arose)

## Corporate Governance

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
	<b>Chairman of the Board and Chief Executive Officer:</b>			
1.4	The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals. The Chairman of the company shall be elected from among the directors of the company and The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.	✓		
1.5	<b>Directors Report to Shareholders shall include following additional statements</b>			
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.	✓		
1.5 (v)	Discussion on continuity of any Extra-Ordinary 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.	✓		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments.	✓		
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
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	✓		
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.	✓		

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Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
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.	—	—	Not applicable
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	✓		
1.5 (xxi)	<b>The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:-</b>			
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 (Explanation: For the purpose of this clause, the expression "executive" means top 5 (five) salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit.)	✓		
1.5 (xxi) (d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	✓		
1.5 (xxii)	A brief resume of the director;	✓		

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Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
1.5 (xxii) (a)	Nature of his/her expertise in specific functional areas;	✓		
1.5 (xxii) (b)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	✓		
1.5 (xxii) (c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	✓		
<b>2</b>	<b>Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary (CS)</b>			
2.1	The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS).	✓		
	The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	✓		
2.2	<b>Requirement to attend the Board Meetings</b> Attendance of CFO and the company secretary at Board of Directors' meeting	✓		
<b>3</b>	<b>Audit Committee</b>			
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 (i)	The Audit Committee shall be composed of at least 3 (three) members.	✓		
3.1 (ii)	Constitution of Committee with Board members including 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)	Filing of casual vacancy in committee	—	—	Not applicable (No casual vacancy in 2015)
3.1 (v)	The company secretary shall act as the secretary of the Committee.	✓		

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Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	✓		
<b>3.2</b>	<b>Chairman of Audit Committee</b>			
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.	✓		
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	✓		Status is given on the basis of 2014 AGM's attendance since current year's AGM not yet held
<b>3.3</b>	<b>Roles &amp; Responsibility of Audit Committee</b>			
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)	When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue 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. 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.	—	—	Not applicable (The last IPO was issued in 2003. RPO and Right share were not issued by the bank)

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		Complied	Not Complied	
<b>3.4</b>	<b>Reporting of Audit Committee</b>			
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	✓		According to the CS (who is also secretary to the Audit Committee) and In-charge of ICC, there was no conflict of interest in the year 2015
3.4.1(ii)(b)	Reporting of any fraud or irregularity to the Board of Directors	✓		
3.4.1(ii)(c)	Reporting of violation of laws to the Board of Directors	✓		According to the CS (who is also secretary to the Audit Committee) and In-charge of ICC, there was no violation of laws in the year 2015
3.4.1(ii)(d)	Reporting of any other matter to the Board of Directors	✓		
	<b>Reporting to the Authorities</b>			
3.4.2	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 a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.	—	—	Not applicable (The Management has informed that no such issue arose, and therefore nothing has been reported to the Board of Directors)



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Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
	<b>Reporting to Shareholders and General Investors</b>			
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 (ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company.	✓		
	<b>External/Statutory Auditors</b>			
4	The issuer company should not engage its external / statutory auditors to perform the following services of the company; namely:			
4.0 (i)	Appraisal or valuation services or fairness opinions.	✓		
4.0 (ii)	Financial information systems design and implementation.	✓		
4.0 (iii)	Book-keeping or other services related to the accounting records or financial statements.	✓		
4.0 (iv)	Broker-dealer services.	✓		
4.0 (v)	Actuarial services.	✓		
4.0 (vi)	Internal audit services.	✓		
4.0 (vii)	Any other service that the Audit Committee determines.	✓		
4.0 (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.	✓		
4.0 (ix)	Audit/ certification services on compliance of corporate governance as required under clause (i) of condition No. 7	✓		
	<b>5 Subsidiary Company</b>			
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.	✓		
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.	✓		
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.	✓		

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		Complied	Not Complied	
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.	✓		
5(v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	✓		The audit committee minutes state about the review of the subsidiary's financial statements where investments have been disclosed.
<b>6</b>	<b>The CEO and CFO shall certify to the Board that</b>			
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.	✓		
<b>7</b>	<b>Reporting and Compliance of Corporate Governance</b>			
7 (i)	The company shall obtain a certificate from a Professional Accountant/Secretary (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.	✓		
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.	✓		