

# Corporate Governance Report

Corporate Governance is the set of processes, customs, policies, laws, and institutions affecting the way a company is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the company is governed. In contemporary business company, the main external stakeholder groups are shareholders, debtholders, trade creditors, suppliers, customers and communities affected by the company's activities. Internal stakeholders are the Board of Directors, executives, and other employees. Corporate Governance should be ensured in the Banks, as it deals with huge public money and interests of the depositors.

Shahjalal Islami Bank Limited is committed to integrity and fair dealing in all its activities and upholds the highest standards of Corporate Governance. The Board has adopted a comprehensive framework of Corporate Governance Guidelines which has been designed to assure the stakeholders that the business of the Bank are built on, and grow from the firmest foundation. With a view to ensure Corporate Governance, responsibilities and authorities among the Board of Directors including its Chairman, the Management including the Managing Director has been demarcated in respect of its overall financial, operational and administrative policy making and executive affairs including overall business activities, internal control, human resources management, etc.

## Corporate Governance Practices

Shahjalal Islami Bank Limited (SJIBL) is guided in its corporate governance practices mainly by two regulatory bodies: Bangladesh Bank (Central Bank of Bangladesh) and Bangladesh Securities and Exchange Commission (BSEC). However, the Bank's Corporate Governance Philosophy encompasses not only regulatory and legal requirements but also various internal rules, policies, procedures and practices based on the best practices of local and global banks.

## Board of Directors, Chairman and Managing Director

### Board Size

The Board consists of fifteen Non-executive members including two Independent Directors excluding the ex-officio Managing Director. The number of Board members is within the limit set by the Banking Companies Act, 1991 (amended up to 2013) and BSEC notification on Corporate Governance.

### Appointment of Directors

Directors are appointed following relevant provision/clause of the Companies Act 1994, Bank Companies Act 1991 (amended up to 2013), Corporate Governance Guidelines of BSEC and Guidelines of Bangladesh Bank as well as Articles of Association of the Bank. The Board of Directors is consisted of noted entrepreneurs and business professionals having experience and acumen in diverse range of businesses and operations.

### Rotation of Directors

As per provisions of section 91 of the Companies Act 1994 and section 79-87 of schedule 1 of the Act and clause 20.12 & 20.13 of Articles of Association of the Bank, in the Annual General Meeting in every subsequent year one third of the Directors or if their number is not multiple of three then the number nearest to shall retire from office and shall be eligible for re-election. Accordingly, the respective Directors of Shahjalal Islami Bank Ltd. will retire and eligible for reappointment in the 16<sup>th</sup> Annual General Meeting.

### Non-Executive Director

All the Directors of SJIBL including the Chairman are Non-Executive Directors except the Managing Director.

## **Independent Directors**

In compliance with the Corporate Governance Guidelines issued by BSEC, the Banking Companies Act 1991 (amended up to 2013) and Corporate Governance Guidelines issued by Bangladesh Bank, the Board of Directors of the Bank has appointed 2 (two) independent directors in its Board. The independent directors being conversant in the field of financial, regulatory and corporate laws enjoy full freedom to carry out their assigned responsibilities.

## **Board meetings and attendance**

The Board of Directors holds meetings on a regular basis, usually once in a month but emergency meetings are called when required. Management provides information, references and detailed working papers for each item of agenda to all the Directors well ahead of time fixed for the Board of Directors meeting for consideration. In the meeting, the Chairman of the Board of Directors allocates sufficient time for the Directors to consider each item of the agenda and allow them to discuss, inquire, and express opinions freely on the items of interest so that they can fulfill their duties to the best of their abilities. During the year 2016, total 14 numbers of Board Meetings were held; the status along with the attendance is separately discussed in the report.

## **Chief Financial Officer (CFO), Head of Internal Control & Compliance and Company Secretary (CS)**

The Bank appointed a Chief Financial Officer (CFO), a Head of Internal Control & Compliance and a Company Secretary (CS) as per the policy of the Bank and other regulatory laws and regulations. They are well conversant in the field of financial, regulatory and corporate laws to carry out their assigned responsibilities.

The Board of Directors of SJIBL clearly defined and approved the respective roles, responsibilities and duties of Chief Financial Officer (CFO), Company Secretary (CS) and Head of Internal Control & Compliance. Chief Financial Officer (CFO) and Company Secretary (CS) of the Bank attend the meetings of the Board of Directors, provided that Chief Financial Officer (CFO) and/or Company Secretary do not attend such part of a meeting which involves consideration of an agenda item relating to their personal matters.

## **Directors' Shareholding Status**

In compliance with BSEC Notifications dated 22 November 2011 and dated 07 December 2011, all the eligible directors (other than independent directors) of SJIBL have been holding required percentage of shares individually (minimum 2%) as well as jointly (minimum 30%).

## **Shareholding of MD, CS, CFO, Head of ICC and top 5 Salaried Executives**

No shares held by MD, CS, CFO, Head of ICC and top 5 Salaried Executives as on 31 December 2016.

## **Separation of Chairman and Chief Executive Officer Roles**

In compliance with Bangladesh Bank BRPD Circular No. 11 and Circular Letter No. 18 dated 27 October 2013 and Clause 1.4 of BSEC Guidelines on Corporate Governance dated 07 August 2012, the functional responsibilities of the Chairman of the Board and the Managing Director are kept separate and independent of each other.

## **Roles and Responsibilities of the Board of Directors**

The main roles of the Board of Directors are to define the Company's strategic objectives, to provide entrepreneurial leadership for the company, to create value for shareholders, to protect the interests of all Stakeholders including Depositors and to ensure that the necessary financial and other resources are available to enable the company and the Board to meet these objectives. The specific responsibilities of the Board are to determine the objective and goals



of the Bank, annual business plan of the Bank, key performance indicators for the Managing Director, Human resource development, efficiency of operational activities of the Bank, set internal control procedure, capital plan, comply the regulatory laws & regulations, Corporate Governance, financial transparency, CSR activities and appointment of auditor etc.

### **Responsibilities of the Chairman of the Board**

The responsibilities of the Chairman as defined in the BRPD Circular No. 11 dated 27 October 2013 issued by Bangladesh Bank and Corporate Governance Notification issued by BSEC on 07 August 2012 is fully complied with. The Chairman of the Board of Directors does not personally possess the jurisdiction to apply policy making or executive authority. He does not participate in or interfere into the administrative or operational and routine affairs of the Bank.

The Chairman leads the Board in determination of its strategy and achievement of its objectives. The Chairman is responsible for organizing the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman also ensures all key and appropriate issues discussed by the Board of Directors in a timely and constructive manner. The chairman signs minutes of Board meeting.

### **Roles and Responsibilities of the Managing Director**

The Managing Director is responsible for running the business and for formulating and implementing Board strategy and policy. He is also responsible for overall control of the company on a day to day basis and is accountable to the Board for the financial and operational performance of the company.

### **Independence of Non-Executive Directors**

All the Non-Executive Directors enjoy full freedom to carry out their coveted responsibilities. They attend Board meetings regularly and participate in the deliberation and discussions effectively. They actively involve in the matter of formulation of general strategies of the Bank. But they do not participate in or interfere into the administrative or operational or routine affairs of the Bank. However, they ensure confidentiality of the Bank's agenda papers, discussions at the Board/Committee Meetings, Notes and Minutes.

### **Annual Appraisal of the Board's Performance**

At Annual General Meeting (AGM) shareholders critically appraise the performance of the Board freely through evaluation of financial position and performance of the bank, its adequacy and effectiveness of internal control system and overall governance mechanisms. The shareholders also ask questions and make queries to the Board of Directors during AGM and the Chairman of Board of Directors gives a patient hearing and responds to all their queries. The performance of the Board is appraised based on certain parameters such as shareholder return, share price, return on capital employed, earnings per share etc. of the bank. The attendance of Directors and their active participation in the meeting on various agenda is ensured in every Board meeting. The Board approves annual budget at the beginning of each year and monitors the status of the same on monthly basis to ensure achievement of the target. The Board's performance is greatly dependent on the achievement (under or over) of budgeted target. Besides, the performance reports of supporting committees of the Board are also placed in the Board meeting through which the performance of the Board members are regularly assessed.

### **Annual Evaluation of the MD by the Board**

The Board of Directors of SJIBL clearly defined and approved the roles, responsibilities and duties of Managing Director. Based on these assigned responsibilities, Board of Directors make annual evaluation of Managing Director. Furthermore, the performance evaluation of Managing Director is done by the Board through various reports like financial position and performance report of the Bank, knowing update of various assignments given by the Board to the Managing

Director and the Management from time to time and doing variance analysis of Budget with Actual result and steps taken by MD to achieve the Budgeted target. Among the financial parameters, NPI ratio, Growth of Investment & Deposit, Cost to Income Ratio, Investment write off and its recovery, Capital Adequacy Ratio, Investment to Deposit Ratio etc. are the common ones.

### **Directors' Report on Compliance with Best Practices on Corporate Governance**

The status of compliance of corporate governance guidelines issued by Bangladesh Bank has been presented in page no. 129-142 and the guidelines issued by BSEC have been presented in page no. 119-125. M/s. K. M. Hasan & Co, Chartered Accountants, duly certified the compliance status of Corporate Governance Guidelines and issued a report which is presented in page no. 126.

### **Accountability, Audit and Financial Reporting**

The Board undertakes responsibilities for preparing and presenting a balanced and comprehensive assessment of the Bank's operations at the end of each financial year through annual Financial Statements and Annual Report and quarterly and half yearly announcement of financial performance of the Bank to shareholders. The Audit Committee of the Board assists in this respect by scrutinizing the information to be disclosed, and to ensure accuracy, adequacy, transparency and completeness of the disclosed information.

### **Board Committees**

The Board formed an Executive Committee, an Audit Committee and a Risk Management Committee complying Central Bank's guidelines. There is no committee or sub-committee of the Board other than the above mentioned Committees. However, it has a Shari'ah Supervisory Committee to look after the Shari'ah matters and gives suggestions to the management on Shari'ah issues.

### **Board's Executive Committee (EC)**

The Board has an Executive Committee (EC) which carries out its functions which are beyond delegated power of the Management. The Executive Committee (EC) of the Board reviews the policies and guidelines issued by Bangladesh Bank regarding Investment and other operations of the banking industry. The committee ensures the implementation of policies and guidelines through the management.

During the year 2016 total 44 no. of Executive Committee meetings were held. The status of the member along with the attendance is separately discussed in the report.

### **Audit Committee of the Board**

Audit Committee is one of the sub-committee of the Board which plays very vital role in assisting the Board to perform its responsibilities. Audit Committee plays its role according to its Charter, approved by the Board of Directors in line with the direction of Bangladesh Bank and Bangladesh Securities & Exchange Commission. The Chairman of the Audit Committee is an independent director who performs his duties with full freedom; the Company Secretary acts as the secretary of the committee. The role of the Audit Committee of SJIBL includes the following:

- Review the financial and other systems including internal control and its reporting procedure;
- Oversee the work of external auditors, internal auditors including matters of disagreement between management and the auditors;
- Require management to implement and maintain adequate/appropriate systems of internal control and discuss with the management to assess the adequacy and effectiveness of those systems;

- Discuss with management major issues concerning accounting principles and disclosures in the financial statements;
- Conduct audit concerning violation, if any, by the management in carrying out operation of the Company;
- Recommend to the Board regarding appointment of the external auditors and their terms of appointment;
- Meet the Management to discuss any matters if deem appropriate.

During the year 2016, total 11 members of meeting of the Audit Committee of SJIBL were held. The Report of the Board Audit Committee is disclosed separately in the Annual Report.

### **Risk Management Committee (RMC) of the Board**

Apart from the Executive Committee and Audit Committee of the Board, a Risk Management Committee (RMC) has been formed which is responsible for planning and guiding on overall risk management of the Bank. Key areas of responsibilities of the committee are as under:

- The Committee reviews the risk management process to ensure effective prevention and control measures;
- To ensure an adequate organizational structure for managing risk of the bank and supervise formation of management level committees and monitor their activities for the compliance of instructions of lending risk, foreign exchange transaction risk, internal control & compliance risk, money laundering risk, information & communication risk including other risk related guidelines;
- The committee reviews risk management policies & guidelines annually;
- Approve adequate record keeping & reporting system of the bank;
- Monitor proper implementation of overall risk management policies to mitigate all risks including lending risk, market risk and management risk.

Detailed role and responsibilities of the Committee is available in the “Report of the Risk Management Committee”. During the year 2016, total 7 meetings of the Risk Management Committee were held; the attendance records are as follows:

From 01-01-2016 to 25-06-2016:

SI No.	Name of the Director	Meeting Held	Number of Attendance
1	Mr. Anwer Hossain Khan, Chairman	2	2
2	Mr. Mohiuddin Ahmed, Member		1
3	Mr. Khandaker Sakib Ahmed, Member		2
4	Mr. Md. Sanaullah Shahid, Member		1
5	Mr. Md. Abdul Barek, Member		-

From 26-06-2016 to 31-12-2016:

SI No.	Name of the Director	Meeting Held	Number of Attendance
1	Mr. Mohammed Younus, Chairman	5	5
2	Mr. Anwer Hossain Khan, Member		1
3	Mr. Mohiuddin Ahmed, Member		5
4	Mr. Khandaker Sakib Ahmed, Member		4
5	Mr. Md. Abdul Barek, Member		-

## **Shariah Supervisory Committee of the Bank**

As per section 30 of the Articles of Association of the Bank, Shariah Supervisory Committee of the Bank has been constituted. The Shariah Supervisory Committee of the Bank consists of prominent Ulema, Bankers, Lawyers and Economists to advise and guide on the implementation of Islamic Shariah in business activities. The Committee enjoys a special status in the structure of the Bank and playing a vital role to make the bank as Shariah compliant. In the year 2016, total 4 meetings of the Shariah Supervisory Committee of the Bank were held, while 2 meetings of the Sub-Committee were held in the same period.

## **Benefits provided to Directors and Managing Director**

The Directors does not receive any type of remuneration and incentive. They are only paid board meeting attendance fees for attending in the board meeting and other committee meeting as per Article of Association of the Bank and within the Guidelines of Bangladesh Bank instruction. Information regarding expenses relating to directors is separately disclosed in the financial statements. The remuneration package of the Managing Director is determined by the Board and is approved by Bangladesh Bank. The Managing Director has been appointed on contractual basis and his remuneration is also disclosed separately in the financial statements.

## **No Remuneration Committee**

As the Bank is restricted (by Central Bank) to have more than three sub-committees of the Board, the Board oversees the remuneration process of the employees by reviewing/approving various policies like HR policies, recruitment and promotion policies etc.

## **Establishment and Review of Internal Control System**

Shahjalal Islami Bank Limited has a sound system of internal control to safeguard the stakeholder's interest. To ensure appropriate level of internal control system, an Internal Control and Compliance Manual has been introduced in line with global practices and Regulatory Guidelines. The Board of Directors time to time reviews the Internal Control System of the Bank and necessary guideline are provided to improve the system.

SJIBL has also strengthened and segregated its Internal Control and Compliance Division into three separate unit based on the relative guidelines framed by Bangladesh Bank; (1) Audit and Inspection Unit (2) Compliance Unit (3) Monitoring Unit. The division is independent and carries out its assignment independently with objectivity and impartiality.

## **External Audits**

The external auditors are appointed by the shareholders with the recommendation of the Board of Director. External auditors covered sufficient number of branches and Head Office as part of the annual audit program. Auditors covered 80% of the risk weighted assets of the Bank. They have also discussed with the Management and Audit Committee of the Board on various issues including Internal Control and Compliance issues. Suggestions of the auditors (if any) are given due consideration and are implemented by the Management. Before presenting to the shareholders, the report is reviewed by the Audit Committee and the Board. Before recommending to the shareholders for appointment as auditors, Board considers the level of independence and integrity of the external auditors.

## **Services not provided by External Auditors**

Complying with provision 4 of BSEC guidelines, M/s. Hoda Vasi Chowdhury & Co., Chartered Accountants, involved in statutory audit and was not engaged in any of following services during 2016:

- Appraisal or valuation services or fairness opinions.

- Financial information system design and implementation.
- Book keeping or other services related to accounting records or financial statements.
- Broker-dealer service.
- Actuarial services.
- Internal audit services.
- Audit/ certification services on compliance of corporate governance guidelines issued by BSEC.
- Any other service that the Audit Committee determines.

### **Audit by the Central Bank**

Bangladesh Bank also conducts comprehensive inspection of the Bank every year. The reports are reviewed by the Board and its Audit Committee. The Bank gives utmost importance to the inspection report and actions are taken regarding the inadequacies or lapses mentioned in the report.

## **Risk Management**

The Risk Management Division (RMD) of SJIBL is responsible for management, integration and monitoring of all risks within the risk appetite set by the Risk Management Committee (RMC). The Risk Management Committee (RMC) of the Board reviews and monitors the overall risk management system of the Bank and updates to the Board from time to time. The roles and responsibilities of RMC and major areas focused by RMC in 2016 have been presented in the annual report.

## **Ethics and Compliance**

### **Code of Ethics for company employees**

For eminence corporate culture, all the employees should believe in same Code of Ethics. SJIBL has a standard Code of Ethical practices for its Employees which are followed by them with the strictest compliance. By any means, no employee will play a role detrimental to the interest of the business, society and the country as a whole as set in the Code of Ethics. The basic premise of the code of conduct is that each employee, while on the payroll of SJIBL, shall place SJIBL ahead of his/her personal interest.

## **Human Capital**

### **Human Resources Development**

The bank always laid emphasis on human resource development. The Bank believes in the factor that helps the bank's survive is closely interlinked with the quality of service and satisfaction of the requirements of the client and that directly depends on the qualification and efficiency of the employees.

As our human resources give the organization a significant competitive edge, we continue our policy of recruiting the best professionals and implement programs to develop and retain high quality employees.

### **Distribution of Manpower**

In the process of recruiting, inducting and retaining new talents, we are continuing our efforts to offer everyone a proper training that will help them become true professionals, whose skills will be essential for the betterment of their careers.

Manpower	2016 (Number)	2015 (Number)
Officers	1,724	1,685
Sub-staffs	467	471
<b>Total</b>	<b>2,191</b>	<b>2,156</b>

Level of Manpower	2016 (Number)	2015 (Number)
Top Level Management	35	29
Mid Level Management	321	282
Junior Level Management	1,368	1,374
Supporting Staff	467	471
<b>Total</b>	<b>2,191</b>	<b>2,156</b>

### Newly recruited manpower

Shahjalal Islami Bank Limited is a preferred place for work of its existing and aspirant professionals in the industry. In the year 2016, the bank recruited a total of 89 new employees in different positions.

### Gender Positioning

Shahjalal Islami Bank Limited provides equal opportunities for employment, learning & development and career advancement for both genders. Out of the total number of 2,191 employees, 349 employees are female and rest 1,842 employees are male.

### HR Strategy

- As an employer, our aim is to attract the most talented personnel.
- We retain competent employees by recognizing them properly so that they can work effectively in a team.
- Provide new employees with appropriate training.
- Create a strong management team
- Ensure equal opportunities with regards to employment, work facilities, assignment, training, career development and benefits.
- Ensure congenial & comfortable working environment for all categories of employees and to create opportunities to show their talents for enrichment of professional career.

### Work Environment & Culture

The Bank is committed to maintain a congenial & comfortable working environment free from discrimination of race, religion, gender and age. The Bank ensures a positive, friendly and respectful environment where all employees are getting opportunities to show their talents and we believe in working as part of a team. The Bank tries to train up its employees with utmost professional outlook. The employees are recognized and rewarded for good jobs done. Our remuneration package, welfare policies, service benefits, timely promotion, increment, incentives are very lucrative compared to peer banks which ensure to retain the existing work force as well as to attract the aspirant professionals of the industry to explore opportunities in SJIBL.

Shahjalal Islami Bank Continues to maintain a very satisfactory position in terms of people productivity.

Particulars	2016	2015
Total Employees	2,191	2,156
Net income per employee (Tk. in million)	0.71	0.60
Operating revenue per employee (Tk. in million)	1.36	1.10
Assets per employee (Tk. in million)	76.33	63.95

### Training and Development

Significant number of trainings have been provided to employees on various topics like Trade, Investment, Risk Management, Basel III, ALCO, Anti Money Laundering and many more both at home and abroad which is aligned with the philosophy of enabling officers in continuous development with their utmost potential.

With a view to produce skilled workforce, Shahjalal Islami Bank Limited has established a full-fledged Training Academy. Before that we had a Training Centre since inception of the Bank.

Summary of training, workshops and seminars where the employees of the Bank have attended in the year 2016 is given below:

Sl.	Course Type	Trainer	No. of Courses	No. of Participants
1	SJIBL (in house) Training Program	SJIBTA & Head Office	65	2,486
2	External Training Programs (Local)	Bangladesh Bank & BBTA	12	22
3	External Training Programs (Local)	BIBM	65	108
4	External Training Programs (Local)	INTIMATE, BAB, Financial Excellence Limited, DSE, ICC Bangladesh, BIAC, Business Automation Ltd. CSBIB, BEA, IICT and BIBM, IBCF, BAFEDA, Dun & Bradstreet South Asia Middle East Ltd., Bdjobstraining.com, Ministry of Planning, Al- Arafah Islami Bank Ltd. and Bangladesh INSPIRED Project.	40	85
5	External Training Programs (Foreign)	Jointly BIBM & NIBM (India), Mashreq's Conference for Institutions ( Bali, Indonesia), ICC-Bangladesh (Hanoi, Vietnam), ICICI Bank (Jaipur, India), Wells Fargo Bank N.A (Singapore), BIBM (Kualaa Lumpur, Malaysia), Dun & Bradstreet (Kuala Lumpur, Malaysia), Fleming. Critical Business Connections (Kuala Lumpur, Malaysia), COMMERZ BANK AG (Frankfurt, Germany), Council for Islamic Banks and Financial Institution (Islamabad, Pakistan).	10	11
<b>Total</b>			<b>192</b>	<b>2,712</b>

## Communication to Shareholders and Other Stakeholders

### Policy on Communication with Shareholders and Other Stakeholders

The Share Department (which is under the Board Secretariat of the Bank) plays an instrumental role to make effective communication with its shareholders and other stakeholders of the Bank. Shareholders and other stakeholders may contact to this Department during office hour for any sort of information and queries. SJIBL provides updated information in its website from time to time for the shareholders and other stakeholders of the Bank.

### Policy on Ensuring Participation of Shareholders at AGM

In order to make the AGM more participatory, SJIBL declares the AGM well ahead of time, circulate Annual Reports and other documents in time, arrange AGM in a well-known place and & convenient time. Shareholders are allowed to speak in the AGM freely to give their valuable suggestions.

### Redressal of Shareholders Complaints

Any complaint, received at AGM or throughout the year, related to transfer and transmission of shares, non-receipt of Annual Reports and dividends timely and other share related matters is resolved lawfully in time.

## Management Review & Responsibility

### Management Committees

In an effective Corporate Governance structure, Bank management has a collective mandate under the leadership of Managing Director to carry out daily operations to the best interest of the shareholders. Besides conventional segregation of functional departments, SJIBL formed a number of committees with a view to support the management in carrying out banking operation smoothly. Management Committee (MANCOM), Asset liability Committee (ALCO), Risk Management Committee, Supervisory Review Process (SRP) Team, Purchase Committee are supporting the Bank's management in discharging its duties efficiently and effectively.

# Compliance Status on BSEC Notification

## on Corporate Governance

The Bangladesh Securities and Exchange Commission (BSEC) issued a Corporate Governance (CG) Guideline in 2012 which is being followed by banks on 'Comply' basis. Status of compliance by Shahjalal Islami Bank Limited with the said CG guidelines issued by BSEC through Notification no.SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969 is as follows:

(Report under Condition No. 7.00)

Condition No.	Title	Compliance Status		Remarks (if any)
		(Put ✓ in the appropriate column)		
		Complied	Not complied	
<b>1.0</b>	<b>Board of Directors</b>			
1.1	Board's size shall not be less than 5 and more than 20	✓		-
<b>1.2</b>	<b>Independent Director</b>			
1.2 (i)	At least one fifth (1/5) of the total number of directors in the Company's Board of Director shall be independent director.	✓		The Board of Directors consists of 15(Fifteen) members including 2 (Two) independent Directors which is in compliance with Section-15(9) of the Banking Companies Act, 1991 (Amended upto 2013)
1.2 (ii)	Independent director means a director-			
1.2 (ii) (a)	Holds no share or less than one percent (1%) shares of total paid up capital.	✓		-
1.2 (ii) (b)	Neither a sponsor nor concerned with any sponsor or director or shareholder who holds 1% or more shares of the company on the basis of family relationship.	✓		-
1.2 (ii) (c)	Not a stakeholder of the company or its subsidiary/ associated companies.	✓		-
1.2 (ii) (d)	Not a member, director or officer of any stock exchange.	✓		-
1.2 (ii) (e)	Not a shareholder, director or officer of any member of Stock Exchange or an Intermediary of the capital market.	✓		-

Condition No.	Title	Compliance Status		Remarks (if any)
		(Put ✓ in the appropriate column)		
		Complied	Not complied	
1.2 (ii) (f)	Not a partner or executive during preceding 3 (three) years of concerned company's statutory audit firm.	✓		-
1.2 (ii) (g)	Not a independent director in more than 3 (three) listed companies.	✓		-
1.2 (ii) (h)	Not convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a non-bank financial institution (NBFIL).	✓		-
1.2 (ii) (i)	Not convicted for a criminal offence involving moral turpitude.	✓		-
1.2 (iii)	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 days.	✓		-
1.2 (v)	Laying down the Code of Conduct of all Board Members and record of Annual Compliance of the Code of Conduct.	✓		-
1.2 (vi)	The tenure of office of an Independent Directors 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 (ID)</b>			
1.3 (i)	Independent director shall be knowledgeable individual with integrity who is able to ensure required compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	✓		-
1.3 (ii)	The independent director must have at least 12 (twelve) years of corporate management/ professional experiences along with other requisites.	✓		-
1.3 (iii)	In special cases above qualification may be relaxed by the Commission.	N/A		-
<b>1.4</b>	<b>The Chairman of the Board and The Chief Executive Officer</b>			
<b>1.5</b>	<b>Directors Report to Shareholders</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)	Discussion on cost of goods sold, gross profit margin and net profit margin.	✓		Cost of Fund, Operating & Net Profit and related ratios are provided.

Condition No.	Title	Compliance Status		Remarks (if any)
		(Put ✓ in the appropriate column)		
		Complied	Not complied	
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss.	✓		SJIBL does not have such gain or loss
1.5 (vi)	Basis for related party transaction, a statement of all related party transactions should be disclosed in the annual report.	✓		-
1.5 (vii)	Utilization of proceeds from public issues, right issues and/ or through any others instruments.	N/A		-
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for IPO, 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 their 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 company present fairly its state of affairs, the results of its operation, cash flows and changes in equity.	✓		-
1.5 (xii)	Proper books of account of the 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 company's ability to continue as a going concern.	✓		-
1.5 (xvii)	Significant deviations from the last year's operating results of the company shall be highlighted and the reasons thereof should be explained.			N/A
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	✓		-
1.5 (xix)	If the company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	N/A		-

Condition No.	Title	Compliance Status		Remarks (if any)
		(Put ✓ in the appropriate column)		
		Complied	Not complied	
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	✓		-
<b>1.5 (xxi)</b>	<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 (top five salaried employees of the company other than stated in 1.5(xxii)b);	✓		-
1.5 (xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	✓		-
<b>1.5 (xxii)</b>	<b>In case of appointment/re-appointment of a Director the Company shall disclose the following information to the Shareholders:</b>			
1.5 (xxii) a)	a brief resume of the Director;	✓		-
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.	✓		-
<b>2.0</b>	<b>Chief Financial Officer, Head of Internal Audit &amp; Company Secretary</b>			
2.1	Appointment of CFO, Head of Internal Audit and Company Secretary and their clearly defined roles, responsibilities and duties.	✓		-
2.2	Attendance of CFO and the Company Secretary at Board of Directors meeting	✓		-
<b>3.0</b>	<b>Audit Committee</b>			
3 (i)	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.	✓		-
<b>3.1</b>	<b>Constitution of the Audit Committee</b>			
3.1 (i)	The Audit Committee shall be composed of at least 3 members.	✓		-

Condition No.	Title	Compliance Status		Remarks (if any)
		(Put ✓ in the appropriate column)		
		Complied	Not complied	
3.1 (ii)	Constitution of Audit Committee from Board Members including at least 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)	Filling of Casual Vacancy in Committee	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 independent director.	✓		-
<b>3.2</b>	<b>Chairman of the Audit Committee</b>			
3.2 (i)	Chairman of the Audit Committee shall be an Independent Director.	✓		-
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	✓		-
<b>3.3</b>	<b>Role 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.	N/A		-

Condition No.	Title	Compliance Status		Remarks (if any)
		(Put ✓ in the appropriate column)		
		Complied	Not complied	
<b>3.4</b>	<b>Reporting of the Audit Committee</b>			
<b>3.4.1</b>	<b>Reporting to the Board of Direct</b>			
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.	Nil		-
3.4.1 (ii) (b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;	Nil		-
3.4.1 (ii) (c)	Suspected infringement of laws, including securities related laws, rules and regulations;	Nil		-
3.4.1 (ii) (d)	Any other matter which shall be disclosed to the Board of Directors immediately.	Nil		-
3.4.2	Reporting of anything having material financial impact to the Commission.	Nil		-
3.5	Reporting to the Shareholders and General Investors.	✓		-
<b>4.0</b>	<b>External/Statutory Auditors should not be engaged in</b>			
4 (i)	Appraisal or valuation services or 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 service 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.	✓		-
<b>5.0</b>	<b>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.	✓		-

Condition No.	Title	Compliance Status		Remarks (if any)
		(Put √ in the appropriate column)		
		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.	√		-
<b>6.0</b>	<b>Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO)</b>			
6 (i)	They have reviewed financial Statements for the year and that to the best of their knowledge and belief:	√		-
6 (i) a)	These financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.	√		-
6 (i) b)	These financial 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>7.0</b>	<b>Reporting and Compliance of Corporate Governance</b>			
7 (i)	The company shall obtain a Certificate from a Professional Accountant/Secretary (CA/CMA/CS) 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.	√		-

# Compliance Certificate

on

## Corporate Governance Guidelines to the Shareholders of Shahjalal Islami Bank Limited

We have reviewed the compliance of conditions of the Corporate Governance Guidelines of the Bangladesh Securities and Exchange Commission ("BSEC") by Shahjalal Islami Bank Limited (the Bank) as stipulated in clause 7(i) of the BSEC notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August, 2012.

The compliance of conditions of the Corporate Governance Guidelines as stated in the aforesaid notification and reporting of the status of compliance is the responsibility of the management of the bank. Our review for the purpose of issuing this certificate was limited to the verification of procedures and implementations thereof adopted by the bank for ensuring the compliance of conditions of Corporate Governance Guidelines and proper reporting of compliance status on the compliance statement on the basis of evidences obtained and representation received thereon from the management of the bank. It is neither an audit nor expression of opinion on the financial statements of the bank.

Based on information and explanations given to us, we certify that the bank has complied with the conditions of the Corporate Governance Guidelines as stipulated in the above mentioned notification of Bangladesh Securities and Exchange Commission and applicable to the bank for the year ended 31 December, 2016.



**Md. Amirul Islam FCA, FCS**

Senior Partner

For K. M. Hasan & Co.

Chartered Accountants

Dhaka, 05 April 2017

# Compliance Report on BSEC Notification

The authorized Capital of Shahjalal Islami Bank Limited is Tk. 10,000,000,000 divided into 1,000,000,000 ordinary shares of Tk. 10 each. The paid-up Capital of the Bank is Tk. 7,346,881,330 divided into 734,688,133 ordinary shares. As per Section 1.4(k) of BSEC Notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated February 20, 2006 the pattern of shareholding is given below:

i) Parent/Subsidiary/Associated companies and other related parties: N/A

a) Shares held by the Directors and their Spouses:

## Annexure-I

SL	Name of Directors	Position	No of Shares	% of Share
1	Engr. Md. Towhidur Rahman	Chairman	16,508,905	2.25%
2	Mr. Mohiuddin Ahmed	Vice Chairman	14,701,500	2.00%
3	Shams Uddin Khan & Harun Miah Ltd Rep. by Mr. Md. Harun Miah	Vice Chairman	14,693,814	2.00%
4	Mr. Anwer Hossain Khan	Director	21,962,331	2.99%
5	Electra International Ltd. Rep. by Mr. Md. Sanaullah Shahid	Director	18,753,797	2.55%
6	Mr. Md. Abdul Barek	Director	14,693,877	2.00%
7	Mr. Abdul Halim	Director	17,872,141	2.43%
8	Mr. Akkas Uddin Mollah	Director	14,694,559	2.00%
9	Mr. Khandaker Sakib Ahmed	Director	14,694,406	2.00%
10	Mr. A. K. Azad	Director	28,009,345	3.81%
11	Mr. Mohammed Younus	Director	18,163,602	2.47%
12	Mr. Fakir Akhtaruzzaman	Director	14,693,763	2.00%
13	Anwer Khan Modern Hospital Ltd. Rep. by Mr. Mohammed Golam Quddus	Director	14,731,602	2.01%
14	Mr. Mosharraf Hossain Chowdhury	Independent Director	Nil	-
15	Mrs. Farida Parvin Nuru	Independent Director	Nil	-
16	Mr. Farman R. Chowdhury	Managing Director	Nil	-

b) Shares held by the Chief Executive Officer, Company Secretary, Head of Internal Audit and Chief Financial Officer: Nil

c) Shares held by top five salaried employees other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit: NIL

d) Shareholders holding ten percent (10%) or more voting interest in the company as at 31 December 2016 : Nil

Number of Board Meeting held in 2016 and the attendance of Directors:

**Annexure-II**

SL.	Name of Directors	Position	Meeting Held	Attended	Remarks
1	Mr. Engr. Md. Towhidur Rahman	Chairman	14	10	
2	Mr. Mohiuddin Ahmed	Vice-Chairman		13	
3	Mr. Md. Harun Miah (Rep. of Shams Uddin Khan & Harun Miah Ltd.)	Vice-Chairman		08	
4	Mr. Anwer Hossain Khan	Director		09	
5	Mr. Md. Sanaullah Shahid (Rep. of Electra International Ltd.)	Director		13	
6	Mr. Md. Abdul Barek	Director		09	
7	Mr. Abdul Halim	Director		13	
8	Mr. Akkas Uddin Mollah	Director		13	
9	Mr. Khandaker Sakib Ahmed	Director		13	
10	Mr. A. K. Azad	Director		09	
11	Mr. Mohammed Younus	Director		09	
12	Mr. Fakir Akhtaruzzaman	Director		09	
13	Mr. Mohammed Golam Quddus (Rep. Anwer Khan Modern Hospital Ltd.)	Director		03	Appointed as Director on 30-10-2016 & during this period total no. of meeting held 03
14	Mr. Mosharraf Hossain Chowdhury	Independent Director		12	
15	Mrs. Farida Parvin Nuru	Independent Director		02	UK expatriate Appointed as Director on 30-10-2016 & during this period total no. of meeting held 03
16	Mr. Farman R. Chowdhury	Managing Director		14	

Number of Executive Committee Meeting held in 2016 was 44 and the attendance of Directors:

Executive Committee from 01-01-2016 to 25-06-2016:

SL	Name of Directors	Position	Meeting Held	Attended
1	Mr. Akkas Uddin Mollah	Chairman	23 no. of meeting held	21
2	Mr. Md. Sanaullah Shahid	Vice Chairman		23
3	Mr. Sajjatuz Jumma	Member		-
4	Mr. Anwer Hossain Khan	Member		12
5	Mr. Mohiuddin Ahmed	Member		22
6	Engr. Md. Towhidur Rahman	Member		15
7	Mr. Mohammed Younus	Member		17

Executive Committee from 26-06-2016 to 31-12-2016:

SL	Name of Directors	Position	Meeting Held	Attended
1	Mr. Md. Sanaullah Shahid	Chairman	21 no. of meeting held	20
2	Mr. Fakir Akhtaruzzaman	Vice Chairman		12
3	Mr. A. K. Azad	Member		04
4	Mr. Akkas Uddin Mollah	Member		19
5	Mr. Anwer Hossain Khan	Member		10
6	Mr. Mohammed Younus	Member		13
7	Mr. Khandaker Sakib Ahmed	Member		18