

CERTIFICATE ON CORPORATE GOVERNANCE

ম্যাবস এন্ড জে পার্টনার্স
MABS & J Partners
Chartered Accountants

CERTIFICATE OF COMPLIANCE TO THE SHAREHOLDERS OF Mutual Trust Bank Limited and its Subsidiaries (As required under the BSEC Guidelines)

We have examined compliance to the BSEC guidelines on Corporate Governance Guidelines by Mutual Trust Bank Limited and its Subsidiaries for the year ended on 31 December 2017. These guidelines relate to the notification # SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 and subsequently amended through the notification # SEC/CMRRCD/2006-158/147/Admin/48 dated 21 July 2013 of Bangladesh Securities and Exchange Commission (BSEC) on Corporate Governance under section 2CC of the Securities and Exchange Ordinance, 1969.

Such compliance to the codes of Corporate Governance is the responsibility of the Bank's management. Our examination was limited to the procedures and implementation thereof as adopted by the bank and its subsidiaries in ensuring the compliance to the conditions of Corporate Governance Guidelines. This is a scrutiny and verification only and not an expression of opinion on the financial statements of the bank and its subsidiaries.

In our opinion and to the best of our information and according to the explanations provided to us, we certify that, subject to the remarks and observations as reported in the attached Compliance Statements, the bank and its subsidiaries have complied with the conditions of Corporate Governance Guidelines as stipulated in the above-mentioned guidelines issued by the BSEC.

We also state that such compliance is neither an assurance as to the future viability of the bank and its subsidiaries, nor a certification on the efficiency or effectiveness with which the management has conducted the affairs of the bank and its subsidiaries. This is also not endorsement about quality of contents in the Annual Report of the bank.

Dhaka, 26 April 2018


MABS & J Partners
Chartered Accountant



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COMPLIANCE STATUS OF BSEC GUIDELINES FOR CORPORATE GOVERNANCE

Status of compliance with the conditions of Corporate Governance Guidelines as set by Bangladesh Securities & Exchange Commission (BSEC) by the notification # SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 and subsequently amended through their notification # SEC/CMRRCD/2006-158/147/Admin/48 dated 21 July 2013 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

(Report under Condition No. 7.00)

Condition No.	Title	Compliance Status as on 31 December 2017 (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.0	Board of Directors			
1.1	Board's size shall not be less than 5 and more than 20	✓		
1.2	Independent Director			
1.2 (i)	Independent director: At least 1/5th of the total number of directors	✓		As per Bank Companies Act.
1.2 (ii) a)	Independent director does not hold any share or holds less than one percent (1%) shares of total paid up capital.	✓		
1.2 (ii) b)	Independent Director is not a sponsor of the company and is not connected with the company's Sponsor or Director or Shareholder who holds 1% or more shares.	✓		
1.2 (ii) c)	Independent director does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies.	✓		
1.2 (ii) d)	Independent directors are not the members, directors or officers of any stock exchange.	✓		
1.2 (ii) e)	Independent director is not the shareholder, director or officers of any member of Stock Exchange or an intermediary of the capital market.	✓		
1.2 (ii) f)	Independent director is/was not the partners or executives during preceding 3 (three) years of concerned company's statutory audit firm.	✓		
1.2 (ii) g)	Independent directors is not the independent director in more than 3 (three) listed companies.	✓		
1.2 (ii) h)	Independent director is 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 (NBFI).	✓		
1.2 (ii) i)	Independent director has not been convicted for a criminal offence involving moral turpitude.	✓		
1.2 (iii)	The independent director shall be appointed by the Board of Directors and approved by the Shareholders in the AGM.	✓		
1.2 (iv)	The post of independent directors cannot remain vacant for more than 90 days.	-		No such event 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.	✓		
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.	✓		
1.3	Qualification of Independent Director (ID)			
1.3 (i)	Independent Director shall be knowledgeable individual with integrity who is able to ensure required compliance.	✓		

Condition No.	Title	Compliance Status as on 31 December 2017 (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
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 qualifications may be relaxed by the Commission	-		No such deviation occurred
1.4	The Chairman of the Board and Chief Executive Officer and their clearly defined roles and responsibilities.	✓		
1.5	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)	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.	-		No such event occurred
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.	-		No such item exists
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing etc.	-		No such event occurred
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 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.	✓		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	✓		

Condition No.	Title	Compliance Status as on 31 December 2017 (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.5 (xix)	If the company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	-		Board of Directors has recommended 12.50% (Twelve & a half percent) Stock dividend for the year 2017.
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 shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:			
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).	-		No shareholder holds more than 10% or more shares
1.5 (xxii)	In case of appointment/re-appointment of a director, the company shall disclose the following information to the Shareholders:			
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.	✓		
2.0	Chief Financial Officer, Head of Internal Audit & Company Secretary			
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	✓		
3.0	Audit Committee:			
3 (i)	Audit Committee shall be the 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.	✓		

Condition No.	Title	Compliance Status as on 31 December 2017 (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
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 members.	✓		
3.1 (ii)	Constitution of Audit 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)	Filling of Casual Vacancy in Committee	-		No such event occurred
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.	✓		
3.2	Chairman of the Audit Committee			
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).	✓		
3.3	Role of 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)	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.	-		No such event occurred
3.4.	Reporting of the Audit Committee			
3.4.1	Reporting to the Board of Directors			

Condition No.	Title	Compliance Status as on 31 December 2017 (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	✓		No such event happened as per audit report, thus not reported
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.	-		
3.4.1 (ii) b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;	✓		
3.4.1 (ii) c)	Suspected infringement of laws, including securities related laws, rules and regulations;	✓		
3.4.1 (ii) d)	Any other matter which shall be disclosed to the Board of Directors immediately.	✓		
3.4.2	Reporting of anything having material financial impact to the Commission.	✓		
3.5	Reporting to the Shareholders and General Investors.	✓		
4.0	External/Statutory Auditors should not be engaged in:			
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.	✓		
4 (ix)	Audit/certification services on compliance of corporate governance as required under clause (i) of condition No. 7.0	✓		
5.0	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.	✓		
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.	✓		
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.	✓		

Condition No.	Title	Compliance Status as on 31 December 2017 (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
6.0	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 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.	✓		
7.0	Reporting and Compliance of Corporate Governance:			
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.	✓		