

COMPLIANCE WITH BANGLADESH BANK'S GUIDELINES ON CORPORATE GOVERNANCE

Bangladesh Bank Guidelines for Corporate Governance: Our Status of Compliance with BRPD Circular No.11 dated 27 October 2013: **Formation and responsibilities of Board of Directors (BoD).**

| SL. | Particulars | Compliance Status |
|-----|--|-------------------------|
| 1 | Formation of BoD: Prior approval from BB to be taken before appointment of new Directors, as well as dismissal, termination or removal of any Director from the post. Qualification and competency of Directors, maximum number of Directors of the Board, appointment of independent Directors, appointment of maximum 02 (two) members from a family as Director. | Complied |
| 1.1 | Appointment of New Directors: Every bank company, other than specialized banks, at the time of taking prior approval from BB while appointing Directors should furnish the following information along with the application: | |
| | a. Personal information of the nominated person | Complied |
| | b. Declaration of nominated person | Complied |
| | c. Declaration for confidentiality by the nominated person | Complied |
| | d. In case of independent director, the approval letter from BSEC | Complied |
| | e. CIB report of the nominated person | Complied |
| | f. Updated list of Directors | Complied |
| 1.2 | Vacancy of office of a Director | |
| (a) | The office of a Director shall be vacated as per the provision of Section 108(1) of Companies Act 1994. Besides, provision of Section 17 of Bank Companies Act 1991, providing false declaration at the time of appointment or observing shortfall of qualification as a Director. | No such case |
| (b) | If the office of a Director is vacated as per Section 17 of Bank Companies Act 1991, s/he will not be eligible to become Director of that bank company or any other bank company or financial institutions within one year from the date of repayment of the total dues to the bank. The dues can be adjusted with the shares held by the Director in that bank company and he cannot transfer his shares of that bank company until he repays his all the liabilities of that bank company or financial institutions. | No such incident |
| (c) | BB can remove Directors or Chairman of a bank company other than the state-owned banks for doing any activity that is detrimental to the interest of the banks depositors or against the public interest under Section 46 and can also dissolve the Board of a bank company under Section 47 of Bank Companies Act 1991. | No such instance as yet |
| 1.3 | Removal of Directors from office: With the prior approval of Bangladesh Bank, any Director of a bank company other than specialized banks can be removed from his office for the reasons specified in its Articles of Association. The reason and grounds of the dismissal/removal and the copy of such decision taken by BoD and a list of Directors shall be submitted to Bangladesh Bank. Such removal shall be effective from the date of BB's approval. | No such instance as yet |
| 1.4 | Appointment of Alternate Director: An alternate director can be appointed to act for a director during his absence for a continuous period of not less than three months from Bangladesh by fulfilling following instructions: | |
| (a) | Bank has to collect and properly maintain the documentary evidences relating to departure and arrival of the original director while traveling abroad. If there is any exception, the CEO should immediately inform it to BB. | Complied |
| (b) | The copy of the decision of the BoD regarding appointment of alternate director, with original director's probable returning date from abroad should be sent to BB within 7 days of taking the decision and the director's arrival date must be intimated to BB immediately after his/her return. | Complied |
| (c) | Any loan defaulter or any person who is not eligible to become a director as per any relevant guiding rules and regulations will not be appointed as an alternate director. | Complied |
| (d) | As an alternate director is appointed temporarily; therefore, he/she will not be included in any kind of committee constituted by the BoD. | Complied |
| (e) | The alternate director or his/her affiliated organization will not get any kind of loan facilities from the bank. In case of previous loan, enhancement of limit or extension of time period or any kind of exemption or interest waiver will not be allowed. Moreover, all restrictions applicable to directors according to rules and regulations will also be applicable to the alternate director. | Complied |

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| 2 | Director from Depositors: As per Bank Companies Act 1991 (amended in 2013) appointment of Directors from depositors is no longer required. But, in compliance with the provision of section 15(9) of Bank Companies Act 1991 (amended up to 2013), bank company may consider the tenure of existing Directors from depositors or may appoint them as the Independent Director of the company. | Complied No Depositor Director in Pubali Bank Limited |
| 3 | Information regarding Directors: Banks are advised to take the following steps regarding directors information: | |
| (a) | Every bank should keep an updated list of bank directors. | Complied |
| (b) | Banks should send a directors' list to other banks or financial institutions immediately after the appointment or release of director. | Complied |
| (c) | Banks should display a list of directors on the website and update it on a regular basis. | Complied |
| 4 | Responsibilities of the Board of Directors (BoD) | |
| 4.1 | Responsibilities and Authorities of the BoD: | |
| (a) | Work planning and strategic management (i) The BoD shall determine the objectives and goals and to this end shall chalk out strategies and work plans on annual basis. It shall analyze/monitor at quarterly rests the development of implementation of work plans. | Complied |
| | (ii) The BoD shall have its analytical review presented in the Annual Report as regard to success/failure in achieving the business and other targets as set out in its annual work plan and shall apprise the shareholders of its opinions/recommendations on future plans and strategies. It shall set the Key Performance Indicators (KPIs) for the CEO and executives immediate two tiers below the CEO and have it evaluated at times. | Complied |
| (b) | Loan and Risk Management: (i) The policies, procedures, strategies, etc. in respect of appraisal of loan/investment proposal, sanction, disbursement, recovery, re-scheduling and write-off thereof shall be made with the BoD's approval under the purview of the existing laws, rules and regulations. The BoD shall specifically distribute the power of sanction of loan/investment and such distribution should desirably be made among the CEO and his subordinate executives as much as possible. No director, however, shall interfere, directly or indirectly, into the process of loan approval. (ii) The board shall frame policies for Risk Management and get them complied with and shall monitor the compliance at quarterly rests and review the concerned report of the risk management team and shall compile in the minutes of the board meeting. The BoD shall monitor the compliance of the guidelines of BB regarding key risk management. | Complied Complied |
| (c) | Internal Control Management: The Board shall be vigilant on the internal control system of the bank in order to attain and maintain satisfactory health or grade of its loan/investment portfolio. The board will establish such an internal control system so that the internal audit process can be conducted independently from the management. It shall review at quarterly rests the reports submitted by its audit committee regarding the compliance of recommendations made in internal and external audit reports and the BB inspection reports. | Complied |
| (d) | Human Resources (HR) Management and Development: (i) Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, human resources development etc. and service rules shall be framed and approved by the BoD. The chairman or the directors shall in no way involve themselves and interfere into or influence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the set service rules. No member of the BoD shall be included in the selection committees for recruitment and promotion to different levels. Recruitment, promotion, transfer and punishment of the executives immediate two tiers below the CEO shall, however, rest upon the BoD. Such recruitment and promotion shall have to be carried out complying with the service rules i.e., policies for recruitment and promotion. | Complied PBL BoD approves HR Policy from time to time which guides all actions or decisions relation to HR Management of PBL |

| SL. | Particulars | Compliance Status |
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| | (ii) The BoD shall place special attention to the development of skills set of bank's staff in different fields of its business activities including prudent appraisal of loan/investment proposals, and to the adoption of modern electronic and information technologies, and the introduction of effective Management Information System (MIS). The BoD shall get these programs incorporated in its annual work plan. | Complied |
| | (iii) The BoD will compose Code of Ethics for every tier of employees and they will follow it properly. The BoD will promote healthy code of conducts for developing a compliance culture. | Complied |
| (e) | Financial Management: (i) The annual budget and the statutory financial statements will be prepared with the approval of the BoD. It will at quarterly rests review/monitor the positions in respect of bank's income, expenditure, liquidity, non-performing assets, capital base and adequacy, maintenance of loan loss provision and steps taken for recovery of defaulted loans including legal measures. | Complied |
| | (ii) The BoD will frame the policies and procedures for bank's purchase and procurement activities and shall accordingly approve the distribution of power for making such expenditures. The maximum possible delegation of such power shall rest on the CEO and his subordinates. The decision on matters relating to infrastructure development and purchase of land, building, vehicles etc. for the purpose of bank's business shall, however, be taken with the approval of the BoD. | Complied PBL follows Board approved Procurement Policy |
| | (iii) The BoD will review whether an Asset-Liability Committee (ALCO) has been formed and it is working according to BB guidelines. | Complied |
| (f) | Appointment of Chief Executive Officer (CEO): In order to strengthen the financial base of the bank and obtain confidence of the depositors, one of the major responsibilities of the BoD is to appoint an honest, efficient, experienced and suitable CEO or Managing Director. The BoD will appoint a competent CEO for the bank with the approval of BB. | Complied |
| (g) | Other responsibilities of the BoD: In accordance to BB Guidelines issued from time to time. | Complied |
| 4.2 | Meetings of the Board of Directors: Board of Directors may meet once or more than once in a month upon necessity and shall meet at least once in every three months. Excessive meetings are discouraged. | Complied. Usually Pubali Bank Limited holds four Board Meetings in a month. |
| 4.3 | Responsibilities of the Chairman of the BoD: | |
| (a) | As the Chairman of the BoD or Chairman of any committee formed by the BoD or any director does not personally possess the jurisdiction to apply policy making or executive authority, he/she shall not participate in or interfere into the administrative or operational and routine affairs of the bank. | Complied |
| (b) | The Chairman may conduct on-site inspection of any bank branch or financing activities under the purview of the oversight responsibilities of the BoD. He may call for any information relating to bank's operation or ask for investigation into any such affairs; he may submit such information or investigation report to the meeting of the BoD or the executive committee and if deemed necessary, with the approval of the BoD, he shall effect necessary action thereon in accordance with the set rules through the CEO. However any complaint against the CEO shall have to be apprised to BB through the BoD along with the statement of the CEO. | Complied |
| (c) | The Chairman may be offered an office room, a personal secretary/assistant, a peon/MLSS, a telephone at the office, a mobile phone usable inside the country and a vehicle in the business interest of the bank subject to the approval of the BoD. | Complied |
| 5 | Formation of Supportive Committees of the Board: The BoD of every Bank Company can form only three supporting committees of the BoD i.e. Executive Committee (EC), Audit Committee (AC) and Risk Management Committee (RMC). | Complied |

| SL. | Particulars | Compliance Status |
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| 5.1 | <p>Executive Committee (EC): EC is to be formed for taking decision on urgent and day-to-day or routine activities between the intervals of two BoD meetings. The EC will perform according to the terms of reference set by the BoD.</p> <p>The EC will be formed with maximum of 07 (seven) members for a period of 03 (three) years. The Chairman of the BoD can also be the member of the EC. The company secretary of the bank shall act as the secretary of the EC. EC members, besides being honest and sincere, should have reasonable knowledge on banking business, its operations and risk management and be capable of making valuable and effective contributions in the functioning of the Committee. The committee shall discharge responsibilities and take decision on the matters as instructed by the BoD except discharging of those responsibilities and taking decisions that are specifically assigned to the full BoD by the Bank Company Act 1991 or other related laws and regulations. The decisions taken by the Committee shall be ratified in the next BoD meeting. Upon necessity the Committee can call meeting at any time. The Committee may invite CEO, Head of Internal Audit or any other officer to attend the committee meeting. All decisions/observations of the Committee should be noted in minutes.</p> | Complied |
| 5.2 | <p>Audit Committee (AC): The AC should have maximum five members and two of them shall be Independent Directors. It should be constituted with such members who are not members of the EC of the BoD. The members of the Committee may be appointed for three years and the company secretary of the bank shall act as the secretary of the Committee. Please see 'Report of the Audit Committee' for details.</p> | Complied |
| 5.3 | <p>Risk Management Committee (RMC): The RMC is to be formed to mitigate impending risks which could be arisen during implementation of BoD approved policies, procedures and strategies. This committee is entrusted to examine and review whether management is properly working on identification and mitigation of credit risk, foreign exchange risk, internal control and compliance risk, money laundering risk, information and communication technology risk, operation risk, interest rate risk and liquidity risk and keeping adequate capital and provision against the risks identified.</p> <p>The RMC is to be formed with maximum five members who will be appointed for 03 (three) years. Each member should be capable of making valuable and effective contributions in the functioning of the Committee. The company secretary of the bank shall act as the secretary of the Committee. RMC shall review the risk management policy and guidelines of the bank at least once in a year, make necessary modifications as per requirement and submit the same to the BoD for approval. Besides, lending limits and other limits should be reviewed at least once in a year and should be amended, if necessary. Please see 'Report of the Risk Management Committee' for details.</p> | Complied |
| 6 | <p>Training of the Directors: The Directors of the Board will acquire appropriate knowledge of the Banking laws and other relevant laws, rules and regulations to effectively discharge the responsibilities as a Director of the bank.</p> | Complied |
| 7 | <p>Intimation of the Circular to the Board and related persons by CEO: The CEO will inform about this Circular to the directors and other related persons.</p> | Complied |

Bangladesh Bank Guidelines for Corporate Governance: Our Status of Compliance with BRPD Circular Letter No. 18 dated 27 October 2013: Appointment and responsibilities of Chief Executive Officer (CEO).

| SL. | Particulars | Compliance Status |
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| A | Rules and regulations for appointment of the CEO | |
| 1 | <p>Moral Integrity: In case of appointment to the post of CEO, satisfaction in respect of the concerned person should be ensured to the effects that:</p> <p>a) He has not been convicted by any Criminal Court of Law.</p> <p>b) He has not been punished for violating any rules, regulations or procedures/ norms set by any controlling authority.</p> <p>c) He was not associated with any such company/organization; registration or license of which has been cancelled.</p> | Complied |

| SL. | Particulars | Compliance Status |
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| 2 | <p>Experience and Suitability:</p> <p>a) For appointment as a CEO, the concerned person must have experience in banking profession for at least 15 (fifteen) years as an active officer and at least 02 (two) years' experience in a post immediate below the CEO of a bank.</p> <p>b) He must have a Master's degree at minimum from any recognized university. Higher academic education in the field of Economics, Banking and Finance or Business Administration will be treated as additional qualification for the concerned person.</p> <p>c) In respect of service, the concerned person should have excellent record of performance.</p> <p>d) Satisfaction should be ensured that the concerned person was not dismissed from service when he was chairman/director/official of any company.</p> <p>e) Any director of any bank or financial institution or any person who has business interest in the bank concerned will not be eligible for appointment to the post of the CEO.</p> | Complied |
| 3 | <p>Transparency and financial integrity: Before making appointment as a CEO, satisfaction should be ensured to the effects that:</p> <p>a. The concerned person was not involved in any illegal activity while performing duties in his own or banking profession.</p> <p>b. He has not suspended payment to creditors or has not compromised with his creditors to be relieved from debts or he is not a loan defaulter.</p> <p>c. He is not a tax defaulter.</p> <p>d. He has never been adjudicated an insolvent.</p> | Complied |
| 4 | Age Limit: No person crossing the age of 65 years shall hold the post of CEO of a bank. | Complied |
| 5 | Tenure: The tenure of the CEO shall not be more than 03 (three) years, which is renewable. If the candidate has less than 3 years left to attain 65 years, he/she can be appointed for that shorter period. | Complied |
| 6 | <p>Guidelines in fixing the salary and allowances: Banks are required to follow the guidelines stated below while determining the salary and allowances of the CEO and submitting such proposal to BB:</p> <p>a. In fixing the salary and allowances of the CEO, financial condition, scope of operation, business-volume and earning capacity of the bank; qualifications, achievement of the candidate in the past, age and experience and the remuneration paid to the persons occupying same position in the peer banks shall have to be taken into consideration.</p> <p>b. Total salary shall be comprised of direct salary covering 'Basic Pay' and 'House Rent' and allowances as 'Others'. The allowances (e.g., provident fund, utility bill, leave-fare assistance) in 'Others' head should be specified in amount/ceiling. Besides, other facilities (e.g., car, fuel, driver etc.), as far as possible, shall have to be monetized and thus determining monthly total salary, it shall have to be mentioned in the proposal submitted to BB. In the proposal, Basic Pay, House Rent, Festival Allowance, other allowances and other facilities shall have to be specified in Taka amount.</p> <p>c. Without improving the bank's major economic indicator like- CAMELS, annual salary increment will not be payable.</p> <p>d. Terms of salary-allowances and other facilities as specified in the terms and conditions of appointment cannot be changed during the tenure. In case of renewal, proposal may be made for re-fixation of the salary considering the job performance of the incumbent CEO.</p> <p>e. The CEO so appointed shall not get any other direct or indirect facilities (e.g., dividend, commission, club expense etc.) other than the salary-allowances and other facilities as enumerated in clause (b) above.</p> <p>f. The bank shall not pay any income tax for the CEO, i.e., the CEO so appointed shall have to pay it.</p> | Complied |
| 7 | Incentive Bonus: The CEO will be eligible to get incentive bonus subject to paying incentive bonus to all executives/officers/workers of the bank and the said bonus amount will not exceed BDT 1,000,000 in a year. | Complied |
| 8 | Honorarium for attending the Board Meeting: Being a salaried executive, CEO will not get any honorarium for attending the Board meeting or Board formed Committee meeting. | Complied |
| 9 | Evaluation Report: For reappointment of the CEO, the Chairman of the bank shall have to submit a Board approved evaluation report to BB. | Complied |
| 10 | Prior Approval from Bangladesh Bank: Prior approval from Bangladesh Bank is mandatory before appointing CEO as per section 15(4) & (5) of Bank Companies Act 1991 (amended up to 2013). For processing such approval, along with the proposal signed by the Chairman of the BoD, the selected person's complete resume, offer letter (mentioning the direct & indirect remuneration and facilities) and copy of Board's approval must be submitted to BB. The selected person must also submit declarations as per Annexure ka & Annexure kha to BB. | Complied |

| SL. | Particulars | Compliance Status |
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| 11 | Decision of Bangladesh Bank is final: The decision of BB regarding appointment of the CEO will be treated as final and the CEO such appointed cannot be dismissed, released or removed from his/her office without prior approval from BB. | Complied |
| B | Duties & Responsibilities of the CEO: The CEO of the bank, whatever name called, shall discharge the responsibilities and exercise the authorities as follows: | |
| | a. In terms of the financial, business and administrative authorities vested upon him by the BoD, the CEO shall discharge his own responsibilities. He shall remain accountable for achievement of financial and other business targets by means of business plan, efficient implementation thereof and prudent administrative and financial management. | Complied |
| | b. The CEO shall ensure compliance of the Bank Companies Act 1991 and other relevant laws and regulations in discharging of routine functions of the bank. | Complied |
| | c. The CEO must point out if there is any violation from Bank Companies Act 1991 and/or other relevant laws and regulations at the time of memo presentation. | Complied |
| | d. The CEO shall report to Bangladesh Bank of any violation of the Bank Companies Act 1991 or of other laws/regulations. | Complied |
| | e. The recruitment and promotion of all staffs of the bank except those in the two tiers below him/her shall rest on the CEO. He/she shall act in such cases in accordance with the approved service rules on the basis of the human resources policy and sanctioned strength of employees as approved by the BoD. | Complied |
| | f. The authority relating to transfer of and disciplinary measures against the staff, except those at two tiers below the CEO, shall rest on him/her, which he/she shall apply in accordance with the approved service rules. Besides, under the purview of the human resources policy as approved by the BoD, he/she shall nominate officers for training etc. | Complied |

Bangladesh Bank Guidelines for Corporate Governance: Our Status of Compliance with BRPD Circular Letter dated 27 October 2013:




| SL. | Particulars | Compliance Status |
|-----|---|-------------------|
| A | Rules and regulations for appointment of an Advisor | |
| 1 | Experience and Suitability: For appointment as advisor, the concerned person will have to fulfill the following requirements with regard to experience and qualifications: a. Experience in Banking or Administration for at least 15 (fifteen) years or have a long experience in social activities. b. Higher academic education in the field of Economics, Banking and Finance or Business Administration will be treated as additional qualification for the concerned person. c. Satisfaction should be ensured that the concerned person was not dismissed from his service when he was Chairman/ Director/ Executive of any company. d. The person who is working in any bank or financial institution or who has business interest in that bank will not be eligible for appointment to the post of Advisor. e. Satisfaction should be ensured that the concerned person is not a loan defaulter or tax defaulter and has never been adjudicated a bankrupt by the Court. | Complied |
| 2 | Responsibilities of the Advisor: The roles and responsibilities of the Advisor should be defined specifically. The Advisor can advise the Board of Directors or CEO only on those matters specified in the appointment letter. The routine and general activities of the bank will not be included in his terms of reference. He will not be entitled to exercise any power or involved himself in the decision making process of financial, administrative, operations or other activities of the bank. | Complied |
| 3 | Prior approval from Bangladesh Bank: Prior approval from BB is mandatory before appointing an Advisor. For such appointment, the justifications of the post of advisor, responsibilities or terms of reference, complete resume of the concerned person, terms of appointment (mentioning remuneration and facilities) and copy of BoD's approval shall be submitted to BB. The nominated person has to make a declaration as per Annexure A. This declaration shall also be submitted to BB. | Complied |

| SL. | Particulars | Compliance Status |
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| 4 | Remuneration and other facilities of Advisor: The post of Advisor is not a fixed or substantive post in the bank's organization structure. Advisor will not be entitled to salaries and allowances as regular employee except gross amount of remuneration, transport and telephone facilities. Remunerations inconsistent with the terms of reference of the advisor will not be considered as acceptable to BB. | No remuneration / honorarium only transport and telephone facilities. |
| 5 | Tenure of Advisor: The tenure of the Advisor shall be maximum 01(one) year, which is renewable. An evaluation report (by the Chairman that is approved by the BoD) of previous tenure should be submitted to BB along with the re-appointment proposal. | Complied |
| 6 | Appointment of Ex-executive: For ensuring good governance, any former Director, CEO or any other Executive of the bank will not be eligible to become an Advisor in the same bank immediately after their retirement or resignation. However, after one year from such retirement or resignation, he/she will be eligible for appointment as Advisor. | Complied |
| B | Rules and regulations for appointment of a Consultant | No such Consultant in Pubali Bank Limited |
| 1 to 6 | Terms of reference of Consultant, Responsibilities of a Consultant, Appointment of a Consultant, Tenure of a Consultant, Remuneration/honorarium of a Consultant, Appointment of Ex-executive as Consultant. | N/A |

Physical Meeting Logistics

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|  <p>Date Thursday, 03 June 2021</p> |  <p>Time 10:30 AM, Dhaka Time</p> |  <p>Venue Pubali Bank Auditorium 26 Dilkusha, C/A, Dhaka</p> |
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Virtual Meeting Logistics

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|  <p>Date Thursday, 03 June 2021</p> |  <p>Time 10:30 AM, Dhaka Time</p> |  <p>Live Webcast pubalibangla.com/AGM2021</p> |
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