Report of the Board of Directors
Management Discussion and Analysis
INTRODUCTION

In accordance with Section 184 of the Companies Act, 1994 and the Corporate Governance Code (the “Code”) issued by the Bangladesh Securities and Exchange Commission (BSEC) on 3 June 2018, it is my privilege to welcome you all on behalf of the Board of Directors and Management to the 30th Annual General Meeting (AGM) of HeidelbergCement Bangladesh Limited. I am glad to present the report on the Company's affairs and the audited financial statements of the Company for the year ended 31 December 2018 for your valued consideration, approval, and adoption.

ACQUISITION OF MEGHNA ENERGY LIMITED

The Company on 26 October 2016 has executed a share purchase agreement with HeidelbergCement Central Europe East Holding B.V. to acquire 4,056,457 (Forty Lac Fifty Six Thousand Four Hundred Fifty Seven) ordinary shares of BDT 100 each (99.99% of total shares) in Meghna Energy Limited (“MEL”) at a total consideration of BDT 910,750,200 and at BDT 224.5186378 per share. However, since execution of this transaction involved payment of share sale proceeds to the non-resident shareholder and was subject to Bangladesh Bank’s approval of MEL’s share valuation as well as permission for remittance, such approval was considered as a ‘condition precedent’ for the transaction. Therefore, pending such approval from the central bank, MEL was not considered a controlled entity of the Company as at 31 December 2017. Subsequently, on 10 January 2018, the Company received the Bangladesh Bank approval for remittance to the non-resident seller of the MEL shares and accordingly effective from 10 January 2018, MEL has been treated as a controlled entity of the Company. With the acquisition of MEL, a private limited company engaged in generation and supply of electricity as a Small Power Plant (SPP), the Company has ensured uninterrupted electricity supply to its Kanchpur plant.

STATEMENT OF THE COMPANY’S AFFAIRS

In Financial Year 2018 (FY18), HeidelbergCement Bangladesh Limited (HCBL) has delivered yet another year of good results. Although the year under review witnessed an even more challenging and competitive market, the Company adopted prudent business strategies which delivered good results to protect the shareholders’ interests. As a result, net profit before tax for FY18 was BDT 1,025.5 million and total revenue in 2018 was BDT 11,151 million, which is 14% higher than the actual revenue of BDT 9,802 million in 2017. HCBL continued to be the leader in the industry in terms of Health and Safety, Corporate Social Responsibility and Employee Welfare.

CEMENT INDUSTRY

The Bangladesh cement industry is mainly driven by basic infrastructure needs such as housing and industrial establishments. The country’s increasing urbanization has stimulated the building materials sector and generated considerable demand for cement in the last couple of years. Consequently, a robust growth in the demand for cement is expected. In the year under review, an increased pace of urbanization, increases in purchasing power, and stability in the political arena all contributed towards an increase in cement consumption. A trend has been noted of an
increase in cement consumption arising from the number of people upgrading their homes as well as building new ones. Demand from various industries and large infrastructure projects of both public and private sectors, has also played an active role in fostering the growth in demand for quality cement.

Bangladesh’s cement industry has become the 40th largest market in the world with an increase of 12% in national cement demand in 2018. National cement demand stood at 28.5 million tons in 2018 whereas total cement grinding capacity in Bangladesh was around 55 million tons per year.

Despite a good year in 2018, the significant gap between demand and capacity continued to affect the industry adversely, with intense competition leading to reduced margins. The market continues to be oversaturated with too many producers and with the bigger players continuing to expand capacity. Among others, the recent price hike for raw materials, severe port congestion causing delays in unloading of raw materials, the crisis of lighter vessels, the depreciation of the taka against the US Dollar, the low retail price and load limits on the roads and highways have all been factors affecting the cement industry's profitability. Prices for key raw materials such as Clinker, Slag and Gypsum have all increased in 2018. Freight cost has risen and the ongoing congestion at the Chittagong Port is also affecting production costs. Any further increases in gas and electricity prices will also affect the cement sector adversely.

OPERATIONS

1. Sales and Production
   In 2018, we delivered 1.71 million tons of cement from our Kanchpur and Chittagong plants combined, which is 6% higher than the total volume we sold in 2017. Overall production volume of the Company increased by 93K tons against prior year.

2. Price
   Our uncompromising emphasis on product quality, relentless efforts in product innovation and consumer confidence in the consistent performance of our cement has allowed us to command a price premium. In spite of the market competition, the Company has succeeded in maintaining its price leadership due to our customers’ faith in our products.

3. Customer Service
   Good and responsive customer service has always been a top priority at HCBL. A skilled, experienced and dedicated team of civil engineers is always ready to provide the best solutions and consultation to our valued customers.

4. Product Innovation
   As part of its continuous pursuit of innovation and constant drive to improve quality, HCBL introduced Portland Composite Cement (PCC) during 2003 as per Bangladesh Standards for cement of the Bangladesh Standard Testing Institution (BSTI). The Company was the pioneer in introducing PCC in Bangladesh. Portland Composite Cement (CEM II) is now the most commonly used type of cement in Bangladesh and Europe. The Company believes that global competition, coupled with concerns about climate change, is creating an important new mandate for product innovation, exceptional customer service, and strong policy leadership. We are investing in new technologies & research, expanding our use of technology for customers and ensuring that our customer service is the best in the industry.
The result of an extensive research done in HCBL's concrete lab showed that the concrete made with ScanCement PCC gains compressive strength beyond 28 days. It was found that even after 28 days the concrete gains 65% more strength over 2 years.

5. Marketing Activities

The cement industry in Bangladesh is getting increasingly competitive day-by-day due to excess capacity. Most of the major players have already expanded or are expanding their capacity. To gain more market share, cement industry players are initiating aggressive marketing plans. Our brands, ScanCement and RubyCement, command top-of-mind recalls in the market, particularly in markets where these brands are sold.

We took many innovative initiatives e.g. association with sports, to increase our brand visibility and customer loyalty. These initiatives helped us to be in the top-of-mind of the consumers as well as to gain market share.

i) Outdoor Visibility: To increase brand visibility we did outdoor branding last year. Outdoor visibility activities included shop signs, shop paint, and mega sign installations.

ii) Demand Generation Activities: To increase demand and awareness among customers as well as influencers we conducted several demand generation activities through one-to-one communication. Under the demand generation program, we arranged face-to-face meetings with, among others, masons, house owners, and engineers.

iii) Brand Image Enhancing Activities: We published press advertisements and ran Facebook campaigns featuring the country’s pride, Padma Bridge, to enhance our brand image.

AWARDS
The Company is proud to have been awarded First Position under the Category of Cement Manufacturing-Bangladesh in the “ICMAB Best Corporate Award-2017” Competition by the Institute of Cost and Management Accountants of Bangladesh (ICMAB) as a testament to the Company’s unwavering commitment to good corporate governance practices. This prestigious award was given out by the former Honourable Minister for Finance, Mr. Abul Maal Abdul Muhith M.P., at the Grand Ballroom of Hotel InterContinental, Dhaka.
KEY INITIATIVES IN THE MANUFACTURING PROCESS

HCBL produces top quality cement in the cement industry of Bangladesh, offering both Ordinary Portland Cement (OPC) and Portland Composite Cement (PCC). State-of-the-art technology is employed at every stage of the manufacturing process to produce the finest quality of cement for sustainable and durable construction for various types of customers in Bangladesh. The key milestones we have achieved till today are:

- Consistently high level of cement quality exceeding BDS EN42.5;
- Low Carbon Footprint due to innovations in production techniques and power saving initiatives;
- Highly trained workforce as the Company is committed to employee development, sending its engineers for Technical Training with other plants around the world with our associated companies situated in 60 countries and in over 3000 locations.

i) **Low Carbon Cement Production:**

New technologies have enabled us to increase our use of clinker substitutes and alternative fuels in cement production, leading to significant and direct (e.g. from limestone decarbonisation) CO2 emissions reductions. Moreover, producing power from natural gas with lean burning confirms zero carbon emission which helps to maintain our commitment to a greener environment. Our SOx-NOx report shows a remarkable control on harmful exhaust. Large solar power generators tapped directly to the plant reduces the amount of fossil fuel required by the power plant to generate the power required for our plant operations.

ii) **Electrical Energy Efficiency Enhancement**

Continuous improvements to the production process have been made to lower the amount of electricity required. Replacing older plants with more modern and efficient technologies and continually modernizing existing plants will result in improved electrical performance. For example, the application of enhanced grinding techniques and Power Factor Improvement device (PFI), using LED lighting inside the plants and variable speed drives all contribute towards lowering the levels of electrical energy required. We believe we are heading in the right direction towards consuming the lowest amount of power possible per unit of cement production.

iii) **Continuous Quality Control and Assurance Activities**

Best quality cement production for our customers is a key criteria of our business policy. To ensure such quality, our products are inspected and tested frequently including through third-party sampling tests to ensure compliance with BSTI standards and maintaining our ISO 9001 certification in every aspect of production. To support this aim, we have an international standard quality assurance laboratory in our plants equipped with EU/US origin testing equipment and highly trained personnel.

iv) **Dust Emission Control and its Prevention and Collection Enhancement**

Generation of fine particulates and dust are inherent in the manufacturing process, but most are recovered and recycled with the Automatic PLC controlled Dust collector and by carrying out preventive maintenance on each dust collector and measuring dust at set frequencies to observe dust emission inside the plant.
We have achieved generation of less than 0.2 kilograms of dust per metric ton (kg/t) of material using dust recovery systems. More than sufficient ventilation systems are in use in conjunction with hoods and enclosures covering transfer points and conveyors. Drop distances are also being minimized by the use of adjustable conveyors, and dusty areas such as roads are wetted down to reduce dust generation. Various mechanical equipments are also used to control/collect dust such as the dust collector, Cyclone, industrial vacuum cleaner, etc. In both plants, old bag filters have been replaced with new and more efficient types.

v) Continual Improvement Programme (CIP)
A CIP programme has been established to improve all kinds of operational activities plus environmental protection and safety of our employees. Rather than being content with the standard output of the equipment used, we are also striving to find new ways to further improve performance our 100 years of global experience and expertise in the HeidelbergCement group is one key factor driving this continuous improvement process. The CIP has resulted in a drop in maintenance cost, improved specific power of over 10% and improvement in plant productivity by over 80%.

vi) Resource Optimization:
Production operating performance is managed by the adjustment of variable inputs like energy, raw materials and human resource for resource optimization. These adjustments are usually based on set points for operation control and resource availability. Such resource optimization adjustments, honed from lessons learnt through the years, have helped in driving towards our goal of best possible performance and best possible output per ton of cement for every unit of energy and human resource involved. We are currently sending engineers overseas on attachment and training to tap on the experience of the HeidelbergCement group plants in over 3000 locations located in 60 countries. The knowledge brought back by these engineers and the benefit of such resource development can be seen in the vast number of improvements implemented.

vii) Expansion to meet Customer Demand:
At present, we are in process of establishing another Cement Grinding Mill in Kanchpur plant with 550K MT capacity per year plus a new Jetty with additional unloading facility to handle 3 million MT raw materials per year at the river bank to increase production and delivery capacities to meet the expected increase in demand for our products. The work is in full swing and the cement grinding mill and additional jetty are expected to be operational by the end of 2019.

viii) Health and Safety at Work:
The Company takes workplace health and safety very seriously. For us, one of the fundamental principles of workplace health and safety is risk assessment to identify all potential health and safety hazards in the workplace environment. The Company is committed to providing information and training on risk at work and on safe working practices and seeks to ensure a safe working environment. The Company seeks to assess and manage all risks relating to chemicals, dust and physical hazards, and to take measures to reduce such risks as far as possible.

HCBL regularly provides its staff with information and training about these risks and how to manage them. Where appropriate, regular health checks are conducted to ensure any health effects are identified as soon as possible.
INFORMATION TECHNOLOGY
The Company has successfully completed a global integration project. As part of the group global integration, HCBL is now connected with the HeidelbergCement global infrastructure hub using SingTel connectivity and using central e-mail windows exchange server systems from the Group. By deploying Group Standard Infrastructure, it enables a more efficient approach to support the Company’s operations. As a part of the HeidelbergCement Group, we have now successfully migrated to the HeidelbergCement cloud environment.

DIRECTORS’ DECLARATION AS TO FINANCIAL STATEMENTS
As part of preparation and presentation of the financial statements, the Directors also report that:

a) The financial statements prepared by the Management of the Company present a true and fair view of the Company’s state of affairs, the result of its operations, cash flows and changes in equity.
b) Proper books of accounts as required by law have been maintained.
c) Appropriate accounting policies have been consistently applied in formulating the Financial Statements and Accounting estimates are reasonable and prudent.
d) The Financial Statements were prepared in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS)
e) The CEO and the CFO have certified to the Board that they have reviewed the financial statements and believe that these statements do not contain any materially untrue statement or omit any material factor contain statements that might be misleading.
f) The CEO and the CFO have certified to the Board that they have reviewed the financial statements and believe that these statements together present a true and fair view of the Company’s affairs and are in compliance with existing accounting standards and applicable laws.
g) The CEO and the CFO have further certified to the Board that there was, to the best of their knowledge and belief, no transaction entered into by the Company during the year which was fraudulent, illegal or in violation of the Company’s Code of Conduct.

REVIEW OF FINANCIAL PERFORMANCE
The financial statements of the Company for the financial year ended 31 December 2018 as well as for 31 December 2017 presented in this Annual Report comply with the Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS). Appropriate accounting policies have also been consistently applied in the preparation of the financial statements and the accounting estimates have been based on reasonable and prudent judgment. During FY18, the Company reported its highest ever production volume, sales volume, and sales revenue. During the year ended 31 December 2018, the Company produced 1,706k MT of cement compared to 1,613k MT in the year ended December 2017, an increase of 5.8%. Cement sales for the year were 1,710k MT compared to 1,612k MT in FY17, an increase of 6.1%. Net sales revenue in FY18 was BDT 11,151 million compared to BDT 9,802 million in FY17, an increase of 13.8%. The gross profits in FY18 and FY17 were reported at BDT 1,814 million and BDT 1,957 million respectively. Correspondingly, the net profit for FY18 was BDT 711 million compared to BDT 803 million in FY17. Higher raw materials import cost, BDT depreciation against USD and lower sales price collectively impacted on the overall profitability of the Company. A brief overview of the financial performance of HCBL for 2018 compared to 2017 is set out below:-
## Financial Results for the Year 2018:

*(BDT*000)*

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Standalone BDT’000</th>
<th>**Consolidated BDT’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>11,151,286</td>
<td>9,801,506</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>1,814,465</td>
<td>1,956,980</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>924,370</td>
<td>1,019,502</td>
</tr>
<tr>
<td>Net Finance Income</td>
<td>155,234</td>
<td>192,370</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>1,025,635</td>
<td>1,155,495</td>
</tr>
<tr>
<td>Income Tax Expenses</td>
<td>314,486</td>
<td>352,333</td>
</tr>
<tr>
<td>Profit After Tax</td>
<td>711,149</td>
<td>803,162</td>
</tr>
<tr>
<td>Earnings Per Share (EPS)</td>
<td>12.59</td>
<td>14.21</td>
</tr>
</tbody>
</table>

**Consolidated financial statements are the combined/aggregated financial statements of HeidelbergCement Bangladesh Limited and its subsidiary company, Meghna Energy Limited. The consolidation of financial statements has been effective from the year of 2018.**

### i) Un-appropriated Profit of HCBL in 2018

**Financial Results for the Year 2018:**

- Un-appropriated profit from previous period: 2,657,816
- Net Profit for the year after Tax: 711,149
- Total Funds available for appropriation: 3,368,965

**Directors Recommended Dividend:**

- Dividend @75%: 423,777
- Un-appropriated profit carried forward to next year: 2,945,188
ii) Brief summary of Company-wise performance is as under:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2018</th>
<th>2017</th>
<th>+/- in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cement Production</td>
<td>1,705,650 MT</td>
<td>1,612,643 MT</td>
<td>5.8</td>
</tr>
<tr>
<td>Cement Sale</td>
<td>1,709,790 MT</td>
<td>1,612,102 MT</td>
<td>6.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Company</th>
<th>2018 (BDT’000)</th>
<th>2017 (BDT’000)</th>
<th>+/- in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Revenue</td>
<td>HCBL</td>
<td>11,151,286</td>
<td>9,801,506</td>
<td>13.8</td>
</tr>
<tr>
<td></td>
<td>MEL</td>
<td>377,202</td>
<td>372,184</td>
<td>1.3</td>
</tr>
<tr>
<td>Consolidated Revenue</td>
<td>HCBL</td>
<td>11,151,286</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>HCBL</td>
<td>924,370</td>
<td>1,019,502</td>
<td>-9.3</td>
</tr>
<tr>
<td></td>
<td>MEL</td>
<td>125,786</td>
<td>129,635</td>
<td>-3.0</td>
</tr>
<tr>
<td>Consolidated Operating Profit</td>
<td>HCBL</td>
<td>1,040,157</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Net Profit</td>
<td>HCBL</td>
<td>711,149</td>
<td>803,162</td>
<td>-11.5</td>
</tr>
<tr>
<td></td>
<td>MEL</td>
<td>98,609</td>
<td>99,767</td>
<td>-1.2</td>
</tr>
<tr>
<td>Consolidated Net Profit</td>
<td>HCBL</td>
<td>809,758</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**HCBL (Cement Business):**

- The net cement price realizations though improved during the year were not adequate to compensate for the increase in variable costs, especially of raw materials.
- Cost of Goods Sold per ton YTD December 2018 increased by BDT 595 per ton against prior year. The main driver was the increase in Clinker and Slag price in international market.
- Raw materials cost in the Chittagong plant was affected by an increase in unloading/local transportation cost due to jetty size limitation. The Company is using the main jetty facilities of the Chittagong port for slag and limestone delivery with additional handling cost of BDT 420 per ton. The Company has taken effective action to extend the Jetty to accommodate bigger vessels following approval from the appropriate authorities so as to reduce handling costs.
- It is important to note that the Company’s focus on cost rationalization and to increase efficiency in input costs has helped to keep the operating costs under control. This focused approach towards costs as well as growth in cement volumes helped the Company to record the net profit before tax as 9.2% of net revenue of cement business.

**MEL (Power Business):**

- Power sales depend on the prevailing fuel prices as they directly affect generation costs and consequently sales price. MEL sells power to HCBL & the Bangladesh Rural Electrification Board (BREB) at arm’s length price.
- Net revenue of MEL increased by 1.3% (BDT 377m vs BDT 372m) and in line with that the cost of sales also increased by 7.6% (BDT 260m vs BDT 242m) due to increases in gas price.
- Net financial/interest income increased to BDT 36 million in 2018 as against BDT 24 million in 2017.
Brief Summary of Financial Position

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2018</th>
<th>Proportion</th>
<th>2017</th>
<th>Proportion</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non–Current Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HCBL</td>
<td>3,527.9</td>
<td>42%</td>
<td>3,443.4</td>
<td>39%</td>
<td>2.5%</td>
</tr>
<tr>
<td>MEL</td>
<td>186.5</td>
<td>20%</td>
<td>42.5</td>
<td>7%</td>
<td>338.8%</td>
</tr>
<tr>
<td>Current Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HCBL</td>
<td>4,000.0</td>
<td>47%</td>
<td>5,287.0</td>
<td>61%</td>
<td>(24.3%)</td>
</tr>
<tr>
<td>MEL</td>
<td>732.9</td>
<td>80%</td>
<td>588.8</td>
<td>93%</td>
<td>24.5%</td>
</tr>
<tr>
<td>Investment in Subsidiary</td>
<td>910.8</td>
<td>11%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Total Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HCBL</td>
<td>8,438.8</td>
<td>100%</td>
<td>8,730.5</td>
<td>100%</td>
<td>(3.4%)</td>
</tr>
<tr>
<td>MEL</td>
<td>919.4</td>
<td>100%</td>
<td>631.4</td>
<td>100%</td>
<td>45.6%</td>
</tr>
</tbody>
</table>

HCBL (Cement Business):

Property, Plant, and Equipment

During the year, there was an addition of BDT 117.96 million in fixed assets to ensure operating capability of the Company. The addition includes BDT 31.5 million in Land & Building, BDT 74.0 million in Plant and Machinery and BDT 12.4 million for other assets.

Capital work-in-progress

Capital work-in-progress balance of BDT 460.5 million includes BDT 328 million for payment of mill 3 constructions and BDT 62 million for gear box in Kanchpur plant.

Trade & Other Receivables

Trade Receivables reduced by BDT 319.8 million (780.7m vs 1100.5m) mainly due to adjustment of dealers’ commission and other receivables reduced by BDT 3.7 million.

Cash and Cash equivalents

Cash and cash equivalents include cash in hand of BDT 0.120 million, cash at bank of BDT 116.4 million and fixed deposit of BDT 1,075.8 million. Net decrease in cash of BDT 1,597.9 million was mainly due to the payment for acquisition of shares in Meghna Energy Limited (MEL) of BDT 910.7 million, capital expenditure of BDT 402 million and dividend payment of BDT 831.2 million.

The summarized financial results for five years has been furnished in the “Comparative Financial Results” section at page no. 11 which reflects the trend of business performance of the Company over the years.

RELATED PARTY TRANSACTIONS

All the transactions entered into between the Company and its related parties during the financial year ended 31 December 2018 were in the ordinary course of business and on an arm’s length basis. In note no. 42 of the consolidated financial statements, a brief description of related party transactions is given including the names of the respective related parties, nature of relationship with them, nature of those transactions and value in amount of such transactions.
RISKS AND CONCERNS

HCBL has a well-defined internal control and risk management system to ensure that transactions are properly authorized, recorded, and reported. The system of internal control is sound in design and has been effectively implemented and monitored. The internal control system is supplemented by well-documented policies, guidelines and procedures and reviews carried out by the Company’s internal audit function, which submits reports to the Management and the Audit Committee of the Board. It covers the topics of measuring, assessing and limiting risks. The points of focus of the risk management system are:

- Besides pursuing efficient risk management as per group guideline, we are firmly committed to observing the code of conduct and compliance standards;
- Risk management coordination in Group Insurance;
- Corporate risk management by managers at operational level;
- Direct information, reporting and open communication of quantified risks between the Company’s Management Committee and the Group Managing Board;
- Standardized and regular reporting to the Group.

PROTECTION OF MINORITY INTEREST

The Board of Directors helps to play an active role in protecting the interests of the minority shareholders, especially in view of the majority shareholder exercising control over the Company. In the event of minority interests being adversely affected, the Board shall take immediate corrective actions after becoming aware of such fact. The minority shareholders have been protected from abusive actions by, or in the interest of, the controlling shareholders acting either directly or indirectly and have effective means of redress.

GOING CONCERN

The Company has adequate resources to continue its operations for the foreseeable future and therefore the financial statements have been prepared on a going concern basis. As per Management’s assessment, there are no material uncertainties related to events or conditions which may cast significant doubt upon the Company’s ability to continue as a going concern.

DIVIDEND

The dividend policy of the Company allows it to recommend a dividend which is commensurate with its performance, investment requirements as well as meet shareholders’ expectations. During the year, the Company did not declare any interim dividend or stock bonus to its members. The Board of Directors recommends a cash dividend of Tk. 7.5/- (Taka Seven and paisa Fifty only) per share for the year ended 31 December 2018.

CONTRIBUTION TO NATIONAL EXCHEQUER

The Company contributes a substantial amount to the National Exchequer by way of duties and taxes. HeidelbergCement Bangladesh Limited contributed Tk. 2,717 million to the National Exchequer in 2018.

POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the directors recommended a cash dividend of Tk. 7.5/- (Taka Seven and paisa Fifty only) per share.
AUDITORS
Hoda Vasi Chowdhury & Co., Chartered Accountants, having their National Office at BTMC Bhaban (Level- 7 & 8)”, 7-9, Karwan Bazar, Dhaka-1215, were appointed as the Statutory Auditors at the 29th AGM of the Company and in the year under review they have performed their audit work satisfactorily.

Being eligible and per the recommendation of the Board of Directors, Hoda Vasi Chowdhury & Co., Chartered Accountants may be appointed as the Statutory Auditors at the 30th AGM of the Company for the year 2019 at a fee of Tk. 8,50,000.00 (Taka Eight Lac Fifty Thousand) only. Members are requested to approve the appointment.

DIRECTORS PROPOSED FOR RE-ELECTION
In accordance with Article 98(a) of the Articles of Association of the Company, one-third of the Directors who have been longest in the office are supposed to retire from the office of Directors by rotation at the ordinary general meeting in every year. This year, Mr. Kevin Gerard Gluskie, Mr. Jose Marcelino Ugarte and Mr. Juan Francisco Defalque are due for retirement at the upcoming AGM. In accordance with Article 98(c) of the Articles of Association of the Company, the retiring directors are eligible for re-election. The brief resume of the retiring directors have been disclosed in the section on Board of Directors profile on pages 32 to 34.

INDEPENDENT DIRECTORS
Dr. Muhammad Abdul Mazid, retired Secretary to the Government of Bangladesh and former Chairman of the National Board of Revenue (NBR), and Mr. Golam Farook are presently the Independent Directors of the Company. Mr. Mazid was appointed as an Independent Director by the Board in its meeting on 17 July 2018 and his appointment will be approved by the shareholders in the ensuing AGM. His brief resume has been disclosed in the section on Board of Directors profile on page no. 40. On the other hand, Mr. Farook is serving the Company in his second tenure.

BOARD MEETING AND ATTENDANCE
The number of Board of Directors meetings held and attendance thereat for 2018 is duly reported in the section on “Statement on Corporate Governance”.

REMUNERATION PAID TO THE DIRECTORS
During the year, the Company has paid a total of BDT 278,000 as Board meeting attendance fees. The remuneration of Directors has been mentioned in Note 41 of the Financial Statements.

PATTERN OF SHAREHOLDING
As per condition No. 1(5)(xxiii) of the Code, the pattern of shareholding (along with details of names) of parent/subsidiary/associate companies and other related parties, Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit & Compliance and their respective spouses and minor children, as well as Executives and Shareholders holding 10% or more voting interest in the Company as at 31 December 2018 has been furnished herewith as ANNEXURE-D.

HUMAN RESOURCES & CORPORATE SOCIAL RESPONSIBILITY
Mutual trust is a pre-requisite for dedication and success. Our employees act as role models with respect to their leadership and management skills as well as their personal conduct. Having competent and inspired employees will play a significant role in our continued drive for success. As such, it is imperative that we focus our efforts on retaining and developing the best talents. The ability to harness the best from our dedicated employees will contribute to sustained growth for the Company and deliver long term value for our shareholders and other stakeholders. The human resources function therefore plays an indispensable role in ensuring that the Company continues to recruit and retain talented and motivated employees to further the Company’s vision and goals.
In order to attract the best talents, the Company maintains a performance-driven culture with teamwork where all employees are treated with dignity and regarded as partners. The Company follows a human capital strategy to provide for an attractive work environment. Training and continual development of the employees is therefore a cornerstone of the human resources function in order to extract the best from them. This requires us to invest continually in training and skills upgrading, especially for our technical staff, with both local and overseas trainings made available. At the same time, due attention is paid to developing non-technical skills such as leadership, management and motivation amongst our employees as these can determine how well HCBL positions itself against its competitors.

Maintaining congenial and successful employee relations whilst complying with labour laws will always a big challenge for any multinational company operating in Bangladesh. The Company has thankfully enjoyed significant success in its labour relations and has been able to operate its plants smoothly for the past decade without any interruption from industrial actions or disputes.

We seek to foster good relationships with the locals wherever we operate as part of our Corporate Social Responsibility (CSR) philosophy. By supporting local projects in line with the established themes of building, environment, and education, we aim to build on our reputation as a good corporate citizen. HCBL's CSR program includes strategic flagship programs such as innovative construction of building and infrastructure by partnering non-profit organizations such as Habitat for Humanity International where we supported the construction of low cost housing for vulnerable peoples, supporting the Centre for the Rehabilitation of the Paralyzed as well as continuing a regular presence in our local communities through financial assistance for meritorious school students. We strongly believe that building strong relationships and creating sustainable trust with the local community greatly enhances the achievement of the Company's goals.

**OCCUPATIONAL HEALTH & SAFETY**

Safety in Practice is a cultural mantra and a system implemented in every aspect and at every level of the business and its operations. The Company continues to monitor annually compliance with safety measures and the employees’ attitudes towards safety.

“Every employee and contractor should return home as healthy as they came to work” is a philosophy and principle emphasized in the Company to keep everyone safe at our workplace. Occupational health and safety is one of the core values of our Company and therefore a fundamental element of our work processes. It is our utmost priority to ensure that employees return home as safely as when they entered into our premises.

HeidelbergCement launched the Sustainability Commitments 2030 which replaced the Sustainability Ambitions 2020 and defined the key topics and core principles of the future sustainability strategy of HeidelbergCement. The new Sustainability Commitments 2030 covers six key areas of sustainability, which are of particular importance for us. Achieving excellence in Occupational Health and Safety is one of the key sustainability commitments.

If we look at our Safety KPI, an improving trend over the years is visible. Our lagging indicators are showing encouraging safety figures. Since the commencement of HeidelbergCement’s operations in Bangladesh, it has only experienced one major incident for one of our Full-Time Employees (FTEs) and thankfully no fatal accidents have
occurred for our FTEs to date. We have been maintaining a continued emphasis on safety at our workplaces, and thereby engendered a safety culture amongst our people, including external contractors.

Statistics reveal that 20% of incidents are linked to improper workplace organization and defective tools. Recognizing the significance of this, we have undertaken a stringent program to improve in this area by naming “Clean Site/Safe Site” in 2018. We devised 5S (Sort, Set, Shine, Standardize & Sustain) tools for the program and managed to cover almost 40% of the total areas in 2018.

HCBL provides extensive training on occupational health and safety to its permanent employees as well as external contractors. In 2018, we provided more than 3000 man hours training & orientation to our employees, contractors and visitors. In addition to various routine programs, we have trained and developed Safety Leaders with the mission of encouraging safety conversations between Safety Leaders and workers on the spot to make the implementation process more resilient.

To ensure strong planning, coordination, execution of actions and follow up, safety meetings are conducted at all levels starting from shop floor workers up to Management and the Board. We start meeting with safety discussions to emphasize the importance of safety and demonstrate our pledge to a safe work environment.

We translate Group Safety Guidelines into our local language and disseminate them through various modes. We comply with all relevant legal requirements for safety. We have defined our policies, guidelines and procedures according to local legal requirements, Group policy guidelines, and OHSAS 18001 standards. We ensure safety is in place and actively practiced through periodic inspections, crossover internal audits by officers from another plant, Group Audit, and OHSAS 18001 Certification Audit.

Anyone can report on any deviation from safety guidelines or standards as well as suggest improvements for Occupational Health & Safety at the workplace.

Safety Week is a motivational, engaging and culture changing program. Safety Week 2018 was successfully conducted to inculcate a culture of safety in the Company. The week was augmented with a variety of programs such as Accident Analysis Contest, Storytelling on the suffering of the family due to incidences, Commitment from the Drivers & Helpers, Debates on safety topics, etc. Employees’ kids were also in the program. Contests were held and prizes awarded. Safety Week 2018 clearly demonstrated the engagement, involvement, and commitment of HCBL employees towards safety.

All management levels at the plants and corporate office of HCBL are responsible for ensuring Occupational Health and Safety. Our occupational safety organization is subordinate to the Chairman of the Management Committee, to whom the Country Health & Safety Manager, who is responsible for coordinating the Health & Safety measures within the country, reports directly. The line managers at local management level in Bangladesh are supported by the Country Health & Safety Manager. Occupational safety measures are a part of the personal goal agreements for Directors and Officers. We also make blue collar employees responsible for setting common goal agreements on safety.
It is notable and highly encouraging that the number of incidents has been reducing gradually and significantly. Nevertheless, we continue to work towards our ultimate goal of “zero harm” in a sustainable fashion. Health and Safety is our highest priority and we are committed to continuously enhancing the occupational health and safety conditions of our employees, contractors and third parties without compromise.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

The Board of Directors firmly supports and advocates good Corporate Governance practices. The Company recognizes that the long term success of business operations depends on the effective implementation of sound Corporate Governance practices, by for instance the effective segregation of duties and responsibilities to ensure transparency and accountability. Our Company fulfills all the regulatory compliance requirements issued by the Bangladesh Securities & Exchange Commission. We are pleased to confirm that the Company has complied with all the necessary guidelines under the Corporate Governance Code issued under the Bangladesh Securities & Exchange Commission Notification dated 03 June 2018. The Compliance report along with the necessary remarks/disclosure is appended in the Directors Report of the Company for the year 2018 at Annexures A to F. The Certificate of Compliance required under the said Guidelines, as provided by Hoque Bhattacharjee Das & Co., Chartered Accountants, is annexed to this report at Annexure B.

As per the Corporate Governance Code, the appointment of Compliance Auditors is also subject to approval of the shareholders in the ensuing AGM. The Board recommends the appointment of Hoque Bhattacharjee Das & Co., Chartered Accountant, having national office at Cosmic Tower (9th Floor), 106/ka Naya Paltan, Box Culvert Road, Dhaka-1000, as Compliance Auditor for the year 2019.

ACKNOWLEDGMENTS

I would like to express my sincere thanks and deep gratitude to our esteemed shareholders and my colleagues for their active support and guidance. My thanks also go to the State and Governments, stock exchanges and other statutory bodies for their support to the various activities of the Company. The employees have been a source of strength and the Company acknowledges their contribution to the progress of the Company. I also acknowledge the unstinting support extended by our valued customers, associates, and our bankers and would like to place on record our sincere thanks to them for their continued faith and confidence reposed in us.

By order & on behalf of the Board of Directors

Jose Marcelino Ugarte
Managing Director