



# CORPORATE GOVERNANCE

The basic principles of corporate governance are accountability, transparency, fairness, and responsibility. Good corporate governance is an essential foundation for long term sustainable corporate success and enhances the stakeholders' confidence. We have designed our corporate governance structure to ensure compliance with legal and regulatory framework and meeting the information needs of our stakeholders. Banks play an important role in the economy by intermediating funds from depositors to activities that help drive economic growth. Banks' safety and soundness are crucial to financial stability, and the way they conduct their businesses. The primary objective of corporate governance, therefore, is to safeguard stakeholders' interests on a sustainable basis. Good governance is manifested through adherence to ethical business norms, a firm commitment to values, and

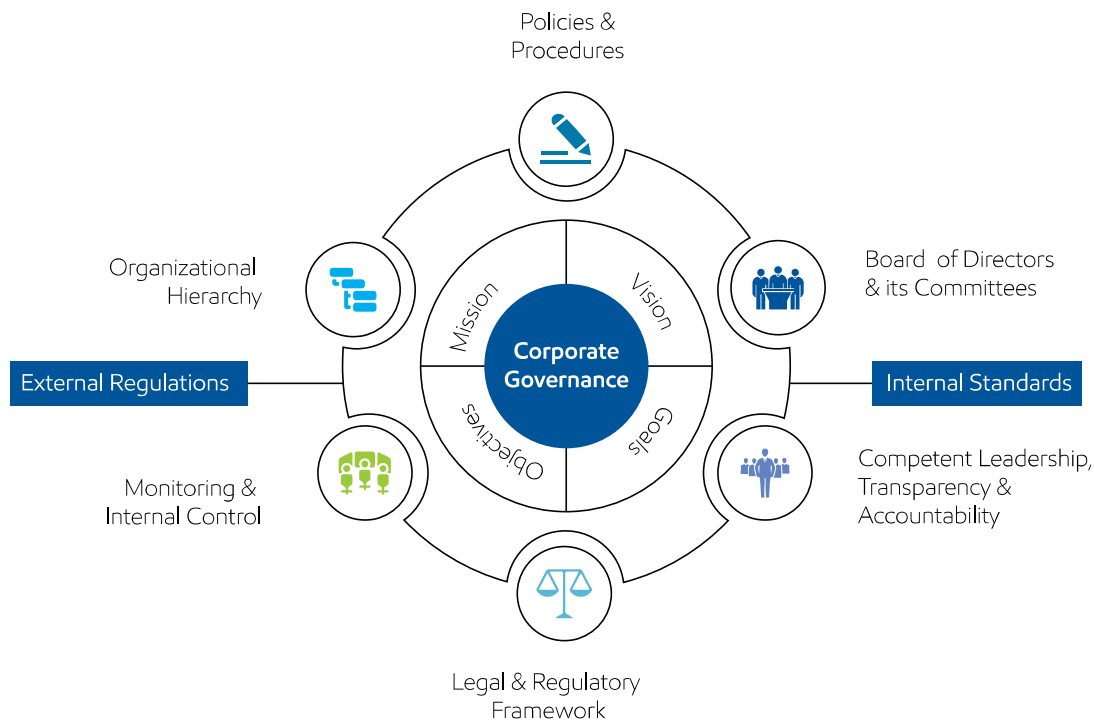
compliance with applicable laws and regulations, while enhancing shareholders' value.

## Corporate Governance Practices in SJIBL

Since its inception, SJIBL has been pursuing responsible and ethical banking. We have initiated the best international corporate governance practices and adopted a corporate culture to promote sustainable performance, client-centricity, innovation, and partnership. Our corporate governance report is a reflection of our strong adherence and commitment to best practices in corporate governance and our full compliance with the applicable rules and regulations of various regulatory bodies, including the Central Bank and the Bangladesh Securities and Exchange Commission.



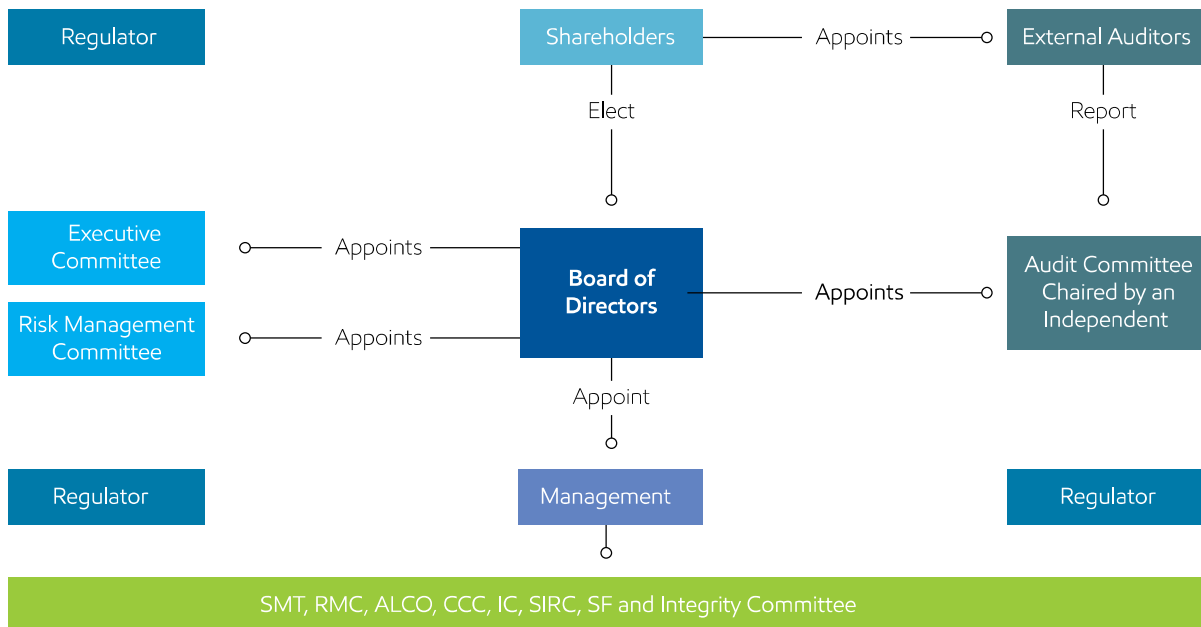
*SJIBL meetings always concentrate on ensuring sound governance practice*



Industry Best Practice + Stakeholder Engagement

### Governance structure of the Bank

The Board of Directors plays a pivotal role in shaping governance structures and practices through their choice of strategy and leadership to drive the bank towards growth. The board is responsible for the design and implementation of governance mechanisms, including the selection and appointment of members of subcommittees. The risk management and overall support functions of the bank have been designed and kept fully independent of the ordinary course of business to safeguard against any unforeseen events that may weaken the bank’s brand value. The governance structure of the bank is as follows:



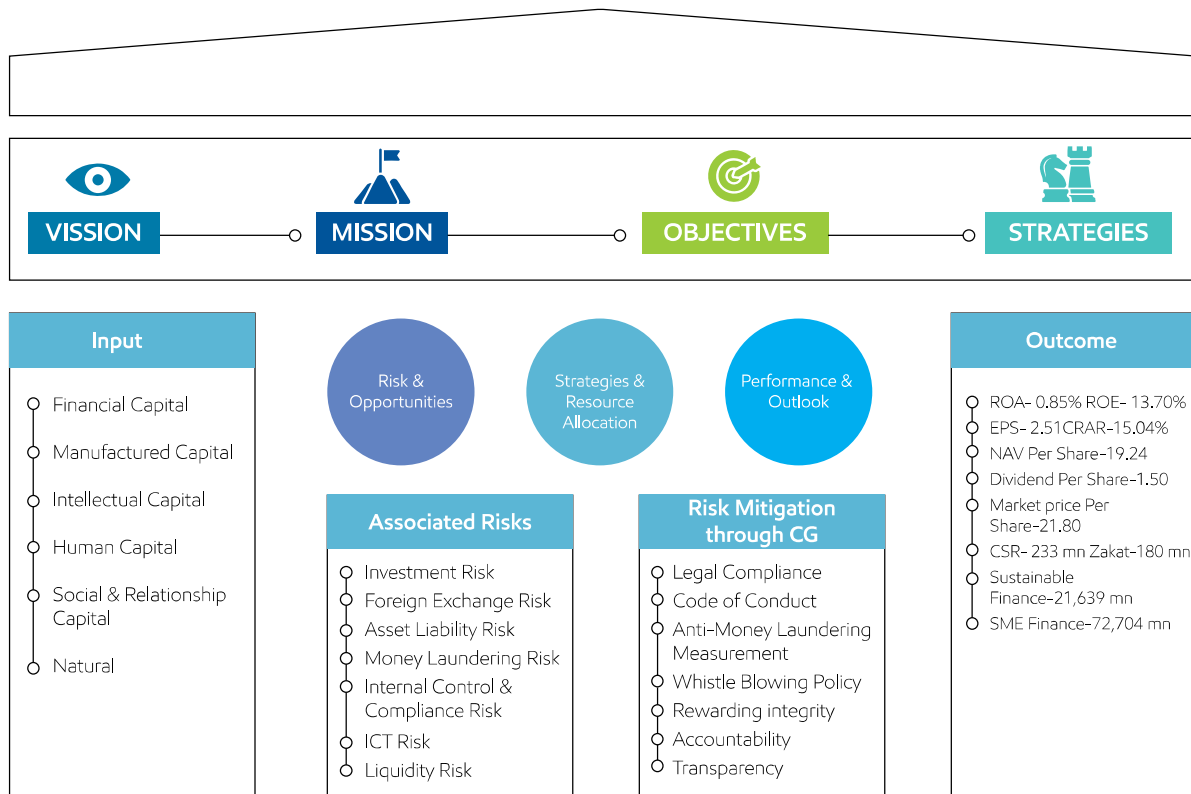
## Guiding philosophy of governance practices

Principles of good governance are embedded in the core values of SJIBL, a bank that strongly believes in inclusive and sustainable growth. As a locally incorporated bank, the following acts, regulations, notifications, and circulars played a major role in shaping the governance structure and practices of the bank.

External	Internal
<ul style="list-style-type: none"> <li>• The Companies Act, 1994</li> <li>• The Bank Company Act, 1991</li> <li>• Bangladesh Securities and Exchange Commission (BSEC) Ordinance 1969, Rules 1987, Act 1993 and Public Issue Rules 2015</li> <li>• Circulars, Rules and regulations issued by Bangladesh Bank time to time</li> <li>• Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited rules and regulations</li> <li>• Financial Reporting Act 2015</li> </ul>	<ul style="list-style-type: none"> <li>• Articles of Association of SJIBL</li> <li>• Organizational Structure</li> <li>• Resolutions of meetings of Management Committees</li> <li>• Board approved policies on all major operational aspects</li> <li>• Code of Conduct of SJIBL</li> <li>• Internal Circulars</li> </ul>

## Value Creation through Corporate Governance Framework

Corporate governance practices and the value creation of a bank such as SJIBL are inextricably linked. In the face of economic, social, and environmental upheaval, all banking institutions are reconsidering their position in society. There is now widespread agreement that governance has a considerable impact on value creation. A good corporate governance system reduces risks, improves capital flow, boosts reputation, and facilitates improved decision-making, all of which contribute to the bank's value. SJIBL's value creation through corporate governance is as follows:



## 1. BOARD OF DIRECTORS, CHAIRMAN AND CEO

The Board of Directors of SJIBL currently consists of twenty directors, and all are non-executive directors, including the Chairman. The existing Board of Directors of the Bank includes three independent directors as prescribed in Section 15 of the Bank Company Act 1991.

Senior Management supervises and monitors the bank's corporate governance, which is further reviewed by the Board of Directors. Any violation of corporate governance is treated seriously by the Board of Directors of the bank.

### Composition of Board and its Committees

SL	Name of Directors	Board	Executive Committee	Audit Committee	Risk Management Committee
1	Mr. Mohammed Younus	Chairman	-	-	-
2	Mr. Mohiuddin Ahmed	Vice-Chairman	Member	-	Member
3	Mr. Mohammed Golam Quddus	Vice-Chairman	-	Member	-
4	Dr. Anwer Hossain Khan	Director	Member	-	Member
5	Mr. Md. Sanaullah Shahid	Director	Member	-	-
6	Mr. Md. Harun Miah	Director	-	-	-
7	Mr. Md. Abdul Barek	Director	-	-	-
8	Mr. Abdul Halim	Director	-	Member	-
9	Mr. Akkas Uddin Mollah	Director	Chairman	-	-
10	Mr. Khandaker Sakib Ahmed	Director	Member	-	-
11	Engr. Md. Towhidur Rahman	Director	Member	-	Chairman
12	Mr. A.K. Azad	Director	-	-	-
13	Mr. Fakir Akhtaruzzaman	Director	Vice-Chairman	-	-
14	Mr. Md. Moshir Raman Chamak	Director	-	-	-
15	Mrs. Tahera Faruque	Director	-	-	-
16	Mrs. Jabun Nahar	Director	-	-	-
17	Mr. Fakir Mashrikuzzaman	Director	-	-	Member
18	Mr. Ekramul Hoque	Independent Director	-	Chairman	-
19	Mr. KAM Majedur Rahman	Independent Director	-	Member	Member
20	Mr. Nasir Uddin Ahmed FCA, FCS	Independent Director	-	Member	-
21	Mr. M Shahidul Islam	Managing Director	-	-	-

### 1.1 Bank's Policy on appointment of Directors

The Directors shall be appointed in accordance with the relevant provisions of the Companies Act 1994, the Bank Company Act 1991, the Corporate Governance Guidelines of the BSEC and the Bangladesh Bank and the Articles of Association of the Bank. The Board of Directors consists of renowned entrepreneurs and business professionals with experience and wisdom in a diverse range of businesses and operations. Together, they have enriched the board with their knowledge and expertise in banking and insurance, IT, accounting, marketing, administration, and engineering.

The Directors are elected by the shareholders at the Annual General Meeting, and all appointments of the Board members are subject to the approval of Bangladesh Bank. In the event of any nomination, removal, or causal vacancy, the bank adheres to all relevant rules and regulations.

### 1.1.1 Roles and Responsibilities of the Board

The operational affairs of the bank are governed and managed under the overall strategic and prudent policies approved by the Board. The Board also sets the core value of the bank and adopts appropriate standards to ensure that the bank conducts its operations in compliance with relevant laws, rules, and regulations. The main roles and responsibilities of the Board of Directors of the Bank as envisaged in the BRPD Circular No.11 dated October 27, 2013, are the following:

- Approving suitable business strategies,
- Fixing operational budgets,
- Approving financial statements,
- Reviewing of the bank's operational performance towards achievement of objectives,

- Approving policies and operational manuals to establish effective risk management in core banking areas and internal control,
- Reviewing the company's corporate governance standards for further improvement,
- Determining the bank's corporate social responsibility status and taking steps for its improvement,
- Developing a compliance culture in the bank,
- Approving proposals that go beyond the management's delegated business/financial/administrative powers,
- Appointing of the Managing Director (CEO) and fixation of his benefits,
- Purchasing or acquiring property for the bank,
- Providing welfare to the employees,
- Making a donation to a charitable cause,
- Devising an annual work plan for goals and monitoring its pace of achievement,
- Analyzing reasons for the success or failure of the bank's annual budget achievement,
- Reviewing, periodically, the bank's operational budget achievements,
- Implementing risk management initiatives,
- Review of sufficiency and requirements for internal control efforts of the bank,
- Reviewing the bank's human resources policy,
- Bank's financial management and its periodical review,
- Approving policies and taking decisions for the improvement of operation and compliance culture in the Bank.

### 1.1.2 Induction Policy of the Directors

Every new director is given an appropriate induction when first appointed to the Board about the affairs of the bank and the laws and regulations applicable to the bank. The induction program includes meetings with the Chairman, the Managing Director and CEO, the

Board Committee Chairs, and the bank's executives.

### 1.1.3 Rotation, Retirement and Removal of Directors

In accordance with the provisions of Section 91 of the Companies Act 1994, Section 79-87 of Schedule I of the Act, and Clauses 20.12 & 20.13 of the Articles of Association of the Bank, one-third of the directors shall retire from office in every subsequent year and shall be eligible for re-election upon retirement immediately. The Bank's Articles of Association dictate that the election of board members follow the resolution determined at shareholders' meetings. Accordingly, the respective directors of SJIBL will retire and be reappointed at the 21st Annual General Meeting.

### List of the Directors who were re-appointed during 01-01-2021 to 31-12-2021

SL	Name of the Director	Designation	Remarks
1	Engr. Md. Towhidur Rahman	Director	Re-appointed
2	Mr. A. K. Azad	Director	Re-appointed
3	Mr. Mohammed Younus	Director	Re-appointed
4	Mr. Fakir Akhtaruzzaman	Director	Re-appointed
5	Mr. Mohammed Golam Quddus	Director	Re-appointed
6	Mr. Md. Moshir Rahman Chamak	Director	Re-appointed

### 1.1.4 Directors' Shareholding Status

All sponsors/promoters and directors of the bank shall perpetually hold minimum 30% (thirty percent) shares of the bank. Each director other than the independent director(s) of the Bank shall hold minimum 2% (two percent) shares of the paid-up capital of the Bank. In compliance with BSEC Notification No. BSEC/CMRRCD/2009-193/119/Admin on Corporate Governance dated November 22 2011; all directors other than independent directors of SJIBL have complied accordingly.

### Shares held by the Directors:

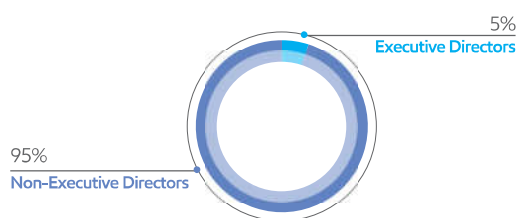
SL	Name of Directors	Position	No of Shares	% of Share
1	Mr. Mohammed Younus	Chairman	25,442,232	2.47%
2	Mr. Mohiuddin Ahmed	Vice-Chairman	20,592,775	2.00%
3	Mr. Mohammed Golam Quddus (Rep. of Anwer Khan Modern Hospital Ltd.)	Vice-Chairman	20,634,938	2.01%
4	Dr. Anwer Hossain Khan	Director	30,763,206	2.99%
5	Mr. Md. Sanaulah Shahid (Rep. of Electra International Ltd.)	Director	26,335,633	2.56%

SL	Name of Directors	Position	No of Shares	% of Share
6	Mr. Md. Harun Miah (Rep. of Shamsuddin Khan & Harun Miah Ltd.)	Director	20,582,006	2.00%
7	Mr. Md. Abdul Barek	Director	20,582,096	2.00%
8	Mr. Abdul Halim	Director	25,033,975	2.43%
9	Mr. Akkas Uddin Mollah	Director	40,690,823	3.95%
10	Mr. Khandaker Sakib Ahmed	Director	20,582,838	2.00%
11	Engr. Md. Towhidur Rahman	Director	23,124,455	2.25%
12	Mr. A.K. Azad	Director	39,233,423	3.81%
13	Mr. Fakir Akhtaruzzaman	Director	20,581,938	2.00%
14	Mr. Md. Moshir Raman Chamak (Rep. of Fresh Export Import Ltd.)	Director	20,777,760	2.02%
15	Mrs. Tahera Faruque	Director	31,866,598	3.10%
16	Mrs. Jabun Nahar (Rep. of Daffodils Trading International)	Director	21,086,932	2.05%
17	Mr. Fakir Mashrikuzzaman (Rep. of Fakir Knitwears Limited)	Director	37,529,420	3.65%
18	Mr. Ekramul Hoque	Independent Director	Nil	-
19	Mr. KAM Majedur Rahman	Independent Director	Nil	-
20	Mr. Nasir Uddin Ahmed FCA, FCS	Independent Director	Nil	-
21	Mr. M Shahidul Islam	Managing Director	Nil	-

## 1.2 Adequate representation of Non-Executive Directors

A Non-Executive Director refers to a director who does not hold any position in the bank except being a member of the board and its committees. All the directors of SJIBL, including the Chairman, are non-executive directors, except the Managing Director. The bank's non-executive directors are independent of management and do not participate in day-to-day operations. Adequate representation of non-executive directors ensures separation of management from the owners, which is an integral part of corporate governance.

### Adequate representation of Non-Executive Directors



### 1.2.1 Independence of Non-Executive Directors

Non-Executive Directors enjoy full freedom to carry out their coveted responsibilities. They attend board meetings and are actively involved in the formulation of general strategies of the bank; they also ensure confidentiality regarding the bank's affairs.

## 1.3 Appointment & qualification of Independent Directors

Independent Directors are critically evaluated before being appointed by the Board and approved by the

shareholders in the AGM, followed by the approval of Bangladesh Bank and the Bangladesh Securities Exchange Commission (BSEC). While appointing independent directors, SJIBL emphasizes the mix of knowledge, skills, experience and perception. Independent directors are expected to be knowledgeable and experienced individuals who can guide the organization on the right path. One of our independent directors is a renowned chartered accountant, and the other two are former Managing Directors and CEOs of renowned private commercial banks.

### 1.3.1 Independence of Independent Directors

In compliance with relevant corporate governance guidelines, the Board has appointed three independent directors. The independent directors are proficient in the fields of financial, regulatory and corporate law and enjoy full freedom to carry out their assigned responsibilities.

Independent Directors exert an autonomous view on the policies and decisions of the Board in the best interests of the Bank. In order to comply with regulatory requirements, SJIBL's Independent Directors do not hold any shares of the Bank.

### 1.3.2 Role of Independent Directors

Under present rules and regulations, independent directors are not required to have any significant relationship with the bank, its top management, or the board apart from receiving directors' remuneration for attending board and board committee meetings. The bank meets the criterion by appointing independent directors who are not shareholders in the bank and have no family or other ties to the board of directors,

executives, or management. Apart from performing the roles of directors, independent directors also perform other roles as follows:

- Oversee issues where there is a potential conflict of interest.
- Consider, review, evaluate, and provide oversight over related-party transactions to ensure transactions are fair and in the best interests of SJIBL.
- Validate that the organization maintains an effective and independent compliance function.
- Bring valuable independent judgment to the Board.

#### 1.4 Chairman to be independent of CEO

In compliance with Bangladesh Bank BRPD Circular No. 11 and Circular Letter No. 18 dated October 27, 2013, and Clause 1(4) of BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 on Corporate Governance Code dated June 3, 2018, the functional responsibilities of the Chairman of the Board and the Managing Director and CEO are kept separate and independent of each other. The Board has appointed Mr. Mohammed Younus as the Chairman and Mr. M Shahidul Islam as the Managing Director and CEO of the Bank.

The Chairman of the Board approves the agendas of the board meetings. This consists of approving investment proposals beyond the CEO's authority and aspects of the bank's corporate strategy, financial performance, core risks and credit policy, corporate governance, CSR and organizational structure, human resources policy, customer service strategies, procurement policy, etc.

The CEO acts as the head of the management team and is therefore accountable to the board and its committees. The role comprises running and managing the bank following the prescribed policies, principles, and strategies established by the Board and the rules, regulations, and guidelines of the Central Bank, BSEC and other regulatory authorities.

#### 1.5 Responsibilities of the Chairman of the Board

As per BRPD Circular No. 11 dated October 27, 2013, issued by Bangladesh Bank and the Corporate Governance Code issued by BSEC on June 3, 2018, the Chairman of the Board of Directors broadly possesses the following major responsibilities:

- Ensure that the board sets and implements the bank's direction and strategy effectively;
- Organize the business of the board, ensure its effectiveness and establish its agenda;

- Ensure effective operations of the Board and its committees in conformance with the highest standards of corporate governance;
- Ensure that all key issues are discussed in a timely and constructive manner by the Board of Directors;
- Ensure the non-intervention of any director in the routine affairs of the bank;
- Sign the minutes of the board meeting for formal confirmation.

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

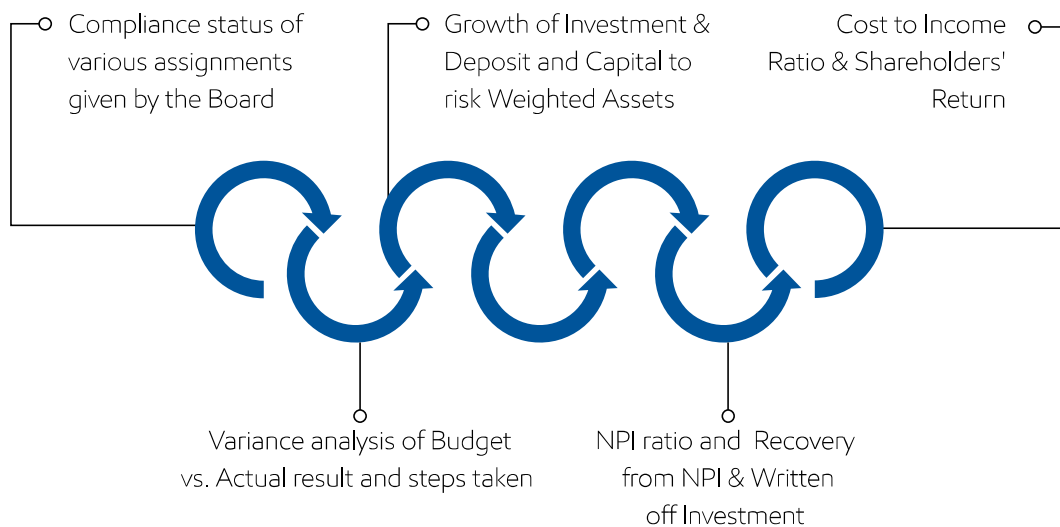
Shareholders critically appraise the performance of the board, evaluate the financial position and performance of the bank, the adequacy and effectiveness of the internal control system, and the overall governance mechanism at the AGM. The shareholders also ask questions and make queries to the board during the AGM, and the chairman of the board 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 agendas is ensured at every board meeting. The Board approves the annual budget and monitors the monetary variance quarterly to ensure the achievement of the target. The board's performance is greatly dependent on the achievement of the budgeted target. Furthermore, performance reports are presented by supporting committees at regular intervals during board meetings for assessment. Besides, the performance reports of supporting committees of the board are also placed at the board meeting, through which the performance of the board members is regularly assessed.

The agendas that the board discussed on corporate governance can broadly be classified as under:

Agendas on Corporate Governance	In Priority
Policy Formulation	High Priority
Performance Monitoring	Medium Priority
Reporting & Disclosure	Medium Priority

#### 1.7 Annual Performance Evaluation of the Chief Executive Officer

The Board of Directors of SJIBL has clearly defined and approved the roles, responsibilities, and duties of the Managing Director/CEO. The Board annually evaluates the CEO's performance through various reports, such as the financial position and performance of the bank. The parameters typically consist of:



In addition to the above, the competitive nature of the banking industry makes it relevant to assess the marketing and customer management skills of the MD/CEO.

### 1.7.1 Rules and Regulations for Appointing CEO

The Board is responsible for appointing a Chief Executive Officer/Managing Director in compliance with the relevant circulars and rules of Bangladesh Bank and BSEC's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018. The appointment of the Chief Executive Officer (CEO) is made final only after obtaining a No Objection Certificate (NOC) from Bangladesh Bank. The following issues are considered before appointing a CEO:

**Moral Integrity:** It is required to ensure that the concerned person has not been convicted by any criminal court of law or been punished for violating a rule.

**Experience and Suitability:** It is required to ensure that the concerned person has banking experience of at least 15 (fifteen) years as an active officer and at least 02 (two) years of experience in a post immediately below the Chief Executive Officer. A master's degree from any recognized university is also required.

**Transparency and Financial Integrity:** It is required to ensure that the concerned person was not involved in any illegal activity while performing his duties and is also not a bank defaulter or adjudicated as insolvent.

### 1.7.2 Appointment of Chief Financial Officer (CFO), Company Secretary (CS), and Head of Internal Control and Compliance (IC&CD)

According to the bank's policy and other applicable rules and regulations, the bank has appointed a Chief Financial Officer (CFO), a Head of Internal Control &

Compliance (IC&CD), and a Company Secretary (CS). To carry out their given obligations, they are well-versed in their particular disciplines of financial, regulatory, and corporate legislation. The positions, responsibilities, and duties of the Chief Financial Officer (CFO), Company Secretary (CS), and Head of Internal Control & Compliance were all clearly defined and authorized by the Board.

### 1.8 Policy on Training of Directors

The Policy on Director Training includes, among other things, offering training and information on the most recent developments in the banking industry, such as relevant legislation, policy guidelines, circulars, rules and regulations issued by regulatory agencies. This is done in order for them to properly carry out their duties. Special discussion sessions with experts on highly technical and complex problems are sometimes scheduled. They also take part in business, economic, technical, professional, and corporate governance programs and seminars conducted by various professional organizations both at home and abroad.

### 1.9 Directors' Knowledge and Expertise in Finance and Accounting

One of our Directors, Mr. Nasir Uddin Ahmed, FCA, FCS, CGMA, ACMA (UK), ACA (England & Wales), has extensive experience in finance and accounting. Two of our board members have previously served as managing directors of various banks. They are extremely knowledgeable in the fields of banking, finance, and accounting. One of our directors holds a Ph.D. Another board member is a former president of FBCCI, the country's highest business forum. Other board members are either successful entrepreneurs or seasoned professionals with extensive knowledge of business, economics, and administration. They provide

guidance on matters applicable to accounting and audit-related issues to ensure compliance and reliable financial reporting.

### 1.10 Number of meetings of the Board and Participation of each Director

Meetings are usually held once a month, although if necessary, more than one meeting may be convened. Management provides detailed information, references, and discussion papers on each agenda item to all directors before the board meeting. The Company Secretary, as per instruction of the Chairman of the

Board, takes the necessary steps to arrange regular board meetings throughout the year. The following is the total number of meetings held in 2021:

Sl. No.	Particulars	No. of Meeting
1	Number of Board meeting	20
2	Number of Executive Committee (EC) meeting	20
3	Number of Audit Committee meeting	10
4	Number of Risk Management Committee (RMC) meeting	6

#### 1.10.1 Board Meeting attendance and remuneration

The following is a statement of board meetings held in 2021, as well as the attendance of directors from January 1, 2021 to December 31, 2021:

SL	Name of Directors	Position	Meeting Held	Attended	Remuneration (Per meeting)
1	Mr. Md. Sanaulah Shahid	Chairman	20	20	8,000
2	Mr. Md. Harun Miah	Vice-Chairman		19	8,000
3	Mr. Md. Abdul Barek	Vice-Chairman		15	8,000
4	Dr. Anwer Hossain Khan	Director		14	8,000
5	Mr. Abdul Halim	Director		17	8,000
6	Mr. Mohiuddin Ahmed	Director		18	8,000
7	Mr. Akkas Uddin Mollah	Director		18	8,000
8	Mr. Khandaker Sakib Ahmed	Director		20	8,000
9	Engr. Md. Towhidur Rahman	Director		18	8,000
10	Mr. A.K. Azad	Director		13	8,000
11	Mr. Mohammed Yunus	Director		13	8,000
12	Mr. Fakir Akhtaruzzaman	Director		14	8,000
13	Mr. Mohammed Golam Quddus	Director		20	8,000
14	Mr. Md. Moshir Raman Chamak	Director		16	8,000
15	Mrs. Tahera Faruque	Director		06	8,000
	Mr. Mohammad Masud as Alternative Director	Alternative Director			
16	Mrs. Jabun Nahar	Director		19	8,000
17	Mr. Fakir Mashrikuzzaman	Director		20	8,000
18	Mr. Ekramul Hoque	Independent Director		20	8,000
19	Mr. KAM Majedur Rahman	Independent Director		16	8,000
20	Mr. Nasir Uddin Ahmed FCA, FCS	Independent Director	20	8,000	

#### 1.10.2 Board Committees and their responsibilities

The Bangladesh Bank issued a circular vide BRPD Circular No. 11 dated October 27, 2013 permitting banks to organize a maximum of three committees or subcommittees of the Board to ensure good governance in the operation of banks. SJIBL has an Executive Committee, an Audit Committee, and a Risk Management Committee to supervise and control the bank's operations, performance, and strategic direction.

#### Executive Committee (EC)

The Board of Directors of SJIBL has formed the Executive Committee (EC) with 7 (seven) members in accordance with Section 15B (2) of the Bank Company Act 1991 and BRPD Circular No. 11 dated October 27, 2013. The company secretary also serves as secretary of the committee.

The EC normally acts as a proxy for the Board of Directors, holds emergency meetings, and performs various tasks to ensure that banking operations run

smoothly. Any decision reached by the committee, however, must be validated by the board. During the year 2021, the EC held a total of 20 (twenty) meetings. The following table shows the meeting and attendance.

### Executive Committee Meeting, attendance and remuneration

The following is a statement of executive committee meetings, attendance, and member remuneration from January 1, 2021, to December 31, 2021:

SL	Name of Directors	Position	Meeting Held	Attended	Remuneration (Per meeting)
1	Dr. Anwer Hossain Khan	Chairman	20	17	8,000
2	Mr. Fakir Akhtaruzzaman	Vice Chairman		17	8,000
3	Mr. Mohiuddin Ahmed	Member		20	8,000
4	Mr. Akkas Uddin Mollah	Member		19	8,000
5	Mr. Khandaker Sakib Ahmed	Member		20	8,000
6	Engr. Md. Towhidur Rahman	Member		20	8,000
7	Mr. Mohammed Younus	Member		14	8,000

### Audit Committee (AC)

The Audit Committee carries out its functions based on the Terms of Reference (ToR) approved by the Board. At least one independent director has to be present to fulfill the quorum of the AC meeting. The company secretary acts as the secretary of the committee. In compliance with Bangladesh Bank's BRPD Circular No.11 dated October 27, 2013, and BSEC's Corporate Governance Code dated June 3, 2018, the Audit Committee (AC) has been reconstituted, consisting of five members. Under the ToR, the Committee is required to review and oversee the company's financial reporting, non-financial corporate disclosures, internal control systems, and compliance from time to time.

### Risk Management Committee (RMC)

The Board of Directors of SJIBL has constituted a five (5) member Risk Management Committee (RMC) in accordance with BRPD Circular No. 11 dated October 27, 2013. The RMC was established to reduce the likelihood of risks arising during the implementation of board-approved policies, processes, and strategies. The RMC is entrusted to examine and review whether management is properly working on the identification, management, and mitigation of risks that arise in the

ordinary course of business. The criteria consist of credit risk, foreign exchange risk, internal control and compliance risk, money laundering risk, information and communication technology risk, operational risk, interest rate risk, liquidity risk, and inadequate provision and capital risk. All five members of the RMC are Non-Executive Directors of the Board.

### Responsibilities of RMC

RMC is responsible for identifying and assessing the bank's risk and guiding management in developing risk-mitigation programs. The committee analyzes the risk management policy and makes any necessary changes. The committee is required to convene at least four times per year. The CEO, Chief Risk Officer (CRO), or any other executive may be invited to attend the committee meeting. During 2021, the RMC held 6(six) meetings and had thorough conversations and review sessions with the CRO about their findings, observations, and recommendations on issues of bank affairs.

### Risk Management Committee meeting, attendance and remuneration

The statement of the risk management committee meetings, attendance, and remuneration from January 1, 2021 to December 31, 2021, are appended below:

SL	Name of Directors	Position	Meeting Held	Attended	Remuneration (Per meeting)
1	Mr. Mohammed Younus	Chairman	06	06	8,000
2	Dr. Anwer Hossain Khan	Member		01	8,000
3	Mr. Md. Abdul Berek	Member		05	8,000
4	Mr. Mohiuddin Ahmed	Member		06	8,000
5	Mr. KAM Majedur Rahman	Member		06	8,000

### 1.10.1 Key activities performed by the Board in 2021

The operational affairs of the bank are governed and managed under the overall strategic and prudent policies approved by the Board. The Board also sets the core value of the bank and adopts appropriate standards to ensure that the bank conducts its operation in compliance with relevant laws, rules, and regulations.

- Authorization of Quarterly Financial Statements of 2021 as well as Annual Financial Statements, 2020;
- Approval of the Annual Business Plan-2021;
- Adoption of the Director's Report 2020;
- Appointment of statutory and corporate governance auditors and fixing their remuneration;
- Holding Annual General Meeting;
- Declaration of Dividend for the year 2020;
- Approve the amendments to the different policies of the bank;
- Approval of the Sustainability and Corporate Governance Strategy;
- Approval of the Audit Plan for the year 2022;
- Discussion and decision-making on anti-money laundering issues;
- Discussion and decision-making on ethical issues;
- Discussion and decision on COVID-19 risk management and mitigation;
- Review of the bank's operational performance towards achievement of objectives;
- Review the policies and operational manuals to establish effective risk management in core banking areas and internal controls;
- Review the bank's corporate governance standards for further improvement;
- Review the bank's corporate social responsibility status and take steps to mitigate COVID-19 risk;
- Approving proposals which are beyond the business/administrative delegation power of management;

### 1.11 Directors Report on Financial Statement and Corporate Governance

The Companies Act 1994 requires preparing financial statements for each accounting year. The Board maintains adequate records to safeguard the assets of the company, prevents and detects fraud and irregularities, selects and applies suitable accounting policies, and makes reasonable judgments and

estimates where necessary. A separate statement of the directors' responsibility for financial reporting and corporate governance is given in this Annual Report.

### 1.12 Boards Accountability on Audit and Financial Reporting

The Board diligently fulfills its responsibilities by preparing and presenting a balanced and comprehensive assessment of the bank's operations at the end of each financial year. The Annual Financial Statements and Annual Report are duly audited by the external auditor. All the financial statements and annual reports are available on the bank's website for stakeholders.

### 1.13 Competent Leadership

SJIBL prefers a process that provides a framework for leaders to listen, learn, and then lead. Management is willing to understand the problems employees and clients are facing before attempting to come up with ideas and solutions. For the development of products and services and approval by the board, all steps go in the direction of listening to learn and then approving, which also justifies sustainable leadership both by the board and the management of the bank.

### 1.14 Succession Plan

Succession planning is an essential component of corporate governance procedures in order to satisfy the company's long-term goals and objectives, as well as to guarantee that its members' knowledge, experience, and abilities are well-equipped to meet the needs of the ever-changing financial industry. The bank has a clear succession strategy in place for senior management and the board. Employees are promoted to higher management positions based on the bank's standards and needs. The appointment of a new director at SJIBL takes into account their knowledge, experience, and abilities to carry out their responsibilities.

### 1.15 Related Party Transactions

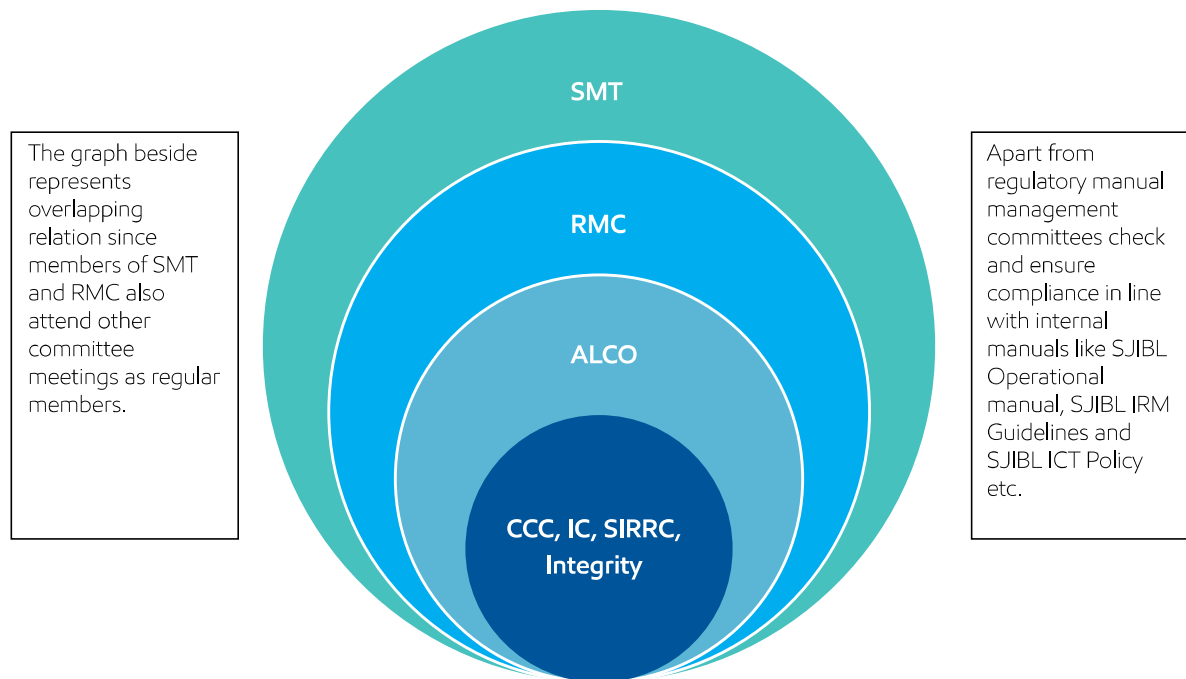
Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or significant influence. A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged as per IAS 24 'Related Party Disclosures', Bangladesh Bank and BSEC guidelines. Details of the related party transactions have been disclosed on page no. 499 of this Annual Report.

The Bank carries out business with related parties in the ordinary course of business on an arm's length basis at commercial rates, except for those transactions that the key management personnel have availed themselves at concessionary rates, which are applicable to all the eligible staff. The following process is followed by the bank for related party transactions:

- Report such Related Party Transactions to Bangladesh Bank in the prescribed format on a quarterly basis.
- Review of related party transactions by the Audit Committee to ensure compliance and keep the Board informed from time to time.
- Approval by the Board of Directors' for re-scheduling of investment given to any Director or his sister concern.
- The Board approves all related party transactions and ensures that these transactions with the Company are undertaken on an arm's length basis.
- No extra preference is given to the directors, as well as vendors and suppliers owned by them.
- All related party transactions are disclosed as per IAS 24 'Related Party Disclosures'.

### 1.16 Management Committees

Bank management, led by the Managing Director, has a collective mandate to carry out daily operations in the best interests of its shareholders in an effective corporate governance structure. Aside from the general division of functional units, SJIBL established a number of committees to assist management in successfully conducting banking operations. In the diagram below, the committees are shown:



#### The Committees are:

##### i) Senior Management Team (SMT)

The Senior Management Team consists of MD, all AMDs, DMDs, the CFO, the Head of RMD, and the Head of BOD who guide the bank for sound and prudent day-to-day management. The SMT is chaired by the Managing Director. SMT's decision-making process is open and transparent, with the goal of fostering a proactive management culture.

##### ii) Supervisory Review Process (SRP) Team

The SRP Team consists of the divisional heads of ID, IRMD, IC&CD, Treasury, SAMD, FAD, RMD, and AMLD, and is led by the Bank's Managing Director. The team's major responsibility is to estimate additional capital requirements in order to manage risks in compliance with BASEL-III's pillar II.

### iii) Risk Management Committee (RMC)

The RMC consists of the divisional heads of IRMD, ICCD, AMLD, IT, Treasury, and FAD, and is led by the Chief Risk Officer. RMC's role is to identify, measure, and manage the bank's existing and potential risks through rigorous risk analysis.

### iv) Investment Committee (IC)

The IC, headed by the Chief Business Officer (CBO), discusses all critical investment proposals that require formal review and approval. The IC discusses investment proposals that require particular consideration from senior management prior to approval.

### v) Asset-Liability Management Committee (ALCO)

The ALCO consists of the Managing Director, Additional Managing Directors, Deputy Managing Directors, and Divisional Heads of strategic importance. The Treasury Division manages market risk, covering liquidity, interest rate, and foreign exchange risks based on ALCO's recommendations.

### vi) Anti-Money Laundering (AML) Committee

The AML Committee manages and monitors all issues relating to AML and CFT. The AML Committee ensures that all employees get training on anti-money laundering at least once a year.

### vii) Sustainable Finance Committee (SFC)

The bank's Sustainable Finance Committee ensures that all green banking activities are carried out in accordance with the bank's policies. The bank's Sustainable Finance Unit (SFU) keeps the SFC up-to-date on advancements in green banking on a regular basis.

### viii) Procurement Committee (PC)

The Procurement Committee (PC) ensures that the purchase of all goods and services is done efficiently, economically and objectively. The main objective of this Committee is to ensure transparency in all tenders. SJIBL has already implemented an E-Tender system that assists in neutral judgment.

### ix) Shariah Inspections and Report Review Committee (SIRRC)

The Managing Director chairs the committee, which also includes AMDs, DMDs, and all Muraquibs of Shariah Divisions. The Shariah Inspections and Report Review Committee ensures shariah compliance in each operation of the Bank. It traces and reports suspicious income of the bank that needs to be segregated from profit as per Islamic shariah. The beauty of Islamic banking lies in using overdue investment income and suspicious income for public welfare instead of crediting the same to profit.

### x) Central Compliance Committee (CCC)

The Central Compliance Committee (CCC) directly reports to the Managing Director. As instructed by the regulatory authority, the Central Compliance Committee (CCC) is responsible for ensuring compliance with the policies and guidelines of the central bank and other regulatory bodies, as well as all internal policy manuals of SJIBL.

### xi) Integrity Committee

The Integrity Committee is responsible for nominating five officers and executives who excel above all others in terms of professional commitment and integrity. The reward for integrity is given each year as per the regulatory instructions of the Bangladesh Bank.

## 1.17 CEO & Roles and Responsibilities of CEO

Mr. M Shahidul Islam is the CEO and Managing Director of the bank. He is responsible for running the business efficiently and formulating and implementing appropriate business strategies. He is also responsible for the day-to-day business operations and is accountable to the Board for the financial and operational performance of the bank. His major responsibilities as CEO are as follows:

- a) To remain accountable for the achievement of financial, operational and other business targets.
- b) To ensure compliance with the Bank Company Act, 1991 and other applicable laws and regulations.
- c) To facilitate the smooth operation of the Bank.
- d) To recruit and promote all the staff of the bank, except those in the two tiers below him (CEO).
- e) To give all types of approval within business delegation with full responsibility.

Besides, the authority relating to the transfer and disciplinary measures against the staff, except those at two tiers below the CEO, shall rest with him.

## 1.18 Role of Company Secretary

The Company Secretary of the Bank provides advice and support to the Board and is accountable to the Board for all matters relating to the proper functionality of the Board and its Committees. The Company Secretary is responsible for advising the Board on governance matters and ensuring compliance with applicable laws and regulations.

## 1.19 Role of Chief Financial Officer (CFO)

The Chief Financial Officer directs a company's financial goals, objectives and budgets. He also advises the Board of Directors on the kind of actions to be adopted in upholding high standards of financial control and

reporting. The CFO oversees all the financial operations of the organization including accounting, financial reporting, tax and regulatory reporting.

## 1.20 Role of Head of Internal Control & Compliance

The Head of Internal Control & Compliance (IC&CD) is responsible for the Bank's strategic risk-based internal audit plan and managing the internal audit function under the Bank's internal audit charter. Responsibilities include providing reasonable assurance of the effectiveness of the organization's risk management and internal controls.

## 1.21 Attendance of CEO, CFO, CS & Head of IC&CD in the Board Meeting

The bank's Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Control &

Compliance (IC&CD), and Company Secretary (CS) attend Board of Directors meetings. They do not, however, attend meetings in which an agenda item pertaining to their personal affairs is discussed.

## 1.22 Governance of Board of Directors of Subsidiary Company

Shahjalal Islami Bank Limited is the parent company, while Shahjalal Islami Bank Securities Limited is a subsidiary company of the bank. The board of the parent company is aware of the material risks and issues that might affect both the bank as a whole and its subsidiaries. It exercises adequate control over its subsidiary while respecting the independent legal and governance responsibilities that may apply to the board of directors of the subsidiary. The composition of the board of directors of the subsidiary company is given below:

Sl. No.	Name	Position in Bank	Position in Subsidiary	Control on Subsidiary
1	Mr. Md. Sanaulah Shahid	Director	Chairman	Bank holds 91.79% Shares
2	Engr. Md. Towhidur Rahman	Director	Vice Chairman	
3	Mr. Mohiuddin Ahmed	Director	Vice Chairman	
4	Mr. Mohammed Younus	Chairman	Director	
5	Mr. Akkas Uddin Mollah	Director	Director	
6	Mr. M. Shamsul Huq	-	Director	
7	Mr. Ekramul Hoque	Independent Director	Independent Director	
8	Mr. M Shahidul Islam	MD	Director	
9	Mr. Abdul Aziz	AMD	Director	
10	Mr. Main Quamrul Hasan Chowdhury	AMD	Director	
11	Mr. Shahjahan Shiraj	DMD	Director	
12	Mr. M Akhter Hossain	DMD	Director	
13	Mr. Md. Abul Bashar	EVP	Director	
14	Mr. Md. Jafar Sadeq FCA	EVP	Director	

## 2. VISION/MISSION AND STRATEGY

### 2.1 Vision / Mission Statements of SJIBL

The vision and mission statement of the bank, approved by the Board of Directors, is presented on page number 12 of this report. The said statements are also disclosed on the bank's website and other related publications.

### 2.2 Business Objectives and Areas of Business Focus

The chapter on Integrated Reporting of this Annual Report has been updated to include the identification of business objectives and areas of business focus, as well as strategies to achieve the business objectives.

### 2.3 General description of Strategies to achieve the company's business objectives

In this annual report, the Board's strategic priorities,

as directed from time to time, are provided. The "Management Discussion and Analysis" section of this report goes into great detail about our sector-specific bank's objectives, plans, priorities, and future business outlooks.

At the start of each year, SJIBL develops strategies and action plans that are in line with the bank's mission, vision, and business objectives.

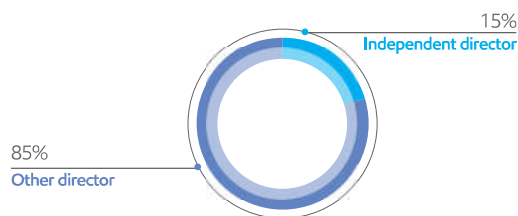
## 3. AUDIT COMMITTEE

The Audit Committee is one of the major operating committees of a bank's board of directors. The Audit Committee carries out its functions based on the Terms of Reference (ToR) approved by the Board and is accountable to the Board of Directors. At least one independent director has to be present to make up the quorum of the AC meeting. The company secretary acts as the secretary of the committee.

### 3.1 Appointment and Composition

The Board Audit Committee is reconstituted by the Board from time to time in accordance with Bangladesh Bank's BRPD Circular No.11 dated October 27, 2013, and the BSEC's Corporate Governance Code dated June 3, 2018, to review and oversee the bank's financial reporting, non-financial corporate disclosures, internal control systems, and compliance with applicable laws and regulations, among other things.

#### Independent & Other Directors in Audit Committee



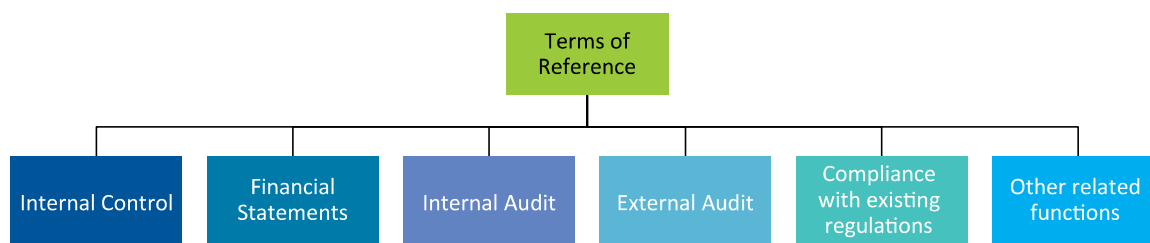
#### 3.1.1 Chairman of the Audit Committee as an Independent & Non-Executive Director

The bank's Audit Committee is chaired by Mr. Ekramul Hoque, an independent director. He is not involved in the bank's day-to-day operations. He is a well-known former banker and former managing director. In addition, he is competent to serve as the Chairman of the Audit Committee. He graduated from the University of Dhaka with a master's degree in economics. Mr.

Ekramul Hoque has made a significant contribution to Bangladesh's banking sector and economy.

#### 3.1.2 Terms of Reference of Audit Committee

The Audit Committee is responsible for overseeing and controlling various risks associated with banking operations. To maintain disciplined banking operations, the committee reinforces the system of internal control and serves as a focal point for internal and external auditors.



#### 3.1.2.1 Major responsibilities of Audit Committee as per Terms of Reference

The Audit Committee assists the board of directors in fulfilling its corporate governance and overseeing responsibilities in relation to the bank's financial reporting, internal control, risk management, and internal and external audit functions. Its role is to provide advice and recommendations to the board within the scope of its terms of reference. The Terms of Reference for the Audit Committee are given below:

- Oversee the financial reporting process;
- Keep an eye on the accounting policies and principles that are being used;
- Monitor Internal Audit & Compliance process;
- Oversee hiring and performance of external auditors;
- Holding meetings with external auditors, whenever required;
- Review of quarterly, half-yearly and annual Financial Statements;
- Review the adequacy of the internal audit function;
- Review the Management's Discussion and Analysis before disclosing in the Annual Report;
- Review statement of all related party transactions;
- Review Management Letters issued by statutory auditors;
- Oversee the determination of audit fees and evaluate the performance of external auditors;
- Be accountable to the Board of Directors for all responsibilities as mentioned above;

The Chairman of the Board's Audit Committee is an independent director who has complete discretion in carrying out his duties, while the company secretary serves as the committee's secretary.

### 3.1.3 Composition of Audit Committee consisting of an Independent Director and Non-Executive Directors

The Audit Committee of SJIBL consists of 5 (five) members, including 3 (three) independent directors. All the members of the Audit Committee of SJIBL are Non-Executive Directors. No executive of the bank is eligible to become a member of the Audit Committee, and the company secretary acts as the secretary of the Audit Committee.

### 3.1.4 All members of the Audit Committee are suitably qualified and expertise in Finance & Accounting

The Audit Committee consists of people that are qualified, professional and have worked in the banking and financial industries. The Chairman of the Audit Committee Mr. Ekramul Hoque, having brilliant academic and banking background got his MA degree in Economics from the University of Dhaka. Mr. Ekram has contributed a lot for the banking sector and economy of our beloved country. He was the Managing Director of Al-Arafah Islami Bank Limited. In his 43 years of professional career, he also had golden touch in Uttara Bank Limited, National Bank Limited and Export Import Bank of Bangladesh Limited. As an independent director of the bank, Mr. KAM Majedur Rahman serves on the Audit Committee. He graduated from the University of Dhaka with a Master's degree. He was the Managing Director of the Dhaka Stock Exchange as well as Premier Bank Limited. Similarly, he was the country head of Bank Alfalah, a multinational bank from abroad. Mr. Nasir Uddin Ahmed, FCA, FCS, is a seasoned financial,

consulting, and secretarial affairs professional with over 34 years of effective leadership experience. MABS & J Partners, Chartered Accountants, has him as a senior partner. He is a member of the ICAB and the ICSB. He was also a member of SAFA's board of directors. Mr. Abdul Halim and Mr. Mohammed Golam Quddus, a former secretary of the Bangladesh government, are the other members of the Audit Committee.

### 3.1.5 Accessibility of Head of Internal Control and Compliance Division to Audit Committee

The Head of the Internal Control and Compliance Division is well empowered to have direct access to the Audit Committee as and when required. Besides, the AC meets with the Head of ICC at least once a year, without management being present, to discuss any issue arising from internal audits. He has the authority to raise concerns whenever he feels it is necessary.

### 3.1.6 Meeting & Attendance Requirement:

The Audit Committee met ten (10) times during the year 2021. The committee held extensive discussions and review sessions with the ICC's head and external auditors about their findings, views, and suggestions. Corrective actions on associated bank business issues that need to be addressed were also discussed. The Audit Committee Meeting Minutes, which include numerous proposals and recommendations, are brought before the Board for ratification on a regular basis. Key areas of focus for the AC in 2021 were presented in the "Audit Committee Report" section of this Annual Report.

### Audit Committee meeting, attendance and remuneration

The following is the Statement of Audit Committee Meetings, Attendance, and Remuneration for the period January 1, 2021 to December 31, 2021:

SL	Name of Directors	Position	Meeting Held	Attended	Remuneration (Per meeting)
1	Mr. Ekramul Hoque	Chairman	10	10	8,000
2	Mr. Abdul Halim	Member		07	8,000
3	Mr. Mohammed Golam Quddus	Member		10	8,000
4	Mr. KAM Majedur Rahman	Independent Director		09	8,000
5	Mr. Nasir Uddin Ahmed FCA, FCS	Independent Director		08	8,000

### 3.1.7 Quorum of the Audit Committee Meetings

The quorum of the meeting of the Audit Committee shall be comprised of either two members or two-thirds of the members of the Audit Committee, whichever is higher, where the presence of an independent director is a must. The company secretary shall act as the secretary of the Committee.

### 3.1.8 Presence of the Chairman of the Audit Committee in the AGM

The Chairman of the Audit Committee attends every SJIBL AGM to maintain openness. In the absence of the Chairman, the committee will choose any other member of the Audit Committee to attend the Annual General Meeting (AGM).

### 3.1.9 Reporting to the Board of Directors

The Audit Committee shall make a report on its activities to the Board. The Audit Committee shall immediately report to the Board on the following findings, if any:

- Report on conflicts of interests;
- Suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements;
- Suspected infringement of laws, regulatory compliance including securities related laws, rules and regulations; and
- Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;

However, no such incidents occurred at SJIBL in 2021.

### 3.1.10 Reporting to the Authorities

If the Audit Committee has reported to the Board about something that has a material impact on the financial condition and results of the operation and has discussed with the Board and management that rectification is required, and the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report the finding to the BSEC.

In the year 2021, no such incidents occurred in SJIBL.

### 3.1.11 Reporting to the Shareholders and General Investors

The Audit Committee's report on activities during the year, including any report made to the Board under condition No. 5(6)(a)(ii) of the BSEC Corporate Governance Code dated June 3, 2018, shall be signed

by the Chairperson of the Audit Committee and disclosed in the Bank's annual report.

No such events have occurred in SJIBL during the year 2021.

## 3.2 Objective and Activities of Audit Committee

The Audit Committee regularly reviews the internal control systems of the bank. They also review, with management, the bank's quarterly, semi-annual, and annual financial statements before submission to the Board for consideration. The objectives and activities of the Audit Committee are described in the "Audit Committee Report" on page 352 of this Annual Report.

### 3.2.1 Internal controls are well-conceived, properly administered and satisfactorily monitored

The Audit Committee is of the view that the internal control and compliance procedures are well-conceived, properly administered and satisfactorily monitored. This view is based on the review of activities of IC & CD in 2021. This was mentioned in detail in the Audit Committee Report on page no 352 of this Annual Report.

### 3.2.2 Statement to indicate audit committees role in ensuring compliance with Laws and Regulations

The effectiveness of internal controls is reviewed on an ongoing basis by the Audit Committee to ensure that they are operating adequately and effectively. The Committee reviews the actions taken on lapses identified in the reports of IC&CD.

### 3.2.3 Compliance on Central Bank inspections

The Central Bank inspects commercial banks on a regular basis. The main objective of the Central Bank is to ensure that banks are complying with applicable laws and regulations. Accordingly, Bangladesh Bank conducted a comprehensive inspection of SJIBL during the year 2021, covering the head office, selected branches, core risks, and different divisions as carried out each year, and issued inspection reports. The bank has responded to the issues raised by Bangladesh Bank in a timely manner. The Audit Committee of the Board has reviewed the compliance status of the Bangladesh Bank inspection report and instructed management to comply with Bangladesh Bank's recommendations meticulously.

### 3.2.4 Audit Committee involvement in the review of the external audit function

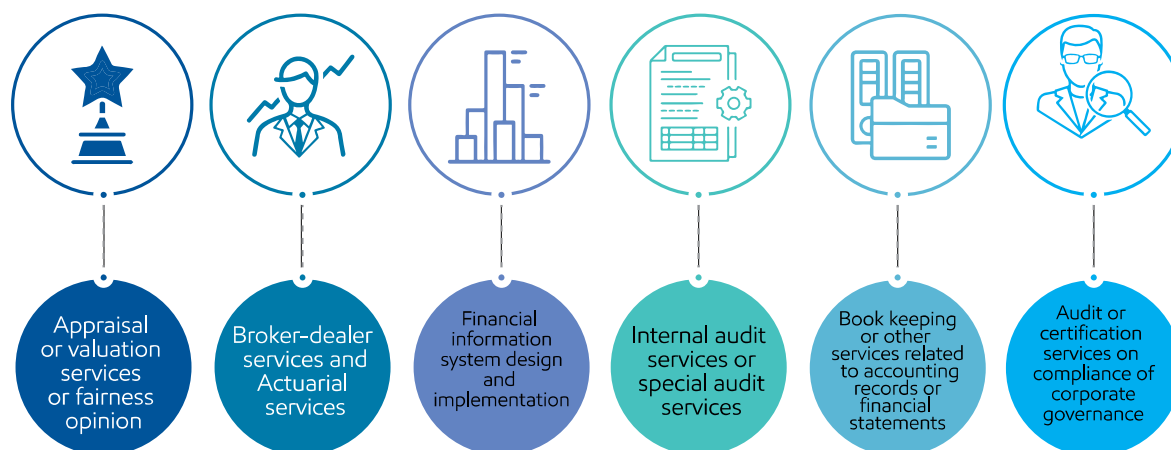
Based on the proposal of the Audit Committee, the board recommended appointing ACNABIN, a chartered

accountancy firm, as statutory auditors of the bank for 2021 to the shareholders at the 20th AGM. Accordingly, the shareholders have approved their appointment. In compliance with the BSEC corporate governance code, the statutory auditors did not perform any activities other than the statutory audit. During their tenure, the IC&CD department has coordinated and reviewed their functions and reported to the Audit Committee. Before presenting the financial statement to the board, the committee reviewed their activities and discussed with the external auditors in this regard, and the committee and the auditors both expressed their satisfaction.

### Key Functions of Audit Committee relating to the review of the external audit function

The key functions of the Audit Committee relating to the review of the external audit function are to

- make certain that the external audit function is well-coordinated;



### 3.2.5 Selection of appropriate accounting policies

The Audit Committee reviewed the financial statements of 2021. The Committee noted that the financial statements were prepared according to the appropriate accounting policies and applicable accounting standards adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). The accounting methods were also verified by the statutory auditors, and they expressed their satisfaction with the adequacy of the accounting methods as reflected in their report on page no. 424.

### 3.2.6 Review of annual and interim financial statements before presenting to the board for authentication

In compliance with BSEC Notification No. BSEC/

- ensure the independence of external auditors;
- review the external auditor’s findings to ensure actions are taken;
- review the appointment/reappointment of the external auditor;
- ensure that the external auditor has not been assigned any non-audit work;
- ensure that the independence of the external auditor is not compromised.

### Services not provided by External Auditors

In compliance with provision 7 of BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 3, 2018, M/S. ACNABIN, Chartered Accountants, was involved in the statutory audit of the Bank. M/S. ACNABIN, Chartered Accountants, was not engaged in any of the following services during 2021:

CMRRCD/2006-158/207/Admin/80 dated June 3, 2018, the Audit Committee, along with management, reviews the quarterly, half-yearly, and annual financial statements before submission to the Board for approval.

### 3.2.7 Review of reliability of the management information used for such computation

An effective internal control process prevents possible fraud and forgery. Based on internal audits conducted throughout the year 2021, the Audit Committee expressed its satisfaction to the Board on the reliability of management information used for the preparation of financial statements. Based on the Internal Audit Function and the Statutory Auditor’s observation, the Audit Committee reviews the reliability of information used for preparing such a computation.

## 4. INTERNAL CONTROL & RISK MANAGEMENT

Internal control is the process designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws, regulations, and internal policies. The internal control system of SJIBL is an effective oversight of the whole process of the policies, processes, laws, regulations, tasks, behaviors, and other aspects of our bank. Internal Control & Risk Management facilitates the bank's effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance, and other risks to achieve its objectives.

### 4.1 Statement of director's responsibility to establish an appropriate system of internal control

The board is vigilant about the internal control system of the bank to attain and maintain a satisfactory qualitative standard in its investment portfolio. The board established an internal control system such that the internal audit process could be conducted independent of management. The Board reviewed the reports submitted by its audit committee at its quarterly meeting regarding the compliance of recommendations made in internal and external audit reports and the Bangladesh Bank inspection reports.

### 4.2 Key features of Internal Control system and monitoring technique

The Board of the Bank ensures the maintenance of a sound system of internal control to safeguard the bank's assets. The Board through its Audit Committee conducts an annual review and evaluates the effectiveness of the system of Internal Control of the Bank. The Key features of the Internal Control system are as follows:

#### Control environment

The Board of the Bank ensures integrity, ethical values, management philosophy, operating style, and assignment of authority and responsibility for establishing an appropriate control environment.

#### Risk assessment

The Board of the Bank established a process of risk assessment and management of the risks. The internal control system will identify and analyze these risks to prevent an adverse event.

#### Control activities

Control activities are the policies and procedures of the bank, which include top-level reviews, and segregation of duties. The internal control system is designed in such a way that the flow of responsibilities and transactions is diversified among staff as much as possible.

#### Information and communication

This is the exchange of information within our bank. Clear lines of communication flow from management to employees and from employees to management so that each member of the team can successfully carry out their responsibilities.

#### Monitoring

Monitoring is the process of assessing internal control performance. The board regularly evaluates management and supervisory activities, the budget, and all other financial documents.

### 4.3 Statement that the directors have reviewed the adequacy of the system of internal Controls

Shahjalal Islami Bank Limited has a sound system of internal control to safeguard the stakeholders' interests. To ensure an appropriate level of the internal control system, an Internal Control and Compliance Manual has been introduced in line with global practices and regulatory guidelines. The Board of Directors reviews the internal control system of the bank from time to time and necessary guidelines are provided to improve the system.

As mentioned in the below chart, based on the relevant guidelines framed by Bangladesh Bank, SJIBL has also strengthened and segregated its Internal Control and Compliance Division (IC&CD) into three separate units. The division is independent and carries out its assignments independently with objectivity and impartiality.



Based on the internal controls established and maintained by the bank, work performed by internal and external auditors, reviews performed by management and various board committees, as well as with CEO and CFO assurance, the Board believes that the bank's internal controls are adequate and effective as at December 31, 2021, to address financial, operational, compliance, and information technology risks that the bank considers relevant and material to its operations.

#### **4.4 Disclosure of the identification of risk the company is exposed to both internally and externally**

SJIBL is fully aware of the paramount importance of being proactive and systematic in the management of risks that the bank faces in daily operations. The Risk Management Division (RMD) of SJIBL is responsible for the 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 the Board of Directors from time to time. The roles and responsibilities and major areas of focus of RMC in 2021 have been presented in the Risk Management Report of this annual report.

##### **a) Investment Risk Management**

The investment-related risks of SJIBL are primarily governed by the Investment Risk Management Guidelines approved by the Board of Directors. The bank measures, monitors, and manages investment risks at an individual borrower level and at the portfolio level. The bank has pursued a strategy of developing a diversified portfolio and investing in better-rated corporate customers.

##### **b) Foreign Exchange Risk Management**

The bank has low exposure to the aforementioned risk because major foreign exchange-related transactions are carried out on behalf of the client. It is worth noting that the bank does not engage in any speculative activities. The transactions are conducted independently by the treasury division, and the back office is in charge of validating the deal and passing the necessary accounting entries.

##### **c) Asset Liability Risk Management**

ALCO reviews the bank's liquidity requirements, asset and liability maturity, deposit and investment pricing strategy, and liquidity contingency plan. The Asset Liability Committee also monitors and reports on balance sheet risk to the Board of Directors on a regular basis.

##### **d) Money Laundering Risk Management**

To mitigate the risks, the bank has designated a Chief Compliance Officer at the corporate office and branch compliance officers at each branch who independently review the accounting transactions to locate and verify suspicious transactions. A "Know Your Customer" (KYC) policy and a "Transaction Profile" (TP) format have been introduced. The regulatory requirements are being complied with and the guidelines in respect of KYC are being followed for the opening of new accounts.

##### **e) Internal Control & Compliance Risk Management**

The bank has a well-designed policy on Internal Control & Compliance Risk Management by which Internal Control & compliance risks are identified and managed at all levels of the organization. The Board and Management are accountable for the bank's internal control & compliance. The compliance function has an important role in supporting corporate values, policies, and processes that help ensure that the bank acts responsibly and fulfills all applicable obligations.

##### **f) ICT Risk Management**

The bank's Information Technology policy ensures that the information technology-related measures are aligned with the business strategy of the bank. The Head of the ICT Security Unit periodically reviews current IT projects, major IT incidents, technology risk indicators, and the state of regulatory compliance. The IT Security Unit continually assesses, monitors, and manages IT-related risks in accordance with the bank's risk management policy.

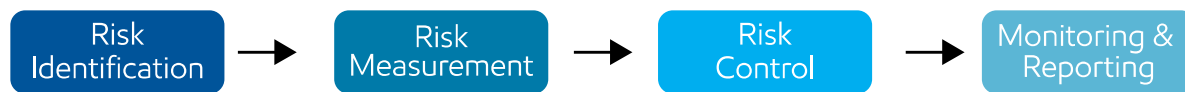
##### **g) Liquidity Risk Management**

SJIBL not only sets limits on major liquidity risk management indicators, but also has an early warning system to identify potential liquidity risks arising in the financial market. Besides, potential liquidity issues are constantly monitored through the application of various liquidity stress scenarios, statistical analysis, and capital amount simulations. Contingency plans are also in place for various types of liquidity crises.

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

A Risk Management Committee (RMC) has been formed in addition to the Executive Committee and Audit Committee of the Board, and is responsible for planning and guiding the bank's overall risk management. Detailed The "Report of the Risk Management" contains a detailed description of the Committee's roles and responsibilities.

#### 4.5 Disclosure of the strategies adopted to manage and mitigate the risks



As mentioned above, the SJIBL business unit works as the first line of defense against banking risks. The Risk Management Division works as the second line of defense, while the third and last line of defense is the Board of Directors of the bank. The Board decides and instructs the ultimate risk-taking measures for the management of the bank. All core risk policy guidelines have been approved and are reviewed time-to-time by the Board of the Bank.



#### 4.6 Pandemic and crisis management

Amid a global health crisis that has created so much economic and social disruption due to the COVID-19 pandemic, the bank's efforts to tackle long-standing economic and societal challenges have become even more significant. We take our responsibilities to our stakeholders very seriously, and we have supported our shareholders, employees, customers, communities, and front-line health workers, as well as deployed other resources to individuals in severe need. The major activities that the bank has undertaken to mitigate COVID-19 risks during the year 2021 are given below:

- Free distribution of mask and gloves among all SJIBL employees;
- Roaster based duty for bank employees and ensure social distancing during office time;
- Arranging sufficient hexasol, sanitizer etc. for employees and customers in all branches, head office and ATMs;
- Appointment of full time doctor and medical assistant and purchase of oxygen cylinder for SJIBL employees;
- Circulating the SJIBL COVID Manual in line with the WHO Guidelines to all employees and customers;
- Reimbursement of the bill of COVID test and treatment to the infected employees;

- We are working alongside and supporting our clients with suitable individual solutions to manage cash flow challenges they may experience. This support includes deferring payments as per Bangladesh Bank circulars, rolling out the stimulus package initiated by the government to assist clients manage short-term cash flow shortfalls;
- Clients are encouraged to use SJIBL digital channels and other self-service options, so they stay safe by doing their banking at home with all the security they require;
- Distribution of food items to the COVID stricken people in rural and urban areas;
- Donation to the Prime Minister's Fund for addressing the COVID stricken disaster.

#### 5. ETHICS AND COMPLIANCE

As a shariah-compliant bank, the foundation and growth of SJIBL rest on ethics and compliance. Ethics are the decisions, choices, and actions (behaviors) we make that reflect and enact our values. Compliance is conforming or adapting one's actions to another's wishes, to a rule, or a necessity. The terms "ethical" and "compliance" are often used interchangeably when dealing with businesses that are doing the right thing.

## Ethics and Compliance in SJIBL

Code of Conduct for	Objective
Client	Safeguarding the interests of the customers and treating them fairly in all aspects of their dealings with the Bank.
Shareholders	Providing all shareholders with fair treatment along with protection of their assets.
Employees	Fair treatment of all employees and expects integrity in return.

### 5.1 Disclosure of statement of Ethics and values

The bank has a separate “Code of Conduct and Ethical Guidelines” for the Board of Directors and employees of the bank. The “Code of Conduct and Ethical Guidelines” is based on the premise that every employee must put the bank’s interests ahead of his or her own. The following are the highlights of our “Code of Conduct and Ethical Guidelines”:

- **Compliance with laws:** All employees are to follow and comply with the laws of the land and internal rules and regulations of the bank.
- **Integrity of records:** All employees are expected to maintain books and records with integrity and ensure the accuracy and timeliness of all transactions. They need to ensure that the privacy of their clients’ affairs is protected. Moreover, employees are not expected to disclose confidential information without proper authorization.
- **Misappropriation of assets:** No employee shall convert funds or property that is not legitimately theirs for their own use and benefit, nor shall he or she assist another person in such exploitation.
- **Conflict of interest:** Employees must not use their position in the Bank for personal emolument or obtain benefits for themselves or members of their families or friends.
- **Honesty and integrity:** Employees are expected to act honestly and with integrity at all times. They must be fair and equitable in their dealings with present and prospective clients, the public in general, and other employees of the bank.
- **Acceptance of gift:** Employees are strongly discouraged from accepting gifts, benefits, or facilities from clients and their family members or persons with business interests with the Bank. If an employee is to receive such a thing to establish a mutually beneficial relationship, he or she must disclose it to his or her line manager, with an estimated value of the gift.

## 5.2 Dissemination of the statement of ethics and code of conduct

All employees of SJIBL are required to sign a declaration confirming that they have read and understood the Code of Conduct. The Human Resources Department circulates the required declaration and ensures that all employees sign the declaration and submit it to the relevant department. The Internal Control and Compliance Department assesses whether employees have violated the Code of Conduct through regular audits.

### 5.3 The Board’s commitment to establishing ethics and compliance within SJIBL

The Board of Directors is committed to establish a high standard of ethics and compliance amongst all bank employees. The Board is consistently encouraging management to ensure that everyone maintains a high level of ethics at the bank. The Board also guides management on ethics and integrity policies. The bank has also introduced Integrity Awards for employees.

#### 5.3.1 Conflict of Interest

A conflict of interest in business normally refers to a situation in which the board member’s personal interests conflict with the professional interests of the bank. Board members are expected to avoid placing their personal interests over the interests of the bank and to perform their duties and responsibilities objectively and effectively.

Board members shall avoid receiving or permitting members of their immediate family to receive improper personal benefits from the bank, including loans from or guarantees of obligations by the bank.

A board member shall make a full disclosure to the entire board of any transaction or relationship that such a member reasonably expects could give rise to an actual conflict of interest with the bank, and seek the board’s authorization to pursue such transactions or relationships.

#### 5.3.2 Insider Trading

Insider trading involves trading in the bank’s stock by the directors, executives who have non-public material information about that stock. Board members shall not engage in insider trading with respect to the purchase and sale of the bank’s securities. Board members shall not buy or sell securities while in possession of material non-public information about the issuer of that security, whether the issuer is SJIBL or any other company. The Board members shall also not pass such information to someone who may buy or sell securities. Insider trading is prohibited because it provides an insider with an unfair competitive advantage in the market, places the insider’s interests above those to whom he or she

has a fiduciary obligation, and allows an insider to artificially influence the value of a company's stock.

#### **5.4 Establishing effective anti-fraud programs and controls, including effective protection of whistleblowers**

A strong anti-fraud stance and a proactive, comprehensive approach to combating fraud are prerequisites, and any organization that does not adequately safeguard itself will be more vulnerable to fraud. SJIBL has already implemented a thorough fraud risk management program, ensuring that the bank is well-prepared to deal with these threats.

##### **5.4.1 Establishing effective anti-fraud programs and controls**

It is the responsibility of every employee of the bank to inform the management about any fraud or suspected fraud that may cause financial loss or non-financial loss, or be otherwise detrimental to the interests of the bank.

##### **5.4.2 Whistle Blower Policy**

A whistleblower policy has been adopted by SJIBL. According to the policy, it is the responsibility of every bank employee to report any fraud or suspected fraud to management, including any fraudulent, dishonest, corrupt, illegal, unethical, improper, or unsafe activity that may cause financial or non-financial loss or be otherwise detrimental to the bank's interests. This obligation on the part of the employees shall arise wherever they have credible information about a fraud or an attempted fraud or reasonable grounds to suspect a fraud or an attempted fraud. As a result, the bank employee serves as a whistleblower.

##### **5.4.3 Effective protection of whistleblowers**

SJIBL's governance ensures that no employee, as a whistleblower, is at risk of dismissal, loss of promotion, harassment, discrimination, or suffers any form of victimization as a result of raising a genuine or reasonably suspected fraud. In SJIBL, whistleblowers are protected from retaliation, which justifies the solid governance in place.

#### **5.5 Policy to encourage employee's participation in Management**

SJIBL holds managers' conferences and employee meetings to encourage employee participation in management. Employees are free to express their thoughts on anything from the bank's policies, operational procedures, product and service innovation, and so on.

#### **5.6 Knowing level of customer satisfaction**

A client satisfaction survey is conducted on an annual

basis to determine the level of client satisfaction. Furthermore, mystery shopping is done by assigning senior officials to be sure if customers get satisfactory service or not. Given that client satisfaction is an evolving phenomenon, SJIBL's Research Division is continuously working on it.

#### **5.7 Payment to vendors on time**

SJIBL has enlisted vendors that are approved by the competent authority of the bank. Vendors' payment is made regularly in accordance with Bank policy.

#### **5.8 Payment of Taxes to the Government Authorities on time**

SJIBL pays income tax and VAT on income and expenses in accordance with the applicable rules. Moreover, the bank deducts and collects tax and VAT on behalf of the government. All taxes and VAT due from the bank are paid to the government exchequer on time.

#### **5.9 Policy on Supply Chain management**

The Procurement Committee of SJIBL looks after the supply chain management of the bank. No disruption is allowed in the supply chain process. The Common Service Division is responsible for the maintenance of an uninterrupted supply chain. However, the procurement committee of SJIBL oversees the supply chain management and gives necessary approval for the purchase of goods and services.

### **6. REMUNERATION COMMITTEE**

#### **6.1 Charter of Remuneration Committee**

In accordance with BRPD circular No. 11 dated October 27, 2013, the Board of Directors of each bank company shall constitute three committees, such as the Executive Committee, Audit Committee, and Risk Management Committee. The Board of Directors of the bank is not allowed to form any other permanent or temporary committees or subcommittees of the Board of Directors. Moreover, as per Bangladesh Bank letter ref: BRPD(R-1)717/2021-5064 dated June 16, 2021, the bank is not allowed to constitute any Nomination and Remuneration Committee. Accordingly, SJIBL has not formed a Nomination and Remuneration Committee of its Board of Directors. However, the Board oversees the recruitment and remuneration processes of the employees by reviewing various policies like the HR Policy, Recruitment and Promotion Policy, Pay Package Policy, etc.

#### **6.2 Composition of Remuneration Committee**

At the Management level, the Managing Director, Head of the Human Resources Division, and Chief Financial Officer are charged with the governance of compensation and remuneration. Usually, they make

a proposition to the Board of Directors, which is then reviewed and validated by the Board. After incorporating their recommendations, the compensation and remuneration decisions are approved by the Board. The main work includes presenting recommendations to the Board regarding remuneration, compensation packages of Management, incentive schemes, and retirement benefits. They also assist the Board of Directors to ensure that all employees are remunerated fairly and get performance-based compensation by ensuring an effective remuneration policy.

### 6.3 Key policies with regard to the remuneration of directors, senior management and employees

According to BRPD Circular Letter No. 11, dated October 4, 2015, directors are only entitled to remuneration for attending board and subcommittee meetings. Each director receives an honorarium of TK 8,000.00 per meeting for attending the board meeting, executive committee meeting, audit committee meeting, and risk management committee meetings. The remuneration of the Managing Director & CEO is recommended by the Board and approved by Bangladesh Bank. Moreover, the remuneration of senior management and employees is determined under the HR Policy of the Bank.

### 6.4 Number of meetings of the Remuneration Committee

Despite the fact that we do not have a “Remuneration Committee” due to a central bank regulation barrier, our Board meetings take this topic seriously. Employee promotions, increments, performance bonuses, and other related issues were discussed at various board meetings in 2021.

### 6.5 Remuneration of directors, chairman, chief executive and senior executives

SJIBL has a well-defined remuneration policy, and the

management always reviews and updates it from time to time. Remuneration for senior executives is market-based and competitive to attract, motivate, and retain skilled and competent employees. Moreover, the remuneration of directors, the chairman and the chief executive are set in compliance with BSEC notification and Bangladesh Bank circulars.

#### 6.5.1 Remuneration of chairman & directors

The remunerations of directors and the chairman are paid during the year by following BRPD Circular Letter No. 11 dated October 4, 2015. The total directors’ fees paid during the year 2021 was Tk. 4,834,400. The details of directors’ fees and expenses are shown in note No. 34 of these financial statements.

#### 6.5.2 Remuneration of chief executive officer

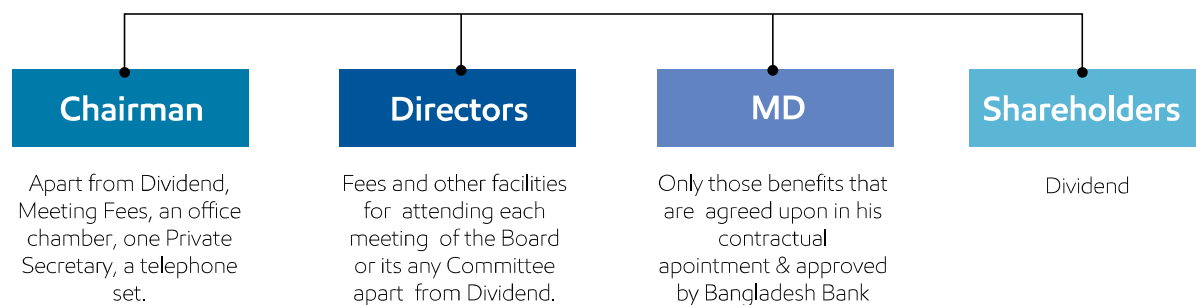
The remuneration of the chief executive officer is proposed by the directors and approved by Bangladesh Bank at the time of his appointment. The total remuneration paid to the Chief Executive Officer during the year 2021 was Tk. 22,929,970. The details of the remuneration of the Chief Executive Officer are shown in Note No. 33 of these financial statements.

#### 6.5.3 Remuneration of senior executives

Remuneration for senior executives is market-based and competitive to attract, motivate, and retain skilled and competent employees. The details of the salary and allowances paid to senior executives, executives, and officers are shown in note No. 28a of these financial statements. The salaries of the top most senior executives are given below:

#### Benefits provided to the Shareholders, Directors Managing Director/CEO

In accordance with the guidelines of Bangladesh Bank, the following facilities can only be given to the Chairman, Directors, Managing Director and Shareholders:



## 7. Human Capital:

Human resources have been treated as most valuable asset for Shahjalal Islami Bank Limited. The Bank strongly believes that quality & motivated human resources are the key success factor for its business. The Bank always focuses on the importance to have an efficient human capital who are dedicated, knowledgeable and customer friendly. Since quality of human resources always affects the organizational growth, the Bank continuously invest in developing employees' capabilities, skill and efficiency.

Importance of quality human resources in banking industry has grown manifold due to rapid digitalization of services that makes the operational activities more complicated. Banking has always been a "People Business". Dealing with people further requires right and submissive approach to sell the products and services. In this context Bank focuses on efficient and effective management of its human resource. The Human Resource department of the bank regularly conducts human resource planning and try to ensure placing right people in the right place.

### 7.1.Bank's HR Policies:

SJIBL is pursuing a standard set of Human Resources policies and guidelines covering all related aspects of Human Resources Management to ensure a unique HR Management practice throughout the organization. Human Resources policies of the Bank in broader lines covers from the talent acquisition, HR Development, performance management, remuneration & allowances, disciplinary and grievance management, sexual harassment eradication, NIS, KYE and Employee Background Screening, Employee House Building & Car Policy, Internship policy etc. The set of HR policies provide a roadmap for day-to-day HR operations and guides for decision making thus streamlines the internal processes.

#### 7.1.1.Digitalization Initiatives in smart HR Management:

Digitalization improves the efficiency of core business processes. The Bank with increasing size of operation invites more people to work and therefore digitalization of related areas of HR operation helps an effective HR management. Bank over the years internally developed a HR Management System (HRMS) incorporating Leave Management, Attendance, Payroll, Employee Business Target Management, Performance Appraisal and E-Learning System. The Bank also internally developed its E-Recruitment system. Besides, Zoom Application is widely used to conduct meetings, training programs, workshops and conferences. Bank's internally developed E-Learning system also gives employees the opportunity to learn staying at their own place of work at any time convenient to them. The initiative also enables to reach each and every employee of the Bank and give them an opportunity to learn reducing expenses and hassle for movement.

## 7.1.2.Human Resource Analysis:

### i. Employee Type & Gender:

Name of Position	Male	Female	Total-2021	Total-2020
Executive	279	19	298	270
Officer	1161	315	1476	1432
Cash Officer	357	122	479	466
Sub-Staff	487	1	488	489
<b>Total</b>	<b>2284</b>	<b>457</b>	<b>2741</b>	<b>2657</b>

### ii. Employee Distribution:

a. Division wise position:

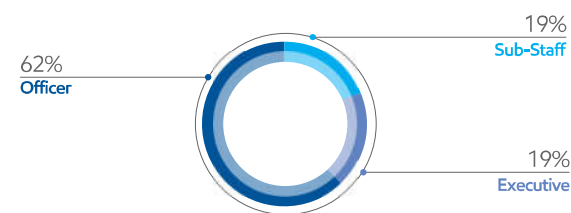
Name of Division	No. Branch	No. Employees	Percentage
Dhaka & Mymensingh*	71	1955	71%
Chattagram**	29	405	15%
Khulna	8	104	4%
Sylhet	7	101	4%
Rajshahi	8	82	3%
Barishal	5	49	2%
Rangpur	4	45	2%
<b>Total</b>	<b>132</b>	<b>2741</b>	<b>100%</b>

\*.Also includes CHO, OBU & CPC \*\*. Also includes Zonal office & CPC Chattogram

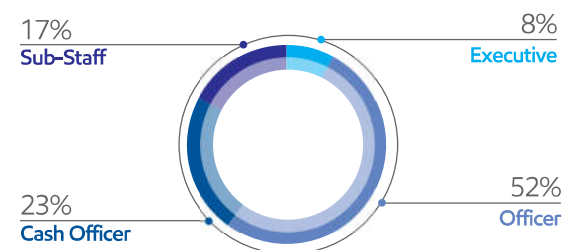
b. Branch Vs Corporate Head Office:

Name of Position	CHO	Branch	Total-2021	% of Total
Executive	127	171	298	11%
Officer	403	1073	1476	54%
Cash Officer	2	477	479	17%
Sub-Staff	125	363	488	18%
<b>Total</b>	<b>657</b>	<b>2084</b>	<b>2741</b>	
% of Total	24%	76%		

Human Resource at CHO:



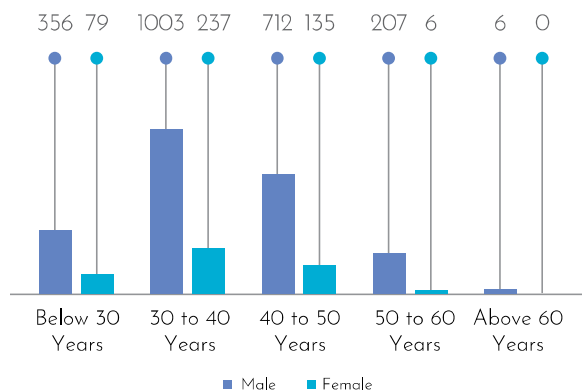
Human Resources at Branch



### iii. Age Group Wise Position:

Name of Position	Male	Female	Total-2021	Total-2020
Below 30 Years	356	79	435	384
30 to 40 Years	1003	237	1240	1331
40 to 50 Years	712	135	847	738
50 to 60 Years	207	6	213	201
<b>Above 60 Years</b>	<b>6</b>	<b>0</b>	<b>6</b>	<b>3</b>
<b>Total</b>	<b>2284</b>	<b>457</b>	<b>2741</b>	<b>2657</b>

### Age Group Wise Distribution Male/Female -2021



### Human Resource Accounting

Human Resource Accounting is the process of identifying and measuring data about Human Resources and communicating this information to the interested parties. It is an attempt to identify and report the Investments made in Human Resources of an organization that are currently not accounted for in the Conventional Accounting Practices. Thus, Human Resource Accounting is a term applied by the Accountancy Profession to quantify the cost and value of employees of their employing organization

(BDT & Million)

Particulars	2020	2021
Total Asset	293,518	313,731
Human Asset (Individuals' value)	28,883	33,591
Value of investments (Training Expense)	2.25	2.13
Total Asset including Human Asset	322,403	347,325
Total Liabilities	293,518	313,731
<b>Human Capital</b>	<b>28,885</b>	<b>33,594</b>
Total Capital & Liabilities including Human capital	322,403	347,325

### 7.2. HR Practice & Compliance:

The Human Resources department of the Bank is not only dealt with human resources management but also to ensure the long term success of the bank by managing the needs of employees and allowing them

to be effective in their roles. HR team acquainted with the knowledge related to labor laws, Service Rules, HR Policy or other regulations/policies that define the relationship between employer and employees to ensure that the Bank and the employees are protected. This may include, but is not limited to employees' contracts, payroll legislation, leave calculations and government and regulatory reporting etc.

#### 7.2.1. Managing COVID Pandemic:

Covid-19 pandemic disrupted the normal business activities most of the time during 2021. Employees were given special advice from time to time in order to ensure that they remain safe while delivering the services within the branch premises. Despite many precautions and awareness in the workplace around 200 employees of the Bank were infected with corona virus. To manage the situation, the Bank followed different techniques including employee roaster, work from home etc. Besides special attention was also given on the health and hygiene issues. Bank used electronic thermometer at the entrance to check the temperature. Using sanitizers, wearing masks in the work place have been made a basic requirement at work place to curb the spread of COVID-19. Face to face meetings and training programs were halted or converted to alternate methods such as conference calls or virtual meetings. Medical doctor was available for emergency advice in the event an employee falling sick.

Effective internal communications along with regular follow up with employees helped to keep employees' morale and productivity high. Business trips were kept limited for the safety of the Bank's employee. In addition, quarantine leave was given to the employees suspected COVID-19. Quick Response Team (QRT) of the bank also remain vigilant to effectively manage emergencies as well provide necessary medical support to the employees in need. The wellbeing of employees who infected with the virus remained a high priority during the year with regular follow-ups made by the Bank.

#### 7.2.2. COVID Vaccination for all employees:

Prioritizing the issue to immunize all employees against COVID-19 at the earliest possible time the Bank took effective measures to register the names of all employees in the Shurokkha Application of the government as per direction of Bangladesh Bank. Human Resources Division keeps strong follow up on the issue and maintain a database to ensure that all employees have taken the COVID vaccine immediately it is available. Furthermore, in all recruitments candidates also need to submit the COVID vaccination certificate.

#### 7.2.3. Group Health Insurance Facility for all Employees

With ever-rising medical expenses and quality treatment getting expensive any unforeseen illness can put an

employee into difficulties to manage the fund in time of urgent medical needs. Shahjalal Islami Bank in this regard remain concerned to provide medical support to all employees along with their family members. The Bank in this regard entered into a group health insurance agreement with Delta Life Insurance Company Limited and brought all employees under the net of insurance at the cost of the Bank. During the year the company settled around 320+ insurance claims at different times under the group health insurance facility of the bank.

### **7.3. Employee Retention & Succession:**

Banks HR policy focuses on attracting and retaining the talents to support the growth and to manage the business and operations efficiently. To attract and retain the talented employees' annual performance appraisal grading has been linked with the entitlement of Employees' House building Facility, Executives' Car Finance Scheme as well as for considering eligibility for promotion. Policies have been amended incorporating related provisions. Employees succession planning are set up in such a way that old employees exit is well covered by new employees as successors. New employees are recruited so that they can fill up the gap of their predecessors.

### **7.4. Merit based recruitment:**

The Bank in order to identify current and future needs of the required human resources takes effective measures to initiate the recruitment process well ahead of time. Human Resources Division with its own tools and techniques regularly reviews and analyze the standard size of manpower requirement aligning with the size of business and operations of the Branch and division/ department at Head Office. Besides, the division also collects periodic feedback from the Branches on HR to reduce the gaps and to make efficient manpower planning and recruitment. Bank follows a structured recruitment process for the fresh entrants combining with written test and interview. In year 2021, the Bank recruited 100 officers in the position of Trainee Senior Officers (TSO) conducting competitive examination through BIBM. At the same time Bank also recruited 42 officers and executives as lateral entrants in different positions.

### **7.5. Performance appraisal, promotion, reward and motivation:**

Effective performance management is essential for the success of any business. With an effective performance system, the bank strives to align employees, resources and systems to meet the strategic objectives. It enhances motivation and spirit of teamwork and to practice an efficient reward system relating to performance. Human Resources Division with the support of IT Division has designed the system incorporating all related

fundamentals of individual performance appraisal. The system engaged all officials into a common platform where each individual is appraised with set parameters. The entire appraisal further reviewed by a senior management committee to ensure transparency and removes any possible drawbacks of favoritism in this case. Overall utilization of performance appraisal is extensive as it linked with the promotion, compensation, placement and development of employees of the Bank. In 2021, half yearly performance appraisal has also been introduced so that employees could understand their limitations and weakness and would be able to overcome the deficiency. Employee motivation is created by giving promotion and reward (like incentives, appreciation letter) to deserving employees.

### **7.6. Grievance management and counseling**

One of the key tenet of effective employee relations management is the establishment of a systematic mechanism through which employees can bring up grievances and unhappiness to the attention of supervisors and management. If not well-managed with proper grievance channels and counseling, such perceptions can lead to larger and more costly issues of productivity, business efficiency and employee disengagement. SJIBL has whistle blowing mechanism and employees as whistle blowers are always protected by competent authority. Besides, Anti Female Harassment Policy help female employees for protection in workplace.

### **7.7. Training and Development**

The Shahjalal Islami Bank Training Academy (SJIBTA) was established early in the year 2015 to pursue the tasks of capacity building and human resources development in order to prepare the knowledgeable, well-equipped and skilled officials of the Bank who will render their services effectively and efficiently for achieving the organizational objectives, goals, mission and vision through attaining the maximum level of customers' satisfaction. The Academy believes that the capacity building needs of the officials is a crucial issue in the sustainable development and growth of the Bank as well as the banking industry of the country. Training is essentially a planned, continuous and splendid learning process and effort to improve the competency level of the officials. For enhancing the competency, capacity and knowledge-base of the officials working in the Bank, the Academy has been organizing different training courses, workshops, executive development programs, e-learning programs, outreach training programs etc. on different topics, namely, Shariah compliance in Islamic banking operations, regulatory issues of central bank, general banking, investment management, international trade services, risk management, etc.



Workshop of banks employees organized in SJIBL Training Academy.

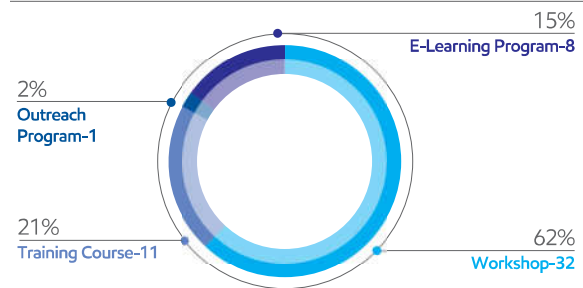
### The Key Objectives of the Academy

The following are the key aims and objectives of the Academy:

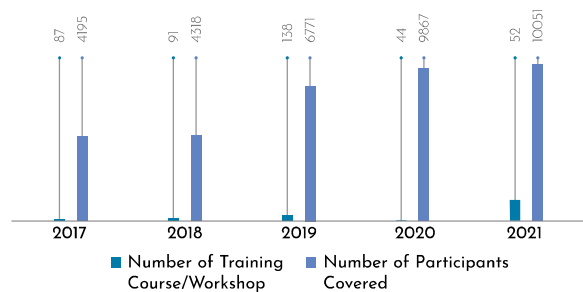
1. To develop knowledge and skill of the employees at all levels on the practical operations of Islamic banking system.
2. To develop the aptitude of the employees in conformity with the vision, mission and strategies of the Bank.
3. To develop knowledge and skill of the employees on laws and regulations related to banking.
4. To maintain liaison with other banking and financial institutions and educational bodies for the purpose of imparting quality training.
5. To procure or collect books and publications of relevant branches of knowledge for the academy library.
6. To conduct executive development program on current issues confronting the banking system.
7. To assist the implementation of different types of regulatory requirements with proper addressing the policies, strategies, rules and procedures, guidelines and circulars of banking through training.
8. To do all such functions as the Academy may deem fit for attainment of all or any of the objectives.

The training programs conducted by Shahjalal Islami Bank Training Academy (SJIBTA) in the year 2021 are depicted below in major head wise percentage:

Number of Program Imperted in 2021



The number of training programs conducted by Shahjalal Islami Bank Training Academy (SJIBTA) during the year 2017-2021 is depicted below with no. of participants covered:



## 8. COMMUNICATION TO SHAREHOLDERS AND STAKEHOLDERS

### 8.1 Policy on effective Communication with Shareholders and Other Stakeholders

The Company Secretary of the Bank is the person in-charge of the Share Department, which is responsible for effective communication with shareholders and other stakeholders of the Bank. Shareholders and other stakeholders may contact this department during office

hours for any sort of information or queries. SJIBL provides updated information on its website from time to time for the shareholders and other stakeholders of the bank. The bank communicated to its shareholders in the following ways:

- By Publishing Price Sensitive Information (PSI) in National Dailies and On-Line News Portals;
- By making PSI available on the DSE and CSE websites, as well as the bank’s website;
- By publishing a press release about the bank’s important events in the newspapers;
- By sending out notices to shareholders to hold an annual general meeting and an extraordinary general meeting (as needed);
- By sending the Annual Reports of the Bank to the shareholders every year;
- By publishing financial statements in the newspapers;
- By holding General Meetings of the Shareholders;

## 8.2 Policy on Ensuring Participation of Shareholders at AGM

The following steps are taken to ensure the participation of shareholders at the AGM:

**Step-1** SJIBL sends out the notice at least 21 days before the AGM, which provides ample time for shareholders to receive and review the notice and reply with their attendance.

**Step-2** Annual Reports are circulated as per the provisions of the Companies Act 1994 and related notifications issued by BSEC, so that shareholders will get sufficient time to go through the report and freely provide their valuable comments and suggestions at the AGM.

**Step-3** Shareholders are allowed to speak at the AGM freely to give their valuable suggestions. The valuable suggestions of the shareholders are noted for future compliance. Due to the pandemic, BSEC issued a number of directives to conduct the AGM on an online platform in 2020. Shareholders are allowed to attend the AGM freely using a digital platform, and shareholders’ questions are received in advance. In most cases, the Chairman of the Board responds to valid shareholder questions at the AGM.



The AGM was held in 2021 through a digital platform, ensuring social distancing for COVID-19.

### 8.2.1 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, non-receipt of dividends timely and other share-related matters, is resolved lawfully in time. The

Company Secretary of SJIBL is the responsible person and plays an active role to handle any such issue related to our shareholders.

### 8.2.2 Shareholders' satisfaction and confidence toward the Bank

The AGM is considered the day of judgment for the last one-year activities of any organization by the shareholders. Shareholders of SJIBL are free to express their opinions, satisfaction or dissatisfaction on the day of the AGM and the Board secretariat note issues for future compliance. The SJIBL Board of Directors is elected by obtaining shareholders' approval at the AGM. Besides, shareholders are showing their satisfaction and confidence in the bank, which is reflected in our share price.

### 8.2.3 Reminders to shareholders for encashment of dividend

According to SJIBL's dividend distribution policy, dividends are usually distributed through bank transfers and the BEFTN channel. Those shareholders who

cannot be reached through bank transfer mode or BEFTN channel, have their dividend warrants directly sent to them by mail. Cash dividends to non-residents are paid through the security custodian. In the case of stock dividends (bonus shares), these are directly credited to the BO account within 30 days of approval, subject to clearance by stock exchanges and CDBL. Reminders to shareholders are given by SJIBL Share Division for encashment of dividends. The SJIBL Share Division also keeps track of how many dividends are en-cashed following the AGM. SJIBL's Share Division takes the necessary steps to notify shareholders of their right to en-cash unclaimed dividends. Details of SJIBL's dividend distribution policy are mentioned on page no. 348 of this Annual Report.

### 8.2.4 Compliance of ICSB Secretarial Standard

SJIBL follows the Bangladesh Secretarial Standard of the Institute of Chartered Secretaries of Bangladesh (ICSB) meticulously. The SJIBL Board secretariat follows all procedures to ensure sound corporate governance.

SI No.	BSS No.	Title of BSS	Compliance Status
1	BSS-1	Meetings of the Board of Directors	Complied
2	BSS-2	General Meetings	Complied
3	BSS-3	Minutes	Complied
4	BSS-4	Dividend	Complied
5	BSS-5	Meeting Through Electronic Modes (Virtual or Hybrid Meetings)	Complied
6	BSS-6	Resolutions By Circulation	Complied

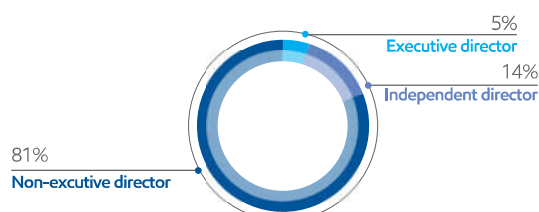
## 8.3 Diversity of the Board

The SJIBL Board consists of experts from various fields that provide a well-rounded view of the company that helps in effective strategic management and implementation. SJIBL has a diversified Board of Directors in terms of the following categories:

### 1) Board Composition

The Board of Directors of SJIBL is well organized by independent directors as well as non-executive directors. While three independent directors exercise full freedom, seventeen non-executive directors work as a healthy balance of power.

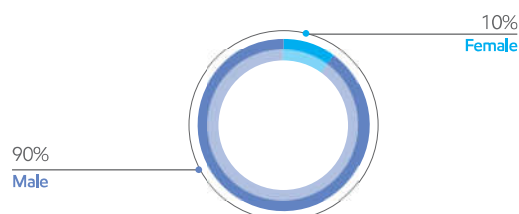
Diversity of the Board



### 2) Gender

The SJIBL Board of Directors has ensured that female directors are included alongside male directors to eliminate gender bias in decision-making. At the moment, SJIBL has two female directors and eighteen male directors.

Gender diversity in Board

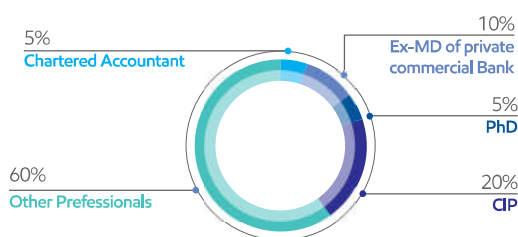


### 3) Professional Background

Most of the directors have vast knowledge of business and commerce because of their experience of having many other businesses apart from the banking business,

which is a valuable addition to the Board. Among the directors of the board of SJIBL, one is a renowned chartered accountant, two are ex-Managing Directors of private commercial banks, one is a PhD holder, four directors are Commercially Important Persons (CIPs), and the remaining directors are market leaders and entrepreneurs in the business sector.

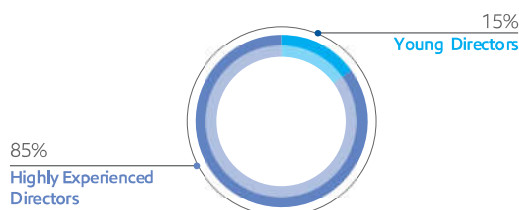
#### Professional Background



#### 4) Experience

Independent directors have extensive experience working for reputable banks and other organizations, including multinational corporations. Other directors also have long-time business experience.

#### Experience of Directors



### 8.4 Rights of Shareholders

Shareholders are the true owners of the bank. As such, shareholders have specific privileges and rights that are governed by the laws. The basic rights that shareholders enjoy are:

- Entitlement to dividends.
- Effective participation and voting in shareholders' meetings.
- Right to elect the board members.
- Ability to convey or transfer shares.
- Participation and informed on basic decisions including amendments to governing documents,

new share authorization and extraordinary transactions.

- Sufficient and timely information on the Board Meetings.
- Right to question the board and give input on fundamental issues.
- Allowed to consult with each other concerning their interests.

### 8.5 Free-Float Shares & Interest of General Investors

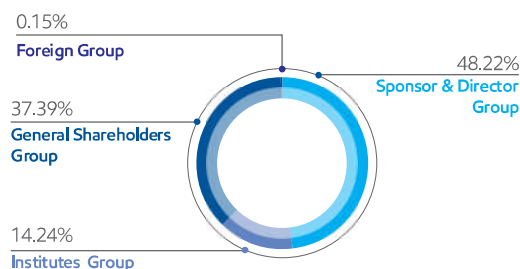
The portion of shares held by investors other than restricted shares owned by the company's sponsor shareholders and directors is known as the free float. These free-floating shares are available to all types of investors. SJIBL's sponsor shareholders and directors only float shares in the market after getting approval from the appropriate regulatory agencies and ensuring that all requirements are met. As part of effective governance, the SJIBL authority performs its utmost due diligence to protect the interests of general investors.

### 8.6 Shareholding Pattern

The authorized capital of Shahjalal Islami Bank Limited is Tk. 15,000,000,000 divided into 1,500,000,000 ordinary shares of Tk. 10.00 each. The paid-up capital of the bank is Tk10,290,969,510 divided into 1,029,096,951 ordinary shares of Tk.10.00 each. As per Section 1(5) (xxiii) of BSEC Notification No. BSEC/CMRRC/2006-158/207/Admin/80 dated June 3, 2018, the pattern of shareholding is given below:

Types of Shareholders	Percentage of Holding	Number of Share
Sponsor & Director Group	48.22%	496,241,326
Institutes Group	14.24%	146,588,245
General Shareholders Group	37.39%	384,676,589
Foreign Group	0.15%	1,590,791
Total	100.00%	1,029,096,951

#### Shareholding pattern



## 8.7 Share held by Parent or Subsidiary or Associated Companies

Shahjalal Islami Bank has no parent company or associated companies. It has only one subsidiary company, named Shahjalal Islami Bank Securities Limited. Shahjalal Islami Bank Securities does not hold any share of Shahjalal Islami Bank Limited, thus no share was held by parent, subsidiary, or associated companies during the year 2021.

## 8.8 shares are held by the Chief Executive Officer, Company Secretary, Chief Financial Officer, and Head of Internal Control & Compliance and their spouses and minor children.

Sl. No.	Designation	Shareholdings as on 31.12.2021
1	a) <b>Mr. M Shahidul Islam</b> Chief Executive Officer	Nil
	b) Spouse / Minor Children of Chief Executive Officer	Nil
2	a) <b>Mr. Md. Abul Bashar</b> Company Secretary	Nil
	b) Spouse / Minor Children of the Company Secretary	Nil
3	a) <b>Mr. Md. Jafar Sadeq FCA</b> Chief Financial Officer	Nil
	b) Spouse / Minor Children of the Chief Financial Officer	Nil
4	a) <b>Mr. Md. Nazimuddoula</b> Head of Internal Control and Compliance	Nil
	b) Spouse / Minor Children of the Head of Internal Control and Compliance	Nil

## 8.9 Shares held by top five salaried Executives in the regular services of the Bank

Sl.	Name	Designation	Shareholdings as on 31.12.2021
1	Mr. Abdul Aziz	Additional Managing Director	Nil
2	Mr. S.M. Mainuddin Chowdhury	Additional Managing Director	Nil
3	Mr. Mian Quamrul Hasan Chowdhury	Additional Managing Director	Nil
4	Mr. Md. Shahjahan Shiraj	Deputy Managing Director	Nil
5	Mr. Md. Mahmudul Haque	Senior Executive Vice President	Nil

## 8.10 List of Shareholders holdings 10% and above shares in the Paid Up Capital of the Bank

According to Section 14A of the Bank Company Act of 1991, no person, company, or member of the family may purchase more than ten percent of a bank's shares, either individually, jointly, or in both ways. There were no shareholders holding 10% and above shares in the paid-up capital of the bank, either individually or jointly or in both ways during the year 2021.

## 8.11 Disclosure about Family influence in the Bank

No person, no company, or member of the family, either individually or jointly, or in both ways, holds 10% or more shares of the paid-up capital of the bank. So there is no family influence in the bank because no individual or single-family holds a majority share of the bank to control the bank unilaterally.

## 9. ENVIRONMENTAL AND SOCIAL OBLIGATIONS

### 9.1 Policies and practices relating to social and environmental responsibility of SJIBL

Environmental and social issues are part of the core risks for which the Board of Directors reviews relevant steps from time to time. To ensure sustainable banking practices, the Board approved a Green Banking Policy and Environmental and Social Risk Management Guidelines. The Board or Management does not approve any investment without "Environmental Due Diligence" (EDD). No high-risk projects like ship breaking or tannery were financed in the year 2021. The Bank approved a substantial amount of CSR for environmental and climate risk purposes through blanket distribution and tree plantation. The SJIBL Head Office Building is a LEED-certified Green Building and is considered an iconic building in the industry. More details of environmental and social obligations are stated in the "Sustainability Report" of this Annual Report on page no. 181.

### 9.2 SJIBL's Disclosure of specific activities undertaken by the Bank in pursuance of these policies and practices

SJIBL is also focusing on the Earth and its sustainability, shifting from the traditional investment financing approach. In this regard, we are making our investment appraisal process much more stringent from an "Environmental and Social Risk Management" (ESRM) perspective evaluating all the environmental and social factors prior to approving an investment.

Any investment is not approved by the Board or Management unless the following conditions are met, where applicable:

- Site/Location Clearance Certificate
- Environmental Clearance Certificate
- Environmental Impact Analysis (EIA) Report

**Besides, the following steps have been taken:**

- An Environmental Risk Rating is included in investment proposals, where applicable.
- No disbursement is allowed for projects having a high environmental threat.
- Environmental CSR is donated from the climate risk fund with approval from the Board.

Details of specific activities undertaken in this regard are disclosed in "Sustainability Report" on page no. 181.

**9.3 Sustainability in SJIBL**

Sustainable development has long been recognized as a strategy to construct a more resilient society, alleviate poverty, and protect the environment. This reflects a growing need for greater social and environmental responsibility, as well as a new landscape of private-sector commercial opportunities. Shahjalal Islami Bank Limited (SJIBL) has made sustainability a priority in its daily operations and is working to improve its environmental and social performance, which we refer to as our corporate footprint.

**9.4 Corporate Social Responsibility**

Due to COVID-19, Bangladesh Bank instructed all scheduled banks to emphasize CSR in the healthcare sector. As such, SJIBL has started to increase health care-related CSR since March 2020. Ambulance, freezing van, etc. were distributed among different

hospitals. Masks, gloves, and other medical kits were distributed among large numbers of people in different geographical locations. Apart from healthcare-related CSR, tree plantation was introduced on a large scale in the year 2021.

**9.5 Environmental Initiatives**

SJIBL is creating a sustainable business by integrating sustainability into all products and services. SJIBL has designed its products and services, to ensure environmental benefits in the economy and society. The products, services, and investments of the bank play an important role in the lives of individuals, businesses, and communities. Our Bank extends investment facilities to clients whose business activities lessen ecological damage, promote energy efficiency and support communities. The following initiatives have been taken by the bank for a sustainable business environment:

- More focus on green products for investment.
- Growth of sustainable finance through more agriculture and SME investment.
- Reduction of unnecessary energy consumption (Electricity, fuel, water);
- Reuse of paper, different printing stationary items;
- Promote digital products and services.

**9.6 Certificates and checklists reference**

Sl. No.	Report Name	Page No.
1	Declaration by CEO and CFO	392
2	Compliance Certificate on Corporate Governance Code	393
3	Compliance Status of BSEC Notification	394
4	Compliance Status of Bangladesh Bank Guidelines	405