

Report of the Board of Directors and Management Discussion and Analysis

For the year ended 31 December 2020

INTRODUCTION

The Directors are pleased to present the Annual Report 2020 of the Company together with audited annual financial statements and the independent auditors' report of HeidelbergCement Bangladesh Limited ("HCBL" or the "Company") and its subsidiaries for the financial year ended 31 December 2020. These will be laid before shareholders of the Company at the forthcoming Annual General Meeting (AGM) to be held on 28 June 2021. The consolidated performance of the Company and its subsidiaries has been referred to as applicable. Further, in compliance with Section 184 of the Companies Act, 1994 and the Corporate Governance Code (the "Code") issued by the Bangladesh Securities and Exchange Commission (BSEC) on 3 June 2018, the Company has made all requisite disclosures in this report.

AMALGAMATION OF EMIRATES CEMENT BANGLADESH LIMITED & EMIRATES POWER COMPANY LIMITED (TRANSFEROR COMPANIES) WITH HEIDELBERGCEMENT BANGLADESH LIMITED (TRANSFeree COMPANY)

You are aware that HCBL holds 100% shares of Emirates Cement Bangladesh Limited ("ECBL") and Emirates Power Company Limited ("EPCL"). In 2020, the Company initiated the process of amalgamation immediately after their acquisition to achieve greater synergy, economies of scale, efficiency, optimization of logistics and distribution network, and other related synergies by consolidating the business operations of the three companies through horizontal integration. The entire amalgamation process is expected to be completed by 2021.



STATEMENT OF THE COMPANY'S AFFAIRS

HCBL delivered a relatively satisfactory full-year financial performance as we continue to navigate through the challenging environment presented by the ongoing Covid-19 pandemic. Total revenue fell 12% to BDT 10,521 million and net profit before tax was BDT 237 million, which is 39% higher than the net profit before tax of BDT 170 million in 2019. The EPS registered relatively well comparing the current year's Earnings per Share (EPS) of BDT-0.09 with the previous year's EPS of BDT-4.57.

CEMENT INDUSTRY

The Covid-19 pandemic has caused worldwide upheaval and no countries or sectors have been spared. Likewise for Bangladesh's economy which was hit hard.

The Bangladesh cement industry is one of the fastest-growing cement markets in the world, with per capita cement consumption in Bangladesh almost doubling from 95kg in 2011 to approximately 200kg in 2020. This industry is mainly driven by residential, engineering, and non-engineering consumption. Increasing urbanization coupled with largescale infrastructure development projects by the government has stimulated the building materials sector and generated considerable demand for cement in the last couple of years. However, due to the Covid-19 pandemic, cement consumption decreased from last year.

Moreover, the existing overcapacity coupled with capacity expansion in anticipation of demand hike has put the whole industry under intense competitive pressure leading to price war undermining the sustainability of the sector. Consequently, the industry had to absorb the increased cost of input (gas) and logistics (transportation) resulting in erosion of profits. Overall, even though the outlook for cement demand growth is robust, profitability remains a concern for cement manufacturers.

OPERATIONS

1. Sales and Production

In 2020, we delivered a total of 1.8 million tons of cement from our three plants located at Kanchpur, Chittagong, and Mukterpur, which is 1.2% higher than the total volume we sold in 2019. Overall production volume of the Company increased by 21.2K tons against the prior year.

2. Price

HCBL's customers are aware of its uncompromising emphasis on product quality, relentless efforts in product innovation, and therefore, they keep solid confidence in us. Such consumer's confidence in the consistent performance of our cement has allowed us to command a price premium. The Company has succeeded in maintaining its price leadership in our products despite intense competition among the market players.

3. Customer Service

Selling and distribution of cement at the customers' doorsteps are not good enough to gain and retain customers' satisfaction. Rather, quick and effective responsiveness to customers during the after-sales period, based on priority, creates high value and raise acceptance of the Company in the industry. HCBL cares about what a customer wants. A skilled, experienced, and dedicated sales team is always ready to provide the best solutions and consultation to our valued customers.

4. Product Innovation

Customers' tastes and preferences change over time. Taking this into account, the Company as part of its continuous pursuit of innovation and constant drive to improve quality introduced Portland Composite Cement (PCC) during 2003 as per Bangladesh Standards for cement of the Bangladesh Standard Testing Institution (BSTI). The Company is the pioneer in introducing PCC in Bangladesh. Portland Composite Cement (CEM II) is now the most commonly used type of cement in Bangladesh and Europe. The Company believes that global competition, coupled with concerns about climate change, is creating an important new mandate for product innovation, exceptional customer service, and strong policy leadership. We are investing in new technologies & research, expanding our use of technology for customers, and ensuring that our customer service is the best in the industry.

The result of extensive research done in HCBL's concrete lab showed that the concrete made with ScanCement PCC gains compressive strength beyond 28 days. It was found that even after 28 days the concrete gains 65% more strength over 2 years.

5. Marketing Activities

The market has been squeezed by existing producers' capacity expansion and entry of new producers make the market even more competitive day by day. To tackle the challenge of gaining more market share, cement industry players are initiating aggressive marketing plans. Our two brands, ScanCement and RubyCement, command top-of-mind recall in the market, particularly in markets where these brands are sold.

We devised many innovative initiatives and deployed them to increase our brand visibility and customers' loyalty. These initiatives helped us to be at the top-of-mind of the consumers as well as to gain market share.

- i) **Outdoor Visibility:** As part of outdoor visibility activities we did among others, installation of shop signs, painting on shop's wall, and installations of mega signs.
- ii) **Demand Generation Activities:** To increase demand and awareness among customers as well as influencers we conducted several demand generation activities through one-to-one communication. Under the demand generation program, we arranged face-to-face meetings with, among others, masons, house owners, and engineers.
- iii) **Brand Image Enhancing Activities:** We published press advertisements and ran Facebook campaigns featuring the country's pride, Padma Bridge, to enhance our brand image.

KEY INITIATIVES IN THE MANUFACTURING PROCESS

HCBL produces top-quality cement in Bangladesh, offering both Ordinary Portland Cement (OPC) and Portland Composite Cement (PCC). State-of-the-art technology is employed at every stage of the manufacturing process to produce the finest quality of cement for sustainable and durable construction for various types of customers in Bangladesh. Some of the Company's most significant achievements are as follows:

- Consistently high level of cement quality exceeding BDS EN42.5 complying with all the national statutory requirements and global norms for safe and environmentally-friendly products;
- Low carbon footprint from innovations in production techniques, power-saving initiatives, and use of renewable energy (e.g. solar power); and
- Ensuring safety and hygiene at work to overcome pandemic challenges.

Safety at work:

The year 2020 was marked by a year of survival against the pandemic. More than 2.5 million people have died globally so far from Covid-19. To keep our workforce safe, we have taken vigorous health and hygiene measures to safeguard our employees and the local community.

Renewable energy in use:

Global warming from excessive CO₂ emissions has garnered worldwide attention and steps to curb emissions have taken on added urgency. In line with the ambitious targets set by the HeidelbergCement Group towards carbon neutrality, HCBL has taken timely action to introduce a 152 KWp solar power project which generates 220 MWh/year & reduces CO₂ by 160 ton/year. This is targeted to scale up to 500 KWp of solar power in the next two years. This green energy will aid in the reduction of greenhouse gas emissions as well as the cost of power.

Mukterpur Plant Remote Operation Implementation:

We have succeeded in implementing a remote operation facility through the Company's business network to manage the Mukterpur plant's operations from the Kanchpur plant's Central Control Room (CCR). By centralizing the automation system, we are now able to run the plant remotely 24/7 with real-time response as well.

The performance and dedication of the whole team contributed hugely to its success. The project was completed ahead of schedule, which was all the more remarkable considering that it was developed and executed under the COVID-19 pandemic.

Packer capacity expansion:

Two new packing delivery lines (lines 5 & 6) are being built with in-house resources and design to increase the packing capacity. These two independent conveying systems would allow us to deliver more than 6000 MT cement per day with less queuing time.

Some other major initiatives associated with the production process:

Navigability at jetty:

Under the new wharf project, the riverbank at the Kanchpur plant was dredged to a suitable level to allow vessels to access the jetty easily for raw material unloading. This will help to enhance the unloading performance.

Amalgamation with Meghna Energy:

During the year, the Company amalgamated Meghna Energy Limited as its own source of power generation for cement production only taking power from the Bangladesh Rural Electrification Board when required.

Jetty extension project

Our Chittagong plant is well located along the banks of the Karnaphuli River. We have our own 161-meter-long private jetty that we use to receive raw materials directly from the mother vessel to the plant silo/shed. During the year, we extended our jetty by 28 meters upon receiving the Chittagong Port Authority's approval to physically construct and extend our existing jetty up to 189 meters. Upon successful project completion, we have successfully berthed a mother vessel with an overall length of 185 meters.

New Conveyor Belt System

With the installation of a conveyor belt, wet slag can now be fed directly into the dryer without the need for a bucket elevator. Previously, wet slag could only be transferred using a chain bucket elevator and this resulted in high maintenance requirements given the nature of the material. The introduction of the new conveyor belt system has produced a cost-effective and easy solution to these maintenance challenges.

Environment-related projects:

HCBL is committed to keeping the environment clean and safe. As generation of fine particulates and dust are inherent in the manufacturing process, the Company has adopted various measures to keep the air dust-free at its plant locations. Such measures to maintain a healthy and safe working environment include:

1. Installation of modern dust collector in the plant area which has automatic Programmable Logic Control (PLC)-based pulse control system
2. Installation of automatic bulk loading with dust collector systems
3. Installation of closed-circuit water pipeline
4. Installation of bag cleaning device at packer
5. Introduction of iron-removal from water for general use

On top of the above efforts, HCBL strives to achieve high production with low power usage. Usage of Variable Frequency Drive (VFD) results in greater power saving in terms of running fans and motors during production.

Continual Improvement Project (CIP):

The Company has implemented CIP for various improvements, including in respect of maintenance, mill optimization, and the environment.

INFORMATION TECHNOLOGY

The Company improved its IT network infrastructure by replacing Multiprotocol Label Switching (MPLS) connectivity with Dynamic Multipoint VPN (DMVPN) technology to speed up network bandwidth performance and reduce cost. Microsoft Office 365 (O365) was also introduced to enable the move to a Cloud-based system, thereby allowing easy access to documents and emails from anywhere and any device. During this pandemic period, the Company has also actively facilitated the deployment of IT services to allow its staff to work safely from home.

DIRECTORS' DECLARATION AS TO FINANCIAL STATEMENTS

As part of the preparation and presentation of the financial statements, the Directors also report that:

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

REVIEW OF FINANCIAL PERFORMANCE

The financial statements of the Company for the financial year ended 31 December 2020 as well as for 31 December 2019 presented in this Annual Report comply with International Financial Reporting Standards (IFRSs). Appropriate accounting policies have also been consistently applied in the preparation of the financial statements and the accounting estimates have been based on reasonable and prudent judgment. During the year ended 31 December 2020, the Company produced 1,633K MT of cement compared to 1,801K MT in the year ended 31 December 2019, a decrease of 9.3%. Cement sales for the year were 1,637K MT compared to 1,803K MT in FY19, a decrease of 9.2%. Net sales revenue in FY20

was BDT 10,521 million compared to BDT 11,927 million in FY19, a decrease of 11.8%. The gross profits in FY20 and FY19 were reported at BDT 1,301 million and BDT 1,154 million respectively. Correspondingly, the net profit for FY20 was BDT -4.9 million compared to BDT -258.5 million in FY19. Lower sales volume driven by lockdown and other restrictive measures by the government for Covid-19, lower sales price, and higher tax from minimum tax laws collectively impacted the overall profitability of the Company. A brief overview of the financial performance of HCBL for 2020 compared to 2019 is set out below:-

Particulars	Standalone BDT'000		**Consolidated BDT'000	
	2020	2019	2020	2019
Net Revenue	10,520,732	11,927,153	11,681,091	11,986,319
Gross Profit	1,301,345	1,153,870	1,354,582	1,228,046
Operating Profit	385,784	172,329	377,493	237,524
Net Finance Income	-136,244	7,059	-184,920	55,736
Profit Before Tax	237,063	170,424	180,096	284,296
Income Tax Expenses	241,980	428,916	-260,935	470,952
Profit After Tax	-4,917	-258,492	-80,839	-186,656
Earnings Per Share (EPS)	-0.09	-4.57	-1.43	-3.30

** Consolidated financial statements are the combined/aggregated financial statements of HeidelbergCement Bangladesh Limited and its subsidiary companies, namely (i) Emirates Cement Bangladesh Limited; and (ii) Emirates Power Company Limited.

i) Un-appropriated Profit of HCBL in 2020

Financial Results for the Year 2020:	(BDT '000)
Un-appropriated profit from previous period	2,686,696
Net Profit for the year after Tax	-4,917
Total Funds available for appropriation	2,681,779

Directors Recommended Dividend:

Dividend @ 20%	113,007
Un-appropriated profit carried forward to next year	2,568,772

ii) Brief summary of Company-wise performance is as under:

Particulars	2020	2019	+/- in %
Cement Production	1,637,410 MT	1,800,754 MT	-9.07
Cement Sales	1,633,268 MT	1,802,954 MT	-9.41

Particulars	Company	2020 (BDT'000)	2019 (BDT'000)	+/- in %
Net Revenue	HCBL	10,520,732	11,927,153	-11.79
	ECBL	1,160,359	59,166	1861.19
	EPCL	18,495	1,311	1310.76
Consolidated Revenue		11,681,091	11,986,319	-2.55
Operating Profit	HCBL	385,784	172,329	123.86
	ECBL	(5,480)	(8,065)	-32.05
	EPCL	(2,812)	0	0
Consolidated Operating Profit		377,493	237,524	58.93
Net Profit	HCBL	(4,917)	(258,492)	-98.10
	ECBL	(73,111)	(13,254)	451.61
	EPCL	(2,812)	0	0
Consolidated Net Profit		(80,839)	(186,656)	-56.69

HCBL (Cement Business):

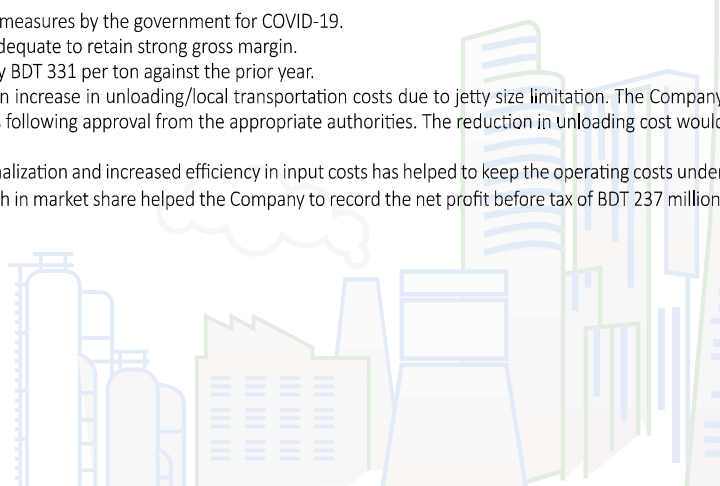
- Sales Volume reduced due to lockdown and other restrictive measures by the government for COVID-19.
- The net cement price realizations during the year were not adequate to retain strong gross margin.
- Cost of Goods Sold per ton YTD December 2020 decreased by BDT 331 per ton against the prior year.
- Raw materials cost in the Chittagong plant was affected by an increase in unloading/local transportation costs due to jetty size limitation. The Company extended the jetty 28 meters to accommodate bigger vessels following approval from the appropriate authorities. The reduction in unloading cost would be visible in the financial results for the year 2021.
- It is important to note that the Company's focus on cost rationalization and increased efficiency in input costs has helped to keep the operating costs under control. This focused approach towards costs as well as growth in market share helped the Company to record the net profit before tax of BDT 237 million.

ECBL (Cement Business):

- Net loss stood at BDT 73 million.
- EPS stood at BDT (0.46).

EPCL (Power Business):

- Net loss stood at BDT 2.8 million.
- EPS stood at BDT (0.10).



iii) Brief Summary of Financial Position

Particulars	2020		2019		Growth Rate
	(BDT million)	Proportion	(BDT million)	Proportion	
Non-Current Assets:					
HCBL	4,560	50%	4,233	42%	7.7%
ECBL	1,723	74%	1,775	71%	-2.9%
EPCL	103	71%	117	74%	-12.0%
Current Assets:					
HCBL	2,691	29%	3,034	30%	-11.3%
ECBL	624	27%	735	29%	-15.1%
EPCL	38	29%	41	26%	-7.3%
Investment in Subsidiary	1,893	21%	2,818	28%	-32.8%
Total Assets:					
HCBL	9,144	100%	10,085	100%	-9.3%
ECBL	2,337	100%	2,510	100%	-6.9%
EPCL	141	100%	158	100%	-10.8%

HCBL (CEMENT BUSINESS):

Property, Plant, and Equipment

During the year, there was an addition of BDT 104 million in fixed assets to ensure the operating capability of the Company. The addition includes BDT 52 million in Land & Building, BDT 34 million in Plant and Machinery, and BDT 18 million for other assets.

Capital work-in-progress

Capital work-in-progress balance of BDT 546 million includes BDT 216 million for payment of Land & Building, BDT 302 million for Plant and Machinery, and BDT 28 million for Intangible Assets.

Trade & Other Receivables

Trade and other receivables decreased by BDT 9.4 million (892.5m vs 901.9m).

Cash and Cash equivalents

Cash and cash equivalents include cash in hand of BDT 0.11 million, cash at bank of BDT 287.0 million, and fixed deposit of BDT 16.9 million. Net increase in cash of BDT 316.7 million was mainly due to the effective recovery from accounts receivable and cash sales.

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

RELATED PARTY TRANSACTIONS

All the transactions entered into between the Company and its related parties during the financial year ended 31 December 2020 were in the ordinary course of business and on an arm's length basis. In note no. 45 of the consolidated financial statements, a brief description of related party transactions is given including the names of the respective related parties, nature of the relationship with them, nature of those transactions, and value in the amount of such transactions.

RISKS AND CONCERNS

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

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

PROTECTION OF MINORITY INTEREST

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

GOING CONCERN

The Company has adequate resources to continue its operations for the foreseeable future and therefore the financial statements have been prepared on a going concern basis. Whilst the ongoing pandemic caused by COVID-19 has affected businesses worldwide, the Management has assessed that there are at this point no material uncertainties related to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

DIVIDEND

The dividend policy of the Company allows it to recommend a dividend which is commensurate with its performance, investment requirements as well as meet shareholders' expectations. The Board of Directors recommends a cash dividend of BDT 2/- (BDT Two only) per share for the year ended 31 December 2020.

CONTRIBUTION TO NATIONAL EXCHEQUER

The Company contributes a substantial amount to the National Exchequer by way of duties and taxes. HeidelbergCement Bangladesh Limited contributed BDT 2,416 million to the National Exchequer in 2020.

POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the directors recommended a cash dividend of BDT 2/- (BDT Two only) per share.

AUDITORS

M/s. ACNABIN, Chartered Accountants having office at BDBL Bhaban (Level-13), 12 Kawran Bazar Commercial Area, Dhaka-1215, Bangladesh, were appointed at the 31st Annual General Meeting (AGM) of the members of the Company. In the year under review, they have performed their audit work satisfactorily.

Being eligible and per the recommendation of the Board of Directors, M/s. ACNABIN, Chartered Accountants may be re-appointed as the Statutory Auditor at the 32nd AGM of the Company for the year ending 31 December 2021 at a fee of BDT 850,000.00 (BDT Eight Lac Fifty Thousand) only and to hold office until the conclusion of the next i.e. 33rd Annual General Meeting of the Company.

COMPLIANCE AUDITORS

The current Compliance Auditor of the Company, M/s. Hoque Bhattacharjee Das & Co., Chartered Accountants, of Cosmic Tower (9th Floor), 106/ka Naya Paltan, Box Culvert Road, Dhaka-1000, retire at the 32nd Annual General Meeting. Being eligible, they express their willingness and consent to be reappointed. As per the Corporate Governance Code, the appointment of Compliance Auditors is also subject to the approval of the members in the ensuing AGM. The Board recommends their appointment as Compliance Auditor for the year ending 31 December 2021 at a fee of BDT 30,667 (BDT Thirty Thousand Six Hundred Sixty-Seven) only and to hold office until the conclusion of the next i.e. 33rd Annual General Meeting of the Company.

DIRECTORS PROPOSED FOR RE-ELECTION

In accordance with Article 98(a) of the Articles of Association of the Company, one-third (1/3) of the Directors who have been longest in the office are supposed to retire from the office of Directors by rotation at the ordinary general meeting in every year. This year Mr. Kevin Gerard Gluskie, Mr. Juan-Francisco Defalque, and Mr. Md. Abul Hossain are due for retirement at the upcoming AGM. In accordance with Article 98(c) of the Articles of Association of the Company, the retiring directors are eligible for re-election. The brief resume of the retiring directors are set out in the section on the Board of Directors profile on page 25.

APPOINTMENT OF MANAGING DIRECTOR

Mr. Jose Marcelino Ugarte's tenure as Managing Director (MD) of the Company will expire on 21 August 2021. He was appointed in the Board of Directors Meeting held on 25 February 2016 as MD of HCBL effective from 22 August 2016 for five years as per section 110 of the Companies Act, 1994, and the same was approved by the members at the Company's 27th AGM held on 13 April 2016. He is eligible for re-appointment for a further period of 5 (five) years per the relevant provisions of the Companies Act and Articles of Association of the Company subject to the approval of the Bangladesh Investment Development Authority (BIDA) and the shareholders at the upcoming 32nd Annual General Meeting.

INDEPENDENT DIRECTORS

Dr. Muhammad Abul Mazid and Mr. Abdul Khalek, FCA are acting as Independent Directors of the Company for their first tenure.

BOARD MEETING AND ATTENDANCE

The number of Board of Directors meetings held and attendance thereat for 2020 is duly reported in the section on "Statement on Corporate Governance".

REMUNERATION PAID TO THE DIRECTORS

During the year, the Company has paid a total of BDT 295,000 as Board meeting attendance fees. The remuneration of Directors has been mentioned in note no. 44.2 of the Consolidated Financial Statements.

PATTERN OF SHAREHOLDING

As per condition No. 1(5)(xxiii) of the Code, the pattern of shareholding (along with details of names) of parent/subsidiary/associate companies and other related parties, Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit & Compliance and their respective spouses and minor children, as well as Executives and Shareholders holding 10% or more voting interest in the Company as at 31 December 2020 has been furnished herewith as ANNEXURE-D.



HUMAN RESOURCES & CORPORATE SOCIAL RESPONSIBILITY

The Company recognises the importance of employee involvement in the operation and development of its business units, which are given autonomy, within a company policy and structure, to enable management to be fully accountable for their own actions and gain maximum benefit from local knowledge.

Mutual trust is a pre-requisite for dedication and success. Our employees act as role models with respect to their leadership and management skills as well as their personal conduct. Having competent and inspired employees will play a significant role in our continued drive for success. Despite the challenges brought on by COVID-19, we could sustain our impetus with our dedicated and talented team. We harvest talents and use well-planned programs to retain those talents and bring out the best of their competencies. This is supported by the HeidelbergCement competence model, which defines the essential professional and personal capabilities and skills that are critical for the success of our business. We aim to achieve the following three goals:

- to internally fill key positions with top-class candidates within the organization;
- to develop top talent at HeidelbergCement in a targeted way; and
- to prepare employees for management functions in the long-term through individual development planning.

The COVID-19 pandemic has had far-reaching consequences beyond our imagination and made for an extremely challenging operating environment. In spite of this, we stood up to the challenge of keeping our operations running whilst keeping our employees safe and upholding their morale. With the dedication and commitment of the team to maintaining COVID-19 safety protocols, we were able to keep infection levels to a minimum. With the entire world grappling with the effects of the COVID-19 outbreak, we have also learned to be vigilant and be aware of the importance of self-care.

In light of our strategy and the increasingly fast pace of change in the business world, it is important to guide our employees and managers accordingly. With our newly defined corporate purpose “Material to build our future”, we strengthen our common identity and emphasize what we stand for and what we want to stand for as a company. In addition, our cultural principles serve as a guide in the Group for cooperation with each other. Steps have been taken to promote this corporate purpose and culture principles in all the units of our company and communicated within the company to allow employees to understand, follow and embed this same spirit and principles together with the global members of the HeidelbergCement family.

Following the acquisition of ECBL and EPCL, it was necessary to implement a smooth integration of the employees and build a common culture. Having been successful in integration, the next efforts were to transform the culture into a unified one and significant achievements have been made in this regard.

Training is essential to nurturing and developing the capabilities of our employees. Given the difficulties of organizing in-person training during this pandemic, we were able to utilize digital tools such as our Microsoft Teams platform to conduct training for our staff. Several training programs were conducted for our sales team to improve their sales capabilities.

Complying with the labour laws and rules of Bangladesh and maintaining strong and productive employee relations is a mantra that we strive to uphold. We have been successful in this regard through strong and empathetic leadership.

Corporate Social Responsibility (CSR)

In 2020, the Group took further steps to strengthen the processes and improve the management structure of our social commitment in various countries. The aim is to make our social commitment more systematic and transparent, as well as more efficient and targeted. Even though it was a difficult year for carrying out our CSR initiatives, HCBL has maintained its strong commitment by continuing its flagship CSR programs such as innovative construction of building and infrastructure by partnering with non-profit organizations (local and globally renowned NGOs), supporting the Centre for Rehabilitation of the Paralyzed (CRP), Proyash and continuing a regular presence in our local communities through financial assistance for meritorious school students and free food/essentials distribution to our contractor workers and local community around our production sites during the COVID-19 pandemic. We strongly believe that building strong relationships and creating sustainable trust with the local community greatly enhances the ability of the Company to achieve its goals.

Occupational Health & Safety

Safety begins with strong leadership and a zero-tolerance culture. With such a guiding principle, we aspire to keep all people safe at our workplaces.

Occupational health and safety is one of the core values of our Company and therefore it becomes a vital component of every aspect of our work process to ensure that every person returns home as safely as when they entered into our premises.

Being convinced that injuries, occupational illnesses, and diseases are preventable we are continuously striving to minimize risks for our employees, contractors, and third parties by pursuing the goal of zero harm. Our utmost goal is to avoid all accidents leading to death, injuries, or permanent disabilities and to substantially reduce our lost time injury, frequency, and severity rates. In order to continually improve our performance, we manage Health & Safety through appropriate management systems. The key elements are:

- Establishing clear objectives and corresponding action plans
- Providing safe and healthy workplaces, safe equipment, and safe work procedures and practices based on the results of regularly reviewed risk assessments.
- Training employees in Health & Safety issues that affect their work to ensure they have the proper competencies to conduct their tasks safely
- Inspecting and reviewing work areas and practices regularly to ensure compliance with internal and external requirements
- Supervising, monitoring, and analyzing the Health & Safety performance and processes against requirements
- Providing guidance and instructions on the handling of our products following applicable laws

As part of our Group policy on occupational health and safety, we have defined a set of cardinal rules that are mandatory for all employees and contractors. They relate especially to those activities that have been identified as the main risk areas for accidents. These main risk areas for accidents are therefore also addressed in specific Group standards and within our own safety standards and procedures. HeidelbergCement Bangladesh is committed to conducting its business following all applicable local laws including Bangladesh Labour Law and Rules relating to Health & Safety.

All management levels at the plants and corporate office of HCBL are responsible for ensuring Occupational Health and Safety. Our occupational safety organization is subordinate to the Chairman of the Management Committee, to whom the Country Health & Safety Manager, who is responsible for coordinating the Health & Safety measures within the country, reports directly. The line managers at local management level in Bangladesh are supported by the Country Health & Safety Manager. Occupational safety measures are a part of the personal goal agreements for Directors and Officers. We also make blue collar employees responsible for setting common goal agreements on safety.

Every accident major or minor and even near misses across the Company are recorded in our global accident reporting system AID. An accident event cannot be closed in the system until the causes of the accident have been analysed and corrective or preventive actions have been defined.

Despite the challenges posed by COVID-19, we managed to provide more than 1500 manhours of training & orientation in 2020 to our employees, contractors, and visitors on safety measures such as maintaining proper hygiene and distancing rules.

A variety of protective measures have been taken at our different locations across Bangladesh, to prevent the spread of the coronavirus as much as possible. These include training employees on hygiene measures, displaying posters on health measures, providing disinfectants and masks, installing physical partitions, dividing working groups into smaller teams, rostering office attendance, facilitating work from home, switching to virtual meetings, restricted canteen services, daily temperature recording of every entry, ensuring that masks are worn at all times, checking & sanitizing pool vehicles, and disinfecting offices. Oxygen cylinders and oximeters were also made available for use by our employees as needed. Arrangements were made for our employees to get tested for Covid-19. We have also provided doctors' advice, and other medical and mental support to our infected employees. We record all COVID-19 cases in the Group portal AID so that we can respond appropriately.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

The Board strongly believes in good governance and firmly supports and advocates good Corporate Governance practices. The Company recognizes that the long-term success of business operations depends on the effective implementation of sound Corporate Governance practices by, for instance, the effective segregation of duties and responsibilities to ensure transparency and accountability. Our Company fulfills all the regulatory compliance requirements issued by the Bangladesh Securities & Exchange Commission. We are pleased to confirm that the Company has complied with all the necessary guidelines under the Corporate Governance Code issued under the Bangladesh Securities & Exchange Commission Notification dated 03 June 2018. The Compliance report along with the necessary remarks/disclosure is appended in the Directors Report of the Company for the year 2020 at Annexures A to F. The Certificate of Compliance required under the said Guidelines, as provided by Hoque Bhattacharjee Das & Co., Chartered Accountants, is annexed to this report at Annexure B.

ACKNOWLEDGMENTS

We are deeply grateful to our esteemed shareholders and colleagues for their valued support especially during this difficult time. We take this opportunity to thank the State and Government, stock exchanges, and other statutory bodies for their continuous support for the various activities of the Company. We also acknowledge the unstinting support extended by our valued customers, associates, and our bankers and would like to place on record our sincere thanks to them for their continued faith and confidence reposed in us.

On behalf of the Board of Directors



Jose Marcelino Ugarte
Managing Director



Jashim Uddin Chowdhury
Director and CFO



Md. Emdadul Haque
Company Secretary

