

## Report of the Board of Directors For the year ended on 30th June 2020

“Bismillah Hir Rahmanir Rahim”

### **Distinguished Shareholders**

Assalamu Alaikum Wa Rahmatullah!  
Alhamdu Lillahe Rabbil Aalamin

On behalf of the Board of Directors, we have the pleasure to welcome you to the 36th Annual General Meeting of H.R. Textile Mills Limited and present before you, to receive and consider the Audited Financial Statements of the Company for the year ended on 30th June 2020, together with the Auditors' Report and Directors Report therewith.

We express our gratitude to the Almighty Allah for the Company's business achievement in 2019-20.

### **1.0 The Company**

H.R Textile Mills Limited (HRTM) is a Public Limited Company (PLC) established in 1983 on Dhaka Nabi

Nagar highway road on 1.45 acres of land with the main objective of operating as a composite knit product manufacturing company for the export market, with a paid-up capital of Tk. 10 crores. The company went public in 1996 for raising additional Tk. 10 crores from the public without any premium, although the asset value of the company was higher at that point in time. It was oversubscribed 17 times by the public, which was record-setting at that time. The company has been paying cash dividends regularly in the range of 10 to 15%, except for one year when it declared a stock dividend of 10% for the year ended 2010, and 15% for the year ended 2011. The paid up capital of HRTM is now Tk. 25.30 crores, and the company enjoys franchise value in the market and is listed with both bourses of the country.

### **2.0 The Board**

#### **2.1 Composition**

The Board of the company is composed of eight Directors, who are main sponsors, independent Directors and next generation progeny of the main sponsors. The young directors, having high educational qualifications, have been selected to create succession, and are being trained for profitable operations and growth. The Managing Director, who is in charge of the day-to-day running

of the business, is a knowledgeable and experienced chemical engineer by qualification. The other two main sponsors directors are two professors of the University of Dhaka, Bangladesh, of significant renown and accolades. They bring with them three decades of knowledge and experience, specialising in finance and management. They are also very well known for their successes in the business sector. This Board is supported by two additional independent directors, who are also from a scholarly background and come with years of knowledge in business management. This selection of directors has made the Board a knowledge hub, with the ability and know-how to pursue success and transparency in the organisation. The highlights of the Directors background is Annexure-1.

## 2.2 Philosophy and Policy

Ordinarily, the Board deals with the management, execution and resolution of any policy issues. However, in very specific cases, the directors, who are essentially non-executive directors, assist the management in resolving those issues, in order to keep the company updated and to ensure procurement of further business, through quality products and process excellence. More specifically the Board members keep an eye on industry trends and broad policy issues, and suggest actions that need to be taken. The Board members maintain liaison with buyers and other stakeholders, and review the business developments nationally and internationally. The members of the Board identify the need for various equipment for further expansion of the product portfolio, in order to respond quickly to buyers' requirements. They also deal with availing financial assistance from banks and leasing companies, review the cost reduction programs, oversee the expansion of facilities, review of compliance related issues etc. The Independent Directors also contribute significantly, by taking part in the policy issues and guiding the management to keep the company on track.

## 2.3 Independent Director

The Board consists of two celebrated professors from the Finance and Marketing Departments of the University of Dhaka, who have graciously accepted the roles of Independent Directors, keeping with the

guidelines of the Bangladesh Securities and Exchange Commission. Earlier the existing Independent Director Mr. Md. Kabiruzzaman has completed six years (i.e. two tenure) and is not eligible for another tenure. The Board and the management of the company offered heartfelt thanked Mr. Md. Kabiruzzaman for his significant contribution as Independent Director during his tenure. Mr. Kabiruzzaman has been replaced by Professor Dr. Md. Zakir Hossain Bhuiyan.

Professor Dr. A.H.M. Habibur Rahman and Professor Dr. Md. Zakir Hossain Bhuiyan have made numerous contributions to the economy and educational sector as renowned professors, and have now joined the Board to lend their decades of expertise and knowledge for the success of the organisation. Dr. A.H.M. Habibur Rahman was once the Chairman of Sonali Bank Limited, the largest bank of the country. The appointment of Dr. Zakir Hossain needs to be approved in the 36th AGM.

## 2.4 Retirement and Re-election of Directors

As per the Articles of Association of the company, one-third of the directors, who have served the most time in office since their last election, must retire every year. In pursuant to Article 102, 103 and 104 of the company, Professor Mohammad A. Momen and Ms. Sumbal Azwad Momen, Directors of the company, will retire and, being eligible, have offered themselves for re-election.

## 2.5 Re-appointment of Managing Director

As per clause 136 of the Articles of Association of the Company and decision of the 31st Annual General Meeting, the tenure of the appointment of Mr. Mohammad Abdul Moyeed, Managing Director will expire on 24th January 2021. The Managing Director has expressed his desire to be re-appointed for a further period of 5 (five) years with effect from 25th January 2021. The re-appointment of the Managing Director of the company is required to be approved by the shareholders in this 36th Annual General Meeting as per Section 110(3) of the Companies Act 1994.

## 2.6 Meetings

The Board holds its meetings as and when required, with specific agenda. The agendas are circulated earlier along with working papers. During the year,

the company organized 7 meetings. The attendance of the Directors, along with the remuneration paid to them, appears as follows:

Sl No	Name of the Directors	No of meetings held	No of meetings attended	Fee Paid Taka
1	Professor Dr. M. A Moyeen	7	6	30,000
2	Mr. M. A Moyeed	7	7	35,000
3	Professor M. A Momen	7	7	35,000
4	Ms. Ruhey Rawa	7	7	35,000
5	Ms. Sumbal Azwad Momen	7	7	35,000
6	Ms. Sana Kainat Moyeen	7	3	15,000
7	Professor Dr. A.H.M. Habibur Rahman	7	6	30,000
8	Mr. Md. Kabiruzzaman	7	7	35,000

In addition to the board members, Mr. Md. Abu Amur Naheel, Chief Financial Officer, Mr. Sumnoon Moheb, Head of Internal Audit & Compliance, and Mr. Md. Wali Ullah, Company Secretary, attended the Board Meetings on a regular basis.

### 3.0 Business Operations

As one is acutely aware, the country's readymade garments (RMG) sector has endured passing challenges for the past two decades. Fast-paced changes, in terms of buyers requirements, required factory modifications, workers' safety issues, environmental compliance requirements and growing market and design trends, have all been major stressors of the sector. Some of the challenges are specific to individual factories, while many of them are macro-economic challenges of the industry as a whole, which is in large part due to the high cost of doing business in the country. While the above were on-going struggles, the Covid-19 pandemic hit and overhauled the entire world, including Bangladesh and its economy. For the RMG sector, the adverse effects were tremendous. From the beginning of March 2020, many orders were cancelled and the rest were deferred. The business operations came to a halt due to this sudden shift, and maintained total closure till June. With the expectation that we would be fully functional soon, we continued to work on keeping material stock in hand for finished goods material and other works in

process, along with keeping the costs as usual. In May, we resumed operations at a small scale, after implementing all necessary and sanctioned Covid-19 protocols, with due health care measures for all workers and officers. At the same time, we did our utmost to bring the entire business back to full functionality within the new normal conditions.

The results of these efforts to weather the pandemic and sustain the business during the year is reflected in our ability to achieve revenue of Tk. 2,249.51 million against Tk. 2,358.17 million in the previous year. Additionally, the company earned a net profit after tax of Tk. 28.16 million against Tk. 46.47 million in the last year, despite the challenges brought on by the pandemic. The above resulted in earnings per share of Tk. 1.11 against Tk. 1.84 in the last year.

The substantiated potential of a second Covid-19 wave will also have an enormous negative impact on the business in the current year. However, the management is trying to keep the business well on track. The management has always kept in mind that a large number of investors, and their family members, expect a small dividend from their company and have entrusted their full support and confidence in the management's running of their company.

### 4.0 Compliances

#### 4.1 Factory Compliance Issues

The compliance issues that are required by international buyers as previously mentioned, are one of the major concerns in the management's agenda; specifically in the areas of sustainable production, human resources and eco-friendly measures. The company is working hard to maintain compliance in all these areas. However, further new compliance requirements warrant major change in the building structure, and the company needs to invest a substantial amount to improve production facilities and to upgrade compliance standards in order to keep the buyers on board. The company has progressed significantly and still needs to invest further to remain fully compliant as per the requirement of the buyers.

#### 4.2 Statement of Compliance as a Corporate PLC

As stated earlier H.R. Textile Mills Ltd. is listed with the Stock Exchanges in Bangladesh, and complies with the Regulatory requirement of Bangladesh Securities and Exchange Commission. The reporting of required compliances thereon appears in the following areas:

#### 4.3 Accountability and Audit

In implementing and ensuring that the management places right governance and special attention to the necessary areas.

#### 4.4 Financial Reporting

The financial statements of the company are prepared in line with the requirements of Bangladesh Financial Reporting Standard (BFRS), Bangladesh Accounting Standard (BAS) and other related local legislations. The above covers the annual financial statements as well as quarterly unaudited financial statements.

#### 4.5 Financial Review

The Financial position of the company is carefully reviewed throughout the year. Since quite a good number of banks and financial institutions are involved with the company having specific repayment schedule, the management is required to keep the financials under everyday care in order to avoid mismatch of payment which warrants collecting the sale proceeds, repayment of liabilities, workers monthly payments and to keep the company's commitment with the suppliers. The above forms the basis for external reporting and presentations, and to also provide quality assurance for the financial reporting. In addition, internal review on financial results is conducted by management on a monthly basis. The financials are reviewed in terms of budgets and budget variations to keep the business on track.

#### 4.6 Statutory Audit

Statutory Audit of the Company is governed by the Companies Act 1994 and Securities and Exchange Rules 1987. As per these Regulations, auditors are appointed at each Annual General Meeting (AGM) and their remuneration is also fixed by the shareholders at the AGM. Appropriate attention is

placed as per corporate governance and best practices guideline to ensure independence of statutory auditors.

#### 4.7 Compliance with other Rules and Regulations

The Company provides complete set of financial statements and relevant documents to the BSEC, CDBL, National Board of Revenue (NBR), Registrar of Joint Stock Companies & Firms (RJSC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE). The CFO and Company Secretary always accommodate any queries that are raised by regulators of the country.

#### 4.8 Compliance with Bangladesh Labour Law

The Company has complied with the relevant conditions of Bangladesh Labour Act 2006 (as amended in 2013) in respect of Workers' Profit Participation Fund (WPPF), Provident Fund, and Gratuity etc.

#### 4.9 Restriction on dealings in HRTM Shares by Insiders

The Company has established policy relating to the trading of HRTM shares by Directors, Employees and other insiders. The securities laws also imposed restrictions on similar transactions. All the Insiders are prohibited from trading in HRTM shares, while in possession of unpublished price sensitive information in relation to the company during the prescribed restricted trading period. Directors and employees are also required to notify their intention to trade in HRTM shares prior to initiating the same.

#### 4.10 Secretarial Standards

The Company has complied with all the Secretarial Standards (BSS) as adopted by The Institute of Chartered Secretaries of Bangladesh (ICSB).

### 5.0 Committee Reports

#### 5.1 Board Committees

The Board has established three Board Committees to which it has delegated some of its responsibilities. They are the Audit Committee, Nomination and Remuneration Committee and the Management Committee.

#### 5.2 Audit Committee

The Audit Committee is a Sub-committee of the Board of Directors and is appointed and authorized by the Board, in pursuance of BSEC Circular, to review the activities of business from independent perspective which is headed by an independent

director. The role of the Audit Committee is to monitor the integrity of the financial statements of the company and review when appropriate, make recommendations to the Board of Directors on business risks, internal controls, governance issues and compliance. The committee satisfies itself by means of suitable steps and appropriate information, that proper and satisfactory internal control systems are in place to identify and contain business risks and that the company's business is conducted in a proper and prudent manner.

The Audit Committee comprises five members and of them, two are independent directors. The Chairman of the Audit Committee is an Independent Director. A detailed report of the Audit Committee is enclosed as Annexure - 2.

### **5.3 Nomination and Remuneration Committee**

The Nomination and Remuneration Committee consists of three Directors including one Independent Director. Independent Director is the Chairman of the Nomination and Remuneration Committee. The Committee acts as per the terms and conditions of the Corporate Governance Code of BSEC. A report of the Committee is enclosed as Annexure - 3.

### **5.4 Executive Committee**

The Executive Committee of HRTM consists of the senior management officials of the company who are assigned with specific responsibilities to assist the Managing Director in day to day affairs. The Committee is headed by the Managing Director. The Executive Committee endeavors to achieve the strategic goals and mission of the Company set by the Board of Directors.

### **5.5 Division of work for the Board and Managing Director**

The role of the Board and Managing Director are separate, and delegation of responsibilities is clearly established, set out in writing and agreed by the Board to ensure transparency and better corporate governance. To that end, HRTM has also adopted "Governance Guidelines for Managing Director. The Managing Director is the authoritative head for

day-today management in HRTM. He acts to reasonably ensure that the company operates business as per the Articles of Association (AOA), decisions made by the Board and Shareholders, as well as according to HRTM Policies and Procedures and applicable regulatory legislations.

## **6.0 Company Policies and Declarations**

### **6.1 Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer**

The company has no Initial Public Offering (IPO) during the financial year 2019-20. At present the company does not have any plan for Repeat Public Offering (RPO), Rights Share Offer in the near future.

### **6.2 Utilization of proceeds from public issues, rights issues**

The company had no Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights issues during the financial year 2019-20 and as such no money was taken from the shareholders during the year.

### **6.3 Dividend Policy/ Dividend**

The Board of Directors has a Dividend Policy which is based on company's performance and company's long term objectives. The policy has been developed keeping in view the annual performance, its retained earning position, balance of dividend equalization fund vis a vis cash flow of the company to support the payment.

During the year under report, the company earned profit after tax of Tk. 28,156,514. Out of the above the Board recommended a cash dividend of Tk. 1.00 (i.e. 10%) per share of Tk. 10 for general shareholders other than sponsors/directors shareholders against 10% cash dividend per share of Tk. 10 to for general shareholders in the last year. The above would require a cash outflow of Tk. 12.49 million. The balance amount of Tk. 15.67 million of un-appropriated profits will be used to meet the working capital requirement of the company as well to finance the developmental works.

### **6.4 Risk and Concerns**

H.R. Textile Mills Limited as a manufacturing unit in the garments and Textiles industry is vulnerable to

global and domestic adversities and threats. International trade tensions, concerns over BREXIT, working hazards of local textile industry indicate significant business risks. The country's exporters are accustomed to such risks and have learned how to cope with the situation. The Board of Directors assures its shareholders that the company has a competent risk management process to ensure that the system of internal control is sound in design and has been effectively implemented and monitored. The audit committee supports the board in monitoring activities of management and deals with risk management issues also. As one of the pioneers of the sector, the company is confident in minimizing the risks and optimizing the benefits.

#### 6.5 Interim Dividend

No interim dividend was declared by the Board of Directors during the year 2019-20.

#### 6.6 The company as Going Concern

The concept of "Going Concern" means that the amount spent by a company in terms of assets are considered to be good, not for sale and expected that the assets will generate sufficient business. Your company has been in existence since 1983 and acquired adequate resources to continue its operational existence in the foreseeable future. Therefore the financial statements are prepared on the basis of Going Concern Concept.

#### 6.7 Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party in making financial and operational decisions and include associated companies with or without common Directors and key management positions. The Company has entered into transactions with other related entities in normal course of business that fall within the definition of related party as per Bangladesh Accounting Standard 24: "Related Party Disclosures." Details of these transactions are set out under Notes to the Financial Statements.

#### 6.8 Employees' remuneration Policy:

The objective of the Company's remuneration policy is to attract, motivate, reward and retain quality staff. The Board ensures that the remuneration policies are in line with the strategic objectives and corporate values of the Company, and do not give rise to conflicts between the objectives of the Company and the interests of individual Directors and key executives.

The total compensation package for employees comprises salary, contributory provident fund, gratuity scheme, and other benefits plans such as maternity benefits etc. In determining the composition of the package, the nature of the role performed and market practice are taken into consideration. To ensure that its remuneration package is competitive, the Company regularly reviews its base salary ranges and benefits package based on market data.

#### 6.9 Policy on Employee's Participation in Management

HRTM believes that employee's participation in management's decision making process gives employees mental and psychological satisfaction and thereby increases their involvement in the affairs of the organization which contributed overall development of the Company. The objectives of employee participation in management are:

- ◆ To prevent the employees from being exploited by the superiors within the organization.
- ◆ To have democracy in the organization.
- ◆ To lead to effective growth and development of the workforce.
- ◆ To encourage the employees to express their ideas and suggestions.
- ◆ To make improvements in the overall working environmental conditions.
- ◆ To make provision of opportunities among the employees for self-expression leading to institutional peace, good relations and increased co-operation.

## 7.0 Corporate Governance

### 7.1 Corporate Governance Statement

The Board of Directors of H.R. Textile Mills Limited is responsible for proper governance which includes setting out Company's strategic aims, providing the necessary leadership to implement such aims, supervising the management of the business and reporting to the shareholders on their stewardships.

HRTM is committed to continually reviewing all corporate governance policies and practices to ensure the ongoing transparency of the company's practices and the delivery of high standards and quality information to stakeholders.

The Corporate Governance and its focus remains as a priority of the Board. In order to exercise clarity about directors' responsibilities towards the shareholders, corporate governance must be dynamic and remain focused on the business objectives of the company. Keeping this in mind, clear structure and accountabilities supported by well understood policies and procedures to guide the activities of the Company's management have been designed.

### 7.2 CG Framework

Good Corporate Governance practices are essential to keep the company in line with the business requirement. HRTM operates within a comprehensive governance framework. The Board continuously reviews its corporate governance framework to ensure its relevance, effectiveness and sustainability in addressing the future business challenges.

### 7.3 Board Practices

The Directors of the Board are appointed by the Shareholders at the Annual General Meeting (AGM) and accountable to the shareholders. The Board is responsible for ensuring that the business activities are soundly administered and effectively controlled.

The Directors of the Board keep themselves

informed about the Company's financial position and ensure that its activities, accounts and asset management are subject to adequate control. The Board also ensures that HRTM Policies & Procedures and Codes of Conduct are implemented and maintained, and the Company adheres to generally accepted principles for good governance and effective control of Company activities.

### 7.4 Corporate Governance Compliance Audit

As per the BESC's notification, the compliance auditors are appointed at each Annual General Meeting (AGM) and their remuneration is also fixed by the shareholders at the AGM. The Report of the Auditors are enclosed as Annexure-B.

## 8.0 Business Development

HRTM is a 100% export oriented RMG factory. Global market behavior is guided by transformation of generation pulse, fast fashion forecast and technological domination on everyday lifecycle. These challenges were faced continuously in achieving our objectives to capture a greater market share amidst the advent of newer printing and dyeing houses. Our business development team is in close touch with the market pulses and keeps flexible policy to adopt these challenges with effective tools like innovation based on new trends and thoughts. We could seize greater market values implementing unique ideas, processes and the current trends. In attaining our goals, we ensured a good bonding language among the trio of buyer, suppliers and us. We moved forward with the image of a full package of dyeing and printing unit. Eventually, digital print is going to play a dominant role in the future market. We expect to match the fashion demand with our digital printing facilities with proficiency in future.

## 9.0 Environmental issues

Environmental issues are playing a significant role in all the spheres of company operations. The above have been further intensified during the current pandemic situation. We were required to bring every operation of the company under strict

environmental regulations. The knitting section has taken care of controlling dust emanating from the yarn in the knitting process, the effluent treatment plant (ETP) is responsible for treating wastewater to release treated water within the permissible limits set by the Department of Environment of Bangladesh. The factory generates its own electricity with power generators utilizing natural gas, which creates less pollution. Additionally, we are co-generating steam from the exhaust of our gas fired generators. The underground water table is also being recharged with harvested rainwater. We are recovering the heat from our waste water to preheat our process waters. We are soon to operate a fully automated biological effluent treatment plant. Our efforts at environmental sustainability also include reduction of our energy consumption by using LED lights and inverters in all the machineries that we use.

The Covid-19 requirements of using masks at the workplace, strictly maintaining physical distance, temperature measurement of workers and officers, and sanitization requirements of surfaces are all in place.

## 10.0 Financial Management

### 10.1 Monitoring

The Internal control system is monitored regularly through ongoing activities and separate evaluations. Ongoing monitoring activities are conducted through regular management activities. An Internal Audit Team has been set up during the year under review. The internal audit department is responsible to provide an objective and independent view of the effectiveness of operational and financial controls and procedures, as well as management action in dealing with issues of control. The internal audit function monitors the presence of the components of the internal control system and reports to the Audit Committee of the Board.

### 10.2 Internal Audit

The Internal Audit department is independent of business operations. It operates a risk-based methodology, ensuring that the Company's key risks receive appropriate regular examination. Its responsibilities include reviewing and reporting on the effectiveness of risk management systems and internal control with the Executive Committee, the

Audit Committee and ultimately to the Board. Internal Audit facilitates oversight of risk and control systems across the company.

### 10.3 Fairness of Financial Statements

The financial statements together with the notes thereon have been drawn up in conformity with the International Accounting Standards/ Financial Reporting Standards, Companies Act 1994 and Securities and Exchange Rules 1987. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.

### 10.4 Related Party Transactions

HRTM exports garments and also fabric as "Deemed Export" to one concern, namely, Fashion Knit Garments Limited. Fashion Knit Garments Limited is owned by three sponsor directors of the company. The transactions between H.R. Textile Mills Limited and Fashion Knit Garments Limited are being transacted on Arm's Length Basis and at market price. In this connection an agreement was signed earlier between the company with the consent of the Board of Board the companies.

### 10.5 Accounting Policies

Appropriate accounting policies have been applied consistently in preparation of these financial statements and the accounting estimates are based on reasonable and prudent judgments.

### 10.6 Preparation of the financial statements

The Financial Statements were prepared in accordance with the applicable International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB).

## 11.0 Transparency

### 11.1 Price Sensitive Information

The Board of HRTM always ensures to inform all price sensitive information within 30 minutes of the decision or immediately upon getting such information to the BSEC and the Stock Exchanges. It also ensures immediate publication of such information/decision in two widely circulated daily newspapers, one in Bangla and the other in English and in one on-line news portal. The communication is done through E-mail/Fax and by special messenger, and through courier service in special cases.



### 11.2 Disclosure on the performance and prospect of the Company

HRTM attaches high priority on timely publication of quarterly, half-yearly and annual report with comprehensive details in excess of regulatory requirements. Mediums of publication include printed materials, newspapers and the website of the Company. Price Sensitive information is released to the regulators within half an hour of the decision. The Financial Statements are prepared in accordance with IAS and IFRS as adopted by Bangladesh Accounting Standards.

### 11.3 Communications with Shareholders

HRTM is continuously striving to improve relations with its shareholders. The Company encourages communications with shareholders throughout the year and welcomes their participation at the shareholders' meeting. The company also ensures that the queries are fully responded to their satisfaction throughout the year. The quarterly financial results and all other information are published. Annual Reports are sent to the shareholders by post. The soft copy of the Annual Report is also made available on the company's website.

### 11.4 Directors Remuneration

The Managing Director is paid his monthly remuneration as shown in the Financial Statements. Other than the Managing Director, none of the non-executive directors are paid any remuneration except the meeting attendance fee of Tk. 5,000 per attendance. The non-executive directors, including the independent directors do not receive benefits of any other kind from the organization. All information provided to the BSEC and Stock Exchanges are immediately made available to the Shareholders on our company website: [www.pride-grp.com/hrt](http://www.pride-grp.com/hrt)

## 12.0 Corporate Social Responsibility

### 12.1 Customers

The relationship with the Customers plays a very important role in running any sustainable enterprise which is more important in case of export market. A significant amount of time and efforts of the

Directors and senior management are placed to promote and develop the customer relationship. Having many stringent requirements of the customers HRTM management tries its best to keep the existing customers on board and also to bring new customers for the products with quality and innovation.

### 12.2 Community

As a corporate citizen, HRTM maintains healthy relationships with the local community, local political organizations, social organizations and poor family members and relations of the employees residing nearby. On special occasions, the company lends its hand for social welfare.

### 12.3 Shareholders

The shareholders of the company are the owners of the company. They have invested money in the company with full confidence in the management. Keeping the above in mind, the management always prefers not to deprive the shareholders and in many instances, the sponsors forgo their portion of dividend if the distributable profit is insufficient to pay dividend to all the shareholders.

### 12.4 Suppliers

Quite a good number of suppliers are working with the company, some of them are in supply-chain while many are involved in providing services as and when required. The company has good relations with all the suppliers and they are paid in due time. Before payment the quality of services and timely completion of the services are considered.

### 12.5 Regulators

The company maintains close liaison with the regulators such as BSEC, RJSC and others via various other quasi regulators like DSE, CSE, CDBL, Trade associations like BGMEA, BKMEA, licensing organizations etc with the main objective of working as good corporate citizen with significant franchise value. The company management always in favour complying with all rules and regulation of the business as well as satisfying other queries as when asked for.

### 12.6 Financial Institutions

HRTM is financially involved with quite a good number of banks, non-banking financial institutions and enjoys funded and non-funded limits. They are our financial and development partners and work with us closely with their satisfaction. The relationship is always a win-win situation. In view of the above the company has strong financial flexibility for financial support in case of need or emergencies.

### 12.7 Protection of Minority Shareholders

HRTM has a large shareholder-base in view of the share fractional rule of BSEC at the time of its IPO in 1996. The board always keeps in mind that the HRTM has a high reputation of paying regular dividends, and the shareholders consider that the shares of HRTM is a regular income generating asset. Keeping the above in mind, the management always prefers to declare dividends for the shareholders. As stated earlier, there are instances when the dividend is paid only to the outside shareholders and the sponsors have foregone their portion of dividend to keep the small shareholders happy.

### 13.0 Appointment of Auditors

#### 13.1 Appointment of Financial Auditors

The existing Auditor M/s. Rahman Mostafa Alam & Co, Chartered Accountants, has been carrying out the audit of the company for the last one year. They are now retiring and being eligible for re-appointment have shown their interest to continue as auditors of the company. On the recommendation of the Board Audit Committee, the directors of the Company are proposing their appointment and fixing remuneration at the 36th Annual General Meeting.

#### 13.2 Appointment of Corporate Governance Auditors

As per condition No. 9 of the Corporate Governance Code dated 03 June 2018, M/s. N.M Tareque and Associates, a Firm of Professional Cost and Management Accountants was appointed in the 35th AGM as the Corporate Governance Auditors of the company for the year 2019-20 and to continue till conclusion of the upcoming AGM.

The Firm has expressed intention to be re-appointed for the next term. The Board of Directors recommend for re-appointment of M/s. N.M Tareque and Associates as Corporate Governance Auditors for the financial year 2020-21. This may be approved by the shareholders in this AGM.

### 14.0 Audit Committee

The Audit Committee held five meetings during the year. All the committee members attended the above meetings. The Audit Committee has been playing significant role in guiding the internal management. The Committee reviewed the draft financial statements, financial position of the company, and report of the Auditors and the operational results of the company from time to time. A separate report of the Audit Committee to the shareholders is enclosed at Annexure-2.

### 15.0 Nomination and Remuneration Committee (NRC)

The Nomination and Remuneration Committee (NRC) has been formed with independent directors as a sub-committee of the board in order to assist the board in ensuring and fulfilling its responsibilities. Being non-executives and independent, all members of the committee have no conflicts of interest. The committee is to recommend remuneration and other facilities of the Directors and top level executives. They also recommend their appointment and removal. The NRC held one meeting during the year. All the committee members attended the above meetings. A separate report of the NRC to the shareholders is enclosed at Annexure-3.

### 16.0 Future Programs

Bangladesh is the second largest exporter of garments in the global market where knit garments are playing a vital and significant role. The company, with long years of experience in the field, has created tremendous value in the global market as a quality exporter. The directors, with their experience and acumen, have worked hard to create this value. The Board has the program to expand both horizontally and vertically but cautiously, so that the history created by the company with the support of general shareholders can be continued with confidence.

## 17.0 Shareholding Pattern

The shareholding of the director and their spouses remained at 50.64% without any change during the year. Out of the balance shares, the institutions are holding 10.84%, which was 13.23% in the previous year. The shareholding of the general public has increased to 38.52% compared to 36.13% in the previous year, on the date of year closing. The above change was mainly due to sell of shares by some institutions. The shareholding pattern of the company for the year closing on 30th June 2020 stands as follows:

Name of Shareholders	No. of Shares	Percentage
1.5) (xxiii) a) Parent Company/Subsidiary/Associated Companies/ Other Related Parties:	Nil	-
1.5) (xxiii) b) Directors, Chief Executive Officer, Chief Financial Officer, Head of Finance & Accounts, Company Secretary and their Spouse and Minor Children:		
Mr. Mohammad Abdul Moyeed, MD & CEO	3,762,256	14.87
Professor Dr. Muhammad Abdul Moyeen, Chairman	3,762,254	14.87
Professor Mohammad Abdul Momen, Director	3,762,254	14.87
Ms. Ruhey Rawa, Director	507,285	2.01
Ms. Sumbal Azwad Momen, Director	507,285	2.01
Ms. Sana Kainat Moyeen, Director	507,285	2.01
Professor Dr. A.H.M. Habibur Rahman, Independent Director	Nil	-
Professor Dr. Md. Zakir Hossain Bhuiyan, Independent Director	Nil	-
Shareholdings of Sponsors/Directors	12,808,619	50.64
Mrs. Umbirin Moyeed	15,812	Shares, included in the slot of general shareholders
Dr. Shaheen Afroze	15,812	
Ms. Salsabil Abreshmi Momen	8,000	
Mr. Sharaf Awad Rahman Momen	7,812	
Mr. Md. Abu Amur Naheel, CFO	Nil	-
Mr. Sumnoon Moheb, HF&A	Nil	-
Mr. Md. Wali Ullah, CS	Nil	-
Minor Children	Nil	-

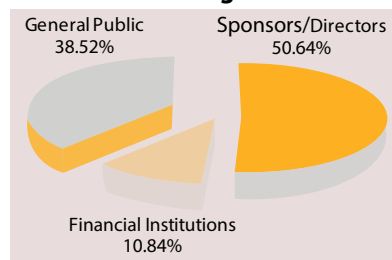
c) Voting Interest (Shareholders holding 10% or more shares have voting interest in the company):

Name	Designation	Shares	Percentage
Professor Dr. Muhammad Abdul Moyeen	Chairman	3,762,254	14.87
Mr. Mohammad Abdul Moyeed	MD & CEO	3,762,256	14.87
Professor Mohammad Abdul Momen	Director	3,762,254	14.87

d) Executives:

Name	Designation	Shares
Mr. S.M. Asadun Nabi	GM (Strategy Planning & Development)	Nil
Mr. Md. Aminur Rahman	Factory Manager	Nil
Mr. Mohammad Karim Hossain	Manager (MIS)	Nil
Mr. Nazmul Hossain Khan	Manager, Commercial	Nil
Mr. Monirul Islam	Manager, Admin & Compliance	Nil
Mr. Sherajul Islam Khan	Asstt. Manager, Accounts	Nil

### Shareholding Pattern



## 18.0 Declaration by the CEO and CFO

Declaration of CEO and CFO has been provided in Annexure-A.

## 19.0 Corporate Governance Compliance Report

In accordance with the requirement of the Bangladesh Securities and Exchange Commission, Notification No: BSEC/ CMRRCD/ 2006-158/207/ Admin/80 dated 3rd June 2018, the Certificate on Compliance of Corporate Governance Code and Directors Report on Compliance of Corporate Governance Code are enclosed at Annexure-B and Annexure-C respectively.

## 20.0 Financial Reporting framework declaration

The Board of Directors being responsible for governance of the company, the preparation and presentation of financial statements, confirm to the best of their knowledge that:

- a. The entire business operation is being conducted in accordance with the laws, rules, regulations, agreements, guidelines and standards governed in the country;
- b. All the judgments and decision taken by management are reasonable and sensible;
- c. Accurate accounting policies have been systematically followed in formulating the financial statements and accounting estimates were reasonable;
- d. The financial statements present rationally the company's state of affairs, the result of its operations, cash flow and changes in equity with the Companies Act, 1994 and Securities and Exchange Rules, 1987;
- e. The system of internal Control is sound in design and has been effectively implemented and monitored;
- f. The CEO and CFO have certified to the Board that they have reviewed the financial statements and affirm that these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- g. There is no momentous suspicion about the ability or the company to continue as going concern;

- h. Proper books of accounts of the Company have been maintained according to the law;
- i. The Financial Statements were prepared in accordance with the applicable International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB);
- j. No transaction has been entered into by the company which are fraudulent, illegal, or in violation of the company's code of conduct.

## 21. Other Regulatory Disclosures

### 21.1 Financial

- a) The key operating and financial data for the last five years have been disclosed in Directors Reports;
- b) The Company is aware of its various risks and concerns, mainly from the policy and regulatory fronts, and is prepared to meet those by systematic control. Different type of risk management has been disclosed in the director's report;
- c) No significant difference has occurred between quarterly and final results of the company during 2019-20;
- d) All significant detachment from the previous year in operating results of the company has been highlighted and reasons thereof have been explained;
- e) As per IAS 1 Presentation of Financial Statements, no items of income and expense are to be presented as extraordinary gain or losses in the financial statements. As such no extraordinary gain or loss has been recognized in the financial statements;
- f) All transactions with related parties have been made on a commercial basis and the basis was the principle of "Arm's Length Transaction". Details of related party and transactions have been disclosed in Note 44 of Notes to the Financial Statements;
- g) During the year, the Company has paid Board meeting attendance fees of directors has been mentioned page-11 of the director's report and the remuneration of Directors has been mentioned in Note 37 of Notes to the Financial Statements.

## 21.2 Directorship in other companies

Mr. Mohammad Abdul Moyeed	Prof. Dr. Muhammad Abdul Moyeen	Prof. Mohammad Abdul Momen
Dacca Textiles Limited	Dacca Textiles Limited	Dacca Textiles Limited
Fashion Knit Garments Ltd.	Fashion Knit Garments Ltd.	Fashion Knit Garments Ltd.
Pride Limited	Pride Limited	Pride Limited
Pride Spinning Limited	Pride Spinning Limited	Pride Spinning Limited
Pride Properties Limited	Pride Properties Limited	Pride Properties Limited

### 21.3 Website of the Company

The company has an official website linked with the website of the stock exchange and it is functional from the date of listing. All detailed disclosures of the company are available on it. The web address is: [www.pride-grp.com/hrt](http://www.pride-grp.com/hrt)

### 21.4 Subsidiary Company

H.R. Textile Mills Limited does not have any subsidiary company.

### 21.5 Significant Variance between Quarterly and Period Ended Report

There were no significant differences between quarterly performance and overall period ended performance of the Company. Throughout the period, the Company was able to maintain a judicious performance both in operational and financial perspective.

### 21.6 Significant Deviation in Operating Results Compared to Previous Period

There is no such deviation in operating results compared to the previous period.

### 21.7 Appointment of Independent Director

As per provision of Corporate Governance Guidelines of BSEC Professor Dr. Md. Zakir Hossain Bhuiyan has been appointed as Independent Director of the Company for a period of 3 (three) years. Short bio-data of the said director is enclosed herewith in the section of Director's Profile is enclosed at Annexure-1.

### 21.8 Credit Rating

National Credit Rating Limited (NCRL) assigned Long Term A+ ST-2 Short Term rating for your company with the rationale "Above rating have

been assigned on the basis of good fundamental such as good profitability, sound infrastructural arrangement with market leader in Textile and Garment industry, experienced management. Entities rated in this category are adjudged to be of high quality, offer higher safety and have credit quality. Your Company in the evaluation of Credit Rating Company was also placed with "Stable".

### 21.9 Subsequent Events

The second wave of Covid-19 is still on and some of the European buyers are cancelling some placed orders. However, we believe that the situation will improve in a few months. We believe that the users of these financial statements are still valid for appropriate evaluation and decision making.

### 21.10 Information Technology

HRTM is a company having IT based production infrastructure. We believe that now accurate business planning, effective marketing, global sales, systematic management, real time monitoring, instant customer support and long-term business growth cannot be achieved without appropriate IT.

### 21.11 Human Resources

Human Resources are a fundamental asset across the entire business model. The developments of HRTM have been built on its competitive advantage on the skills and commitment of its employees, promoting and rewarding pro-activity, goal orientation and teamwork. The Human Resource Department of your company operates with specific policy, manual and plan designed and approved by the Board of Directors.

We provide on-the-job training and development opportunities to enhance our employees' career progression. Through different training, the professional knowledge in corporate operations, occupational and management skills are enhanced. HRTM is an equal opportunity employer and does not discriminate on the basis of personal characteristics. Company has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behavior, employees' rights and benefits. We establish and implement policies that promote a harmony and respectful workplace.

## 22.0 Financial Performance

The summarized financial results of the company are as follows:

Particulars	Amount in Taka (million) for the year ended 30th June	
	2020	2019
Net Profit before Tax	44.74	65.55
Income Tax Expenses	(16.58)	(19.08)
Net Profit after Tax	28.16	46.47
Retained earnings, Note-16	109.06	74.03
Profit Available for Appropriation	137.22	120.50
<b>Recommended for Appropriations:</b>		
Proposed Dividend (Cash)	(12.49)	(12.49)
Un-appropriated Profit carried forward	124.73	108.01

## Code of Conduct

This Code of Conduct for Chairperson of the Board of Directors is prepared in accordance with Condition 1(7)(a) of the Corporate Governance Code notified by the Bangladesh Securities and Exchange Commission (BSEC) dated 3 June 2018. For the purpose of this Code, "Chairperson" shall mean the Chairperson of the Board of Directors of the Company. The Company is committed to being an ethical and responsible member of the business communities in which it operates. The Company always endeavors to ensure that the highest standards of honesty, integrity and ethics are maintained. This Code is intended to serve as a source of guiding principles for the Chairperson even though no code or policy can anticipate every situation that may arise. The standards contained in this Code are neither exclusive nor comprehensive. The Chairperson of the

Board of Directors is required to comply with all applicable laws, rules and regulations, whether or not specifically addressed in this Code.

## Report on the compliance of the conditions of BSEC's notification

In accordance with the BSEC's Notification dated 3rd June 2018, the Board of Directors are required to report on the compliance of certain conditions. The notification was issued for the purpose of establishing a framework for ensuring good governance practices in the listed companies for the interest of the investors and the capital market. The overall shareholding pattern of the company is enclosed at Annexure-4.

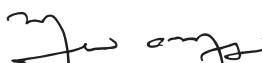
## Acknowledgement

The Board of Directors of the company takes the opportunity to express its sincere thanks and appreciation to its valued shareholders, the Bangladesh Securities and Exchange Commission, Registrar of Joint Stock Companies and Firms (RJSC), Dhaka Stock Exchange Limited, Chittagong Stock Exchange Limited, Central Depository Bangladesh Limited (CDBL), SATCom IT Limited, Government Agencies, Banks, Financial Institutions, Contractors, Suppliers and Auditors for their co-operation and active support in discharging the responsibilities given on me and the Board. We offer our heartfelt thanks to our valued international buyers and local buying houses who have contributed significantly as our strategic partners.

Finally, the Board offers its sincere thanks to the workers and professional administration, whom the management considers the most valuable asset of the company, and hopes that they will continue to keep the spirit of teamwork in the coming years for the smooth growth of the company.

Thank you all.

For and on behalf of the Board of Directors,

  
Mohammad Abdul Moyeed  
Managing Director & CEO