

## Report of the Board of Directors For the year ended 30th June 2022

“Bismilla-Hir Rahmanir Rahim”

### Distinguished Shareholders

As-salamu Alaykum Wa-rahmatullah!  
Alhamdu Lillahe Rabbil Aalamin

We are happy to welcome you to the 38th Annual General Meeting of the company. This is the third time we are conducting our meeting on a digital platform. We hope you are in good health and spirit. The whole world, including Bangladesh, is passing through a very tough time and at a high cost. The effects of Covid -19 continue to be felt, along with the war in Ukraine, which has complicated global supply chain issues further.

We are now placing before you, to receive and consider the Audited Financial Statements of the Company for the year ended on 30th June 2022, together with the Auditors' Report and Directors' Report herewith. Considering a good number of new shareholders, we have prepared our report with the facts and information of the company with related background.

### 1.0 The Company

You are aware that H.R Textile Mills Limited (HRTML) was established in 1983 on Dhaka Aricha highway with the main objective of operating as a composite knit 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 quite higher at that point in 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, 15% for the year ended 2011 and 5% for the year ended 2021. The paid-up capital of the company is now Tk. 265,650,000, and the company enjoys franchise value in the market and is listed with both bourses of the country. The sponsors hold 50% of the equity since the beginning.

### 2.0 The Board

#### 2.1 Composition

The Board of HRTML consisted of eight Directors, including two independent Directors. The Managing Director is looking after the overall operation under the overall broad guidance of the Board. The Board consists of members having extensive experience in the field, and are supported by a young generation of professionals, who are equipped with knowledge of modern business technology and sustainability. This Board is supported by two independent directors, who have a scholarly background and come with years of knowledge in business management. The highlights of the Directors' background are shown as Annexure-1.

## 2.2 Philosophy and Policy

The Board provides guidance on long-term strategy and policy issues, while the key decisions of the business operations remain with top management. However, in very specific cases, the non-executive board members assist the management in resolving those issues, in order to keep the company updated and to ensure promotion of business, through quality products and process excellence. More specifically, the Board members keep an eye on industry trends and broad policy issues, and suggest appropriate actions that need to be taken. The Board members maintain close liaison with buyers 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. The Directors maintain liaison with banks for funding and non-funded business at better terms. They also participate in the expansion programs, cost reduction strategies oversee the business expansion of programs, review of compliance related issues etc. The Independent Directors also contribute significantly, by taking part in the policy issues and guiding the management.

## 2.3 Independent Director

The two independent directors of the board are actively participating at the Board and Committee meetings. The selection of an independent director is done through extensive search. The persons having knowledge and experience as per the requirement of the company and by complying with the BSEC regulation are selected as independent directors. In keeping with the guidelines of the Bangladesh Securities and Exchange Commission (BSEC), one of the independent Directors is heading the Audit Committee while the other Independent Director is heading the Nomination and Remuneration Committee.

## 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 longest time in office since their last election, will retire every year. In pursuant to Article of the company, Professor Mohammad Abdul Momen and

Ms. Ruhey Rawa; Directors of the company, will retire and, being eligible, have offered themselves for re-election.

## 2.5 Meetings

The Board meetings are organized as and when required, keeping in view the minimum requirement specified law. During the year under report, the company organized 5 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	5	5	25,000
2	Mr. M. A Moyeed	5	5	25,000
3	Professor M. A Momen	5	5	25,000
4	Ms. Ruhey Rawa	5	5	25,000
5	Ms. Sumbal Azwad Momen	5	5	25,000
6	Ms. Sana Kainat Moyeen	5	3	15,000
7	Professor Dr. A.H.M. Habibur Rahman	5	5	25,000
8	Professor Dr. Md. Zakir Hossain Bhuiyan	5	5	25,000

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 regularly.

## 3.0 Business Operations

HRTM is a Knit Garments manufacturing unit. The Ready-Made Garments (RMG) sector has been passing through many challenges for the past two decades, especially during the last 3 years. 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 affected the entire world, including Bangladesh.

For the RMG sector, the adverse effects were tremendous. The business operations came to a halt due to this sudden shift, and maintained total closure for some time. 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. We resumed operations 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-fledged operation in order to meet our targets and we are continuing our operation with the maximum production capacity.

Our above efforts are reflected in the financials of the company and we were able to achieve revenue worth of Tk 2,993.61 million this year, against Tk 3,051.91 million in the previous year. Based on the above revenue, the company earned a net profit after tax of Tk 74.18 million against Tk 73.03 million in the last year, despite the challenges brought on by the pandemic. The above resulted in earnings per share of Tk 2.79 against Tk 2.89 in the last year.

## 4.0 Compliances

### 4.1 BSEC notification on Corporate Governance Code

In order to enhance the corporate governance excellence in the publicly listed companies, the BSEC has identified a number of issues initially on a voluntary basis and later as a 'comply or explain' basis. HRTML has been a publicly listed company since 1996, and is a company that complies strictly with Corporate Governance Rules. The compliance status is shown Annexure-C (page-26) of this Report.

### 4.2 Production Compliance Issues

In the changing environment vis a vis the changing requirement of the buyers the compliance issues are one of the major challenges in the hands of the management, more specifically, in the areas of stable production, Human Resource Management and eco-friendly measures. The management is working 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 in these areas.

### 4.3 Statement of Compliance as a Corporate PLC

As stated earlier, HRTML is listed with both the bourses of Bangladesh, and complies with all regulatory requirements. The reporting of required compliances thereon, appears in the following paragraph.

### 4.4 Accountability and Audit

HRTML, being a very known company in the knit sector, is under scanner of all stakeholders through payment to suppliers, bankers, shareholders which are looked to by the internal audit team, top management, regulators, financial institutions and the buyers. The buyers are careful throughout the year to see that the company is operating with full compliances. Therefore, the company has taken all out measures to be compliant in all corporate aspects.

### 4.5 Financial Reporting

The company is careful to see that the financial statements 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. The very recently introduced Document Verification System (DVS) by the ICAB has added value to the Finance management system of the companies. HRTML keeps itself always compliant.

### 4.6 Financial Review

The company carefully reviews its financial position through standard measures and set procedures. 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, monthly worker 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.

#### **4.7 Statutory Audit**

Annual Financial statement 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 guidelines to ensure independence of statutory auditors.

#### **4.8 Compliance with other Rules and Regulations**

The Company provides a 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 Limited (DSEL) and Chittagong Stock Exchange PLC (CSEP). The CFO and Company Secretary always accommodate any queries that are raised by regulators of the country.

#### **4.9 Compliance with Bangladesh Labour Law**

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

#### **4.10 Restriction on dealings in HRTM Shares by Insiders**

The Company has established policy relating to the trading of HRTML shares by Directors, Employees and other insiders. The securities laws also imposed restrictions on similar transactions. All the Insiders are prohibited from trading in HRTML 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.

#### **4.11 Secretarial Standards**

The Company has complied with all the Bangladesh Secretarial Standards (BSS) as issued by The Institute of Chartered Secretaries of Bangladesh (ICSB) and adopted by BSEC for the listed companies.

#### **4.12 Scrutinizers**

In order to maintain records of AGM. HRTML engages scrutinizers in order to report the same to BSEC as part of compliance.

### **5.0 Committee Reports**

#### **5.1 Board Committees**

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

#### **5.2 Audit Committee**

The Audit Committee is a Sub-committee of the Board 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 four members and of them, two are independent directors. 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 as its Chairman. 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 consists of the senior management officials of the company who are assigned with specific responsibilities to assist the Managing Director in the management of 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

In order to maintain smooth performance and transparency, the Board has specified the role and responsibility of the Managing Director. To that end, HRTML has also adopted "Governance Guidelines" for the Managing Director. The Managing Director is the authoritative head for day to day management. 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 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 2021-22. At present the company does not have any plan for Repeat Public Offering (RPO), 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 2021-22 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 the company's performance and 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. 74,184,965. Out of the above the Board recommended 15% dividend (5% cash and 10% stock dividend), subject to approval of the BSEC and followed by approval in the AGM compared to 10% dividend (5% cash and 5% stock dividend) per share of Tk. 10 each to the shareholders in the last year. Objective of recommending a stock dividend (bonus share), is to keep a portion of the internal fund generation to increase paid up capital and to utilize the fund for business operation. The above would require a cash outflow of Tk. 39.84 million. The balance amount of Tk. 34.34 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 the 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 2021-22.

#### 6.6 The company as Going Concern

The words "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 revenue to meet expenses connected with 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 the Going Concern Concept.

### 6.7 Related Party Transactions

Related party means 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 the 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, and other benefits. In determining the composition of the package, the nature of the role performed and market practice are taken into consideration. In order 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

Your company believe that the employee's participation in the decision-making process gives employees mental and psychological satisfaction and thereby increases their involvement in the affairs of the organization, which contributed to the

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 is responsible for proper governance which includes setting out strategic aims, providing the necessary leadership to implement such aims, supervising the management of the business and reporting to the shareholders on their stewardships.

HRTML 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.

Corporate Governance and its focus remain 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

The BSEC now considers Good Corporate Governance practices as essential to keep the company in line with the business requirement. Your company 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 Policies and 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 BSEC's notification, the 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 is enclosed as Annexure-B.

## 8.0 Business Development

HRTML is engaged in export business and hence linked with the international market. Global market behavior is guided by fast fashion forecasts and technological domination every day. 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 pulse 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 buyers, suppliers and us. We moved forward with comprehensive dyeing and printing units. Eventually, digital print is going to play a dominant role in the future. We expect to match the fashion demand with our digital printing facilities with proficiency to meet those needs.

## 9.0 Environmental issues

The environmental issues as a part of ESG (Environment, Social responsibility and Governance) are playing a significant role in all the spheres of company operation. The above have been further intensified during the pandemic situation. We are working to bring every operation in the factory 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. 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 situation put additional requirements of using masks at the workplace, strictly maintaining physical distance, temperature measurement of workers and officers, and sanitization requirements of surfaces, which are all in place.

## 10.0 Financial Management

### 10.1 Monitoring

HRTML practices standard Internal control systems which are updated, adjusted and is being monitored regularly. Ongoing monitoring activities are conducted through regular management activities. The Internal Audit Team has been set throughout the year for the above purpose. 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 company has an Internal Audit Department which is independent of business operation. It operates with a risk-based methodology, ensuring that the key risk factors are appropriately taken care of. 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. Financial statements are also reviewed by the stock exchanges when it is published. They also raise various queries and the company uses them to satisfy them with appropriate explanations.

### 10.4 Related Party Transactions

In order to maximize the capacity utilization in the fabric section HRTML supplies fabric to Fashion Knit Garments Limited (FKGL) as "Deemed

Export". The FKGL is owned by three sponsor directors of the company. However, the transactions between HRTML and FKGL are being transacted on Arm's Length Basis and at market price. The above transactions are being guided by the agreement signed between the companies.

### 10.5 Accounting Policies

The company follows appropriate accounting policies 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

HRTML has been following the policy of informing 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 as per requirement. 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

The company follows the standard policy of publication of its information through timely publication of quarterly, half-yearly and annual reports 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

Your company management is always careful to maintain liaison 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 and 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

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 Managing Director is paid his monthly remuneration as shown in the Financial Statements. The non-executive directors, including the independent directors do not receive benefits of any other kind, from the company. 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

Your company takes care to maintain a good relationship with its stakeholders. The linkage with the customers plays a very important role in running any sustainable enterprise which is more important in the case of the 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 HRTML managements 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

HRTML is a corporate citizen and as such it 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 contributed capital to float this company and set up the management. 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. We believe that the company maintains high franchise value in the market and among the shareholders.

### 12.4 Suppliers

Under the present business environment, maintenance of good supply – chain management is very important. HRTML is working with a good number of suppliers. Some of them are in the 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 Regulations and the Regulators are the part of the operation of listed companies. HRTML is required to maintain close liaison with the regulators such as BSEC, RJSC and others vis a vis other quasi regulators like DSEL, CSEP, 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 is always in favor of complying with all rules and regulations of the business as well as satisfying other queries as when asked for.

### 12.6 Financial Institutions

H.R. Textile Mills Limited (HRTML) maintains financial partnership with a good number of banks, non-banking financial institutions and enjoys funded and non-funded facilities for business operation. 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 if needed.

### 12.7 Protection of Minority Shareholders

HRTML has a large shareholder-base which is widely dispersed. The board always keeps in mind that the company has a high reputation of paying regular dividends, and the shareholders consider that the shares of HRTML 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 forfeited their portion of dividend to keep the small shareholders happy.

### 13.0 Appointment of Auditors

#### 13.1 Appointment of Financial Auditors

As per section 210 of the Companies Act 1994, the Company's statutory Auditors M/s. Rahman Mostafa Alam & Co, Chartered Accountants retires at the 38th Annual General Meeting as auditors of the Company.

As per BSEC Order no. SEC/CMRRCD/2009-93/104/Admin dated July 27, 2011, the retiring Auditors M/s. Rahman Mostafa Alam & Co., Chartered Accountants, are not eligible for re-appointment as Statutory Auditors for 2022-2023.

We have received an application from M/s. S.K. Barua & Co., Chartered Accountants which has shown interest to work as the Statutory Auditors of the company. The Audit Committee reviewed and re-commended appointing above Auditors. The Board of Directors endorsed the recommendation of the Audit Committee for appointment of M/s. S.K. Barua & Co., Chartered Accountants as the auditors for the Company for the year 2022-2023 for a fee of Tk. 1,50,000.00 (One Lakhs fifty thousand) only subject to approval of the shareholders in the 38th Annual General Meeting.

### 13.2 Appointment of Corporate Governance Auditors

M/s. N.M Tareque and Associates, a Firm of Cost and Management Accountants was appointed in the 37th AGM as the Corporate Governance Auditors of the company for the year 2021-22 as per condition No. 9 of the Corporate Governance Code dated 03 June 2018, 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 re-appointment of M/s. N.M Tareque and Associates as Corporate Governance Auditors for the financial year 2022-23. 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 a 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 review and 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 Shareholding Pattern

The shareholding of the directors remained at 50.63% without any change during the year. Out of the balance shares, the institutions are holding 6.06%, which was 6.77% in the previous year. The shareholding of the general public has increased to 43.31% compared to 42.60% 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 2022 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	3,950,368	14.871
Professor Dr. Muhammad Abdul Moyeen, Chairman	3,950,366	14.871
Professor Mohammad Abdul Momen, Director	3,950,366	14.871
Ms. Ruhey Rawa, Director	532,649	2.005
Ms. Sumbal Azwad Momen, Director	532,649	2.005
Ms. Sana Kainat Moyeen, Director	532,649	2.005
Professor Dr. A.H.M. Habibur Rahman, Independent Director	Nil	-
Professor Dr. Md. Zakir Hossain Bhuiyan, Independent Director	Nil	-
Shareholdings of Sponsors/Directors	13,449,047	50.63
Mrs. Umbirin Moyeed	13,290	Shares, included in the slot of general shareholders
Dr. Shaheen Afroze	13,290	
Ms. Salsabil Abreshmi Momen	7,900	
Mr. Sharaf Awad Rahman Momen	5,390	
Mr. Md. Abu Amur Naheel, CFO	Nil	-
Mr. Sumnoon Moheb, HIA&C	Nil	-
Mr. Md. Wali Ullah, CS	Nil	-
Mr. Sherajul Islam Khan, HF&A	Nil	-
Minor Children	Nil	-

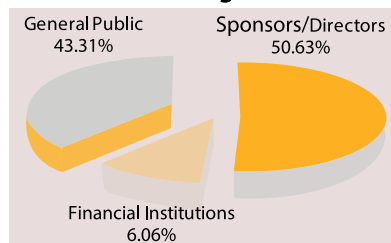
c) Voting Interest (Shareholders holding 10% or more shares have voting interest in the company):

Name	Designation	Shares	Percentage
Professor Dr. Muhammad Abdul Moyeen	Chairman	3,950,366	14.87
Mr. Mohammad Abdul Moyeed	MD & CEO	3,950,368	14.87
Professor Mohammad Abdul Momen	Director	3,950,366	14.87

d) Executives:

Name	Designation	Shares
Mr. Mohammad Karim Hossain	GM (MIS)	Nil
Mr. Tanvir Hayder Surov	GM (Lean Form)	Nil
Mr. Nazmul Hossain Khan	DGM (Commercial)	Nil
Mr. Shah Md Iqbal Hasan	Sr. AGM (Production)	Nil
Mr. Monirul Islam	AGM (Admin)	Nil
Mr. Rajib Deb	AGM (Human Resource)	Nil

### Shareholding Pattern



## 17.0 Future Programs

Bangladesh RMG is passing through a critical time with good hope and expectations. Bangladesh is the second largest exporter of garments in the global market where knit garments are playing a vital and significant role. HRTML 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. The Market is changing and marching forward with technology-based production processes. But the industry needs direction and policy from the Government. The Government is to facilitate the market in terms of assisting import of raw material to give unhindered support. Both BKMEA and BGMEA are trying to coordinate with the government in all areas.

We are also confident of a new future where our next generation leaders will carry on and enhance this value. They are highly competent, extremely committed, and talented. With your help, we will guide them, enable them and empower them.

## 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, 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 is 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 2021-22;
- 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 and the remuneration of Directors has been mentioned in Note 37.1 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 Credit Rating

National Credit Rating Limited (NCRL) assigned Long Term A+ (Single A Plus) and 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 judged 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".

## 21.8 Subsequent Events

The second wave of Covid-19 is still on and some of the European buyers are still changing the order pattern and, in some cases, they are moving for better prices. 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.

## 21.9 Information Technology

HRTML is an IT based production infrastructure company. We believe that 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.

## 21.10 Human Resources

Human Resources are considered as one of the main assets across the entire business model. The developments of HRTML 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. HRTML 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 harmonious 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	
	2022	2021
Net Profit before Tax	97.67	101.88
Income Tax Expenses	(23.49)	(28.85)
Net Profit after Tax	74.18	73.03
Retained earnings, Note-16	248.85	198.91
Profit Available for Appropriation	323.03	271.94
<b>Recommended for Appropriations:</b>		
Proposed Dividend (Cash)	(13.28)	(12.65)
Proposed Dividend (Bonus)	(26.56)	(12.65)
Un-appropriated Profit carried forward	283.19	246.64

Utilization of proceeds from public issues, rights issues and/or through any others Instruments

IPO of H.R. Textile Mills Limited was made in 1996 and the fund raised thereby has already been utilized for repayment the loan as reported to regulators.

## 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 3rd 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.

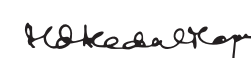
## Acknowledgement

The Board of Directors acknowledges and expresses its sincere thanks and appreciation to the valued Shareholders and other stakeholders of the company for their persistent support and guidance that led to the cumulative achievements. The Board also expresses their gratitude to the Government of People's Republic of Bangladesh, National Board of Revenue (NBR), Registrar of Joint Stock Companies and Firms (RJSC), Bangladesh Securities and Exchange Commission (BSEC), Central Depository Bangladesh Limited (CDBL), Dhaka Stock Exchange Limited (DSEL), Chittagong Stock Exchange PLC (CSEP), SATCOM IT Limited, Ahmed Faruk & Associates, 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



Prof. Dr. Muhammad A Moyeen  
Chairman



Mr. Mohammad A Moayed  
Managing Director & CEO