



বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন

সিকিউরিটিজ কমিশন ভবন, ই-৬/সি আগারগাঁও, শের-ই-বাংলা নগর প্রশাসনিক এলাকা, ঢাকা-১২০৭, বাংলাদেশ।

নং-বিএসইসি/এনফোর্সমেন্ট/০২৬৩/২০২২/১০৮৭

তারিখঃ ডিসেম্বর ১৩, ২০২৩

আদেশ

যেহেতু, Securities and Exchange Ordinance, 1969 এর Section 2 (cc) মোতাবেক কমিশন অর্থ বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন যা বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩-এর অধীনে গঠিত;

যেহেতু, কমিশনের পত্র নং BSEC/CFD/237/2004/Part-iii/758 তারিখ October 27, 2021 এর মাধ্যমে Agrani Insurance Company Limited (AICL) এর audited financial statements for the year ended on 31st December, 2019 and 2020 as well as compliance with the Corporate Governance Code, 2018 সংক্রান্ত প্রশ্নের উত্তরে Agrani Insurance Company Limited (AICL) একটি পত্র নং AICL/Accounts/BSEC/Query/Response/2021/3156 তারিখ November 09, 2021 কমিশনে দাখিল করেছে। উক্ত পত্র থেকে, অন্যান্যের মধ্যে, নিম্নলিখিত বিষয়গুলি উপস্থাপিত হয়:

Observation-1: It appears from the basis for qualified opinion of the auditor's report that the company did not set aside due part of its profit for the year 2020 in relation to Workers Profit Participation and Welfare fund (WPPWF) as required by the Bangladesh Labor Act-2006. Therefore, it appears that the net profit and Earning per Share (EPS) of the company for the year 2020 went overstated. In this case, company was asked to clarify its position as the company did not provide any disclosure for not keeping the required provision in audited financial statements of 2020.

Contravention-1: The company violated Para 86 of IAS-37 (Provisions, Contingent Liabilities and Contingent Assets) which also attracts the contravention of rule 14 (2) of Securities and Exchange Rules-2020 by not providing required disclosure under contingent liability section of balance sheet in relation to Workers Profit Participation and Welfare Fund (WPPWF) as required by the Bangladesh Labor Act-2006.

Observation-2: It appears from the basis for qualified opinion of the auditor's report on the audited financial statements of 2019 that the company has recorded a deposit to VAT authority worth TK. 41,000,000 under Sundry Debtors on the Statements of Financial Position. As per the auditor's report, this VAT expenses was paid in prior financial years but this balance was not expensed (supposed to be expensed in 2019 which was rather recognized as an asset on the Statement of Financial Position for the year 2019, though the company mentioned that this asset would be amortized over the next 3 years. Therefore, the net profit of the company in 2019 was overstated, which ultimately inflated Earnings per Share (EPS) of the company. In these circumstances, the company was asked to provide the clarification behind its failure to expense the whole amount of VAT expenses in 2019.

Contravention-2: The company departs from the para 28 of IAS-1 which also attracts the contravention of rule 14 (2) of Securities and Exchange Rules-2020 by not showing full amount of VAT expense in the year 2019.



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সিকিউরিটিজ কমিশন ভবন, ই-৬/সি আগারগাঁও, শের-ই-বাংলা নগর প্রশাসনিক এলাকা, ঢাকা-১২০৭, বাংলাদেশ।

Observation-3: As per condition no 1(2)(a) of corporate Governance Code-2018, "At least one fifth (1/5) of the total number of the directors in the company's board shall be independent directors; any fraction shall be considered to the next integer or whole number for calculating the number of independent director (s)." But, the total number of independent directors of the company is two (02) based on annual report-2020 which is below the minimum required number of independent directors as per condition No. 1(2)(a) of Corporate Governance Code-2018, as the board size of the company was twelve (12). It is further mentionable that the Commission received a letter no: AICL/HO /Board/2021/554 dated 4th February, 2021 from the company with respect to correct number of independent directors where the company explained its position. But the commission is not satisfied with their explanation. In these circumstances, the company was asked to comply with Corporate Governance Code-2018.

Contravention-3: The company violated condition No. 1(2)(a) of Corporate Governance Code-2018 by not appointing minimum required number of independent directors in the company. Moreover, the said post of the independent director has been vacant for more than 90 days which is also a departure from condition No 1(2)(d) of Corporate Governance Code-2018.

Observation-4: As per the condition no 5(2)(b) of Corporate Governance Code-2018, "*The Board shall appoint members of the Audit Committee who shall be non-executive directors of the company excepting Chairperson of the Board and shall include at least 1 (one) independent director.*" And as per the condition no 6(2)(b) of Corporate Governance Code-2018, "*All members of the Committee shall be non-executive directors.*" It is found from our review based on annual report of the company for the year 2020 that both the Chairman and CEO of the company were the members of Audit Committee and CEO of the company was member of Nomination and Remuneration Committee (NRC) which are violation of the condition no 5(2)(b) and 6(2)(b) respectively. In these circumstances, the company was asked to clarify why it failed to comply with Corporate Governance Code-2018.

Contravention-4: The company violated condition No. 5(2)(b) and 6(2)(b) of Corporate Governance Code-2018 by appointing both the Chairman and CEO of the company in the audit committee and by appointing CEO in the Nomination and Remuneration Committee (NRC) respectively.

Observation-5: Moreover, a letter along with a form (corporate governance checklist), no: BSEC/CFD/237/2004/part-iii/295, subject to the appointment of independent director, was sent to the company on 23rd December, 2020, which the company was required to submit within five (05) working days of the issuance of that letter. But the commission did not receive that duly filled form from the company. In this case, the company was asked to clarify behind its failure to submit that form within the given deadline and submit the required document(s) again.



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সিকিউরিটিজ কমিশন ভবন, ই-৬/সি আগারগাঁও, শের-ই-বাংলা নগর প্রশাসনিক এলাকা, ঢাকা-১২০৭, বাংলাদেশ।

Contravention -5: As the company has currently two (02) independent directors, none of them duly signed the checklist separately. It comes to the Commission's notice from that filled checklist form by the company that Mr. Ahmed Jamal, who is currently serving as independent director of AICL, is also a **director of EBL Securities Limited**, which is a major departure from condition no 1(2)(b)(vi) of Corporate Governance Code-2018. Apart from this, Mr. Omar Farooq, independent director of AICL, has **material business relationship with AICL** which is a major departure from 1(2)(b)(iv) of Corporate Governance Code-2018. Most importantly, they applied for independent directorship under university teacher category. But **neither of them is university teacher**, proved from their CV. Moreover, their application was lack of supporting documents in this regard.

যেহেতু, উপর্যুক্ত আলোচ্য বিষয়ে আইন ভঙ্গের কারণে কমিশনের এনফোর্সমেন্ট বিভাগ কর্তৃক ২৪ ফেব্রুয়ারী ২০২২ তারিখ বিএসইসি/এনফোর্সমেন্ট/৩২৬৩/২০২২/৩৭৩ স্মারকমূলে Agrani Insurance Company Limited (AICL) এর Directors, Managing Director এবং Company Secretary -কে ১৪ মার্চ ২০২২ তারিখে কারণ প্রদর্শন সহ শুনানীতে উপস্থিত হতে বলা হয়। ধার্যকৃত তারিখে Agrani Insurance Company Limited (AICL) ১৪ মার্চ ২০২২ তারিখের পত্রের মাধ্যমে অন্যান্যর মধ্যে নিম্নলিখিত বক্তব্য দাখিল করেন;

“Observation 01:

It appears from the basis for qualified opinion of the said auditor's report that the company did not set aside due part of its profit for the year 2020 in relation to Workers Profit Participation and Welfare fund (WPPWF) as required by the Bangladesh Labor Act-2006. Therefore, it appears that the net profit and Earning per share (EPS) of your company for the year 2020 went overstated.

In this case, you are asked to clarify your position as your company did not provide any disclosure for not keeping the required provision in audited financial statements of 2020.

Our Response:

Section 234 of chapter 15 of Labor Law 2006 (as amended in 2013) requires every company to establish a workers' Participation Fund and Welfare Fund. However, Bangladesh Financial Institutions Division (BFID), on behalf of the financial institution sector, requested clarification from the Labor Ministry regarding the applicability of the provisions for the sector. We mention that other insurance company of the country also does not keep provision for W.P.P.F yet. Here we mention that we provide performance festival bonus and financial assistance like banking sector. Similarly Bangladesh Insurance Association has corresponded with Finance Ministry through IDRA on this matter requesting for exemption for Insurance Companies (Copy Enclosed).

As no decision has been yet concluded on such communications, we are yet to provide for the said provision.



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সিকিউরিটিজ কমিশন ভবন, ই-৬/সি আগারগাঁও, শের-ই-বাংলা নগর প্রশাসনিক এলাকা, ঢাকা-১২০৭, বাংলাদেশ।

Observation 02:

It appears from the basis for qualified opinion of the said auditor's report on the audited financial statements of 2019 that the company has recorded a deposit to VAT authority worth TK. 41,000,000 under Sundry Debtors on the Statements of Financial Position. As per the auditor's report, this VAT expenses was paid in prior financial years but this balance was not expensed (supposed to be expensed in 2019 rather recognized as an asset on the Statement of Financial Position for the year 2019, though your company mentioned that this asset would be amortized over the next 3 years. Therefore, the net profit of the company in 2019 was overstated, which ultimately inflated Earnings per Share (EPS) of the company which has drawn our attention.

In these circumstances, you are asked to provide the clarification behind your failure to expense the whole amount of VAT expenses in 2019

Our Response:

The said amount has raised due to unpaid of few years VAT amount and it's interest. Here we mentioned that to survive in insurance industry and better interest of shareholder's benefit, we did not charge the whole amount as expense on that particular year.

On the above circumstances, management decided that this VAT amount will be adjusted within next three years (within 2022). We also mention that in the financial year 2019, 2020 and 2021, the VAT amount has been adjusted respectively by Taka 82,93,837/-, 85,00,000/- and Taka 1,65,00,000/-. The remaining balance of Taka 1,60,00,000/- has unpaid as at 31.12.2021. However we are trying to adjust the unpaid amount within the financial year 2022.

Observation 03:

As per condition no 1(2)(a) of corporate Governance Code-2018, "At least one fifth (1/5) of the total number of the directors in the company's board shall be independent directors; any fraction shall be considered to the next integer or whole number for calculating the number of independent director (s)." But, the total number of independent directors of the company is two (02) based on annual report-2020 which is below the minimum required number of independent directors as per condition No. 1(2)(a) of Corporate Governance Code-2018, as the board size of the company was twelve (12). It is further mentionable that the Commission received a letter no: AICL/HO/Boar/2021/554 dated 4th February, 2021 from the company with respect to correct number of independent directors where the company explained its position. But the commission is not satisfied with their explanation. In these circumstances, the company was asked to comply with Corporate Governance Code-2018.

Our Response:

As per condition No. 1(2)(a) of Corporate Governance code-2018, 01 individual Director must have against total number of 05 Directors. Agrani Insurance Company had 02 individual Directors. 01 individual Director post has approved on 26/01/2022 in the 142th board meeting of board of directors. The rule No. 1(2)(a) has been denied due to don't have 01 individual Director, we are extremely sorry for that. We will be more alert in future.



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সিকিউরিটিজ কমিশন ভবন, ই-৬/সি আগারগাঁও, শের-ই-বাংলা নগর প্রশাসনিক এলাকা, ঢাকা-১২০৭, বাংলাদেশ।

Observation 04:

As per the condition no 5(2)(b) of corporate governance code-2018. the board shall appoint members of the audit committee who shall be non-executive directors of the company excepting Chairperson of the board and shall include at least independent director. and as per the condition no 6(2)(b) of corporate governance code-2018. all members of the committee shall be non-executive directors. it is found from our review based on annual report of the company for the year 2020 that both the chairman and ceo of the company were the members of audit committee and ceo of the company was member of nomination and remuneration committee which are violation of the condition no 5(2)(b) and 6(2)(b) respectively. in these circumstances, the company was asked to clarify why it failed to comply with corporate governance code-2018.

Our Response:

As per condition No. 5(2)(b) of Corporate Governance code-2018, company will reform the Audit Committee, Nomination and Remuneration Committee.

Observation 05:

Moreover, a letter along with a form (corporate governance checklist) no: BSEC/CFD/237/2004/part-iii/295, subject to the appointment of independent director, was sent to the company on 23rd December 2020, which the company was required to submit within five working days of the issuance of that letter. But the commission did not receive that duly filled from the company. In this case, the company was asked to clarify behind its failure to submit that from within the given deadline and submit the required document again.

Our Response:

One of our individual Director Mr. Ahmed Jamal, Director of EBL Securities. But he is nominee director. Other individual Director Mr. Omar Faruk has the business relation with company. They applied for independent director post under teacher division of University. But no one is the teacher of University. The application for independent director post under teacher division was our printing mistake, we are extremely sorry that. We will be more alert in future.”

At the time of hearing, the Commissioner instructed them to dispose of the matter regarding reformation of the Audit Committee and the Nomination and Remuneration Committee (NRC) as per the Corporate Governance Code-2018. The Commissioner also instructed them to dispose of the matter regarding appointment of independent directors as per the Corporate Governance Code-2018.

In this connection, Agrani Insurance Company Limited (AICL) submitted a letter to the Commission on 17.05.2022. From the letter, it was observed that they did not reform the Audit Committee, the Nomination and Remuneration Committee (NRC) and also did not appoint independent directors as per the Corporate Governance Code-2018. In this regard, a letter was issued on November 23, 2022 to the Agrani Insurance Company Limited (AICL) to comply with the Corporate Governance Code-2018 and submit an up-dated report to the Commission within 1(one) month. After that on 20 March 2023, the company submitted Bio-data of the three independent directors. On 21 March 2023, the company submitted a letter to the Commission regarding reformation of the Audit Committee and the Nomination and Remuneration Committee (NRC). In the said letter they stated, among others, the following:



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সিকিউরিটিজ কমিশন ভবন, ই-৬/সি আগারগাঁও, শের-ই-বাংলা নগর প্রশাসনিক এলাকা, ঢাকা-১২০৭, বাংলাদেশ।

“As on your quires, we would like to inform you that, our Board of Directors already reform the Audit Committee and Nomination and Remuneration Committee. The Committee members are as under:-

Audit Committee:

Sl.	Member Name	Position
01.	Mr. Ahmed Jamal, Independent Director	Chairman
02.	Mr. Zaker Ahmed, FCA	Member
03.	Mr. Md. Shahbaz Hossain Khan	Member
04.	Mr. Omar Farooq	Member

Nomination and Remuneration Committee:

Sl.	Member Name	Position
01.	Mr. Omar Farooq, Independent Director	Chairman
02.	Mr. Zaker Ahmed, FCA	Member
03.	Quazi Sakhawat Hossain (Lintoo)	Member
04.	Mr. Md. Alamgir Hossain, Independent Director	Member

Note: As per Corporate Governance Code the Board of Directors re-appointed as Independent Director in the name of Mr. Ahmed Jamal. (Document Enclose).”

In this regard, Enforcement Department sought comments from the Corporate Finance Department which is mentioned below:

“As the Enforcement department has sought comments from the Corporate Finance Department (CFD) regarding reformation of audit committee, NRC & appointment of independent director in the company, the following observations/comments have been drawn in light of the Corporate Governance Code, 2018:

A. **Reformation of Audit Committee:** It appears to Corporate Finance Department that the Commission issued a letter no. BSEC/CFD/237/2004/Part-iii/273 dated 23 January 2022 to the company mentioning that it is not in a position to accord consent to the decision of the company for appointment of Mr. Ahmed Jamal as an independent director since the person was a Director of Eastern Bank Securities Limited which is a violation of condition no. 1(2)(b)(vi) of the Corporate Governance Code, 2018. A relevant portion of his association is depicted below:

Name of Company	Nature of Association	Tenure
Agrani Insurance Company Ltd.	Director	2008-19
Agrani Insurance Company Ltd.	Independent Director	2020-22
Agrani Insurance Company Ltd.	Independent Director*	2023-25
Eastern Bank Securities Ltd.	Director	2012-22
Eastern Bank Securities Ltd.	Independent Director	2023-till now

*The board of AICL re-appointed Mr. Jamal as an independent director on 21 January 2023 and approval of which is not taken from the Commission till now.



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সিকিউরিটিজ কমিশন ভবন, ই-৬/সি আগারগাঁও, শের-ই-বাংলা নগর প্রশাসনিক এলাকা, ঢাকা-১২০৭, বাংলাদেশ।

- Mr. Ahmed Jamal was shareholding director since 2008-19 and became independent director immediately after the elapse of his tenure as directorship in the company. Though being an independent director of Eastern Bank Securities Ltd. since 2023 is in compliance with condition no. 1(2)(b)(vi) of the Corporate Governance Code, 2018, the Commission, therefore, may be doubt about his capability to perform independently in the company to protect the interest of the investors.
- B. **Reformation of Nomination & Remuneration Committee:** It appears to Corporate Finance Department that the Commission issued a letter no. BSEC/CFD/237/2004/Part-iii/273 dated 23 January 2022 to the company mentioning that it is not in a position to accord consent to the decision of the company for appointment of Mr. Omar Farooq as an independent director since the person has business relationship (insurance coverage) with AICL which is a violation of condition no. 1(2)(b)(iv) of the Corporate Governance Code, 2018.

It is seen from the reformed NRC that Mr. Omar Farooq is still in the committee as Chairman whereas the Commission rejected the board's decision to appoint him as independent director in the company. **Therefore, the reformed NRC is not acceptable in light of the Corporate Governance Code, 2018.**
- C. **Appointment of Independent Director:** It is seen from the submitted documents by the company that a new independent director, Mr. Md. Alamgir Hossain, has been appointed by the board but the Corporate Finance Department (CFD) did not receive any application for approval of the said person as an independent director. Upon receipt of the application, CFD will process the file in light of the Corporate Governance Code, 2018."

যেহেতু, Agrani Insurance Company Limited (AICL)- Nomination & Remuneration Committee পুনর্গঠনে এবং Independent Director নিয়োগে Corporate Governance Code, 2018 পরিপালনে ব্যর্থ হয়েছে;

যেহেতু, Agrani Insurance Company Limited (AICL)-এর উপর্যুক্ত কর্মকর্তা Securities and Exchange Ordinance, 1969 এর Section 22 অনুযায়ী শাস্তিযোগ্য অপরাধ;

যেহেতু, কমিশনের বিবেচনায়, সিকিউরিটিজ আইন ও বিধি-বিধান পরিপালনে আলোচ্য ব্যর্থতার জন্য, পূঁজিবাজারের শৃংখলা, স্বচ্ছতা এবং জনস্বার্থে আলোচ্য Agrani Insurance Company Limited (AICL)-কে অর্ধদন্ড ধার্য করা প্রয়োজন ও সমীচীন;



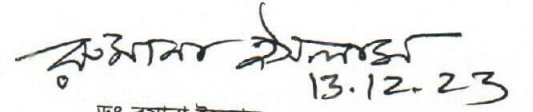
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সিকিউরিটিজ কমিশন ভবন, ই-৬/সি আগারগাঁও, শের-ই-বাংলা নগর প্রশাসনিক এলাকা, ঢাকা-১২০৭, বাংলাদেশ।

অতএব, সেহেতু, কমিশন উল্লিখিত যাবতীয় বিষয় বিবেচনাপূর্বক, Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) এর Section 22 এ প্রদত্ত ক্ষমতাবলে-

- Agrani Insurance Company Limited (AICL)- এর ব্যবস্থাপনা পরিচালককে ২.০০ (দুই) লক্ষ টাকা অর্থদণ্ড ধার্য্য করল যা অত্র আদেশের ৩০ (ত্রিশ) দিনের মধ্যে 'বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন' এর অনুকূলে ইস্যুকৃত ব্যাংক ড্রাফট/পে-অর্ডারের মাধ্যমে জমা প্রদান করতে হবে, অন্যথায় সিকিউরিটিজ আইন মোতাবেক পরবর্তী আইনানুগ ব্যবস্থা গ্রহণ করা হবে।

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ডঃ রুমানা ইসলাম
কমিশনার

বিতরণ:

১। Managing Director
Agrani Insurance Company Limited (AICL)
Head Office, City Centre (Level-17)
90/1, Motijheel C/A, Dhaka-1000