Report On
A Comparative Analysis of Corporate Governance in Rangs Group

By
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An internship report submitted to the Brac Business School partial fulfilment of the requirements for the degree of Bachelor of Business Administration

Bachelor of Business Administration
Brac University
September, 2019

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Declaration

It is hereby declared that

1. The internship report submitted is my own original work while completing degree at Brac University.

2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.

3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.

4. I have acknowledged all main sources of help.

Student’s Full Name & Signature:

___________________________________________
Mashtura Sahira Attri
Student ID: 18204088

Supervisor’s Full Name & Signature:

___________________________________________
N. M. Baki Billah
Lecturer, Brac Business School
Brac university
Letter of Transmittal

N. M. Baki Billah
Lecturer and Asst. Dean
BRAC Business School
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report on “A Comparative Analysis of Corporate Governance in Rangs Group.”

Dear Sir,
It is undeniably a great pleasure for me to be able to submit the outcome of my three months long hardship of the internship report at the Rangs Group in the department of “Internal Audit (IAD).” This internship program gave me academic and practical exposure both. Nevertheless, for me, it has been seemingly an inordinate scope of enlightening and learning experience in corporate environment.

I want to offer my earnest gratitude to you for your guidance, support and benevolent direction throughout the time in setting up the report. I have endeavoured my level best to finish the report with the fundamental data and proposed recommendation in a significant compact as could sensibly be expected. I will be glad to give any further clarification with respect to this report whenever required. The report will meet the requirements I believe.

Sincerely yours,

_______________________
Mashtura Sahira Attri
Student ID: 18204088
BRAC Business School
BRAC University
Date: September 12, 2019
Non-Disclosure Agreement

This agreement is made and entered into by and between Rangs Group and the undersigned student at Brac University.

I understand that in my internship tenure I have accessed in the operations of business, computer accessed, written information and data related to the company. I certify that I do not disclose any confidential data or information regarding the company in my internship report which may affect the company’s values and cause any breach of confidentiality policy.

Organization Supervisor’s Full Name & Signature:

______________________________
Al Jobayer Hossain Sheikh
Deputy Manager, Internal Audit
Rangs Group
Acknowledgement

The effective achievement of this report is the result of the contribution of a number of individuals, specifically those who have given the time and exertion to share their suggestions and consideration to improve this report. At the earliest reference point, I would like to express my most profound gratitude to Almighty for giving me the courage to finish the task within the planned time.

My gratitude goes to Rangs group for choosing me as intern out of a very competitive condition – therefore allowing me to gather experience from one of the leading group in Bangladesh and from managers who are undoubtedly professionals in their individual fields. I would like to express my gratitude to my line supervisor, Md. Al Jobayer Hossain Sheikh, Deputy Manager, Internal Audit, Rangs Group for contributing his valuable time and providing me with various information which was particularly required for the successful completion of this report.

I am also grateful to my fellow colleagues of Rangs Group who provided me their valuable time, immense support, inspiration and enough information to make this report successful. I must mention the working environment and group commitment of this organization which made me qualify to deal with a lot of things related to corporate world. I also want to thank my University friends for their encouragement and support while making this report.
Executive Summary

This report is an assessment of the corporate governance (CG) regulations and practices in Rangs Group. CG is a perception of standard approach of ensuring the organization’s transparency, accountability and responsibility to its participants, investors and employees; gain experience from which has achieved positive changes in the minimum developed economies – changes which are aimed at increasing corporate responsibility and performance. The report identifies the concept of corporate governance framework in Rangs Group, comparing with the BSEC CG code, identifying gap in practising CG, its implication on company’s value and performance. Where most of the companies of Bangladesh are owned and managed by family members including Rangs Group and enthusiastically take part in the position of management or CEO; which creates some gap such as independent directors in the practice of CG. Recommendation with action plan to improve the principles of CG in the company by analysing four major risks associated with the company’s operation and also in line with BSEC guideline; is to have an active board of directors and committees, along with contribution and responsibilities of the board members and committees etc., are the part of main discussion. Also, the company needs to strengthen its whistle-blower scheme so that it will protects from the threat of whistleblower. Now, the priority is to practice the principles of CG effectively and the management of RANGS Group believes that they will be able to sustain a standard governance and keep for rest of the years.

Keywords: Rangs Group; Corporate Governance; Management; BSEC guideline; Committee, Principles
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<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>RG</td>
<td>Rangs Group</td>
</tr>
<tr>
<td>CG</td>
<td>Corporate Governance</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>CGC</td>
<td>Corporate Governance Compliance</td>
</tr>
<tr>
<td>BOD</td>
<td>Board of Director</td>
</tr>
<tr>
<td>IPO</td>
<td>Initial Public Offering</td>
</tr>
<tr>
<td>AOA</td>
<td>Articles of Association</td>
</tr>
<tr>
<td>DSEX</td>
<td>Dhaka Stock Exchange</td>
</tr>
<tr>
<td>BSEC</td>
<td>Bangladesh Securities and Exchange Commission</td>
</tr>
<tr>
<td>RJSC</td>
<td>Register of Joint Stock Companies and Firms</td>
</tr>
<tr>
<td>NBR</td>
<td>National Board of Revenue</td>
</tr>
<tr>
<td>IAD</td>
<td>Internal Audit Department</td>
</tr>
<tr>
<td>MD</td>
<td>Managing Director</td>
</tr>
<tr>
<td>EVC</td>
<td>Executive Vice Chairman</td>
</tr>
<tr>
<td>RMC</td>
<td>Risk Management Committee</td>
</tr>
<tr>
<td>AC</td>
<td>Audit Committee</td>
</tr>
<tr>
<td>SOP</td>
<td>Standard Operating Process</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>RJSC</td>
<td>Register of Joint Stock Companies</td>
</tr>
<tr>
<td>Glossary</td>
<td>Definition</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>SOP</strong></td>
<td>It is a process of step by step command complied by a company to help employees and workers carry out complex regular routine of operations.</td>
</tr>
<tr>
<td><strong>SAP</strong></td>
<td>It is a system software for corporation that manages business operations and customer relations.</td>
</tr>
<tr>
<td><strong>Articles of Association</strong></td>
<td>AOA are a document that states the regulations for a company’s operation and specifies the company’s purpose.</td>
</tr>
<tr>
<td><strong>Economic Capital</strong></td>
<td>EC is a measure of capital risk. Specifically, it is the quantity of capital that a company desires to confirm that it stays solvent given its risk profile. Company calculates for its own.</td>
</tr>
<tr>
<td><strong>Risk adjusted return on capital</strong></td>
<td>A tool is assessing potential acquisition. It is a measurement tool of rate of return in monetary analysis.</td>
</tr>
</tbody>
</table>
Chapter 1

Introduction

In the current globalized world where the certainty in free markets and democracy has gained a shocking popularity and given the widespread effect of companies’ processes on the wealth of countries and the circulation of financial activities; it is clear that the governance of corporations must matter, as does political governance. Monetary systems are an engine of progress and growth but these engines have formed into something so complex and their capabilities so rapid and powerful, that it has outstripped the governance system structured in a simpler time. Corporate Governance attracts public attention as a result of its apparent significance for the financial health of corporations and society.

In Bangladesh, except few multinational companies, most of the companies are owned and governed by family members and their heirs. All the policy and decision made by the owner of the company as board members and dispose of the executive activities, leaving to way for parting of ownership and board independence.

Rangs Group is one of the most established and well-known corporate houses in Bangladesh. It has started as an automobile distributor to a multi-business and multi-discipline enterprise. At present, over 50 companies are ample proof of dynamic leadership and progressiveness of RANGS group (Rangs Group, 2019). To establish itself in the most competitive business environment, they have gone through with many policies, method, principles and will be. In such conglomerate, corporate governance is intended to raise the accountability and to avoid any kind of malpractice in the system of corporate.
1.1 Objective of the Report

The main objective of the report is to explore the principles of Corporate Governance of Rangs Group. Additionally, find out the company’s corporate governance compliance status. Moreover, observe the gap of practicing CG code in regular business operations and come up with a proper recommendation by analyzing related risks is one of the significant objectives.

In the report, the objective can be viewed in two ways:

- **Broad Objective:** To know about the corporate operations of Rangs Group and also study about management structure, function, system, principles, policies etc.

- **Specific Objective:** To know about the Corporate Governance (CG) practice of Rangs Group and compare with an ideal structure of corporate Governance for finding out the gap and suggest possible steps for the development of the company.

1.2 Methodology

Data and information have been collected from primary and secondary sources for the purpose of the report. Most of the information is collected in an informal way from different discussion with different personnel of the company. Along with that, my four months internship experience and deskwork in the company helped me to a great extent.

**Primary Sources:**

Information has been extracted from multiple conversation with the employees of the company in an informal way and also, I have interviewed few key personnel individually to find out the gap in good governance. Besides, I have conducted several group discussions with my Rangs employees to gather some ideas and suggestions verbally about bridging the gap between theoretical model and practice in the area of corporate governance. Mostly, I got the opportunity to attend several meetings which helped me to learn about their CG practices.
Secondary Sources:

- Different documents, files, circulars and reports provided by my supervisor
- Rangs Group Website
- Other published paper, article, website, journal and document related to CG
- Bangladesh Securities and Exchange Commissions

1.3 Scope of the Report

The scope of the report is confined with the overall analysis of corporate governance of Rangs Group, its principles and policies and about its competitive advantage. The study will help to learn about the corporate governance principles which in needed to be practice in organization. Moreover, it will help to define the risk may occur if the principles of CG are not practiced in the organization.

1.4 Limitations

During prepare the report; I have faced certain limitations like,

- The information regarding corporate function and principles are confidential as well as critical.
- I have a limit to access the information of the company because corporate governance is significant and confidential part thus it was problematic to accumulate data.
- As an internal audit intern, I was forbidden to reveal any kind of confidential information.
- I have faced some difficulties to collect enough information because they do not have enough secondary data sources.
Chapter 2

Company and its Corporate Governance

The CG framework is the widest control tool to inspire the effective use of corporate resources. Though it will be not the same framework for all organization but will take into account significant and related principles of CG.

2.1 Company overview & Organogram

Rangs Group is one of the most renowned conglomerates in Bangladesh. From 1979, it begun its journey as an automobile distributor to a multi-business and multi discipline enterprise. It has business experience of 30 years in several industries including Automobile, Pharmaceutical, Telecom, Real Estate, Sea Resource etc. and achieved the success over 50 companies. Along with that it established its name as FMCG manufacturer and distributor. The organization was enlisted under the Companies Act of 1913 and started its journey in Bangladesh on April 11, 1979 (Rangs Group, 2019). Enhancement has been at the center of the Group under the founder and Chairman of the Group Mr. Abdur Rouf Chowdhury.

- **Vision:** To assemble more internationally renowned brands and to expand more showrooms and dealer throughout the country to deliver on different wing to the customer.

- **Mission:** We continuously endeavor to execute the practical initiatives required to accomplish our vision guided by constant focus on our qualities and values. In addition, we provide operational excellence in each edge of the organization and meet or exceed our responsibilities to the community we serve.
2.1.1 Organogram of Rangs Group

Rangs Group is operated and regulated under private ownership. Thus, it has some different hierarchical organogram which has a management committee included Chairman, Managing Director (MD), Executive Vice Chairman (EVC) who are considered as higher management and Chief Human Resource Officer (CHRO), Chief Marketing Officer (CMO), Chief Finance Officer (CFO), Chief Business Officer (CBO), Head of Internal Audit are playing the role of management. Under this management, the work order disburses to the employees by maintaining hierarchy.

![Company Organogram](image)

*Figure 1: Company Organogram*
2.2 Theoretical Framework of Corporate Governance

In order to run a business swiftly, CG is itself a corporation policy. It is a system of governing the company like a self-governing state, instating its own duties, laws, principles to its employees from the highest to the lowest ranks.

In 1999, Organization for Economic Cooperation and Development (OECD) classified Corporate Governance is interrelated in between a firm's management, its shareholders, its board committees and other investors (OECD, 2015). Also, CG provides the framework which sets the purpose of business, the means of achieving the aims and observing firm’s performance are resolute. Standard CG should ensure appropriate incentives to the board committee and management for seeking the set objectives which are in light of the organization and employees, also should accelerate active observing and monitoring of the performance, in this manner, inspiring organization to utilize recourses proficiently.

Furthermore, CG is the manner how a corporation is structured, operated, managed, and controlled. It basically balances the interests of persons who are directly or indirectly related with the company such as employees, management, executives, suppliers, government, financiers, customers and so on. According to Hart (1995), to secure the leadership, transparency, accountability and governance scandals, companies are hurrying to institutionalize CG, which can be even be counterproductive. To regulate more effectively of the organization’s work, corporate board encourages companies to implement the principles of governance as a legal encounter slightly a mode to advance output (Adewale, 2013).

Ahmed and Yusuf (2005) come up with the current CG framework in Bangladesh which is not encouraging satisfactory financial, institutional and legal encouragement for the stakeholders of the company to enforce and practice the code of corporate governance. All CG systems are stand on four pillars: Accountability, Transparency, Fairness and
Responsibility. The particular difficulties related with these principles rely on the corporate sector’s possession and structure. Especially in Bangladesh, family members and relatives manage the structure of the company. This practice obstructs the levels of fairness, transparency and accountability. The provision and requirement of procedure and liquidation laws are insufficient. No nation can have good corporate governance principles if it has poor framework and bankruptcy laws (Samaduzzaman, Zaman, & Quazi, 2015).

2.3 The Ideal Corporate Governance Model

The belief of investors and customers in the businesses is decreasing due to the moral breaches in several companies and concerns about the activity of company in society. It is noticeable mostly in developing countries like Bangladesh. However, from 1990s, CG in Bangladesh is getting priority from governing bodies and regulators of organizations. Whatever, it is still in initial stage; none the less alertness of the significance of CG is increasing with the time. An ideal corporate governance model can help to ensure the company’s long-term success and effective management. The companies who are in the top position at this moment, it is visible that the companies are fully occupied with the principles of corporate governance and it helps to gain a support of investors and also from the society. Moreover, no business can avoid its risk in terms of running the operations and taking decisions but a good governance can ensure a company to reduce and manage its risk through establish a risk management committee and keep following regularly. On the other hand, it strongly determines the compensation of the employees and management which is one of the important codes because in Bangladesh the employee satisfactory rate is not gratified. Though the model below is not perfect, it can be considered as an ideal model of corporate governance.
In a corporate, an ideal CG should contain four significant things – Responsibility, Accountability, Fairness, and Transparency – **RAFT** (Duh, 2013). Along with that, there should be a structured board of directors, roles and responsibilities and appointment policy, organize board meeting, individual roles of chairman and MD/CEO, shareholding status, monitor and evaluate performance in the governance framework. These principles are made for the betterment of a company, but CG in not only about to ensure company’s betterment, it ensures the employee satisfaction by providing a standard compensation structure. If a company can practice these principles effectively, the company will be certified by Bangladesh Securities and Exchange Commission as ‘Satisfactory corporate governance’. Here, I have attached a list of documents for **Corporate Governance Compliance** (CGC) certificate. On the basis of these points, an external auditor will audit a company and define the CGC status of the company.
Authenticated Corporate Governance Compliance Report:

For terms & conditions number # 01 [Board of Directors (BOD) and Independent Directors (ID)]
- A management representation letter
- Certified copies of Schedule X & Form Xii for previous four years.
- Code of Conduct of all Board Members
- MoA & AoA
- Draft Directors report to the shareholder (to be printed in the Annual Return of 2018)
- CV of the independent Directors
- Board approved roles & responsibilities of CEO and Chairman
- Directors remuneration
- Meeting Minutes of BOD in the year 2018-19
- Shareholding position of all Board of Directors (BOD) & Sponsors
- Brief resume of all Directors

For terms & conditions number # 02 [CFO, HIA and CS related]
- The roles, responsibilities and duties of CFO, CS and HIA should be Board approved.
- Board of Directors Meeting Minutes from July to June: 2018-19

For terms & conditions number # 03 [Audit committee related]
- Audit committee chartered [Board approved]
- Resolution of Audit committee for July 18- June 19
- Minutes of Last AGM with attendance sheet
- Draft Audit committee report to the shareholders (to be printed in the Annual Return of 2018).

For terms & conditions number # 04 [External/Statutory Auditors related]
- Declaration of Auditor

For terms & conditions number # 05 [Subsidiary Company related]
- All minutes of Board of Directors (BOD) meeting and its Subsidiaries in 2018-19.
- Certified copies of Schedule X and Form Xii of all Subsidiaries for previous 4 years.

For terms & conditions number # 06 [CEO & CFO related]
- A declaration by CEO & CFO to the BOD

For terms & conditions number # 07 [Repotting & Compliance related]
- After ensuring its inclusion in the Annual report (to be printed in the Annual Return of 2018)
- Audit report
- Return of allotment form XV

Figure 3: Required list of Corporate Governance Compliance
2.4 Corporate Governance in Rangs Group

Weak governance has been liable as one of the significant substances behind current financial catastrophe marked by dreadful failures of many renowned organizations. On the contrary, strong governance waters sustainable progress by balancing equally while meeting diverse expectations from different stakeholders. Though, it will definitely not be the similar for all corporate environment, but will take into account the expectations of all shareholders, including- ensure the welfares of employees, customers, dealers and suppliers, stakeholders, local and state community, both in terms have consequences on company’s processes and the financial and social collaboration with the nation. However, Rangs Group is not an enlisted company in DSEX and is not bound strictly to follow the principles of Corporate Governance. Thus, as a private limited company in Bangladesh, RG is not answerable for the company's debts beyond the amount of wealth they have invested. The company is under one single ownership and it is following the company act 1994. According to the company act 1994(part ii-4), the company can include minimum one to maximum 10 persons for the purpose of carrying on the business. However, this is not applicable for the joint family business or trade such as Rangs Group. However, the company has firm belief that good governance is demonstrated through devotion to moral and ethical business norms. That is why, the executive vice chairman and managing director personally involve themselves in the management to ensure moral norms and values. Besides, the whole management body tries to maintain the appropriate compliance with all the valid/applicable CG principles through which the company can carry out its business operations and also can achieve its success. Also, if the company wants to offer IPO in future, the current practice will help the company at initial stage. Except the part of shareholder, the company is practicing almost the major codes of CG.
I. The Governing Body or Board of Directors

BODs engage the focus point of overall governance practice of an organization. It is accountable for establishing a proper governance framework in the company while the role of shareholders is to assign the suitable management, directors and the auditors.

However, Rangs Group does not offer their shares publicly as it is not enlisted in DSEX. The chairman Mr. Abdur Rauf Chowdhury, solely own the company and responsible for its all liabilities. Under his governance, his wife as EVC and three children are holding the position of MD among the sister concern of Rangs Group. Instead of BODs, they have a management committee included Chairman, EVC and MD. The management committee has extended wings of including 5 (five) more persons - CFO, CBO, CMO, CHRO and Head of Internal Audit. They take part in every decision of the company. Basically, this committee plays a pivotal role like BODs in shaping governance structure and practices through their different strategy and control to drive the company to its growth trail. From designing and implementation of governance tool including selection and appoint employees in important position like head of department, product head, board Audit committee, this management board plays their roles effectively. Where the BODs are accountable for setting target of the company and strategic goals in terms of privat own company like Rangs Group, management committee is in charge for these functions. Along with that, the BODs make the corporate policies and supervise the internal control of the company day-to-day. To make the operations more clearly and disburse the work pressure, BODs makes different committees on specific matters and monitor the manner of the performance. Particular committees are made by focusing on different matters and supervise by the BODs. The meeting of general support and risk management of the company has been designed by the BODs and kept completely independent from business activities to guard against any unpredicted events that weaken the brand value of the company.
II. Corporate Governance Framework

As a national company, Rangs Group’s CG has been established and improved based on the core values and best practices which are listed below:

- The company is registered under the company’s act 1994 and Register of Joint Stock Companies (RJSC) of Bangladesh.
- Notification on BSEC, NRB and RJSC about Corporate Governance.
- Laws and regulatory of the country.
- Local and international best practices.
- Company’s risk management statement by internal control and Standards of policies, business activities and strategies of the company.

The management committee also reviews its CG frameworks continuously to confirm its effectiveness, sustainability and significance in addressing further challenges of business. All the employees of the organization are governed by its guidelines, strategies and ideal business conduct. Including the management committee, every employee is expected to align with the policies of business conduct, strategies and obligatory to ensure their assurance and acquiescence by performing a statement of compliance annually. In the company, the standards of business conduct were last revised in June 2019 by the management committee. In addition, the company is also practicing the Corporate Social Responsibility (CSR) which is a strategic point of business principles especially for a national. In the company, they are following three vital principles of business: Good corporate conduct, Mutual benefit and Ensure product’s quality. As, most of their sister concerns are related with the imported products and it’s difficult to maintain the quality according to the demand of local customer and have to be conscious about the international business relationship. Aside from the organization’s business principles and business conducts, the company follows the Statement of Delegated Authorities that assigned for individual functions and responsibilities. As, it is a
large group of companies, there are different delegate authorities are responsible for different parts of the organization. In the Company’s Delegated Authorities statement, governing board of company has precisely reserved difficulties as like launch of an innovative business or concern, major capital expenditure authorization, yearly strategic plan, procurement and business clearance or equity, corporate restructuring and so on. Furthermore, the Company follows the essential in-house policies, strategies and principles to confirm suitable governance structure.

III. Structure of the Board

The governing body or management committee of RG currently comprises with 8 members among whom 5 are head of several departments including the chairman, EVC and MD according to the clause 94 of the AOA of RG. However, there is no independent director according to the BSEC corporate Governance guideline (No.1.2) because the company is not offering their share and liabilities publicly. Besides, the company has no investors except the owner, so it is not liable to answer any shareholders or investors. Internal management are controlling the role of management and governing body and they are liable to answer to the EVC/MD of the company who are designated as the higher management. Though EVC and MD only take part in decision making and monitoring the activities of the company.

IV. Policy on appointment of Directors

As the role of BOD is replacing by the management committee, that is why the policy of appointing the member of management committee fully depend on the decision of EVC and MD. Though the higher management (Chairman, EVC & MD) follow the AOA guideline of the company which is confirmed by RJSC. The members of the governing body are formed with the head of core departments (Finance and Accounts, Audit, Marketing, Human
Resource and Administration) who are selected by the higher management. They have rich education and qualification background which gives the governing body an advantage in monitoring and directing the company to gain its desired objectives.

V. Board meeting and attendance

The governing body holds meetings on a regular basis generally twice or thrice in a month but in case of emergency meetings are called when necessary. According to the agenda of meeting, management delivers topics and information, thorough working documents and reference to the higher management. In the meeting, the Chairman allocates specific time for the other members to consider each part of the agenda and allow them to interpret, inquire, discuss and express opinions without restrictions on the items of interest so that they can accomplish their responsibilities to the best of their abilities.

VI. Attendance of CFO, Head of IAD in Board Meeting

CFO and head of Internal Audit Department (IAD) both of them rarely miss any board meeting without any emergency. They have the most significant part in business operations and a meeting without their presence is not effective. In 2018, RG hold 35 meetings in a year and these two-people attended every meeting according to HR department. If anyone cannot be able to attend the meeting for any emergency purpose, MD grants their leave of absence.

VII. Independence of Non-Executive Directors

The Non-Executive Directors can avail full liberty to conduct their desired duties. In Rangs Group, the only non-executive director is the chairman who attends meetings regularly and contributed in the follow up of several report and discussions efficiently. Besides, he
involved himself in fixing strategic direction, follow up the annual report, audit report, sales report but does not contribute to or interfere into the operational or administrative or managerial or daily activities of the company. However, he ensures secrecy of the company and its agenda papers, meeting minutes and notes.

VIII. Overall duties of the chairman

Chairman, owner of the company, acts as the representative and face of the organization.

The chairman considers as non-executive director so ensures no participation or interference into the management or administration or routine activities.

The chairman sets principles, policies, AOA and strategies of the company.

Also, the Chairman may undertake any responsibility of the relevant Rules, Regulations, Acts and Articles.

IX. Separation of Chairman and Managing Director Roles

In CG code of BSEC clause 1(4), the chairman of the governing body and others members’ responsibility are clearly defined. In RG, CEO recruitment process is going on, till then Managing Director is playing the role of CEO to run the business operation without any obstacles and help other members of board in their discussion by providing suggestion or solutions. Though it is not quite difficult to fulfil the responsibility of both position but other board members are managing the gap of CEO professionally which reduce the pressure on MD slightly. However, there is dissimilarity in between the duties of Chairman and MD/CEO.
The chairman and MD/CEO have different roles and responsibilities which are given follow,

<table>
<thead>
<tr>
<th>SL. No</th>
<th>Chairman’s roles and responsibilities</th>
<th>MD’s/CEO’s roles and responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>Chairman approves agenda of meeting.</td>
<td>MD assists the chairman regarding the agenda of meeting.</td>
</tr>
<tr>
<td>b.</td>
<td>Approve the policies of the company by discussing with the governing body.</td>
<td>Leads the business operations, development and execution of the company’s long-term goals.</td>
</tr>
<tr>
<td>c.</td>
<td>As the chairman is not executive director, that is why he does not participate in or interfere daily activities of the company.</td>
<td>MD is an executive director; thus s/he does interfere and participate in daily routine affairs besides take day-to-day update of company’s activity.</td>
</tr>
<tr>
<td>d.</td>
<td>The chairman ensures the function of board in accordance with the AOA of the company as well as other applicable laws.</td>
<td>MD acts as direct liaison between the chairman and the management of the company.</td>
</tr>
<tr>
<td>e.</td>
<td>The chairman monitors and ensures good corporate governance practice in the conducts of the governing body and company.</td>
<td>MD is accountable to manage the company in terms of the prescribed policies, guidelines, regulations and strategies according to the guideline of BSEC CG code.</td>
</tr>
<tr>
<td>f.</td>
<td>Ensure proper internal control and the governing body receives actual, authentic, accurate and clear information timely.</td>
<td>Manage the business operation in compliance with the maximum level of reliability and ethics as well as establish a strong internal control system.</td>
</tr>
</tbody>
</table>

Table 1: Separation of Chairman and MD roles
X. Principal responsibility of the governing body

The members of governing body formulate the long-term strategies and goals for the company. To attain the goals, they research and find out the best possible way and consider also related risk with the strategy and goal. After that they review the company’s risk assessment and put afford to implement the appropriate way to mitigate the risk. Besides, they provide the leadership to ensure the objective of the business set out in the board. Through the leadership, they ensure internal control also. On the other hand, they have some duties related profit appropriation, financial statement, monitoring the integrity and the adequacy of the company’s internal control by complying with applicable laws and regulation, guidelines of several regulators. Furthermore, the Board is assigned to determine the following dealings and activities of business, such as-

- Acquisition, discarding and shutting down of a corporate.
- Invest capital and removal of tangible resources.
- Purchase or sale of trademarks.
- Formation of new companies.
- Proposal for borrowings of stretched credit services.
- Idea share about restructuring of the corporate if require.
- Appointment of contractual business partner and expatriate officials.

In honouring its duties and accountabilities, the governing board is directed through the guidelines mentioned in the AOA of RG, according to the Companies Act 1994, Corporate Governance code of BSEC, Pertinent applicable policies, Listing Principles, Conglomerate's Standards of Corporate Management and other commonly accepted corporate best performs.
XI. Annual appraisal of the Board’s performance

Performance of the BODs is praised on the basis of particular parameters like the attendance of the members of committee and their effective participation in the meeting to confirm the efficient activities of the company. Moreover, the governing body approves the annual budget every year and observe the report quarterly to ensure the actual goal of the company. The performance of the board totally depends on the achievement of pre-set goals. Also, the performance reports place in the Board meeting so that the higher management assess and evaluate the performance of the Board members.

XII. Training of board members

The board members are provided training and information on their respective field of operation. Throughout the training period, they get to know about their responsibility and roles so that they can effectively fulfil their accountabilities. Sometimes, a session arranges by the chairman, MD and EVC on special discussion with the experts if there is any critical technical and complex issue. Moreover, they take participate in some seminars organized by different professional bodies at local or abroad. They visit abroad in purpose of training very often which help them to enhance their knowledge level regarding business activities, different corporate techniques, technical knowledge and corporate governance issues.

XIII. Directors’ qualification and expertise

There are 5 members in the board who plays the function of director in the company. Among them, head of Internal Audit is a certified chartered accountant, CFO who obtained post-graduation major in Finance and accounts from University of Dhaka along with 7 years previous experience in same field at another organization, CMO who obtained post-
graduation major in marketing from a renown private university with excellent result, CBO who are non-resident in Bangladesh and completed post-graduation from his country and has experience in the same field, CHRO who are very smart to understand the situation of the employees and completed post-graduation from university of Dhaka major in human resource management. All of them are highly educated and expert in their respective roles which compliance with the corporate governance structure.

XIV. Board committees and their responsibilities

Rangs group has two important committees to ensure effective transparency and accountability of the company. One committee is for risk management and the other is audit committee. In the committees, they are well aware about their respective responsivities and bound to fulfil. Personally, the chairman holds a meeting with the committees quarterly to follow up the activities and monitor.

![Figure: 4 Board Committee](image.png)

a. Risk Management Committee under the committee, RG has made 6 members of committee including 3 BODs on 2015 in compliance with BSEC notification on CG. In the committee, three are CBO, CFO and head of internal audit from the BOD along with product head, head of sales, and head of collection. The risk management committee has formed in purpose of mitigate the possible risk arisen during implement the policies and strategies. The company has high credit risk which is the most common because they have policy to sell their
products on credit. RMC focuses on the risk first and then focus on compliance risk, internal control risk, operation risk and communication technology risk which are closely related to the activities of the company and make obstacle in the way of achieving the goals. When the committee identifies the risk, they asses the risk and guide management to make a plan for controlling of the risk. After taking action, RMC will review the risk management policy and amend the plan as per requirement. The company last updated its risk management policy in 2018 and has taken some new step to minimize the risk, such as

- The company has implemented Standard Operating Process (SOP) is every departments to ensure effective work process and ensure the internal control.
- To minimize the credit risk, it has introduced ERP system where all the operation process automatically in system. The automatic system ensures the transparency on activity of the company.
- Introduced process of emerging automated resources for estimating several risk indicators.
- Revised risk appetite report and internal limit for several operation, credit and market related indicators.
- Started post audit and report the findings of audit to audit committee and management.

- Framework of Risk Management:

RG’s framework of risk management is forecasted on three lines-of-defence model. In this model, first one is corporate function which incurs the risks, while other control functions in second line specify autonomous objective challenge to the first line of defence, along with for monitoring and controlling risk. In third line of model, internal audit department ensures that the objectives of control are achieved by the first and second lines of defence.
b. **Audit Committee**: Governing Body’s one of the core committee is audit committee which has some significant function and it is accountable to the NBR and RJSC. In the committee, the members are CFO, CBO, CHRO, Internal audit head including MD and EVC. The meeting of audit committee holds at least 10 times in a year. Though, on emergency it can hold the meeting as per requirement. The meeting minutes of the Audit Committee contains different proposals and suggestions to the Board for ratification on a regular base.

The audit committee is responsible-

- To support the management in achieving its determined roles and accountabilities along with implementation of the goals, strategies and overall business procedures set by the governing body.
- To assess the financial reporting process and the method as well as analyse the effectiveness of internal control process.
To monitor and assess the compliance with laws, legal and regulations along with the code of own business conduct.

- **Appointment and composition:** in compliance with the BSEC’s CG code dated 3rd June, 2018, AC of RG has been re-constituted by the governing body as per requirement and review the company’s annual report, financial report, internal control system, laws and regulations, compliance with the CG structures etc. unconventionally. In the committee, head of internal audit plays the core roles and responsibility along with other members. CFO, CBO, CHRO and head of internal report to EVC and MD directly and the chairman of the board is the non-executive directors.

- **Qualification of AC’s members:** The members of AC are well qualified. Head of internal audit is obtained Chartered accountant certificate with the experience of 5 years in same field, CFO, CBO and CHRO are financially literate and obtained post-graduation in finance-accounting, business administration and human resource management respectively. Also, they have enough experience on their respective field and the operation of the business.

- **Terms of Reference:** TOR of the AC has been framed in compliance with the BESC CG code on 3rd June, 2018 and other best practice CG structures and standards.

- **Internal control:** AC monitors the given suggestions made by external and internal auditor and improves the internal control practice in the company. Also, AC evaluates whether management committee is working on risk management, following CG code and are clear about their respective roles and responsibilities. Furthermore, to maintain the internal control, AC reviews the activities designed by the governing body to upgrade a suitable board information structure. Besides, AC review all the policies of the company including risk management policy to mitigate the risk of
Moreover, AC have enough knowledge about all the report of the company and audit all the report, if finds any fake report, fraud, deficiency in internal control or any issue identified by internal auditors, AC inform the governing body on regular basis.

- **Financial Report:** Audit committee reviews the annual report before submitting to the board for obtaining approval. Though they have quarter base financial report to determine whether the report is completing and fulfilling the requirement of the report set by the governing body and authorities. Also, AC consults with the higher management to have a look of annual financial statement and take feedback before finalization.

- **Internal Audit:** Audit committee strictly monitors that the internal audit functions are actually independent. Besides, it reviews the structures; activities and way of conduct the functions of internal audit to ensure that no unjustified control or restrictions are imposed. It also reviews the annual internal audit plan and its effectives. Though internal audit gets sometime extra assignment as per requirement. Additionally, AC ensures that the internal auditors are making appropriate recommendations to remove deviations and irregularities (if any) and are duly replaced upon by concerned persons in running the matters of the company. Furthermore, AC are included with the head of internal audit, thus he gives update to higher management as well as management committee quarterly and discuss about the issues arising from internal audits carried out.

- **External audit:** The governing body of the company decides the statutory auditors for the company. For external auditor, in compliance with the provision 7 of BSEC CG code, AC oversee the relationship with the external auditors (Adewale, 2013).

- Ensuring itself that there are no relations such as family, employment, business or financial in between the auditors and the company.
- Approval of their compensation i.e. payments for audit or non-audit services.
- Evaluating annually their individuality and objectivity taking into account related certified and regulatory necessities.
- No engagement with the internal audit services.
- External auditors cannot engage themselves to design financial information system, broker-dealer services, actuarial services or other amenities correlated to financial or accounting records.
- External auditors cannot avail the audit services on compliance of BSEC’s CG code and any other service which is determined by the audit committee.

Moreover, no employees of the chartered accounts firm can take any profit of the company throughout their audit assignment at RG.

Additionally, AC meets with the external auditor once earlier the audit plan and once after done with audit when they prepare the report. The committee also meets with the external auditors at least once in a year to discuss about their findings and any problems arising from the audit.

- **Miscellaneous:** AC will submit a compliance report on quarter basis to the board mentioning any errors or irregularities pointed by the internal and external auditors both. Nonetheless, the committee will submit the evaluation report related to internal and external auditor of the organization to the governing body. Besides, AC will supervise other assignments delegated by the governing body and evaluate them on the basis of their performance.

- **Compliance with existing laws and regulations:** one of the core objectives of AC is reviewing whether the laws and regulations are structured according to the controlling authorities such as NBR, RJSC and internal policies, instructions approved by the governing body and management have been fully complied with.
XV. **Code of conduct and ethical guidelines:** Rangs group has separated code of conduct and ethical guideline for the governing body and employees of RG. The basic code of conduct is that each employee will place Rangs group ahead beyond his/her personal interest.

The code of conducts of RG are given below:

<table>
<thead>
<tr>
<th><strong>Compliance of Laws</strong></th>
<th>All the employees of RG have to follow the internal laws and rules of the company.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maintain confidentiality</strong></td>
<td>The employees are expected to maintain the confidentiality of their books, reports and financial records with integrity and ensure accuracy of every transaction. Also, they are shore up the privacy of the information of customers and are not allowed to disclose any information outside without any authorization.</td>
</tr>
<tr>
<td><strong>Misuse of Assets</strong></td>
<td>No employees are allowed to convert any products and properties for their own benefits which are not legitimately theirs, also cannot deliberately assist to another person to do the same.</td>
</tr>
<tr>
<td><strong>Acceptance of Gifts</strong></td>
<td>Employees are discouraged to accept any gifts, facilities or benefits form any business partner and customer. If someone accepts any gifts or facilities, s/he has to disclose it to his/her line manager immediately.</td>
</tr>
<tr>
<td><strong>Conflict of Interest</strong></td>
<td>Employees cannot use their position in the company for any personal issue or for obtaining benefits for their own or families. The employees who are the members of any clubs, boards or society, should be aware of conflict of interest.</td>
</tr>
<tr>
<td><strong>Dress code</strong></td>
<td>The company has their own dress code and all the employees has to maintain the code strictly. They have to be in formal dress up at every working day except thursday.</td>
</tr>
<tr>
<td>---------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Integrity and honesty</strong></td>
<td>Employees are expected to be honest with their works. They should be unbiased and equitability when they are dealing with the customers.</td>
</tr>
</tbody>
</table>

*Table: 2 Code of Conduct*

**XVI. Anti-Fraud program:** The Audit Committee analyses the company’s activities for the employees to grow concerns about possible mistakes in financial reporting. AC ensures that these activities allow balanced and independent inquiry of such matters and take appropriate follow up action. Also, AC reviews the company’s processes for finding and avoidance of fraud. The Internal Audit (IAD) of the company always involve in inspection of whether any kind of fraud or misdeeds or misappropriation is happening inside the company and its operation. IAD also observes special inquiries as ordered by the governing body or AC of the company. IAD presents reports based on the clarifications and observations that they find during their audit at a fixed intermission.

**XVII. Corporate Social Responsibility:** Being a responsible corporate citizen, Rangs group is well aware about the need to invest in society. The company’s CSR is a reflection of their assurance to the society and put their best effort to the values they enthusiastically believe in. The company applies the CG standards to their corporate citizenship programs as they do to their business industries. Running business with good governance is the foundation of their strategy. The board approved the CSR
policy and all of the employees are bound to follow the policy and they do every possible thing to ensure the transparency and fairness of their investment.

The CSR policy of the company is,

Figure: 6 CSR policies

Ensures that the allocation of CSR does not end up financing any militancy and terrorism act.

Rangs is truly engage in sport, arts and cultural activities because they think these are the key components for a healthy and sustainable society. Very often they provide several sponsorships to these types of events.

For emergency disaster relief, the company spends a certain portion of their fund by providing life savings equipment and facilities in different emergency rescue services.

Transportation facilities for female employees to encourage and empower them to do the job as well as provide insurance facility to all the employees.

In their automobile sectors, all their imported vehicles are eco-friendly through which the company is committed towards environment.

Being a tax abiding corporate citizen, RG pays regularly corporate tax and vat to govt. timely by deducting from the salary of employees as well as make compensation to vendors and supplier on time.

These are the things that RG is doing at present in compliance with CG code of BSEC. With the time being, the pattern of society and the standard of living are changing. Thus, the CSR practice cannot be a constant program. Considering the issue, Rangs group has some future plan to enhance their CSR program such as,
XVIII. Internal Controls- Transparency and Accountability: Internal control system in RG is involved with all financial, operational and other control system which are carried out by the departments of the company which is monitoring, evaluating by the management committee. Also, all the departments have to report timely to management level in systematic way in order to ensure that the activities, work flow and performance are in accordance with current policies, instructions, methods and limits. Primarily, individual departments are responsible for internal control at the department level. The audit department of the company monitors, examines and reviews the control activities of the different departments of the company on an ongoing basis to evaluate the effectiveness of the controls and commend corrective actions where necessary.

By enhancing internal control, the company can reduce the risk of asset loss and confirm compliance with legal laws and principles. It also increases the reliability of the financial report. Internal control activities are included the principles and policies establish to ensure pre-defined control points are met. It also covers organizational structure, composition, committee and authority levels, audit programs, monitoring
procedures and reporting mechanisms. Additionally, it helps to reduce the negative surprises along the way and ensure the achievement of their vision and mission. However, there are some issues that internal control cannot assure all the time such as collusion among employees, cost/benefits reality external forces. As per the guideline of AOA, head of audit although being a part of AC, will report directly to the governing body and will be responsible to the AC and governing body.

At present, RG has 3 units to ensure the internal control: Audit Unit, Legal Unit and Monitoring Unit.

- **Audit Unit**: The major responsibility of internal audit is to evaluate the reports independently and objectively. Through evaluation, ensure the usefulness of the business risk management, governance procedures and control. IAD of RG works on the basis of annual audit plan framework agreed by AC of the management. The AC provides all vital information about the related risk and controls to assist the management in following ways,
- Assessment of possible risk of the business.
- Identification of breach in principles and policies against internal and regulatory policies.
- Findings of gap in policies with the business and its operations.
- Suggesting possible remedial course of actions where required.

- **Monitoring Unit:** Monitoring unit is responsible for monitoring the operational performance of the departments. They collect relevant information and analyse to assess the risk of individual departments. If they find any deviation through their analysis, they recommend to the internal audit head for sending auditor for inspection. Few tools of this unit are,
  - Monthly operation report.
  - Major risk indicator.
  - Off-site observation.
  - Regular spot check and surprise visit.
  - Forward SAWP gap limit, exchange position limit, CRR and SLR.
  - Calculate equity value at risk to submit to the internal audit head.

- **Legal Unit:** legal unit of internal control method confirms the legal compliance of the company for legal support to all departments of RG. It executes inspection and streamlining of several agreements and contracts for all business operations of the company. It also supports the company for any kind of legal issues against the company.
Chapter 3

Observation

The ownership structure of Rangs Group is single ownership and family orientation, all the decisions and controls are directly managing by the chairman, EVC and MD of the company. Moreover, the company is not enlisted in DSEX and they don’t have any IPO. Thus, the company is not fully compliance with the CG code of BSEC. However, they are practicing most of the related CG code in their business operation so that in future if they go for IPO, this practice will help them to compliance with all the CG code without facing any sudden shock.

Here, I have attached the table by showing BSEC code for CG and compliance status of Rangs Group through Notification No. BSEC/CMRRCD/2006-158/207/Admin/80: dated- 3 June 2018 (Exchange Commission, “Bangladesh Gadget”,2018)

<table>
<thead>
<tr>
<th>Condition No.</th>
<th>Heading</th>
<th>Compliance Status</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Complied</td>
<td>Not Complied</td>
</tr>
<tr>
<td>1.</td>
<td>Governing Body</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1(1)</td>
<td>Board size (BOD will be 5-20 members)</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>1(2)</td>
<td>Independent Directors</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>1(3)</td>
<td>Qualification of Independent Director</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>1(4)</td>
<td>Dichotomy of Chairman of the BOD and MD/CEO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1(4)(a)</td>
<td>The position of chairman of BOD and MD/CEO of the organization must be occupied by diverse individuals.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>1(4)(b)</td>
<td>The MD/CEO will not hold the same position in extra listed company.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>1(4)(c)</td>
<td>The chairman of BOD will be chosen by the non-executive directors.</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
<td>Status</td>
<td></td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
<td>--------</td>
<td></td>
</tr>
<tr>
<td>1(4)(d)</td>
<td>The board will clearly describe the duties of chairman and MD/CEO.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>1(4)(e)</td>
<td>In the absence of chairman of BOD, other can chose one of themselves to play the role for that specific board’s meeting, the purpose of nonappearance will be recorded in the meeting minutes of the board.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>1(5)</td>
<td><strong>The Directors' report to Investors</strong></td>
<td>✓ The company in not enlisted in DSEX and doesn’t have IPO.</td>
<td></td>
</tr>
<tr>
<td>1(6)</td>
<td><strong>BODs’ meeting</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1(6)(a)</td>
<td>The firm will conduct the meetings of board and record meeting minutes and keep required books and records.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>1(7)</td>
<td><strong>Code of Conduct for BODs, chairman and MD/CEO</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1(7)(a)</td>
<td>The Board will follow a code of conduct for chairman and other members of the BODs.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td><strong>Governance of BODs of subordinate Business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2(a)</td>
<td>Requirements linking to the structure of the parent company’s board will be made valid to the structure of the subsidiary company’s board.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>2(b)</td>
<td>Minimum 1 (one) independent director on the parent company’s board will be a director on the subsidiary company’s board.</td>
<td>✓ Family oriented Business and subsidiary companies are owned by the family members.</td>
<td></td>
</tr>
<tr>
<td>2(c)</td>
<td>The meeting minutes of the board of the subsidiary company will be submitted for assessment at the following Board meeting of parent company</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>2(d)</td>
<td>The parent company will state in the meeting minutes that they have observed the activities of the subsidiary business.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>2(e)</td>
<td>AC of the parent company will observe the financial statements, especially the investments made by the subsidiary business.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td><strong>MD/CEO, Chief Finance Officer, Head of IAD and Company Secretary</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3(1)</td>
<td><strong>Appointment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3(1)(a)</td>
<td>The Board will assign a MD/CEO, Company Secretary, CFO and a Head of IAD.</td>
<td>✓ No Company Secretary is employed</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>---</td>
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<td>---</td>
<td></td>
</tr>
<tr>
<td>3(1)(b)</td>
<td>The post of the MD/CEO, CFO and Head of IAD will be assigned by different entities;</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>3(1)(c)</td>
<td>The MD/CEO, CFO and Head of IAD of an enlisted firm won’t hold any official position in some other company at once.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>3(1)(d)</td>
<td>The Board will have to describe the individual duties, tasks and responsibilities of the CFO, the Head of IAD and the CS</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>3(1)(e)</td>
<td>The MD/CEO, CS, CFO and HIAD won’t be changed from their assigned position without authorization of the management.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>3(2)</td>
<td>Necessity to appear BODs’ meetings</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>3(3)</td>
<td>Duties of CFO, MD/CEO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3(3)(a)</td>
<td>CFO and MD/CEO will verify that they have assessed the report of financial statement and that to the best of their belief and knowledge</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>3(3)(b)</td>
<td>They will certify that no fraud or illegal transaction are occurred which is the cause of violation of code of conduct of the company.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>3(3)(c)</td>
<td>In the annual report, the authorisation of MD and CFO will be added.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Committee of Board of Directors</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Audit Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5(1)</td>
<td>Accountability to the BODs</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>5(2)</td>
<td>Constitution of the AC</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>5(3)</td>
<td>Chairman of the AC</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>5(4)</td>
<td>Meeting of Audit Committee</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>5(5)</td>
<td>Roles and responsibilities of AC</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>5(6)</td>
<td>Reporting of the AC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5(6)(a)</td>
<td>Report to the BODs</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>5(6)(b)</td>
<td>Report to the Board</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>5(7)</td>
<td>Report to the investors and shareholders</td>
<td>✓ No shareholders and outside investors are involved.</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Committee of Nomination and Remuneration (NRC)</td>
<td>✓ Risk management committee in replace of NRC</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>External Auditors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7(1)</td>
<td>To perform the following activities, the issuer firm won’t allow to involve its external auditors.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 4: BSEC Corporate Governance Code and compliance status

From the above table, it is displayed that the company is compliance with most of the code of BSEC code though they are not forced to do so. Some code is not applicable for the company because the company is not practicing the terms yet. Besides, few codes are not complied with the CG however the company is working on that to comply with. Also, the company’s internal audit department works independently and reviews that the company is practicing the CG code.
3.1 Identified gap in Corporate Governance

Most of the Bangladeshi businesses are concerted proprietorship organization with family focus as like as Rangs Group. Throughout the observation I have found some gap in the system of the company,

- In RG, the ownership structure is dominated by few family members. Thus, the board is willingly involved in board and function of the MD/CEO.

- Most importantly, there is no independent director. Thus, there is less possibility to ensure objectivity and to evaluate the performance of the company without having any conflict of interest or biasness.

- Besides, management structure, BODs and Audit Committee practices in mixed in the company.

- Weak pressure group because the company is following one-tier model committees to single out the monitoring function from the executive function of the board.

- On the other hand, board members are controlling the internal control of the company. Thus, there is no third eye view who can identify the lack of control in the system.

- Additionally, there is basically no answerability structure of the board to independent outside director which hampers the transparency and fairness of the company.

- Weak regulatory system which creates the scope for employees to involve in fraud and illegal activities in the operation of the company.

In non-existence of designed government tool, there is no dominant authority to impose minimum practice of CG. In that case, structure of board plays a vital role to ensure the development of the company and evaluate the functioning of the business operations. However, the CG code is a perception that can set principles to overcome some of these matters.
Chapter 4

Recommendation

It has been identified that there are some dissimilarities in the corporate governance practice in the company. Because of these dissimilarities, the company is facing some challenges.

4.1 Associated risks and action plans

An action plan should be implemented right after recognising a risk in the operation of the business. Otherwise, the company may face huge downfall. Because of weak CG, the following risks are related to the value of investments in RG-

⇒ Accounting risk: It is related with the company’s financial report recognition and linked disclosures which are partial, misrepresentation and significantly misstated. As, the audit committee and management committee are mixed, so there is huge chance to make mistakes in recognition of financial statement and other reports. To avoid the risk, the company may form a separate independent audit committee and the purpose of this committee will be-

✓ Check reconciliation balance sheet timely that an account balance is listed accurately and correctly, ensure there is no fraudulent activity, find out how much cash or credit is available. Moreover, to make it more transparent and error free, the company can avail some accounting software which has reconciliation feature.

✓ Data entry error is one of the most common accounting risks for a company and it happens more frequently when the employees have overload. According to the size of RG, there are insufficient employees who are involved in bookkeeping and accounting thus one person is doing the work of ten. By investing on the training of the employees, this risk can be reduced.
Reduce paper work which is currently on process in the company and using software though the number of paperless works has to increase to avoid mismatch.

Accounting errors are bound to happen in case of the large group of companies like RG, though it is not easy to do the bookkeeping by own. When the bookkeeping is over head, it’s not discredited to seek help from outside but it helps to reduce the errors in the financial statement and also increase the reliability before taking decision.

 Asset risk: The asset of the company refers to a physical product, tangible or intangible financial asset. The risk defines the firm’s asset which is misused by the employees in the form of unnecessary payment or another prerequisite. Running a business-like RG, asset risk management becomes a big challenge to put the correct process in the right place to suit their product and services. The company’s one of the gaps is weak regulatory system which indicates the weak internal control system and it increases the asset risk. In order to reduce the risk,

 The company has to be ensured about the assets that they prepare a record of each asset. After recording, risk management committee will be assigned to review the record of assets and find out that the assets are not misusing or under maintenance. And this RMC has to be an independent committee so there will be no biasness. Moreover, the Audit Committee also prepare a yearly plan of audit and allocate auditors in particular stock yard and workshop. The auditors visit the places and find out the observation through audit the assets. It assistances to cut the asset risk of the company.

 Over and under maintenance of the assets can create the risk that will make the asset management system ineffective. Lack of regulatory system, no one is there to give pressure to maintain these assets properly. Both over and under maintenance of assets increase the cost of the company. Thus, the company can make a plan for the
maintenance and apply the Reliability Centered Maintenance which carries out the most critical assets and determine the optimum maintenance requirement in cost effective way.

⇒ **Liability risk:** The risk is associated with the management who will enter into excessive obligations and responsible for certain types of damages or losses of the company. In case of RG, general liability risk is very high because the management and other committees of the company are indifferent. They are assigned in different task at a time which becomes a hard challenge for them to accomplish. To reduce the risk,

- First, the management can set a quality standard for every step of their operations and assign the employees by recognizing who can meet the quality standards and follow up continuously.
- By keeping every record of the work will help in cases of lawsuits and double check all financial communications.
- When the management faces overhead obligation, they can ask help from outside. It can be their broker who can provide an outside perspective on liability risks and recommended coverage.
- Beforehand, the company may form independent board of committees by including different responsible members who will be assigned a minimum level of task at a time.

⇒ **Strategic policy risk:** It is a crucial risk which is common in the largest companies that indicate the reason of major declines in market capitalization and raise the financial risk for the companies. The risk refers that managers may enter into inappropriate transaction or experience other business risks which may not be in the best long-term interest of investors however it may result in large remunerations for
board or management. It arises from the decisions that the directors take concerning the company’s objectives and failing to anticipate the objectives. The objectives of RG include,

*Figure 9: Strategic Policy Risks*

The company can accept the strategic risk in short term but take step to reduce over a longer timeframe. To eliminate the risks,

- At first the company can measure the risk by two key metrics- Economic capital and Risk-adjusted return on capital (Rost, 2017). Economic capital is used in determining the organization value and the amount of equity necessary to recover the sudden losses. On the other hand, risk adjusted return on capital is exceeds the cost of capital of the company, the initiative is feasible and will be worthy, but when risk adjusted return on capital is not more than the cost of capital, it won’t add any value to the company.

- Before get into any merger or acquisition, the company can analyze SWOT to get a preview that how effective the decision will be. The analysis will address the possible
risk with the operation and thus the company can take steps in advance to integrate risk at the planning stage.

✓ The company can identify the customers need and preference by market research frequently.

✓ Besides, by establishing key risk indicators (KRI) to anticipate possible risks as like KPIs measure historical performance.

Finally, the company can monitor the report, results of taking steps to mitigate the risks and review KRIs on a continuous basis so that the company may reduce the strategic policy risks when they arise. In addition, the committees recommend that the BODs confirm the process of business operation is going smoothly in order to ensure reducing the risk as well as remuneration of the employees. On beforehand, company has started practice of standard operation process in their daily operation in purpose of sustain internal control of the company. Though, it needs to continuous follow up to make it operative which contributes to cut strategic and business risks as well. In that case, an effective audit committee is must to identify regularly the most important risks with observation and report to the BODs including action plans. Especially, risk in related with the financial reporting, management commentary has to provide an impartial representation of the state of activities including error free and value creation.

Ultimately, it is not possible to eliminate the risks completely from the business operations. Some risks can be reduced but cannot be ignored. The board of the company desires to recognise the foremost risks that its policies include and the main difficulties that could arise with its processes. Risk and initiative are two main ingredients of business decision making; however, it can be ensured by the initiatives of directors regarding a broad view is taken of RMC and therefore bound the problem that risks can cause.
4.2 Whistleblower Scheme

Whistleblower can be threat or in favor of a company depends on how the person is using the information that is considered as illegitimate or unethical whether it is public or private company. Any employee can raise compliant or submit concern on a confidential basis to audit committee. The Audit Committee is liable to ensuring the business has trustworthiness and integrity otherwise any whistleblower can use the information against the company. Moreover, the committee is not allowed to reveal the identity of any person who raises legal or accounting allegation. On that purpose, the primary objectives of the AC whistleblower schemes are:

- Encourage any employee of the company to report any assumed misconduct as early as possible to the management with evidence.
- Provide the guideline to employees how to raise the concerns and
- Assure the employees that they can raise any genuine wrongdoing in decent way deprived of reprisals fear.

The scope of matters as questionable accounting or audit may cover by the scheme, including the following-

- Noncompliance with or deficiencies in the company’s internal controls.
- Any kind of fraudulent in the preparation, review or audit the financial report of the company.
- Misrepresentation of statement by any senior officer regarding an issue consists in the financial report.
- Violation of any rules and regulations set by the authority related to the financial accounting or audits.
Based on the complaint, the head of internal audit of RG will submit a copy to the board, verify the issue and develop a suggested strategy for further investigation. Audit committee will oversight the compliant and maintain confidentiality to the fullest extent possible. After investigation, a remedial decision will be taken as justified in the judgment of AC. As recommendation, if the company can implement the scheme and assure the employees that they won’t be charged for the step, that may protect the company form the threat of internal whistle-blower.

5. Conclusion

In recent era, corporate governance is considered as an ideal framework to certify a company’s system and control mechanism. Because the process ensures the transparency, fairness, accountability and reliability of those indicators which are directly control the operation of a business. the failure of an organization is largely depending on its governance body. The objectives of this report analyse is to gain concrete information about the corporate governance framework of the Rangs Group and compare with the CG code of BSEC. Therefore, few limitations occur while conducting the analysis and gathering information. Despite of having challenges, adverse monetary conditions and market pattern of last few years, the company is trying to uphold its growth trend through the indicators such as effective management system, internal control and sound corporate governance. Though, after comparing with the BSCE CG code, I have found some gap in the practice of RG corporate governance. Consequently, it is required that the BODs confirm and active risk management along with effective internal control. By reducing the risk, the company can shape their future achievement while curtailing downside exposure. However, the company management believes that in the upcoming years they will try to sustain good corporate governance and keep for rest of years.
References


