

Corporate Governance Report

At City Bank, corporate governance is the system of principles, policies, procedures and clearly stated responsibilities and accountability developed by key stakeholders to circumvent inherent conflicts of interest in the corporate form. The purpose of corporate governance is to facilitate effective and prudent management of the business so as to enable long-term value creation for all stakeholder groups.

Hence, the role of corporate governance is characterised by:

- Elimination or mitigation of conflicts of interest, particularly those between the management and shareholders
- Assurance that the company's assets are used efficiently and effectively and in the best interests of shareholders and stakeholders

From the view point of conflicts of interest, two relationships are the primary focus of most systems of corporate governance:

- Between the management and shareholders
- Between the directors and shareholders

The Board of Directors represent a critical component of the systemic checks and balances that underpin the core of corporate governance. Board members have a shared responsibility to make decisions that are in the best long-term interests of shareholders. In order to do so effectively, Board members require a combination of the following:

- Independence
- Experience
- Resources

Corporate governance practice at City Bank

City Bank is guided in its corporate governance practices mainly by two regulatory bodies:

- Bangladesh Bank (Central Bank of Bangladesh)
- Bangladesh Securities and Exchange Commission (BSEC)

However, the Bank's corporate governance philosophy encompasses not only regulatory and legal requirements, but also various internal rules, policies, procedures and practices anchored on the best practices of local and global banks. City Bank attaches a simple meaning to corporate governance, which is due diligence in observing responsibilities by the Board as well as the management to safeguard interests of key stakeholders, i.e. depositors, shareholders, employees and the society as a whole.

Two essential pillars of good corporate governance structures comprise:

- Transparency
- Accountability

These pillars are backed by strong internal controls, compliance structures and MIS capabilities at the bank.

Board of Directors

City Bank's Board of Directors currently constitutes 12 (Twelve) directors, among whom 11 (Eleven) are non-executives/directors, including the Chairman, and the other director is the Managing Director (Ex-Officio). Board members include individuals of high calibre with academic and professional qualifications in the field of business, and other professionals with long-standing experience. This strengthens the effective discharge of duties and responsibilities by the Board. The Board approves the bank's budget and business plans and also reviews those on a monthly basis so that directions can be given as per changing economic and market environments. The Board also reviews the policies and manuals of the various segments of business in order to establish stronger operational capabilities. The Board and the Executive Committee reviews the policies and guidelines issued by the Bangladesh Bank regarding credit and other operations of the banking industry. The management operates within the policies, manuals and limits, as approved by the Board. Regular meetings of the Board are held, with a frequency of at least once a month.

Appointment of directors

The members of the Board of City Bank are appointed according to the provisions of the Companies Act, 1994, the Bank Company Act, 1991 (amended up to 2013), Corporate Governance Guidelines of BSEC, and Guidelines of Bangladesh Bank and Articles of Association of the bank.

The Board comprises experienced members with diverse professional expertise and knowledge in the realms of business, banking and finance, IT, accounting, marketing, administration and engineering, which makes the Board diverse, proficient and balanced in guiding the bank to achieve its desired objectives.

Meeting of the Board of Directors

The Board of Directors holds meetings on a regular basis. At each meeting, the management provides information, references and detailed working papers for each agenda to all the Directors for review, at least three days prior to the meeting. The Chairman of the Board of Directors allocates sufficient time for the directors to consider each agenda in a prudent way, and allows them to freely discuss, inquire and express opinions on the topics of interest at the meeting in order to fulfil their duties and uphold their responsibilities to the best of their capabilities.

During the year 2020, 15 Board meetings were held and attendance record are as follows:

Name	Position within the bank	No. of meetings held	No. of meetings attended
Mr. Aziz Al Kaiser	Chairman	15	15
Mr. Hossain Khaled	Vice-Chairman	15	12
Mr. Hossain Mehmood	Nominated Director	15	14
Mrs. Tabassum Kaiser	Director	15	12
Mr. Rajibul Huq Chowdhury	Director	15	13
Mrs. Syeda Shaireen Aziz	Director	15	14
Mr. Rafiqul Islam Khan	Director	15	11
Mrs. Savera H. Mahmood	Nominated Director	15	14
Ms. Rebecca Brosnan	Nominated Director	15	3
Mr. Farooq Sobhan	Independent Director	15	15
Dr. Salim Mahmud	Independent Director	15	10

The Directors who could not attend the meeting were granted leave of absence by the Board.

Ownership Composition

As on 31 December, 2020, Directors of City Bank held 33.19% of the total shares, as compared to 28.19% at year-end 2018.

Percentage of Shareholdings as on 31 December, 2020

Composition	2020		2019	
	No. of shares held	% of total shares	No. of shares held	% of total shares
Directors & Sponsors	337,358,737	33.19%	286,539,405	28.19%
Institutions	236,700,569	23.29%	223,295,121	21.97%
Foreign Shareholders	43,455,090	4.28%	99,252,501	9.77%
General Public	398,872,265	39.24%	407,299,634	40.07%
Total	1,016,386,661	100.00%	1,016,386,661	100.00%

Directors' shareholding status

As per BSEC Notification dated 22 November, 2011 and 7 December, 2011 each Director other than independent and depositor's director(s) of any listed company shall hold minimum 2% (Two percent) shares of the paid up capital by 21 May, 2012. Otherwise there shall be a casual vacancy of director(s).

All the Directors of a company, listed with any stock exchange shall jointly hold minimum 30% (thirty percent) shares of the paid up capital of the company. All the eligible Directors of the bank have taken required number of shares to comply with the above notification.

Shareholding structures of the Directors of City Bank are as follows as of 31 December, 2020:

Name	Position within the bank	No. of shares held	Percentage of holdings
Mr. Aziz Al Kaiser	Chairman	28,402,848	2.77%
Mr. Hossain Khaled	Vice-Chairperson	22,597,253	2.20%
Mr. Hossain Mehmood	Nominated Director	20,554,154	2.00%
Mrs. Tabassum Kaiser	Director	21,593,659	2.10%
Mr. Rajibul Huq Chowdhury	Director	21,622,441	2.11%
Mrs. Syeda Shaireen Aziz	Director	20,528,305	2.00%
Mr. Rafiqul Islam Khan	Director	20,988,144	2.05%
Mrs. Savera H. Mahmood	Nominated Director	20,528,307	2.00%
Ms. Rebecca Brosnan	Nominated Director	50,819,332	4.95%
Mr. Farooq Sobhan	Independent Director	-	-
Dr. Salim Mahmud	Independent Director	-	-
Mr. Mashrur Arefin	Managing Director & CEO	-	-

Shareholdings by CEO, CFO, Company Secretary, Head of ICC and their Spouses

Name	Designation	No. of shares	Name of spouse	No. of shares
Mr. Mashrur Arefin	Managing Director & CEO	Nil	Mrs. Farhana Mashrur	Nil
Mr. Md. Mahbubur Rahman	DMD & Chief Financial Officer	Nil	Mrs. Sanjeda Afrin Ashraf	Nil
Mr. Md. Kafi Khan	Company Secretary	Nil	Mrs. Nargis Sultana	Nil
Mr. A.K.M Saif Ullah Kowchar	Head of ICC	Nil	Mrs. Farzana Mannan	Nil

Shareholdings by Top-5 Salaried Executives

Name	Designation	No. of Shares
Mr. Sheikh Mohammad Maroof	Additional Managing Director, Head of Wholesale Banking, Trade Services, SME- Small & Micro Finance	Nil
Mr. Mohammad Mahbubur Rahman	Deputy Managing Director & Chief Financial Officer	Nil
Mr. Md. Zafrul Hasan	SEVP, Head of Digital Financial Services	Nil
Mrs. Mahia Juned	Deputy Managing Director & Chief Operating Officer	Nil
Mr. A.K.M. Saif Ullah Kowchar	Head of Internal Control & Compliance	Nil

There is no shareholder holding 10% or more voting interest in City Bank. Hence, the corresponding BSEC rule does not apply.

Non-executive Directors

The Managing Director is the only Executive Director on the Board of Directors of the bank. All other Directors including the Chairman are the Non-Executive Directors.

Independent Directors

In compliance with the Corporate Governance Guidelines of Bangladesh Securities and Exchange Commission (BSEC) and as per Section-15 of Bank company (Amendment) Act-2018 regarding appointment of new directors and the guidelines given by Bangladesh Bank in BRPD Circular No. 11 dated 27 October, 2013, the Bank appointed 2 Independent Directors observing all required formalities.

Independent Directors' independence

As per existing rules and regulations, Independent Directors are required not to have any significant relationship, whether pecuniary or otherwise, with the Bank, its top management and the Board. The Bank complies with the requirement and appoints Independent Directors who do not hold any shares in the Bank and do not hold any shares in the Bank and do not have any family or other relationship and its Board of Directors and its executive management.

Separation of Chairman and Chief Executive Officer roles

In compliance with Bangladesh Bank BRPD Circular No. 06, 04 February, 2010 and Clause 1.4 of BSEC Corporate Governance Guidelines dated 7 August, 2012, it has been reported that the Chairman of the Board, Mr. Aziz Al Kaiser had been elected from among the directors. There are clear and defined roles and responsibilities of the Chairman and the Chief Executive Officer.

The Chairman of the Board approves the agenda for the Board Meetings, assisted by the Managing Director and the Company Secretary. Regular agenda items include approving credit beyond CEO's authority and aspects of the bank's corporate strategy, financial performance, core risks and credit policies, corporate governance, CSR and organisational structure, human resources policy, customer and service strategies and procurement policies, etc.

On the other hand, CEO, being the head of management team, is accountable to the Board and its committee to run and manage the bank in accordance with the prescribed policies, principles and strategies, established by the Board as well as rules, regulations and guidelines from Central Bank, BSEC and other regulatory authorities. The management's primary responsibilities are as follows:

- Manage the operation of the bank safeguarding interests of customers and other stakeholders in Compliance with the highest standards of ethics and integrity
- Implement the policies and strategic direction, established by the Board
- Establish and maintain a strong system of internal control
- Ensure the Bank's compliance with applicable legal and regulatory requirements

Responsibilities of the Chairman of the Board

The overall responsibilities of the Chairman are to:

- Act as the Bank's led representative, explaining aims and policies to the shareholders
- Ensure no participation in or interfere in the administrative or operational and routine affairs of the Bank
- Ensure that the Board sets and implement the Bank's direction and strategy effectively

The specific responsibilities of the Chairman, among others, are to:

- Provide all over leadership to the Board, supplying vision, mission and imagination, working closely with the CEO
- Take leading role in determination of composition and structure of the Board, which will involve in regular assessment of the
 - Size of the Board
 - Interaction, harmony and involvement of the Directors
- Set the Board's agenda and plan Board Meeting
- Chair all Board Meetings, directing debate towards consensus
- Ensure that the Board receives appropriate, accurate, timely and clear information
- Chair the AGM and other shareholders' meetings to foster effective dialogue with shareholders
- Ensure that the views of the shareholders are communicated to the Board as a whole
- Work with Chairman of Board Committees
- Conduct on-site inspection of any bank-branch or financing activities under the purview of the oversight responsibilities of the Board

Annual appraisal of Board's performance

The shareholders elect Directors in the Annual General Meeting (AGM). Directors are accountable to the shareholders. At the AGM, the shareholders freely speak about the performance of the bank and make a

critical analysis of the Board of Directors. The Chairman replies to their queries made during meeting. Their constructive suggestions are noted down and implemented for qualitative improvement of the bank. As per our existing policy, it is disclosed that no formal annual appraisal of the Board takes place in the Bank.

Roles and responsibilities of the Managing Director & CEO

The main responsibilities and authorities of the Managing Director are enumerated below:

- In terms of the financial, business and administrative authorities vested upon him by the Board, the CEO shall discharge his own responsibilities. He shall remain accountable for achievement of financial and other business targets by means of business plans, efficient implementation thereof and prudent administrative as well as financial management
- The CEO shall ensure compliance of the Bank Companies (Revised) Act, 2018 and/or other relevant laws and regulations in the discharge of his functions in the bank
- The CEO shall include information on violation of any law, rules, regulation including Bank Company (Revised) Act, 2018 while presenting memorandums before the Board or the Committees formed by the Board
- The CEO will provide all sorts of information to Bangladesh Bank about the violation of Bank Company (Revised) Act, 2018 and/ or any violation of Laws, Rules and Regulations
- The recruitment and promotion of all staff of the Bank except those in the two tiers below him shall rest on the CEO. He shall act in such cases in accordance with the approved service rules on the basis of the human resources policy and sanctioned strength of employees as approved by the Board. The Board or the Chairman of any Committee of the Board or any Director does not get involved or intervene in such affairs
- The authority relating to transfer of and disciplinary measures against the staff, except those at two tiers below the CEO, shall rest on him, which he shall apply in accordance with the approved service rules. Besides, under the purview of the human resources policy as approved by the Board, he shall nominate officers for training. Besides, the CEO shall assume any other responsibility if the Board assigns within the purview of the Rules, Regulations, Acts and Articles of the Bank

Annual evaluation of the Managing Director & CEO by the Board

In line with Bank's mission and vision, Board of Directors define the roles and responsibilities of the Managing Director & CEO. Managing Director & CEO is evaluated by the Board on the basis of goals set for him at the beginning of each year. The annual financial budget and other job objectives are discussed, reviewed and finalised by the Board at the start of the financial year. The Board considers both financial and non-financial goals during the appraisal.

Evaluation based on financial performance

Evaluation based on financial performance emphasis on annual budget, i.e. revenue earning for the Bank, gradual reduction the NPL ratio, etc. At the end of each quarter, the Managing Director & CEO is evaluated based on the financial targets. The evaluation is done based on both:

- Achievement of targets against budget
- Achievement of targets against the achievement of those targets in the previous year

Evaluation based on non- financial goals

The Managing Director & CEO is also evaluated based on non-financial goals in an ongoing basis. The non-financial criteria include, but are not confined to things such as:

- The confidence of the shareholders in the CEO, as reflected in the stock price of the company
- The relationship of the company with the regulators
- The confidence of customers in CEO, as reflected through continuous development of value proposition

In addition, at the end of each year, an annual assessment and evaluation of the achievements of pre-agreed targets is done. Board considers the improvement in the scores for CAMELS rating at the time of evaluation. During this evaluation, the deviations from target, and the reasons for the deviations are discussed and assessed. Moreover, Managing Director's quality leadership to post better performance is always expected.

Policy training of Directors

Most of the Directors of the Bank are on the Board for many years. They have acquired enough knowledge and acumen to lead the bank well to the path of progress. The latest legislations on the financial sector and directives of the regulatory bodies are made available to them for their instant information in order that they can discharge their responsibilities effectively. They also attend various seminars and symposiums mainly on corporate governance organised by different professional bodies.

Corporate Governance training and its objectives

Corporate Governance has at its backbone a set of transparent relationships among the institution's Management, Board, Shareholders and other stakeholders. With this in view, City Bank continuously organises training on "Orientation on Banking Business under Good Governance" where all employees have to participate.

The main topics of the training are:

- Overall banking business in line with good governance
- Corporate Governance in Banks-international best practices
- Banking Companies Act and stipulations on corporate governance
- Corporate governance regulations for banks in Bangladesh

Benefits provided to Directors and Managing Director

- Directors are entitled to fees for attending the Board / Executive Committee meetings (Notes to the Financial Statement No. 36.a)
- Managing Director is paid salaries and allowances as per approval of the Board and Bangladesh Bank (Notes to the Financial Statement No. 35)

City Bank has fully complied with Bangladesh Bank Circular and Guidelines.

Appointment of external auditors

The Board of Directors of the bank in its 37th Annual General Meeting held on 26 June, 2020 appointed Rahman Rahman Huq, Chartered Accountants as the statutory auditor for the year 2020.

Services not provided by external auditors

As per BSEC guidelines, City bank had declared Rahman Rahman Huq, Chartered Accountants, (involved in statutory audit) was not included in any of the followings during the year 2020:

- Appraisal or valuation services or fairness opinions
- Designing and implementing financial information system
- Book-keeping or other related services
- Broker-Dealer services
- Actuarial services
- Internal Audit services
- Any other services that the Audit committee determines

No partner or employee of Rahman Rahman Huq, Chartered Accountants possess any share of the bank during the tenure of their audit assignment at City bank.

Central bank inspections

During the year 2020, Bangladesh Bank carried out comprehensive and special inspections on the Bank's Head Office and 22 branches (among 132 branches) and followed-up on their comprehensive and special inspections on the Bank's Head Office and different branches as of 31-03-2017, 30-06-2017, 30-09-2017, 31-03-2018, 30-06-2018, 30-09-2018, 31-12-2018, 31-03-2019, 30-06-2019, 31-12-2019, 31-03-2020, 30-06-2020 and 30-09-2020. They also conducted special inspection on five core risk areas based on 30-06-2020 and 30-06-2020 financials on Head Office, along with Gulshan Branch and Gulshan Avenue Branch. They submitted their detailed inspection report as of 30-06-2020 on the Bank's Head Office, which will be placed to the Board of Directors soon. Major findings of the inspection will be discussed in the meeting of the Board of Directors in presence of Bangladesh Bank representatives and related management personnel of the Bank.

Board's committees and their responsibilities

The Board has following 3 (three) committees:

- Board Risk Management Committee
- Audit Committee
- Executive Committee

Board's Risk Management Committee (BRMC)

Board's Risk Management Committee (BRMC) at City Bank was established by the Board of Directors in its 452nd meeting held on 25 January, 2014 for governance of risk-overseeing, directing, and setting policies and monitoring risk management performance. Bangladesh Bank vide their BRPD Circular No 11, dated 27 October, 2013 had also advised banks to form the Committee of the Board named "Risk Management Committee" in addition to existing "Audit Committee" and "Executive Committee" of the Board.

Committee composition and meetings

The BRMC consisted following members of the Board:

Name	Status with the bank	Status in the Committee	No. of meetings held	No. of meetings attended
Mr. Hossain Khaled	Vice-Chairman	Convener	4	4
Mr. Hossain Mehmood	Nominated Director	Member	4	4
Mr. Rajibul Huq Chowdhury	Director	Member	4	4

Secretary: Mr. Md. Kafi Khan

** The Board's Risk Management Committee has been reconstituted on 22 February, 2021 and included Mrs. Tabassum Kaiser & Ms. Rebecca Brosnan as member of the committee.*

Roles and responsibilities of the committee

Committee was entrusted to supervise and review risk management processes covering the following:

- Risk identification and development of control strategy
- Adoption of organisational structure embedding risk across the organisation
- Review and adoption of Risk Management Policy
- Preservation and maintenance of information and reporting
- Supervision of execution of overall risk management policy
- Miscellaneous (Quarterly reporting of decision & recommendation to board, ensuring compliance of regulatory instructions, considering evaluation report by internal/external auditors)
- Any other task as assigned by the Board of Directors and Central Bank

Audit Committee

As per BRPD circular # 12 (23 December, 2002), all banks are advised to constitute an audit committee comprising members of the Board. The audit committee will assist the Board in fulfilling its oversight responsibilities including implementation of the objectives, strategies and overall business plans set by the Board for effective functioning of the bank.

Committee composition and meetings

Pursuant to the specified BRPD Circular No. 12, the Audit Committee of the Board of Directors consisted of the following members from the Board:

Name	Status with the bank	Status in the Committee	No. of meetings held	No. of meetings attended
Mr. Farooq Sobhan	Independent Director	Convener	7	07/07
Mrs. Syeda Shaireen Aziz	Director	Member	7	07/07
Mr. Rafiqul Islam Khan	Director	Member	7	06/07
Mrs. Savera H. Mahmood	Nominated Director	Member	6	06/06
Mrs. Tabassum Kaiser	Director	Member	7	01/07
Dr. Salim Mahmud	Independent Director	Member	7	01/07

Secretary: Mr. Md. Kafi Khan

Note: Mrs. Tabassum Kaiser, Director, was replaced in place of Mrs. Savera H. Mahmood, Director, and Dr. Salim Mahmud was included in the Board's Audit Committee by the Board at its 574 th meeting held on 27 October, 2020.

Roles and responsibilities of the committee

- Guide implementation of Corporate Governance in the organisation
- Recommend to the Board, the appointment and removal of the Head of Internal Control and Compliance
- To review whether internal control strategies, processes recommended by internal and external auditors have been implemented by the management
- To establish regulatory guidelines and instructions within the organisation
- To ensure adherence to legal and regulatory requirements

Executive Committee (EC)

The Board of Directors in its 325th meeting held on January 21, 2007, reconstituted Executive Committee (EC) in City Bank with 6 (six) members from the Board of Directors in compliance with Bangladesh Bank guidelines. The responsibility of EC is to review and provide final approvals on the credit proposals those are beyond the delegated authority of the Managing Director.

Committee composition and meetings

The Executive Committee of the Board of Directors consisted of the following members from the Board:

Particulars	Directorship status with the bank	Status in the Committee
Mr. Aziz Al Kaiser	Chairman	Convener*
Mr. Hossain Khaled	Vice-Chairman	Member
Mr. Hossain Mehmood	Nominated Director	Member
Mr. Rajibul Huq Chowdhury	Director	Member

Secretary: Mr. Md. Kafi Khan

* The Board's Executive Committee has been reconstituted on 22 February, 2021 and Board of Directors has selected Mr. Aziz Al Kaiser, Chairman as Convener of the Board's Executive Committee.

Roles and responsibilities of the committee

Executive Committee is entrusted the following broader responsibilities and functions:

- Establish and periodically review the bank's overall credit and lending policies and procedures
- Develop and implement uniform and minimum acceptable credit standards for the bank
- Approve all revision, restructure and amendments made to the credit proposals (initially approved by the committee)

Management committees and their responsibilities

In an effective corporate governance structure, the bank management has a collective mandate under the leadership of MD & CEO to carry out daily operations to the best interest of the stakeholders. The management team is headed by the Managing Director, Mr. Mashrur Arefin. Several Management Committees have been formed to handle the banking operations and identify and manage risks of the bank. The committees are MANCOM, Extended MANCOM, ALCO, RMU, Investment Committee and Purchase Committee. Managing Director leads the three most important committees, which are MANCOM, ALCO and Investment Committee

Management committee (MANCOM)

MANCOM is considered the highest decision and policy making authority of the bank which consists of the CEO and the heads of various large divisions. Regular tasks of the committee include:

- Monthly business and financial performance analysis
- Monthly business review and analysis of each business units' performance

Extended management committee (EMC)

Extended Management Committee is a prime decision making body of the bank for day to day operations and for seamless execution of strategic decisions with leaders of different divisions/departments. EMC is key to drive and uphold the key values across the organisation and is also responsible jointly for delivering business results. Headed by a Mancom member, EMC regularly conducts to ensure all internal and external challenges within the organisation are dealt with proactively.

Assets liability committee (ALCO)

The duties of managing the market risk including liquidity, interest rate and foreign exchange risk lies with the Treasury Division under the supervision of ALCO committee. The ALCO committee is comprised of senior executives of the Bank, who meets at least once in a month. The committee evaluates the current position of the Bank and gives directions to mitigate the market risk exposure to a minimum level. ALCO was fully engaged with activities in setting strategies and re-vamping previous strategies to cope with the current market scenario.

Basel Unit

In order to incorporate the changing global concepts in risk management and to adopt the Basel III standards, City Bank formed a management level committee named 'Basel Unit', chaired by MD & CEO. The committee is vested with supervisory responsibilities to implement Basel III across the bank. Therefore, Committee is assigned to adopt a comprehensive approach to devise the plan and craft the strategies for implementation of Basel III in the banking business of City Bank in accordance the road map provided by Bangladesh Bank.

Supervisory review process (SRP) team

As per "Revised Process Document for SRP SREP Dialogue on ICAAP (Implementation of 2nd Pillar of Basel Accord)" issued by Bangladesh Bank in May 2014, Bank must have an exclusive body naming SRP team which shall act as the Managerial Layer of Supervisory Review Process. SRP Team of City Bank is headed by MD & CEO. The team is empowered to validate the ICAAP report of the bank and to represent the bank in the process of dialogue with SREP Team of BB and to determine adequate capital requirement of the bank.

Executive Risk Management Committee (ERMC)

Executive Management Risk Committee of the bank comprises of senior management with Chief Risk Officer & Chief Anti Money Laundering Compliance Officer in the chair to ensure proper and timely identification, management and mitigation of risks exposed by the bank in a comprehensive way.

Committee for moral, ethics and integrity

In line with the implementation of National Integrity Strategy (NIS) of Bangladesh, the Bank operates "Committee on Morale, Ethics and Integrity" where Head of Internal Control & Compliance acts as the Focal Point to implement National Integrity Strategy within the bank. The Committee identifies ways to uphold the culture of ethics and integrity and establish good governance and promote consciousness with a view to reduce frauds, forgeries, irregularities and other sources of corruption across the bank.

Investment committee (IC)

The five members' Investment Committee looks after investment in the capital market and meets whenever required. They oversee and monitor to ensure that the investment decisions are carried out as per approved strategies and investment policies. This committee regularly monitors the bank's holdings of shares and capital market exposures and ensures keeping investment within prescribed limits (currently 25% of prescribed Capital) as set by the Central Bank.

Purchase committee

The five members' Purchase Committee plays an instrumental role in the procurement procedure of the bank.

Internal control: The command centre of transparency and accountability

An effective internal control system continually recognises and assesses all material risks that could adversely affect the attainment of the bank's goals and objectives. Risk assessment identifies and considers both internal and external factors. While internal factors include complexity of the organisational structure, nature of the bank's activities, quality of personnel, organisational changes and also employee attrition, external factors include fluctuating economic conditions, changes in the industry, socio-political developments and technological advancements. City Bank's Internal Control and Compliance Division (ICCD) recognises and assesses all material risks that could impede the attainment of the bank's goals. Risk assessment by internal control emphasises on compliance with regulatory requirements and social, ethical and environmental risks that affect the banking industry. It ensures reliable financial and managerial information that promotes improved strategic

decision-making. ICCD also ensures compliance with laws, regulations, guidelines, policies and procedures issued by both the bank's management as well as regulators. Stronger internal controls enable the bank to engage safely in more profitable activities that would otherwise be considered risk-prone for an organisation without these controls. Thus, ICCD enhances public confidence in the bank, assuring operational integrity and reputation, while also facilitating risk-based examination.

City Bank's ICCD operates independently as a division and consists of four units (Audit & Inspection, Information Systems Audit, Shari'ah Audit and Compliance & Monitoring), with responsibility to determine risks and evaluate the overall business, operations and credit portfolio of the bank on an ongoing basis. The key objective of ICCD is to assist and provide guidance across all aspects of the bank using adequate resources for identification of weaknesses and embracing appropriate measures to overcome these to ensure high levels of compliance.

ICCD operates independently as a division. City Bank's audit function reports directly to the Audit Committee of the Board, while it is also responsible to the same authority. The Shari'ah Audit function reports directly to the bank's Shari'ah Supervisory Committee (SSC). Thus, ICCD acts as a crucial bridge between the Board, SSC and the bank's management. An effective organisational structure has also been established by fostering a reliable internal control culture within the bank. Our status on establishing strong internal controls across the organisation, aligned with regulatory requirements, is articulated below:

- The Board of Directors is actively engaged in implementing a modern, scientific and acceptable internal control and compliance process within the bank.
- The Audit Committee of the Board evolves an effective procedure for financial reporting disclosures, developing a suitable internal control system and ensuring liaison with both internal and external auditors to minimise the occurrence of business risks.
- The Shari'ah Supervisory Committee ensures that the bank's Islamic Banking business operates in line with Shari'ah guidelines/principles, in addition to general banking guidelines/principles.
- The Management Committee (Mancom)/senior management team, with support from the Extended Management Committee (EMC), actively controls the overall management of the bank and decides the extent of internal control system that is deemed appropriate for the bank.
- Organisational and procedural controls, supported by an effective management information system, assist in the prudent management of the bank's exposure to risk.

- External auditors evaluate the internal control system while conducting their statutory audit.
- ICCD has been structured as per the prescribed organisational structure of Bangladesh Bank's core risk management guidelines.
- Control policies and procedures have been established, which are verified by ICCD to ensure that control policies and procedures are being complied with.
- Updated internal control policies and manuals are issued on an ongoing basis.
- An independent audit mechanism monitors the effectiveness of organisational and procedural controls.

Further, a robust risk-based internal audit (RBIA) has been implemented. Risk assessment by the internal control function focuses on compliance with the bank's policies, together with regulatory requirements and social, ethical and environmental risks, so as to ensure maximisation of opportunity through minimisation of risk and to sustain the forward growth outlook of the bank.

At the branch-level Risk & Control Matrix has been implemented since 2009 and is updated from time-to-time. The entire process was revamped in 2019 and fully implemented in all branches in 2020 with a view to ensure relevance with the current operating environment. Risk & Control Matrix for customer exposure on the bank, risk management division and

finance has been finalised in the first phase and other Head Office divisions will be progressively developed. Key operational risk areas of the core business lines (Corporate Banking, Commercial Business, SME Medium Business, Small Business, Supply Chain Finance, Retail Banking, Priority Banking, Islamic Banking, Digital Financial Services, Cards, Agent Banking and Treasury), along with other segments of the bank, i.e., operations, finance, risk and support functions, as well as IT security and Shari'ah compliance are identified and assessed through regular audit processes conducted by ICCD under an approved annual audit plan.

Importantly, all core risk management guidelines issued by Bangladesh Bank have been duly implemented and compliance is routinely monitored by ICCD and RMD to test and determine effectiveness. This apart, every year, ICCD prepares a detailed annual integrated report on the health of the bank and submits it to the Board to assess the strengths/weaknesses of the bank on the basis of certain core fundamental metrics. This helps foster a culture of governance and compliance across the bank.