



Sustainability Report 2012



Sustainability Report (SR) 2012

BRAC EPL Investments Ltd. (BEIL) is the pioneer in publishing a Sustainability Report (SR) amongst the financial institutions in Bangladesh. BEIL published its first Sustainability Report in 2011. By producing the report yearly, BEIL intends to be "vessels of transparency and accountability". The company has adapted SR to become a part of a sustainable global economy where organizations manage & develop their economic, environmental, social and governance performance. This report is based on the Global Reporting Initiative (GRI) guidelines, which provides the organization with a comprehensive SR framework with global recognition. For us sustainability reporting practice is an important instrument for becoming a transparent and accountable organization.

The motto of GRI is aligned with some of the Business Principles (Mission) of BEIL

- To evaluate specific risks and opportunities to drive competitive advantage;
- To help companies understand and react to the impact of regulatory frameworks;
- Zero tolerance to breach of compliance, regulatory requirements & laws;
- To assess and benchmark sustainability programs, including cost reduction targets;
- To evaluate and assist with the design of critical nonfinancial information streams with respect to carbon emissions, corporate social responsibility;
- To hold on socially responsible business practices (equal opportunity, development and empowerment of people);
- To keep pace with global market in terms of knowledge and best practices to build internationally reputed organization;
- A sustainable global economy should combine long term profitability with social justice and environmental care;
- To enlarge our economical sphere and create added value for stakeholders while leaving behind a positive track.

Being a proud member of the BRAC family, BEIL has already ensured compliance with all local laws and regulations prevailing in Bangladesh. Strong corporate governance has been structured to maintain transparency and the internal culture of the organization. While preparing the second SR, it has been a great honor to report on 47 indicators based on the existing business practices of BEIL as per GRI 3.1 guidelines. Other indicators are non-reported due to being not applicable to our business or the required data not being available.

Application Level:

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	<div> <div>•Profile Disclosures</div> <div>Output</div> </div>	Report on: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15	Report Externally Assured	Report on all criteria listed for level C plus: 1.2 3.9,3.13 4.5-4.13, 4.16-4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	<div> <div>•Disclosure on management approach</div> <div>Output</div> </div>	Not required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosed for each Indicator Category	
	<div> <div>•Performance Indicators & Sector Supplement Performance Indicators</div> <div>Output</div> </div>	Report fully on a minimum of any 10 Performance Indicators, including at least one from each of: social, economic and environment.**		Report fully on a minimum of any 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.***		Respond on each core and Sector Supplement* indicator with due regard to the materiality Principal by either: a) reporting on the indicator or b) explaining the reason for its omission.	

* Sector supplement in final version
 ** Performance Indicators may be selected from any finalized Sector Supplement, but 7 of the 10 must be from the original GRI Guidelines
 *** Performance Indicators may be selected from any finalized Sector Supplement, but 14 of the 20 must be from the original GRI Guidelines

Figure 1: Application Level

At the current stage of reporting we have declared to comply with GRI Application Level B. All data are consolidated at corporate level by the relevant departments. The qualitative reports on various subjects were provided by experts throughout the organization.

1. Strategy and Analysis

1.1 Chairman's Review

To understand the linkage between a social organization like BRAC and a commercial enterprise like BRAC EPL Investments Ltd's (BEIL), one must appreciate the role played by all of BRAC's commercial investments in supporting BRAC's broader objectives. All these enterprises are aimed at addressing some specific needs and serve as an intervention in the market. BRAC's mission of working with people whose lives are dominated by extreme poverty, illiteracy, disease and other handicaps and striving to bring about positive changes in the quality of life through multifaceted development intervention, sits firmly at the core of BEIL's belief system.

BRAC's investment in BEIL (through BRAC Bank) is a part of its mission to create access to the capital market for small investor and to become more 'inclusive' in our approach. We strive to be the champion/pioneer in providing access to capital markets for these small investors besides carrying out the traditional functions of a merchant bank. All our initiatives such as, reducing the minimum investment amount to just BDT 100,000 and BDT 500,000 (for nondiscretionary and discretionary portfolio management services respectively); and our presence outside Dhaka to take our services closer to the average investor bear testament to our inclusive positioning in the market.

In linking empowerment of the poor and our enterprise, we have found that we can be different from purely commercial endeavors by our willingness to accept low profit margins and openness to shouldering considerable market risk to stay on course with our stated objectives and mission. Furthermore, as with all of BRAC's social enterprises and investments, the profits and surpluses generated by BEIL, goes through BRAC Bank to BRAC and provide funding for many of BRAC's non-earning activities under the Health, Education and other development programs.

The recent financial crisis underscores the importance of sustainability at the core of building a healthy economy. I am very happy to state that BEIL has always created products and services aligned with the evolving needs of the society from its inception, working with a clear vision and emphasis on sustainable development that continued to attract the trust and loyalty of its stakeholders.

BEIL has adopted the three "P" (3P) agenda –People, Planet and Profit as its fundamental guiding principle. BEIL has a strong operating platform and a clear, focused strategy. Tight management of risks, capital and costs will continue to be a priority. We have built leading positions in our core business and we are well-placed to benefit from better quality of assets. While continuing to pursue business targets, BEIL is committed to maintaining a high standard of Corporate Governance in the operations of the company. Our commitment of corporate governance is to enhance the shareholders values by pursuing ethical practices in our business conduct and maintaining high standards of disclosure and transparency. The board, the executives and the staff are committed to have well defined roles in achieving the corporate goal and to enhance stakeholder's value.

We are strategically optimizing to our business growth and profitability for the year 2013. The focus of the strategies would be on reducing the costs, enhancing the fee-based income, and boosting performance for establishing a sustainable investment bank. We are committed to enlarging our network and focusing on financial inclusion with 3P. We are committed to overcome the challenges and to deliver continued growth with the designed sustainable quality products, strengthening our relationship and enlarging our alternative channel.

We understand that the financial sector holds a key responsibility in the development and sustainability of our society and economy. Therefore, BEIL tries to address and mitigate any issues evolving around us to ensure we meet and

exceed social expectations. Our business principles and strategy is linked with our non-financial performance and we are also the pioneer in the industry to publish a sustainability report based on the guideline provided by Global Reporting Initiative (GRI). We strongly believe this initiative will help us solidify BEIL's position as a socially responsible company supporting sustainable business practices and ensuring the long-term sustainable growth of our company, stakeholders and economy. We hope to help create for future generations, a sustainable and an inclusive world in which both commercial endeavors and enterprises that seek to serve the community can co-exist and contribute to a more equitable society.

We believe that profit does not need to arise at the expense of the environment and this 'mind set' can be a powerful force for positive change. In line with the social objectives of BRAC and BRAC Bank, at BEIL we promote inclusion and sustainable enterprises. Our journey is with the value based approach. Profit is not the main goal, but comes as a natural consequence of the triple bottom line of people, planet and profit. In this regard, BEIL has made positive strides with its latest product class called Impact Investments, a unique and first of its kind financial product in Bangladesh providing all types of financial, advisory and CDM Project related services to sustainable enterprises. We are the only institution in Bangladesh enlisted in the "CDM Consultant Roster" of "CDM Loan Scheme" jointly hosted by the United Nations Framework Convention for Climate Change (UNFCCC), UNOPS and UNEP RISO Center. In 2012, BEIL became the CDM Consultant for the first Approved UNFCCC CDM Loan in Bangladesh.

In conclusion, I am thankful to all the regulatory agencies of the Government, in particular, the Securities and Exchange Commission, the Bangladesh Bank, the Registrar of Joint Stock Companies and Firms, the two Stock Exchanges, viz., Dhaka Stock Exchange and Chittagong Stock Exchange Limited, Central Depository Bangladesh Limited for all their continued support. I would also like to take this opportunity to thank the members of the Board of Directors for their valuable guidance and support.

We also place on record our appreciation for the unstinted trust and support of our customers. We congratulate the employees of BEIL on an impressive performance for the year 2012.

Finally, it is this thought I would like to leave you with: by supporting BEIL you are becoming a partner in our mission to change the world for a better tomorrow for all our children.

-SD

Muhammad A. (Rume) Ali
Chairman

1.2 Key Impacts, Risks and Opportunities

Risk Management Approach

As an institution BRAC EPL Investments Limited (BEIL) faces several types of risks over the short-term as well as the long-term. While the likelihood and impact of the different types of risk varies, at BEIL we have a central, proactive strategy towards risk management. This framework follows on the basic principle of risk planning i.e. identify, assess and mitigate. The following is a description of the common risk categories and their mitigations:

Market Risk and Credit Risk (Portfolio Management)

Market risk is the uncertainty regarding the values of certain variables that are determined in the financial markets (Money market and Capital market). Among these variables, as a Merchant Bank, BEIL is exposed to interest rate risk and stock price risk. A large part of the revenue of the firm is generated from margin loan channelling. For most products, rate on margin loan remains fixed at some pre-contracted level whereas the rates on the loan facility that the firm gets from different Banks and FIs may change on short notice. There is a real possibility that the firm face a zero or negative spread on loan channelling business over a short period of time.

Managing Market Risk and Credit Risk

Unlike developed capital markets, Bangladesh capital market is yet to be introduced to sophisticated Derivative products that can deal with market risk and credit risk. AT BEIL, we have a few measures to deal with the market risk. They are:

- **Optimum Diversification in Proprietary Portfolio (PP):** The fund manager follows a much-diversified style of portfolio management. At present, the proprietary fund is well diversified across various industries and sectors. Diversification across so many industries is the first defence in the face of market risk.
- **Fundamentals based Stock Selection for the Proprietary Portfolio (PP):** The second line of defence against market risk is to practice stock selection based on fundamentals. It can be assumed that fundamentally based issues that are valued at a fair level have lesser possibility of severe losses than the junk issues.
- **Client Diversification:** As per SEC rules, BEIL follows a cap on single client exposure. No client is given a margin loan in excess of BDT 10 crore. Again BEIL maintains a list of approved securities within which clients must invest. Both these steps minimize the level of credit risk to which BEIL is exposed to at any given time.

Operational Risk

Operational Risk is a form of risk that summarizes the risks a company or firm encounters when it attempts to operate within a given field or industry. Operational Risk is the risk of losses that will be incurred directly or indirectly due to an event or action causing the failure of technology, processes, infrastructure, personnel, unauthorized activities, non-compliance of regulatory or corporate governance, failure to meet internal processes and other risks having an operational impact. Common sources of operational risks are:

- Operational errors
- Changes in statutory requirements
- Technological obsolescence
- Turnover of trained staff
- Money laundering
- Late or incorrect payments
- Inadequate or incorrect documentation.
- Natural disasters, fire, theft

Managing Operational Risk

In order to be better equipped for managing the various operational risks in a comprehensive way, there is an undeniable necessity of a well-documented manual. To cater to this need and based on the timely advice of the Board, considerable progress has been made to prepare an Enterprise Risk Management (ERM) manual, which we believe will be the first of its kind for a capital market institution in the country. Suitable internal control measures are in place at BEIL, to address operational risks. BEIL has also established a Risk Management & Compliance Department to address operational risks and to frame and implement policies to encounter such risks. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and management, or from external events. BEIL's operational risk management aims to minimize unexpected and ruinous losses and to manage expected losses. The Risk Management & Compliance Department also develops policies, processes and procedures for managing operational risk in all of the company products, activities, processes and systems by identifying and assessing the risks inherent in operations.

Risk control and measurement techniques taken by BEIL are as follows:

- The Risk Management & Compliance Department undertakes periodic and on demand audit to review the operation and compliance to statutory requirements
- Suitable delegated authority level
- Maintenance of assets through maintenance agreement with vendor
- Proper risk transfer measures by taking appropriate insurance coverage for all assets of the Company
- Infusing organizational values and ethics in employees
- Strict compliance of Employees Code of Conduct
- Building favourable working environment for the staff

BEIL's business and operational processes are largely dependent on the IT infrastructure and associated systems. To ensure smooth functioning of these processes a strong IT risk management framework is in place to deal with major threats.

Following are the key measures adopted to minimize risk exposure:

- Implementation of proper data backup system
- Regular upgrading of hardware and software to keep it up to state-of-the-art level
- Regular preventive maintenance for server boxes, server systems and other critical network equipment
- Frequent maintenance and health-checks to ensure network quality and security
- Ensuring security related patches, hot fixes, anti-virus updates, and other updates are applied to the designated boxes on time
- In-house IT expertise to carry out primary trouble shooting to reduce down-time
- Enforcement of strict SLA (Service Level Agreement) with third party application providers to minimize system down time
- Reviewing health check reports and signalling early warnings for proactive action

Business Risk Management

BEIL's Investment Banking Division (IBD) provides Issue Management & Corporate Advisory services to its clients along with underwriting services. While rendering these services IBD faces certain risks associated with its business processes. Correctly identifying and addressing these risks is critical for the IBD.

Market Risk

Market risks such as high inflation rates, exchange rate fluctuation, and interest rates go hand in hand with any investment. As such, the value of investments may decline over a given time period simply because of economic changes or other events which impact large portion of the market. Asset allocation and diversification can protect against market risk because different portion of the market tend to underperform at different times.

a) Global - Though the world is on a road to recovery from the global recession, the developed world is still suffering from high levels of unemployment, slow growth and investment protectionism. Bangladesh has been quite resilient to such negative shocks; however, it has been affected indirectly by remittances, foreign inflow of income by overseas workers, which is one of the crucial drivers of the economy. The health of the global economy has been negatively affected and major shortfall in FDI and development loans from international donors such as the World Bank, IMF etc. are further slowing down infrastructure and power projects.

Mitigation: In order to stay healthy in the midst of the global recession, BEIL has targeted markets which have remained resilient throughout the slowdown. The Investment Banking team has completed cross-border deals with multinational and foreign companies with strong fundamentals. They have also served clients in the local markets with strong revenue potential, conservative cost structure, and macro development driven vehicles for the economy. This is what drives sustainable growth for BEIL Investment Banking services; we hand-pick our clients, sectors, markets, people and processes which are built to last. We partner with companies that look forward to stable and durable growth.

b) Local - Business demand is directly affected by macroeconomic factors such as output, current account balance, asset valuation, foreign exchange rates, health of the banking system and its ability to lend, etc. Currently, Bangladesh is in the midst of a correction in its equity capital markets. Therefore, the appetite of clients for one of our key investment banking services such as raising capital through equity by issuing initial public offerings has gone down. On the other hand, there has been a rise in corporate advisory solutions or services rendered by investment banks as companies are more cautious and plan their business expansions once the equity market begins to accumulate growth again.

Mitigation: Bangladesh has been recognized as “The Next 11” by Goldman Sachs Asset Management. As one of the top investment destinations in the global arena among frontier markets, Bangladesh continues to deliver robust GDP growth year over year. BEIL believes BRICs along with frontier markets will account for 60% of worldwide growth in the future. Secondly, Bangladesh’s immense population growth and demographics of a young labour force will continue to drive domestic production and export competitiveness abroad. Most importantly, the growing middle class, their income growth, spending power and living standards will fuel domestic consumption and growth prospects. Bangladesh is well positioned to achieve continuous growth in the coming years. However, whatever the growth trajectory of the nation, we are present to serve the country’s corporate leaders and their need for capital to grow their business in a healthy and stable manner.

Liquidity Risk

Liquidity risk pertains to issue of liquidity in the banking system in Bangladesh. This is by far the largest risk that is affecting businesses and their future growth across the country. The nation has experienced a cycle of oversupply of money to a credit crunch in the past year. In order to combat inflationary pressures, the government raised CRR to tame banks’ aggressive exposure to the equity capital markets and the real-estate market. One is highly volatile and the other highly liquid and both have reached their peak in the recent years. This is detrimental to expansion, start-up, and investment plans of clients who are looking for growth by raising capital.

Mitigation: If the overall banking system faces liquidity crisis, it is difficult for investment banks to overcome the crisis. However, as a leading investment bank in the country, we try to arrange the financial resources from diversified sources. Besides the local banking channel, BEIL has access to funds from foreign lenders, i.e. DEG, FMO, NORFUND etc. We are also able to partner with international investment banks, e.g. Merrill Lynch, Barclays Capital, and foreign funds to provide equity support required for establishment of new projects or expansion of businesses.

Inflation Risk

Inflation risk directly affects purchasing power of businesses across Bangladesh. It forces businesses to be cautionary with costs and make most of its profits as it increases cost of capital as well as cost of production. For an investment bank, however, it creates uncertainty in timing investment solutions for its clients and in predicting the markets, raising capital, strategizing investment schedules, etc.

Mitigation: We provide customized fund raising solution for our clients as per their requirement. We design the transaction structure for individual clients in such a fashion so that the cost of capital for the client is minimal. If the inflationary pressure results in liquidity crunch in the local banking system, we can arrange the funds with low cost from foreign sources. Besides this, we do a trend analysis of the macroeconomic factors which may affect the business to be able to take precautionary steps and thus advise our clients.

Regulatory Risk

Regulatory risks pose a major threat to investment banking activities in this country. Especially after the correction in the capital markets, the Bangladeshi people have lost confidence in the healthy functioning of capital markets. Regulatory bodies have therefore become strictly conservative and overly cautious in designing consequent rules and regulations to police merchant banks and their activities. Recent restrictions on Book Building method has slowed down the business of Investment Banking.

Mitigation: As for the regulations of the capital market, the regulators along with the participants of the capital market are trying to develop the rules, regulations and Acts to protect the investors of the market. Bangladesh capital market has been facing rapid growth over the past couple of years and emerging as a frontier market which has attracted foreign investments. However, being a major participant of the capital market as an investment bank, BEIL is always cooperative with the regulators in an effort to develop the regulatory system, in order to drive the growth of the capital market. Government has already taken initiative to reform the regulatory system to restore investors' confidence and sustain the growth. We also believe that the government is taking appropriate measures to support the growth of the Capital Market.

2. Organizational Profile

2.1 Name of the Organization

BRAC EPL Investments Limited

2.2 Products & Services

BEIL's main products and services are-

Investment Banking

- ❖ IPO & RPO
- ❖ Rights Issue
- ❖ Corporate Advisory
- ❖ Underwriting
- ❖ Capital Raising & Private Equity

Structured Finance

- ❖ Loan Syndication
- ❖ Bond & Convertibles
- ❖ Private Equity
- ❖ Merger & Acquisition

Portfolio Management

- ❖ Cap Edge
- ❖ Managed Cap Edge
- ❖ Cap Cash

Impact Investments

- ❖ Clean Development Mechanism (CDM) Advisory Services
 - UNFCCC CDM Loan Processing
 - Project Idea Note (PIN) & Project Design Document (PDD) Development
 - Assistance with Validation
 - Registration of CDM Project with UNFCCC
 - Development & Implementation of Monitoring Plan
 - Verification & Issuance of Certified Emission Reductions (CER)s
- ❖ Carbon Asset Commercialization Services
 - Carbon Brokerage
 - Carbon Portfolio Management
- ❖ Financial Advisory Services
 - Impact Finance Advisory
 - Carbon Finance Advisory

2.3 Operational Structure

BEIL is a subsidiary of BRAC Bank Ltd. and a full-fledged merchant bank.

2.4 Office Address

BRAC EPL Investments Limited (Corporate Head Office)

House# 18, Road# 123

Gulshan, Dhaka-1212

2.5 Countries with Major Operations

Currently BEIL is operating only in Bangladesh.

2.6 Nature of Ownership and Legal Form

BEIL is a full-fledged merchant bank

2.7 Markets Served

- BRAC EPL Investments Limited (BEIL) is arguably the only merchant bank providing seamless execution capabilities from portfolio management to capital market solutions

- BEIL has 8 branches across the country with a customer base of 4,024
- BEIL has international client base from all over the world

2.8 Scale of the Reporting Organization

- Total Assets Under Management currently totals BDT 6453.24m and Deposit of BDT 4239.26m
- Total employee in 2012 was 70

2.9 Significant Changes during the Reporting Period

There has been no significant change during the reporting period of year 2012.

2.10 Awards Received in the Reporting Period

In year 2012, BEIL did not receive award of any kind.

3. Report Parameters

Report Profile

3.1 Reporting Period

Reporting period is for year 2012 for all the information.

3.2 Date of Previous Report

BEIL published the first Sustainability Report in 2011.

3.3 Reporting Cycle

BEIL plans to publish SR every year with the same cycle of Annual Report.

3.4 Contact Point for Queries

We welcome and appreciate queries regarding our Sustainability Report. We believe this will help us flourish our report in future. One may send an email to following contact person:

Fahmida Haque Tithye

Executive

CEO's Office & Risk Management & Compliance

Email: fahmida.haque@bracepl.com

Report Scope and Boundary

3.5 Boundaries of the Report

This report intends to provide a precise, fair and transparent account of our business, in a form that enables stakeholders to understand our industry and the social and economic impact. This report provides a detailed summary of the sustainability performance and practices of BEIL and its consolidated operating businesses. BEIL is a subsidiary of BRAC Bank Ltd. and shares many of the same fundamentals in its business operations. In our first SR report we have reported mostly on the corporate head office in terms of environmental aspects as data was not available for the regional offices of BEIL. But in our second report we have used entire BEIL's data and attempted to identify all range of materials covering aspects of economic, social, and environmental impacts to assess our existing operating standard. This has also helped us recognize the overlooked factors that we may not be measuring or

monitoring. We are already in the process of implementing monitoring tools to address these issues. BEIL plans to extend the boundary to cover the value chain both upstream and downstream eventually.

3.6 Data Measurement Techniques

The data has been collected from respective departments on related indicators through, face to face interview, questionnaire and survey. All quantitative and qualitative data have been provided from office record of respective departments. The calculations have been made based on internationally recognized standards and procedures mentioned in footnote.

3.7 Restatements of Information

This report contains a restatement of information relating to BEIL's major financial indicators and environmental data. Some of the data has been calculated and converted to yearly data due to nature of the available information.

3.8 GRI Index

This report is structured by GRI indicator. The indicators appear in the order given in the GRI's G3.1 Sustainability Reporting Guidelines. The GRI Index is shown on **pages 45-48** of this Report.

3.9 External Assurance

External report assurance was not sought for this report.

4. Governance, Commitments & Engagement

4.1 Governance Structure of the Organization

Corporate Governance in BRAC EPL Investments Limited

Corporate governance is the structured process through which an organization is directed, controlled and held accountable in the best interests of all stakeholders. BRAC EPL Investments Limited considers good corporate governance to be the cornerstone of a well-managed organization. Good corporate governance does not only amount to timely reporting and greater transparency but is denoted by the composition of the board, decision-making powers and the setting of the internal culture of the organization. The establishment and endorsement of such governance is piloted by a highly qualified and independent Board and a veteran management team. The maintenance of good and sustainable corporate governance practices has been a priority of the Board of BRAC EPL Investments Limited from initiation. The Board and Management Team also ensure maintaining of compliance with all local laws and regulation prevailing in Bangladesh.

Board of Directors

Composition

BRAC EPL Investments Limited has complied as per the corporate governance guidelines issued by Bangladesh Securities and Exchange Commission (BSEC) dated 07-Aug-2012; that at least 1(one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company. The Board of BEIL comprises of seven directors who possess a wide range of experience both locally and internationally in financial services. Of the seven, four are nominee directors of BRAC Bank Limited; one a nominee director from BRAC; and two individual shareholding directors. This number is suitable for the current range of operations of the Company. Each of our Directors brings specific expertise, knowledge and insight to ensure the Board performs effectively in all areas.

Board Meetings

The Board meets once every calendar month to discuss operational and strategic issues based on management requirement, macro and micro economic changes and market conditions. Consequently, agendas for every meeting are set well in advance with items proposed by the Chief Executive Officer (CEO) and senior management to ensure each Board member is adequately conversant with each issue at the time of the meeting. Board Members are free to recommend inclusion of any matter in the agendas for discussion. The Company Secretary attends all Board Meetings to ensure all relevant regulations and internal policies regarding the conduct of Board Meetings are complied. Other departmental heads and senior management are invited to attend Board Meetings where agendas related to their work are discussed. The Chief Executive Officer makes a detailed business and operational presentation at the end of each Board Meeting to update the Board Members on performance, changes in business conditions, changes in human resources and other operational matters. Such presentations also aim to involve the Board in the fast changing landscape of the financial sector and capital market in Bangladesh. In compliance with the corporate governance guidelines issued by Bangladesh Securities and Exchange Commission (BSEC) dated 07-Aug-2012, the Board meeting minutes of BEIL is reviewed during/at the holding company's Board meeting.

Board's Responsibility

The Board's primary objective is to define and maintain the strategic objectives of the company and to provide leadership. Specific responsibilities include approving all information to be provided to shareholders, monitoring periodic financial performance, approving financial statements and budgets and reviewing all operational and risk related policies. The Board further delegates authority to specialized committees to undertake detailed monitoring, advisory and oversight of tasks such as financial audit, risk management, internal controls, credit controls and approvals of business proposals.

Role of the Chairman

The Chairman plays a pivotal role in the determination of strategy, its implementation and its attainment. The Chairman is also responsible for setting up the Board and ensuring its effectiveness in governing the activities of the company. He however has no engagement in the day to day running of the business.

Role of the Chief Executive Officer (CEO)

The CEO is responsible for running the day to day activities of the company and implementation of the strategy set by the Board. He maintains direct control over all policies and activities and is accountable to the Board for performance.

Management Committee

A number of committees operate within the organization under the supervision of the Chief Executive Officer who have specific delegated tasks and report back on specific issues. The committees are:

- I. **MANCOM-** The Management Committee is the company's permanent collegiate executive body, which presently has 12 members comprising all departmental heads. With the CEO in the chair, the committee periodically inspects the activities and performance of various departments and the company as a whole. The MANCOM also discusses/reviews many issues pertinent to smooth functioning of the company and takes decisions accordingly. The members of the Management Committee are:
 - 1) Chief Executive Officer
 - 2) Head of Corporate & Institutional Banking
 - 3) Head of Portfolio Management
 - 4) Head of Impact Investments
 - 5) Head of Structured Finance

- 6) Head of Financial Reporting & Company Secretary
- 7) Head of Budgeting, Strategic Planning & Operations
- 8) Head of Risk Management & Compliance
- 9) Head of Human Resources
- 10) Head of Administration
- 11) Head of Research
- 12) Head of Information Technology

- II. **Enterprise Risk Management Committee-** The purpose of the Enterprise Risk Management Committee is to have overall responsibility for establishing a strategic approach to risk management across the organization, ensuring that the approach is pro-active. The Committee is also responsible for the overall co-ordination of risk management activity.
- III. **Investment Committee-** This committee meets and decides all transactions which are to be carried out on the Company's proprietary portfolio account. The committee reviews short to long term investment plans based on research generated internally and considers buy/sale proposals before placing them to the Chief Executive Officer for approval. The members are:
 - 1) Chief Executive Officer
 - 2) Head of Portfolio Management
 - 3) Head of Financial Reporting & Company Secretary
 - 4) Head of Risk Management & Compliance
 - 5) Head of Research

In addition, due consultative process is followed to address wide ranging issues particularly related to, treasury functions, investments and valuation.

Directors' Remuneration

The Directors of the company do not get any performance based remuneration or incentives. They only receive fees for attending Board Meetings.

Internal Control

The Company's internal control systems are intended to secure reasonable assurance that assets are safeguarded against unauthorized use, transactions are authorized and properly recorded and risks are managed to reduce the probability of failure in achieving the business objectives. The internal control systems are designed to address all business risks, including financial, operational and strategic risks. Major elements of the control environment of the company are as follows:

- Regular Board meeting with comprehensive agenda dealing with all major aspects of business.
- Regular Management Committee meeting with specific issues relating to operation of the Company.
- An effective management structure and a proper delegation of authority with job descriptions for each division and section.
- Defined operating guidelines and procedures with authorization limits set for different levels.
- A Risk Management & Compliance department reporting to the Board through CEO on compliance of procedures and authority limits.
- A comprehensive annual budgetary system with provisions for regular review.
- Accounting and operational manuals.
- A comprehensive financial reporting system including actual performance compared with budget.

- Review and analysis of fund position on daily basis.
- Well defined policies relating to personnel issues.

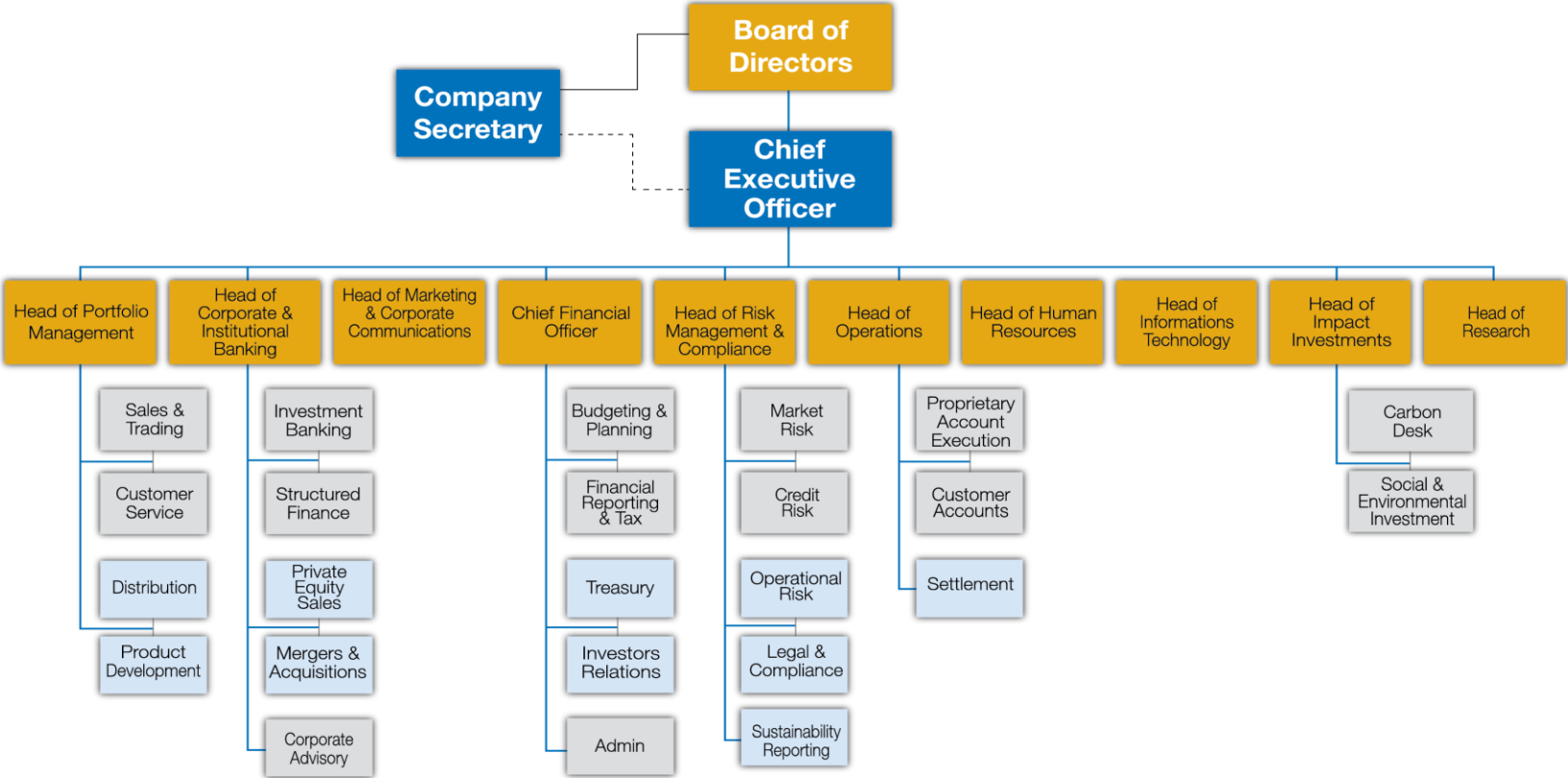
Internal Audit

The internal audit findings, along with audit recommendations and responses from respective departments, are submitted to the Board on a quarterly basis. The report covers matters relating to risk assessment, audit charter and related audit plans, results of internal audit activities and matters deemed necessary. Internal audit functions are being developed to ensure and improve quality within all fields of the organization. Furthermore, in compliance with the corporate governance guidelines issued by the Bangladesh Securities and Exchange Commission (BSEC) dated 07-Aug-2012, the Financial Statements of BEIL is reviewed by the Audit Committee of the holding company.

Appointment of External Auditors

The Auditor is appointed by the shareholders at the Annual General Meeting. Based on the proposal of the Board and Management, Hoda Vasi Chowdhury & Co. were appointed as auditors for the year ended 31st December 2012 by the shareholders.

Organogram of BRAC EPL Investments Limited



4.2 Chair of the Highest Governance Body

Muhammad A. (Rume) Ali, Chairman

4.3 Independent Members of Highest Governance Body

See 4.1

4.4 Shareholders and Employees Input to the Highest Governance Body

Shareholders input see 4.16 (Shareholder Engagement). Employee input is communicated to the highest governance body through Town Hall Meetings.

4.5 Compensation Link to Performance for Highest Governance Body

There is no compensation link observed with performance for highest governance body. At BEIL the Directors of the company do not get any performance based remuneration or incentives. They only receive fees for attending Board Meetings.

4.6 Conflicts of Interest Avoidance

As stated in the BEIL's principles the following three are the guiding principles for all levels of operations to assist with conflicts of interest avoidance:

- Being the employer choice through equal opportunity, development and empowerment of our people.
- Practicing the highest ethical standards in all our dealings through an honest, open and enabling organizational culture.
- Zero tolerance in breach of compliance, regulatory requirements and laws of the land.

4.7 Highest Governance Body Qualifications



Muhammad A. (Rume) Ali
Chairman

Muhammad A. (Rume) Ali joined the Board of **BRAC Bank** in 2007 and was elected the Chairman in 2008, taking over from the Founder Chairman Sir. Fazle Hasan Abed. He is the **Managing Director, Enterprises of BRAC** and also a Director of **Delta Brac Housing Finance Corporation Limited, BRAC Karnofuli Tea Company Ltd., BRAC Kayachora Tea Company Ltd., BRAC Bashkhali Tea Company Ltd., BRAC Kodala Tea Estate, BRAC Services Limited (BRAC Centre Inn)**. He was elected the **Chairman of BRAC EPL Investments Limited and BRAC EPL Stock Brokerage Limited in 2009 and BRAC Saajan Exchange Ltd** in 2011 after BRAC Bank Limited's acquisition of these companies. Apart from these, he is also the **Chairman of b-Kash Limited and BRAC IT Services Limited,**.

Rume Ali served at different levels in local and international banking sectors. Prior to joining BRAC in 2007, he served as the **Deputy Governor of Bangladesh Bank** from 2002 to 2006 and was responsible for Supervision, Anti Money Laundering, Information Technology, Bangladesh Bank Training Academy and Credit Information Bureau. During this period he was also the Project Director of the Central Bank strengthening Project and the Chief Coordinator of Focus Groups on Risk Management Guidelines which initiated major regulatory reforms, particularly in the Risk Management area.

With his appointment as **Country Head and General Manager of ANZ Grindlays** in March 1997, Rume Ali became the first Bangladeshi to head a major international bank in Bangladesh. In July 2000, following the takeover of ANZ Grindlays by Standard Chartered Bank, Rume Ali was appointed the **CEO of the Standard Chartered Group** in

Bangladesh, heading both Standard Chartered Bank and Standard Chartered Grindlays Bank. His banking experience includes stints in India, United Kingdom and Australia. Rume Ali was elected a **Fellow of the Institute of Bankers, Bangladesh**, in 2001. At present, he is the **Vice Chairman of Bangladesh Association of Banks**.

Rume Ali is director on the boards of several organizations including **The CSR Center, International Centre for Study of Bengal Art**, member of the **Global Steering Committees of the 'Performance Based Grants Initiative' of the International Finance Corporation, Washington DC** and with the **Global Alliance on Banking on Values (GABV)**, member of the Technical Advisory Committee of the **Bangladesh Investment Climate Fund**. He served as a member of the **Better Business Forum**, was the **Vice President of the Employers Federation** and was member of the Governing Body of **PKSF** (2002-07). He also served as a member of the National Advisory Committee on Small & Medium Enterprises (2005/6) and served as a member of the Committee on Strategic Policy Review of Small & Medium Enterprises Foundation. He was the **Chairman of the National Task Force on Anti Money Laundering** constituted by the Ministry of Finance (2002-06), member **Bangladesh Computer Council** (2004-06), **Institute of Bankers, Bangladesh** and participated as a member of Bangladesh Team in PRGF negotiations with IMF/World Bank (2003-06).

He received a number of awards including C. R. Das Research Council Gold Medal for 'Banker of the year 1995', Atish Dipanker Award for Banking - 2000, 'CEO of the Year -2000' by Junior Chamber International, Bangladesh and Sorojini Naidu Award for Banking 2008.

Rume Ali was born in Dhaka, Bangladesh in 1951. He has a Masters in Economics from University of Dhaka.



Saiful Islam
Vice Chairman

Saiful Islam is the Vice Chairman of BRAC EPL Investments Ltd., and the Former Senior Vice President of the Dhaka Stock Exchange (DSE). He was also Senior Vice President and Chief Operating Officer of Union Capital Limited (UCL), a brokerage house, merchant bank and leasing company in Bangladesh. Prior to UCL, Islam was the Head of Operations of Peregrine Capital Limited (PCL), Bangladesh Branch Office, Manager, Securities Operations of PCL and Manager, Settlements and Client Services, Custodial Services of Standard Chartered Bank, Bangladesh. He has over 17 years of global and local experience in key business and supporting roles.



Syed Mahbubur Rahman
Director

Syed Mahbubur Rahman, Managing Director & CEO of BRAC Bank Limited has been in this position since May 2010. Before that he served as Deputy Managing Director of the bank.

Prior to joining BRAC bank limited, he served with Prime Bank Limited as Deputy Managing Director. He also worked with IDLC Finance Limited, Standard Chartered Bank, ANZ Grindlays Bank and Citibank, NA in different capacities. He started his career in Saudi Bangladesh Agricultural and Industrial Investment Co. (SABINCO).

Besides being the Managing Director & CEO of BRAC Bank Limited, he is also the Director of BRAC EPL Investments Limited, BRAC EPL Stock Brokerage Limited, Industrial and Infrastructure Development Finance Company Limited (IIDFC) and Dun and Bradstreet Bangladesh Ltd. He has 22 years of experience in Banking and Financial Institutions. During his banking career, he attended numerous trainings, seminars and workshops on different aspects of banking held in the country and abroad.

Syed Mahbubur Rahman obtained MBA from Institution of Business Administration, University of Dhaka. He was also a theater activist and took part in many plays.



Nabil M. Rahman
Director

Nabil Mustafizur Rahman joined BRAC Bank Limited in January 2009 as Chief Credit Officer. After graduating from IBA. He joined Joyful Miles Ltd. in Hong Kong. He is an experienced Management Executive with a proven track record of success within Corporate, SME & Consumer Banking and is well versed in Islamic banking models.

In his 20 years' career, he worked in different roles in AB Bank, IPDC, HSBC, Credit Agricole Indosuez, ANZ Grindlays Bank and Beximco Group. He took part in both the asset and liability side of the balance sheet ranging from Corporate to Retails. He also attended various training courses and participated in seminars and workshops on aspects of banking and strategic leadership both locally and abroad.

He manages a diverse, experienced and a large team of professionals, who serve over 2 lacs lending customers. He has 20 years of working experience both in the Banking industry and the Commercial sector. He obtained his MBA from Institute of Business Administration (IBA), University of Dhaka.



Nanda Dulal Saha
Director

Mr. Nanda Dulal Saha FCA is the Director of BRAC EPL Investments Limited. He has been appointed to the Board in 2009.

Nanda Dulal Saha is a Fellow member of the Institute of Chartered Accountants of Bangladesh and a member of the Institute of Internal Auditors (IIA), USA and IIA Bangladesh. He is also a member of the Information Systems Audit and Control Association (ISACA), USA and ISACA Dhaka, Bangladesh Chapter. He has been nominated as Director-Membership of the ISACA Dhaka, Bangladesh Chapter for the period 2011-2013.

Nanda Dulal Saha, is currently serving as Director of Internal Audit of BRAC and BRAC International, the largest Non-Governmental Humanitarian Organization (NGO) in the world. He achieved BRAC Values Award in 2012.

Before joining BRAC, Nanda Dulal Saha worked with Rahman Rahman Huq, Chartered Accountants, a member firm of KPMG International which is one of the "big 4" Accounting Firms in the world, in Audit and Assurance Services for about four and half years.

Nanda Dulal Saha is currently member of Technical and Research Committee, Quality Assurance Board, Professional Development Committee, SAFA, CAFA & International Affairs Committee, Committee on Professional Accountants in Business and Information & Communication Committee of the Institute of Chartered Accountants of Bangladesh. He was also member of the Review Committee for Best Published Accounts and Reports of the same Institute.

He has altogether more than eleven years of working experience in internal control system, assurance, accounting, compliance management, risk management services, tax matters and legal affairs.

Nanda Dulal Saha participated in good number of professional training, seminar, workshops, symposium etc. in home and abroad. He has traveled different countries including Uganda, Tanzania, South Sudan, Liberia, Sierra Leone, Sri Lanka, Pakistan, and Malaysia in connection with the profession.

Academically he completed his Honours and Masters in Accounting from National University.



Mark Michael Reinecke
Director

Mark Michael Reinecke is Ex-Managing Director of Equity Partners Limited. He was the former Managing Director of Indosuez W.I. Carr Securities for Thailand, Indonesia, and the Philippines, and, prior to that, was the Senior Vice President of Asset Plus Securities Company Limited, the leading local merchant bank in Thailand. Reinecke has over 20 years of experience as an international stockbroker in Asia, who started his career with Barings

Securities. Mark Reinecke was educated in Law at London School of Economics (LSE), with a specialty in Islamic Law from the School of Oriental and African Studies (SOAS).



Dr. Hafiz G. A. Siddiqi
Director

Educated in Bangladesh, United Kingdom, United States and Switzerland, Dr. Siddiqi has more than 40 years of experience as Professor, Researcher, International Consultant and business executive. He was Vice-chancellor (CEO) of North South University. Before joining NSU in 1993 Dr. Siddiqi served the Institute of Business Administration (IBA), University of

Dhaka for about 20 years in various capacities including Professor and its Director. Besides, he taught for more than eight years at two US Universities, namely, Ohio State University and Minnesota State University as Professor of International Business and Management. He was founder Dean of School of Business and Pro-Vice Chancellor of North South University (NSU). Professor Siddiqi has been working for NSU since 1993 and leading the University as its Chief Executive Officer/Vice Chancellor for about 12 years.

Dr. Siddiqi obtained his PhD from Manchester Business School, University of Manchester, Manchester, United Kingdom, MBA from Graduate School of Business, Indiana University, Bloomington, Indiana, USA, MPIA (Master of Public and International Affairs) from Graduate School of Public and International Affairs, University of Pittsburgh, Pennsylvania, USA, MA (Economics) from University of Dhaka, and B A (Honours in Economics) from University of Dhaka.

Dr. Siddiqi worked as International Consultant to (1) World Bank, (2) Asian Development Bank, Manila, (3) UN/ESCAP, Bangkok, (4) International Trade Centre, GATT /UNCTAD, Geneva, (5) University of Illinois, Urbana -Champaign, USA, and (6) University of Wisconsin, Platteville, Wisconsin, USA. He advised many agencies of the Government of Bangladesh on various aspects relating to management development, marketing, performance evaluation, human resource development, Globalization, Technology transfer, etc. Dr. Siddiqi is author/co-author of 12 books, and published many articles. His latest book is "The Readymade Garment Industry of Bangladesh" published by University Press Ltd. Dhaka, in 2004.



Khaled Yusuf Farazi
Chief Executive Officer

Khaled Farazi joined BRAC EPL Investments Limited as Chief Executive Officer in October 2009. He is a very well known professional in the field of corporate finance and capital markets in Bangladesh, having more than a decade of experience in debt arrangement and financial management. Prior to joining BRAC EPL, he worked at Standard Chartered Capital Markets for seven years with particular focus on Syndication and Project Finance across

various sectors including power, telecom, manufacturing, micro-finance, textile, refineries, food and beverage and agro-based industries.

Khaled Farazi also has significant exposure to the corporate world in the United Kingdom, having worked at the prestigious Holland and Holland Limited as the Sales and Credit Controller. He also has financial management experience in several UK based companies such as Tsunami (UK) Limited, European Design Center Limited and North London Fabric Warehouse Limited.

He is elected Executive Committee Member of Bangladesh Merchant Bankers Association (BMBA), a platform of the merchant banks of Bangladesh.

Khaled Farazi is the pioneer in introducing innovative products in the debt and capital markets in Bangladesh and has received several awards in recognition of it. He received the SCB SPOT award for arranging the largest ever Debt Syndication (USD 330 Million) in the private sector for Orascom Telecom Bangladesh Limited in 2006. In addition, he received SCB CEO's Award for arranging a sovereign guaranteed backed syndicated loan of USD 250 million for Bangladesh Petroleum Corporation. He has done first ever Initial Public Offering through book building method for RAK Ceramics Limited and largest ever Right Issue for Lafarge Cement. As a team Leader, he has closed, 7 ECA Backed USD Loan Syndication, 5 DFI backed USD Loan Syndication, 1 sovereign guaranteed backed USD syndication, 22 Local Currency Syndication, 14 Corporate Advisory (including balance sheet restructuring), 9 issue Management, 2 Private Equity, 6 M&A transaction and 2 Structured Trade Finance transactions. He has raised over USD 2.5 Billion for various Bangladeshi Clients through these transactions.

Khaled Farazi has also been accredited for several professional trainings and examinations including Financial Institutions Director Education Program, Malaysia, Credit Skills Assessment (Standard Chartered Bank), Being a Talented Manager, Indonesia, Leveraging Business Strategy, Thailand, Leveraging Business Excellence, India and Personal Development Management Course, UK.

Khaled Farazi graduated with BA (Honors) in Accounting and Business from London Guildhall University, UK and received his MBA in Finance from Oxford Brookes University, UK

4.8 Mission Statement and Codes of Conduct

VISION

BRAC EPL Investments Limited aims to provide innovative, pioneering and world-class sustainable investment banking solutions including creation of access to capital markets for individual investors and social enterprises.

Business Principles

- Taking pride in the fact that we are a member of the BRAC family.
- Maximizing profit while ensuring optimum values for our stakeholders.
- Business policies, process and people which enable sustainable business growth for our customers.

- Being the employer of choice through equal opportunity, development and empowerment of our people.
- Practicing the highest ethical standards in all our dealings through an honest, open and enabling organization culture.
- Zero tolerance in breach of compliance, regulatory requirements and laws of the land.
- Being sensitive to social and environmental needs.
- Taking lessons from global markets in terms of innovation, knowledge and best practices for building an internationally reputed institution.

Corporate Strategy

- Take leadership roles in the industry, offer innovative products and services and consistently outperform competitors.
- To become the leading investment bank in Bangladesh with appropriate guidance and best technical assistance.
- Increase the outreach of capital market benefits by providing access to small investors with appropriate guidance and best technical assistance.
- Extend a range of pioneering, innovative and diversified capital market solutions for institutions.
- Leverage the brand to an optimum level.
- Analyze the risk matrix and be prepared for adverse market scenarios.
- Define parameters in line with business risks; develop comprehensive operation manuals to ensure a strict culture of compliance.
- Forge and nurture unparalleled relationships with clients and regulators.
- Establish strong relationships with all stakeholders.
- Nurture and implement a performance driver corporate culture.
- Set smart, ambitious and attainable financial targets.
- Define clear objectives for each employee aligned with the overall business strategy.
- Identify and recognize individual talent to ensure appropriate allocation of human capital within the organization.

4.9 Highest Governance Body to Performance Oversight

See 4.1

4.10 Highest Governance Body to Performance Evaluation

See 4.1

4.11 Precautionary Approach

The Risk Management Committee is responsible for reviewing policies related to risk, but it is the responsibility of the Chief Executive Officer and senior management to determine the appropriate level of risk and take necessary steps to mitigate.

4.12 Endorsement of Externally Developed Principles

BEIL currently do not have any endorsement of externally developed principles.

4.13 Significant Association Memberships

At this moment BEIL has no significant membership or affiliation with environmental or social associations.

4.14 List of Stakeholders

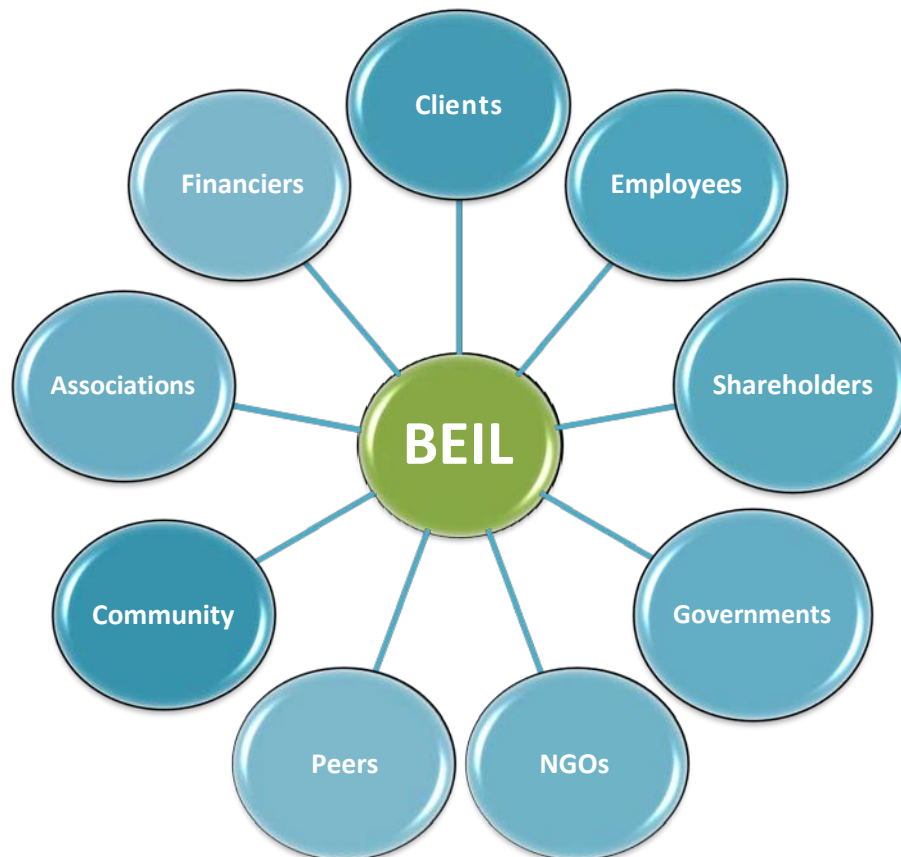


Figure 2: List of Stakeholders

4.15 Stakeholder Identification and Selection Process

Stakeholder identification and selection has been made by analyzing the level of involvement of each group of people with BEIL. The analysis has been performed by reviewing the type of services we are providing, the target audience, influencers, business operation factors and other considerations of BEIL's day to day activities.

4.16 Stakeholder Engagement

❖ **Clients**

Clients' engagement with BEIL is considered to be very vital, as similar to many other forward looking organizations. Our motto is not only to make profit but also to reflect on the impact of each client's business outcome to the society. Therefore, BEIL treats each customer very seriously and from time to time we customize our services in order to create a positive impact. Through the report our clients will have a greater understanding about our core business practices and will have greater trust in our company as it shows the improved strategy and management systems.

❖ **Employees**

There are 70 full time employees at BEIL engaged in contributing towards the vision of the organization. We believe our people are our change agent. Our business principal reflects on addressing the importance of a fair workplace. Employees are entitled to discretionary bonus based on the company's performance along with other facilities. We believe that SR will assist us in creating a bridge between BEIL & the employees and increase employee morale.

❖ **Shareholders**

Shareholders are one of the primary concerns of BEIL. Every year a Director's report is published addressing various issues that might impact our shareholders. Shareholders elect each members of the Board of Directors, which in turn appoint its Chairman, at least one Vice Chairman and the members of its various committees. As per The companies Act 1994, the Directors prepare the financial statements to present before the shareholders on each Annual General Meeting. The Board of Directors is appointed to act for and on behalf of the shareholders, to oversee the day to day business affairs. Through the SR shareholders will be able to see the risk reduction both in operational and reputational level.

❖ **Governments**

BEIL has begun its journey under new management in 2010 and started its operation as a full-fledged merchant bank. We are governed by the Companies Act 1994 and Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Regulations Act 1996. Our research team is actively involved in tracking changes and new developments of related Government laws and regulations that might affect our business. Our legal and compliance department undertakes periodic and on demand audit to review the operation and compliance of statutory requirements. One of our business principle is - Zero tolerance in breach of compliance, regulatory requirements and laws of the land. Through SR various government bodies will have a standard view point on our social and environmental side along with economic performance.

❖ **NGOs**

Being a part of the BRAC family, we have the opportunity to focus on the social needs. Therefore, the initiative to publish a sustainability report will add value and aid us in attaining our social and environmental related goals.

❖ **Peers**

We believe we are the first ever merchant bank who has started its journey with social goal integrated with its vision and business principles. We wish to pioneer in bringing positive changes in the society and encourage peer organizations to join the league.

❖ **Community**

By operating across the country in Bangladesh, BEIL is attempting to create value in the local communities by generating employment, creating access to the capital markets in regions which did not have this facility before and adding to regional economic development by spending locally. BEIL's long term commitment is to expand to further untapped regions in Bangladesh in order to bring its products and services to a greater number of people.

❖ **Associations**

At BEIL we prefer to have association with organizations, which takes social and environmental aspects into consideration along with their economic goals. This report also aims to communicate the message of these concerns to build a better sustainable world.

❖ **Financiers**

To expand and strengthen our supply chain we need to adapt non financial reporting to get access to multinational thematic funds available worldwide. Becoming a signatory member is one of the major requirements of the world renowned institutions such as IFC, ADB and many others to get concession. Being compliant with Environmental & Social Management System (ESMS) will lead us to become one of the signatory members at the same time it will help us improve investor relationship.

4.17 Key Stakeholder Issues and Concerns

After publishing the second SR, we plan to conduct continuous survey to gain an understanding of the outcome of publishing a non-financial report and how it is being perceived by the stakeholders specially the clients, employees and shareholders.

Economic

Management Approach

Creating access to the capital markets for small investors is the primary goal and vision of BEIL. Management of BEIL strives to be honest and open in all communications, whether external or internal. BEIL has taken the initiative to be one of the first entities in its industry to include GRI reporting in its annual report which is an indicator of its transparency.

Indicator- EC 1) Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.

Table 1: Direct Economic Value Generated

<u>Statement of Total Value added</u> BRAC EPL Investments Ltd For the Year ended Dec 2012 Amount In BDT						
Particulars	2012	%	2011	%	2010	%
Revenue from Continuing operat	847,124,548		812,649,661		593,193,913	
*Paid as Direct & Operating Expenses	615,243,547		629,670,757		388,577,935	
Value added	231,881,001		182,978,904		204,615,978	
Income from Investme	7,998,255		-115,070,180		125,071,984	
Total Value Created	239,879,256		67,908,724		329,687,962	
Value Distribution						
Employee Note 1	81,004,915	33.79%	46,634,414	68.67%	53,725,777	16%
<u>Capital Providers:</u>						
Finance Costs	1,066,491	0.44%	714,412	1.05%	1,139,378	
Dividend to Shareholders	-		-		90,000,000	28%
Government Note 2	13,966,317	5.83%	45,509,095	67.02%	71,469,718	22%
Communities(Corporate Social Investment)	133,538	0.06%	510,500	0.75%	-	
<u>Reinvested in the group to maintain & develop Operations:</u>						
Depreciation	21,996,587	9.18%	17,179,388	25.30%	8,572,461	3%
Retained Profit/Loss	121,551,407	50.71%	-42,639,085	-62.79%	104,780,628	32%
Deferred Taxation	-	0.00%	-	0.00%	-	-
Total Value Distributio	239,719,255	100%	67,908,724	100%	329,687,962	100%
Value added ratios:						
Number of Employees(as on Dec'10 & '11' 12')	70		83		45	
Revenue per Employee	12,101,779		9,790,960		13,182,087	
Value Created per employee	3,426,847		818,177		7,326,399	
Corporate social Investment-% of profit after Taxation	0.11%		1.20%		-	
Employer Contribution	626,867		629,275			
Note-1	Salary ,Bonuses and Allowance & Other Personnel Expenses					
Note-2	Income Tax paid to Government					
Note-3	No. of employee 70 as on 2012					

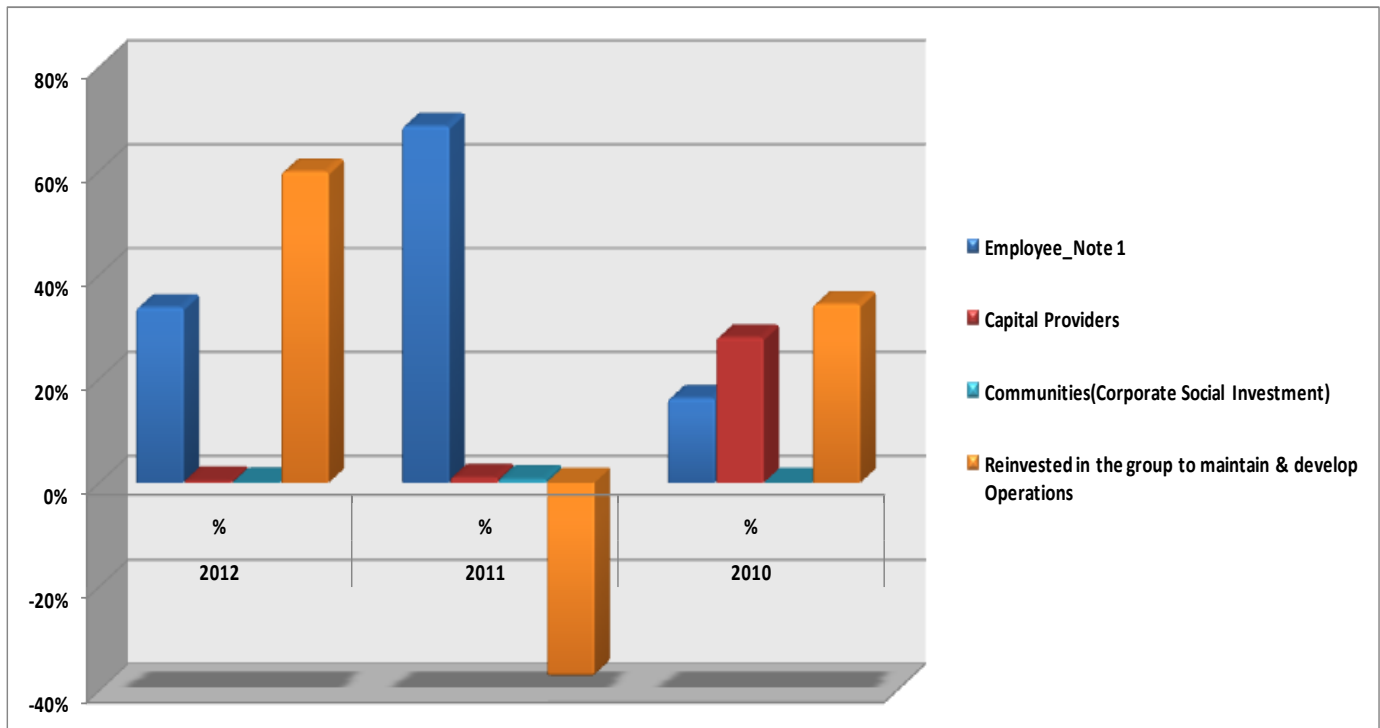


Figure 3: Economic Value Distribution

Indicator- EC 2) Financial implications, risks and opportunities of climate change.

As we are moderately exposed with the regulations and other risks related to climate change; already taken an initiative to stand against the natural calamity due to climate change, i.e. Tree Plantation Project in Manikgonj. The scope for performing business activities so far in the year 2012 has increased rapidly due to proactive anticipation regarding the climate change issue all over the business world. As the development of the Social and Environmental Management System (SEMS); BEIL have already taken initiatives to implant the enterprise risk management (ERM) to consolidate the benefits that might arise from the implementation of this system (i.e. cost savings; reduced risk; increased operational efficiency; positive external relations and public image; improved communication; greater employee stewardship; improved public relations).

Indicator- EC 3) Coverage of the organizations defined benefit plan obligations (part time and full time employees).

BEIL does not have any sort of defined benefit plan for (part time and full time employees).

Indicator- EC 4) Significant financial assistance received from government.

BEIL has not received any financial assistance of any kind from government.

Indicator- EC 5) Range of ratios of standard entry level salary by gender compared to local minimum salary at significant locations of operation.

There is no gender bias in any aspect of operation and the entry level salary is same for both female and male employees.

Indicator- EC 6) Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.

As the commitment for value creation and supporting local communities is already ensured by BRAC EPL Investments Limited through its divergent investments banking services. To support this activity employee's participation in the core operations has increased compared to year 2011. A significant aspect of this spend is remuneration for locally resident employees. The number of employees by region who benefit from employment is reflected below:

Table 2: Number of Employees by Region

Number of Employees By Region	2012	2011
Dhaka	63	74
Sylhet	3	3
Chittagong	2	2
Chowmohani	2	2
Comilla	1	1

BEIL operates its core business across the boundary of Bangladesh and always on the urge to attempt to create value in the local communities by generating employment, creating access to the capital markets in regions which did not have this facility before and adding to regional economic development by spending locally. BEIL's long term vision is to expand to further untapped regions in Bangladesh in order to bring its products and services to a greater number of people.

Environmental *Management Approach*

At BEIL, we are committed to operate in a manner that protects the environment. Our organization thrives to share best practices among our own teams to build and maintain momentum toward creating sustainable growth of our business.

Things we already do:

- Get everybody to turn off their AC, lights, computer monitor and other electronic equipments while not needed.
- We use the available technology to teleconference, online e-attendance system and leave management for paper free processing. *(Note: Online e-attendance system and leave management system is managed by Human Resources Department)*
- A high capacity central printer on every floor instead of printer on every desk. *(Note: IT department is managing all the computer related services)*
- Have procedures for the disposal of electronic equipment, old batteries and other waste.
- One photocopier for the entire office.
- We do not turn on the office lights unless we have to, the windows in our office designed to allow natural light.
- Energy saving bulbs and less carbon emitting air-conditioners have been installed at the office facility.
- Canteen facility is available with porcelain plates, cups and stainless steel utensils instead of one-time plastic ones to limit waste. Water saving taps and duel compartment flush system sanitary equipments have been installed for water conservation.

(Information shown is based on consumption of corporate office and regional offices in the year 2012)

Aspect: Materials

Indicator- EN 1) Materials used by weight or volume

Table 3: The Materials Used by Volume

Materials Used	2012
Paper (mention unit)	230 Rim (A separate head in the inventory is kept)
Lubricants (Grease & Oil)	60 Liters (As per servicing log book)
Tyres	6 Pieces (As per Invoice)
Batteries	2 Pieces (As per Invoice)

Indicator- EN 2) Percentage of materials used that are recycled input materials:

Table 4: Percentage of Materials Used that are Recycled Input Materials

Recycled Input Materials Used	2012
Paper	100% (by re-selling)
Tyres	100% (by re-selling)
PET Water Bottles	100% (By re-use and re-selling)

(Waste materials are sold to recyclers chosen by the procurement department)

Aspect: Energy

Indicator- EN 3) Direct energy consumption by primary energy source:

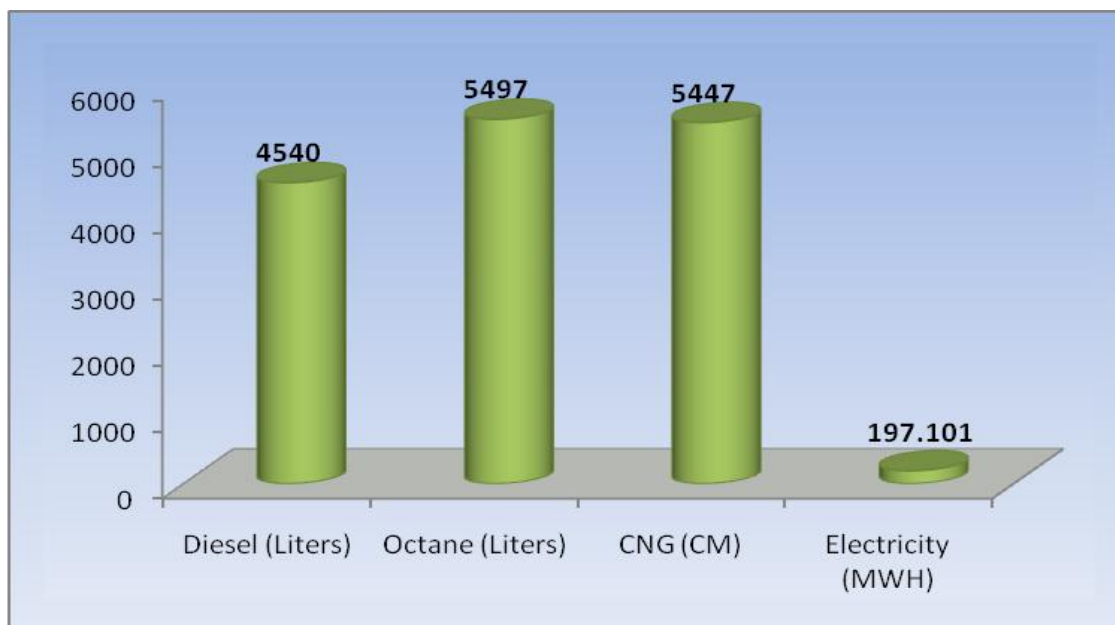


Figure 4: Direct Energy Consumption

Indicator- EN 5) Energy saved due to conservation and efficiency improvements.

The entire corporate office has been installed with split type air conditioning machines and energy savings lights

throughout the office facility. BEIL has adapted various best practices to conserve energy and efficiency improvement throughout its business functions some of the practices are stated below:

- ❖ Online e-attendance and leave system to aid paper free processing.
- ❖ Limit printing by allowing staff members to communicate via email and an established corporate culture of making decisions via office email.
- ❖ Common printing facility for central use at every floor of the office facility instead of one at every desk.
- ❖ Encourage both sides printing to reduce paper consumption.
- ❖ All monitors displays have been set to display off after 5 minutes and set for sleep mode after 30 minutes to reduce energy consumption.
- ❖ Two of the office vehicles have been converted to CNG to reduce carbon emission and cost efficiency.
- ❖ Solar panels have been installed to reduce electricity costs.

Energy Saving Approach:

The calculation has been made based on set market standards as the installation of energy efficient technologies have been adapted.

Table 5: Comparison of Energy Consumption by Energy Saving Bulbs and Traditional Bulbs

Number of Energy Saving Bulbs= 520 (23 watt equivalent to traditional 120 watt bulbs as stated on the packaging)				
<i>By Using Energy Efficient Bulbs</i>	<i>Unit</i>	<i>Hours</i>	<i>Watt</i>	<i>Total</i>
	520 Unit of Bulbs	1968 Hours/Year	23 Watt	23,537.28 KW
<i>By Using Traditional Bulbs</i>				
	520 Unit of Bulbs	1968 Hours/Year	120 watt	122,803.2 KW
<i>Saving per year</i>				<i>99,265.92 KW</i>

(Total working days in 2012 = 246 days and average 8 hours per day)

Table 6: Comparison of Energy Consumption by Split Air Conditioner and Window Air Conditioner

Number of Split Air-Conditioner= 40 (3.5 KW equivalent to 5 KW traditional window type Air-Conditioner)				
<i>By Using Split Air- Conditioner</i>	<i>Unit</i>	<i>Hours</i>	<i>Watt</i>	<i>Total</i>
	40 Units	1968 Hours/Year	3.5 KW	275,520 KW
<i>By Using Window Air-Conditioner</i>				
	40 Units	1968 Hours/Year	5 KW	393,600 KW
<i>Saving Per year</i>				<i>118,080 KW</i>

(Total working days in 2012 = 246 days and average 8 hours per day)

Indicator- EN 6) Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements because of these initiatives.

See Indicator EN 5

Indicator- EN 7) Initiatives to reduce indirect energy consumption and reductions achieved.

See Indicator EN 5

Aspect: Water

Indicator- EN 8) Total water withdrawal by source:

Table 7: Water Consumption at BEIL

2012
3901 Kilolitres

The water consumption is very insignificant amount at BEIL and all the taps and sanitary equipments have been installed that conserves water. A number of 18 toilets with dual-flush system have been installed and a number of 36 taps with faucet aerators to limit the total water flow. On average per person water use per day is 198 liters (Approx)¹.

Initiative 01- Water Saved by Water Saving Flushing System:

Water saved at BEIL per year due to installation of dual flush toilet is **118.08 Kiloliters/Year** (Aprox)²

“Replacing an 11 liter single flush toilet with a 4.5/3 liters dual flush toilet can save about 11,000 liters per year per person.”- Information has been collected from the fact sheet adapted from the City West Water “Water Conservation Solutions Handbook”, Australia.

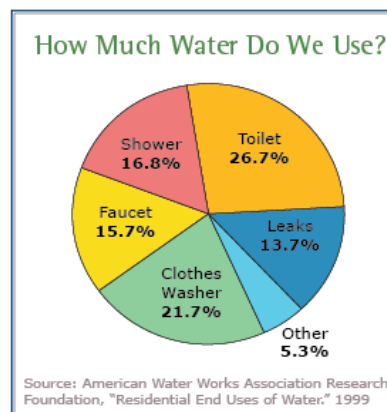


Figure 5: Residential End Uses of Water

¹ Water usage January-December 2012 = 3901 KL

Calculate water use figures per day per person

Annual water use (m3) =A	Office Work days per year (days)= I	Number of employees (annual average)= B	Water use per person per office day = (A/I)/B=J
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*Source: <http://www.green-office.org.uk/audit.php?goingto=factsheet5>

Per person water usage: (3901/246)/80 = .198 Kiloliters = 198 liters)

²

Calculation water conservation by dual flush toilets:

The frequency of toilet flushes per toilet is often greater in offices than homes, although the frequency is highly variable from facility to facility. It is reasonable to assume an average of 2 to 4 flushes per person per 8 hour shift. While it is reasonable to use average toilet usage estimates for program planning, performing toilet retrofit projections of water use on individual office facilities requires calculations based on unique site data. A sample calculation might be:

Data: 246 working days in year 2012 *

Number of user at BEIL: 70 staff members + 10 visitors

246 days X 80 user X 3 toilet flushes/day = 59,040 toilet flushes/year

59,040 flushes / 18 toilets = 3,280 **flushes/year/per toilet**

Water usage per year with traditional toilets= 3,280 flushes X 5 liters = 16,400 Liter

Water usage per year with dual flush toilets = 3,280 flushes X 3 Liters = 9,840 Liter

Water saving per year = 6,560 Liter/per toilet

Water saving per year for all toilets = 6,560 X 18 = 118,080 Liters/ year = 118.08 KL/ Year

(Process of calculation adapted from Alliance for Water Efficiency website: www.allianceforwaterefficiency.org)

Initiative 2 – Water saved by installation of low flow water faucets:

The low flow faucet aerator uses only 1.9-5.6 liters per minute (lpm). Often we use more water in our sinks than necessary. To minimize the amount of water used every day, we have in with the water saving faucet aerator. A high-efficiency bathroom sink faucet flowing at 5.6 lpm can reduce flow rate by 32 percent over a traditional faucet with a maximum flow rate of 8.3 lpm. A faucet flowing at 3.8 lpm can reduce flow rate by 45 percent over a traditional faucet with a maximum flow rate of 8.3 lpm. At BEIL we save 326.40 **Kiloliters/ Year** aprox.³ by simply installing the low flow faucets.

“Retrofit studies conducted in Seattle, Washington, and East Bay Municipal Utility District in California have shown that a household can save approximately 2157 liters per year by simply replacing existing bathroom sink faucet aerators with high-efficiency 5.6 lpm aerators.” (*Information Source: Official website of United States Environment Protection Agency- www.epa.gov*)

Indicator- EN 9) Water sources significantly affected by withdrawal of water.

See Indicator- EN 8

Indicator- EN 10) Percentage and total volume of water recycled and reused:

No initiative has yet been taken to plan water recycling. The amount of water used is very minimal at BEIL.

Indicator- EN 11) Land adjacent to protected areas.

BEIL is not aware of any operational sites that are owned, leased, managed in, located in, adjacent to or that contain protected areas and areas of high biodiversity value outside protected areas.

3

Water conservation calculation for water saving faucets:

	National Average (USA)*
Daily Per Capita Faucet Use Duration	8.1 minutes

*Mayer, et. al. 1999 (www.h2ouse.org)

Avg. Faucet Flow Rate at BEIL	3.75 lpm
Avg. Flow rate of traditional Taps	8.3 lpm

Water usage by water conserving taps: 8.1 minute X 3.75 Liters = 30.375 Liters/ Tap

Water usage by traditional taps: 8.1 Minute X 8.3 Liters = 67. 23 Liters/ Tap

Water saved due to waster conserving taps: 36.855 Liters/ Tap

Total Saving by using Water conserving taps per Day at BEIL: 36.855 liters X 36 Taps = 1,326.78 Liters Saved/Day

Yearly Savings: 1,326.78 Liters X 246 day = 326,387.88 Liter/ Year = 326.40 Kiloliters/ Year Aprox.

- There has been 246 working days in 2012
- All GPMs (Gallons per Minutes) are converted to LPM (Liters per Minutes)

Aspect: Emissions, Effluents, and Waste

Indicator- EN 16) Total direct and indirect greenhouse gas emissions by weight:

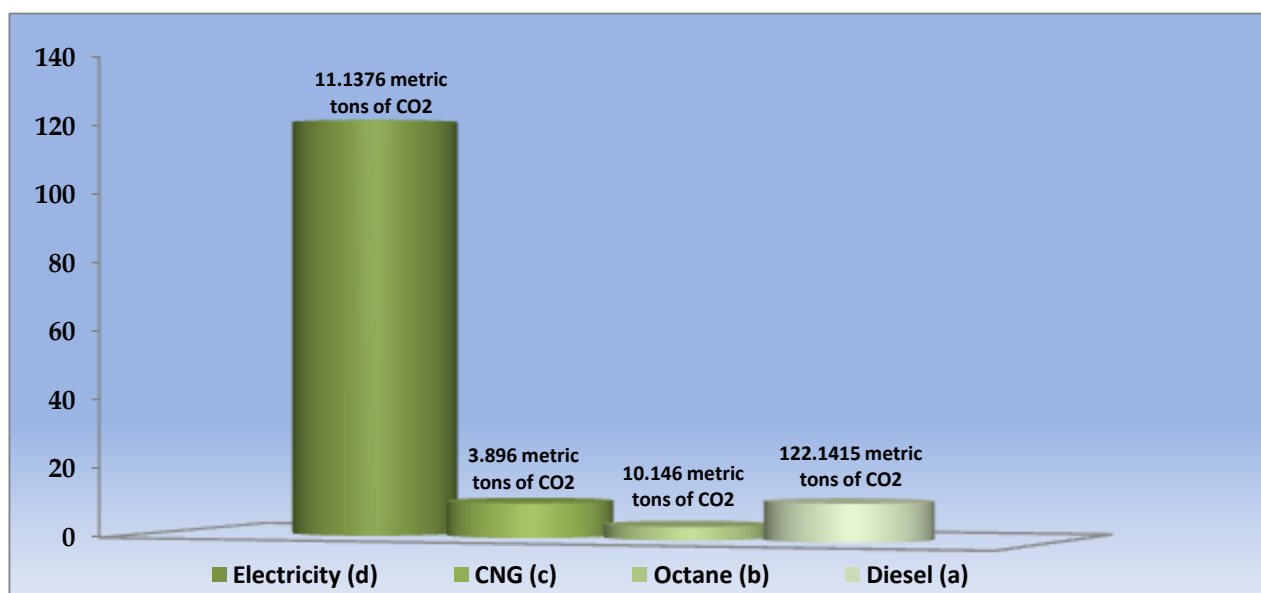


Figure 6: Direct Emissions by Energy Source⁴

Table 8: Indirect Emissions by Business Travel of Year 2012⁵

Total Kilometers Traveled for Business :	98,362.12 KM
Emissions:	8.6545 metric tons of CO2

Indicator- EN 17) Other relevant indirect greenhouse gas emissions by weight:

In 2012, BEIL had CO2 emissions from business travel of 8.6545 metric tons. This represents approximately 5.5 Percent⁶ of BEIL's total CO2 emissions.

Indicator- EN 19) Emissions of ozone-depleting substances.

BEIL does not have significant (if any) emissions of ozone-depleting substances (CFCs, HCFCs, halons and methyl bromide).

⁴ **Factors used for calculation:**

CNG Usage for car run: 5,447 Cubic Meter

Travel By Octane run car: 16,406 Km

Air Travel: 98,362.12 KM

Diesel Electricity Generator 120 KVA used Diesel: 4,540 **Liters** =4.54 Kiloliters

Electricity Usage: 197.101 MWH

(Other consumptions as given on Indicator EN 3)

Calculation Methodology:

- a) Diesel Use for Electricity Generator X Emission Factor = {4.54 Kiloliter X (74.07 tons CO₂ / TJ X 36509 MJ/Kl)/1000000} = 12.28 Tones equivalent to 11.1376 metric tons of CO₂ (Source: IPCC Default Values 2006)
- b) The emission has been calculated by using mobile combustion GHG tool version 2.3
- c) CNG Usage for car run X Emission Factor = {5,447 Cubic Meter X (0.0366 GJ/ M³ X 0.0561 tone CO₂ /GT)} = 11.18 tones equivalent to 10.146 metric tons of CO₂ (Source: IPCC Default Values 2006)
- d) Electricity usage X Emission Factor = 197.101 MWH X 0.61969 metric tons CO₂ / MWh = 134.6377 tons equivalent to 122.14154 metric tons of CO₂ (Data sources: BPDB Annual Reports 2006 - 2009 and Systems Planning Directorate BPDB).

5

The emission has been calculated by using mobile combustion GHG tool version 2.3 and using online GHG calculator at www.climatecare.org

6

Calculation Methodology:

Direct Emission = 147.3211 metric tons of CO₂

Indirect Emission = 8.6545 metric tons of CO₂

Total Direct and Indirect Emission = 155.9756 metric tons of CO₂

Percentage of indirect Emission of CO₂ :
$$\frac{\text{Emission by Air Travel X 100}}{\text{Total Emission}} = \frac{8.6545 \times 100}{155.9756} = 5.55\%$$

Indicator- EN 22) Waste by type and disposal method**Table 9: Waste Disposal Method**

Waste Type	Disposal Method	Amount
Paper	Shredding/Sell to re-cycle	60 Kg
Oil Filters	Destroyed and dispose with garbage	4 Units
Tyres	Recycle by reselling	6 Units
Batteries	Recycle by reselling	2
Computers	Onsite storage (at IT)	N/A
Lubricants	Disposed at servicing stations	60 Liters

Indicator- EN 28) Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.

There has been no fine or non-monetary sanction for non-compliance with environmental laws and regulations during the year 2012.

Labor Practices and Decent Work*Management Approach*

BEIL, through its various operating companies, is committed to promoting and sustaining the health, safety, skills and potential of our workforce. Our goal is to develop an engaged and connected workforce, where the goals of management and employees are aligned, and workers can be more productive, flexible in the face of change and motivated to embrace and support Company initiatives. We are guided by values that include:

- Working together as a team
- Focusing on the customer experience
- Pursuing excellence in all we do
- A dedication to the safety and well-being of all employees
- A commitment to ethical behavior
- Supporting the communities in which we live and work

Aspect: Employment

Indicator- LA 1) Total workforce by employment type, employment contract, and region, broken down by gender.

At the end of 2012, BEIL employed 70 full time employees and 1 Contractual employee. Among these employees 89 percent was stationed in Dhaka. The distribution of our employees by region is shown in Table 10.

Table 10: Regional Employee Distribution 2010-2012

Regional Offices	2010		2011		2012	
	Full Time	Contractual	Full Time	Contractual	Full Time	Contractual
Dhaka	48	0	74	2	62	1
Sylhet	3	0	3	0	3	0
Chittagong	3	0	3	0	2	0
Chowmohani	0	0	2	0	2	0
Comilla	0	0	1	0	1	0
Total	54	0	83	2	70	1

Table 11: Total Number of Employees by Gender in respect of Job Category or Designation

Category/ Designation	2010		2011		2012	
	Male	Female	Male	Female	Male	Female
CEO	1	0	1	0	1	0
Director	1	0	3	0	3	0
Associate Director	2	3	4	3	2	1
Senior Manager	0	0	3	1	6	0
Manager	5	0	6	0	1	1
Deputy Manager	4	3	5	3	3	2
Assistant Manager	8	0	9	1	10	2
Sr. Executive	4	0	17	2	12	2
Executive	18	5	16	9	15	9
Total	43	11	64	19	53	17

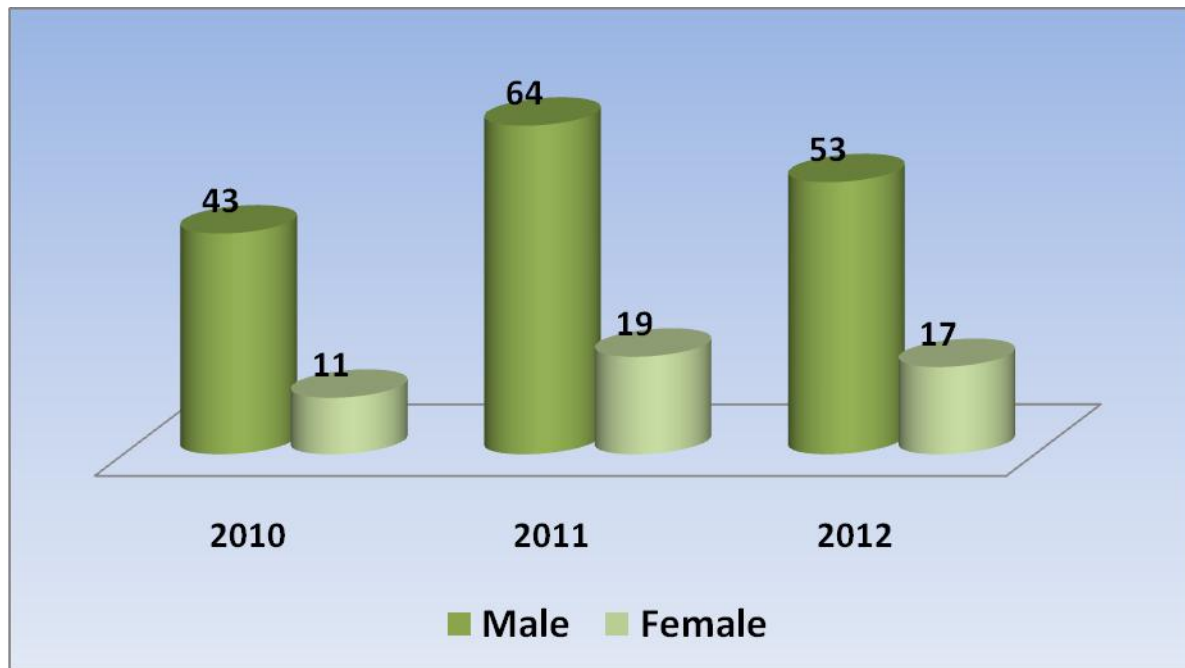


Figure 7: Total Number of Employees by Year and Gender

Indicator- LA 2) Total number and rate of new employee hires and employee turnover by age group, gender, and region.

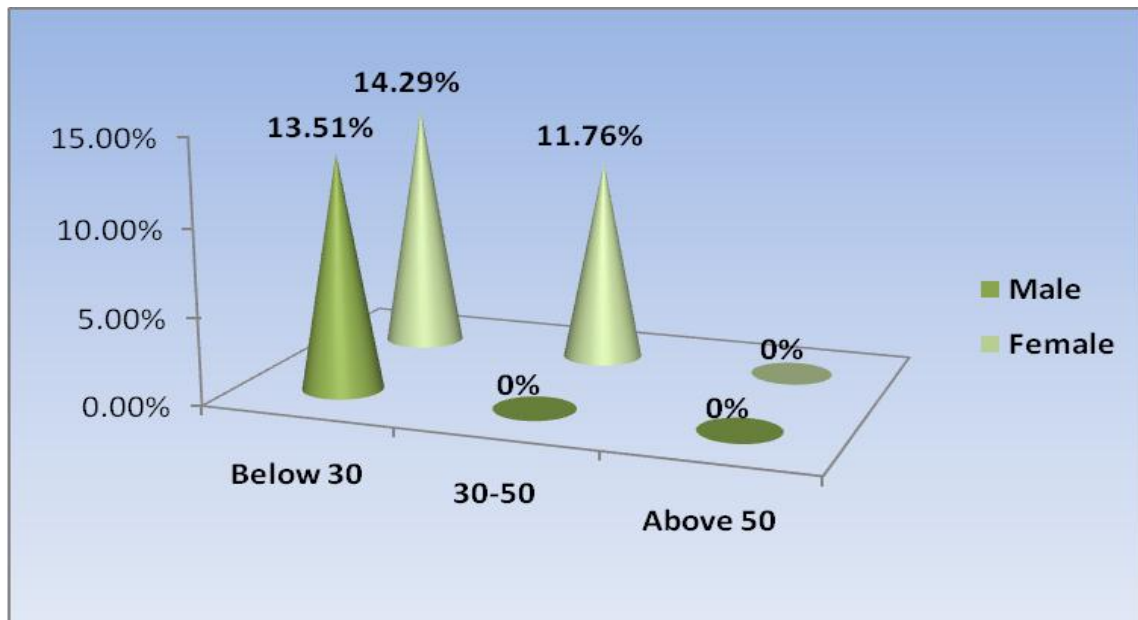


Figure 8: Rate of Employee Turnover by Age and Gender in 2012

Indicator- LA 3) Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.

Full-time employees are provided below mentioned benefits:

- ❖ Bonus
- ❖ Annual Leave
- ❖ Mobile Benefit (Only for MANCOM Members)
- ❖ Insurance Benefit

At this stage BRAC EPL Investments Limited does not have any temporary/part-time employee.

Aspect: Occupational Health & Safety

Indicator- LA 6) Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs.

No committee at this stage. However, BRAC EPL Investments Limited practices Pre-employment check-up; while HR representatives are accountable to coordinate this arrangement.

Indicator- LA 9) Health and safety topics covered in formal agreements with trade unions.

- ❖ First Aid & Choking
- ❖ Artificial Respiration (AR)
- ❖ Cardio Pulmonary Resuscitation (CPR)
- ❖ Shock & Bleeding
- ❖ Wounds & Dressing of wounds
- ❖ Burn, Electric Injuries and Poisoning – Bites

- ❖ Fit, Fainting-Unconsciousness
- ❖ Bone Fracture & Immobilization of fracture
- ❖ Transportation of Casualties

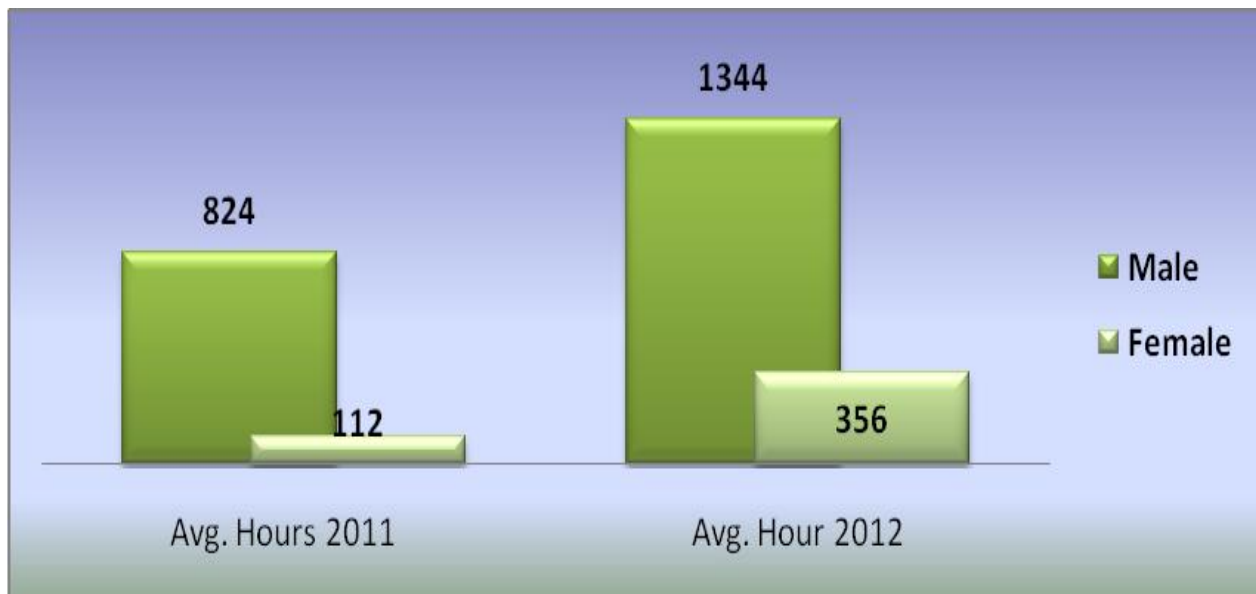
Aspect: Training and Education

Indicator- LA 10) Average hours of training per year, per employee, by gender and by employee category.

Table 12: Average Hours of Training by Employee Category

Category/Designation	Avg. Hours 2011	Avg. Hour 2012
CEO	32	24
Director	40	136
Associate Director	112	120
Senior Manager	64	80
Manager	56	0
Deputy Manager	152	112
Assistant Manager	24	292
Sr. Executive	232	512
Executive	224	424
Total	936	1700

Figure 9: Average Hours of Training by Employee Gender



Indicator- LA 11) Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.

3-days Gender Equality Training was attended by 1 male and 1 female employee.

Indicator- LA 12) Percentage of employees receiving regular performance and career development reviews, by gender.

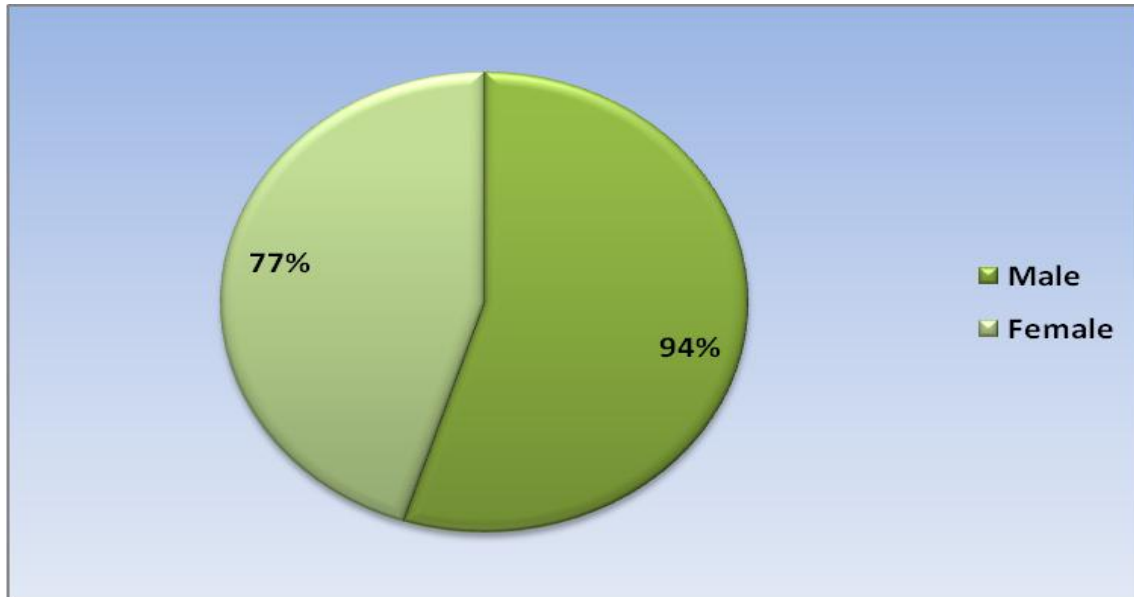


Figure 10: Employees Receive Performance and Career Development Reviews, by Gender

Aspect: Diversity and Equal Opportunity

Indicator- LA 13) Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.

Table 13: Number of Employees By Age Group and Gender

Age	2010		2011		2012	
	Male	Female	Male	Female	Male	Female
Below 30	27	7	44	14	35	14
30-50	16	4	19	5	17	3
Above 50	0	0	1	0	1	0
Total	43	11	64	19	53	17

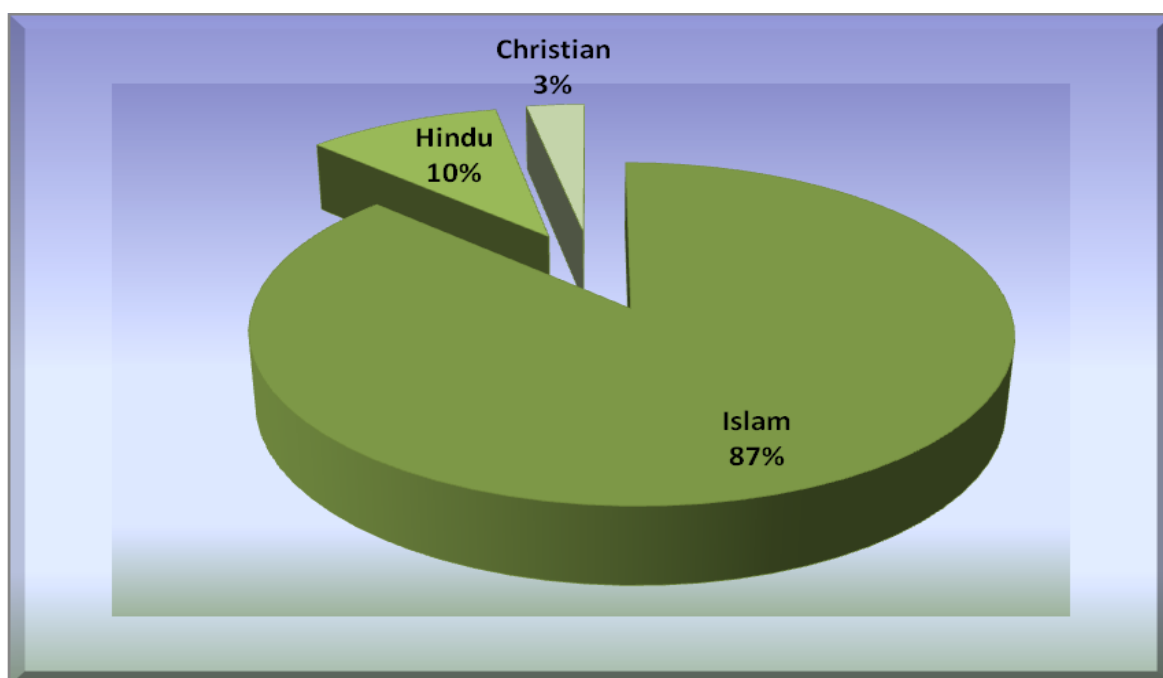


Figure 11: Employee by Religion

Table 14: Composition of Governance Bodies and Breakdown of Employees per Employee Category

Age	2010	2011	2012
CEO	1	1	1
Director	1	3	3
Associate Director	5	7	3
Senior Manager	0	4	6
Manager	5	6	2
Deputy Manager	7	8	5
Assistant Manager	8	10	12
Sr. Executive	4	19	15
Executive	23	25	23
Total	54	83	70

Indicator- LA 14) Ratio of basic salary of men to women

There is no basic salary difference of men to women at BEIL. Therefore the ratio is 1:1.

Indicator- LA 15) Return to work and retention rates after parental leave, by gender

There has been no paternal leave availed by any employees of BEIL since its operation has started. However, there is maternity leave of 180 days available for female employees of BEIL according to HR policy.

Human Rights Performance Indicators

Aspect: Investment and Procurement Practices

Indicator- HR 3) Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.

A total of 10 hours of training has taken place on policies and procedures concerning aspects of human rights.

Aspect: Non discrimination

Indicator- HR 4) Total number of incidents of discrimination and corrective actions taken: 0

Aspect: Assessment

Indicator- HR 10) Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments:

There has been no operation that has been subject to human rights reviews and/or impact assessment yet as the management system is already in compliance with labor related laws of Bangladesh.

Indicator- HR 11) Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms:

There has been no grievance recorded since the operation started, however the human resources department maintains an open door policy for BEIL's staff to address such issues.

Society

Management Approach

At BRAC EPL Investments Limited (BEIL), compliance of what are required to be adhered to is always given a paramount importance. In pursuit of developing a disciplined and rule-based work culture, the concerned departments of BEIL endeavor to keep themselves aware of the regulatory issues that are already in place to follow while remaining alert of the changes being made to the existing regulations as well as what are being introduced afresh. In order to make the task of compliance from the risk of oversight as far as possible, the following 3-stage rigorous process of due diligence is followed:

- Concerned business departments/units study the laws/rules to properly understand and follow the regulatory requirements;
- Risk Management and Compliance Department does the necessary vetting to ensure that regulatory requirements have been properly followed;
- External lawyers are engaged for more rigorous vetting when such need arises particularly before submission of commercially important papers/documents.

Aspect: Corruption

Indicator- SO 2) Total number of business units analyzed for risks related to corruption:

"Internal Audit, Risk Management & Control"

BEIL has sent one employee from one business unit to obtain aforementioned training in year 2012. BEIL intend to arrange more employees from business units for these types of training in the coming year.

Indicator- SO 3) Total number of employees trained in organization's anti-corruption policies and procedures.

100% - All employees are oriented to company's code of conduct as soon as they join the company and sign on a declaration of maintenance to all ethical codes of business accordingly.

Indicator- SO 4) Actions taken in response to incidents of corruption:

There has been no incident of corruption reported in year 2012.

Aspect: Public policy

Indicator- SO 5) Public policy positions and participation in public policy development and lobbying

We try to seize opportunities, whenever they arise, to logically register our views/opinion on any proposed regulatory measures or industry-related issues that may impact our business/activities. In doing so, we make our representation either organizationally in our own right or through the industry body where we have participation.

Aspect: Compliance

Indicator- SO 8) Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.

There has no fine or non-monetary sanction made for non-compliance with laws and regulations in year 2012.

Product Responsibility *Management Approach*

Quality, understood in its widest sense, is the foundation of our approach to Product Responsibility. At BEIL, we make extensive information available to our customers on all of our services and strive to comply with all legal requirements for product labeling (Service Disclosure). We are guided by the Security and Exchange Commission (Merchant Banker and Portfolio Manager) regulations Act 1996 regarding all relevant aspects; which we strictly adhere to.

- Our Communications Policy requires that all marketing or advertising materials go through the correct legal procedures before publication; and in-line with our brand values and guidelines.
- Our communications strategy incorporates both ATL and BTL (ATL for Retail and BTL for Corporate)
- We care greatly about our customers' wants, needs and viewpoints about our products, our company, our brand and feel we can create value through a deep understanding of these priorities.
- We seek to utilize "pull" rather than "push" marketing and to create a customized experience for our customers. Through strong communication, we can fold intuitive design, thoughtful solutions and practical approaches into services that exceed our customers' sustainability expectations.
- Customer privacy is important to BEIL and efforts are always ongoing to ensure that all business units have the necessary training and data privacy protocols in place.
- Identifying, defining, measuring, improving, optimizing and steering the way we conduct our activities within BEIL has been part of our continuous improvement culture since the creation.
- Backed by our strong research and development capabilities, we have always strived to develop services which are safe and best in class.

- We have continuously focused on adapting new technologies and making innovative use of constrained resources to differentiate our services.

Aspect: Marketing Communications

Indicator- PR 4) Non-compliance with regulations concerning product and service information and labeling

There has been no non-compliance with regulation issues faced during 2012 due to service information disclosure or for any service type that is offered by BEIL. We strictly follow all the concerning rules and regulations imposed by the governing bodies. The risk management and compliance department assist the respective departments with monitoring in this regard.

Indicator- PR 5) Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.

A customer segmentation study was conducted at the beginning of 2012, where a sample of the retail customers of BEIL was asked to partake in a telephone interview. The survey covered areas/topics such as Customer Profiling, Corporate Reputation, and Customer Satisfaction on service delivery, Customer's preferred medium for receiving information related to their portfolios; plus their evaluation on prospective communication channels. Survey results showed 92% of our respondents were happy with at least some aspects of the services we are currently providing; of which 31% likes every aspect, and could not identify any area that they feel needs any improvement. A majority of the respondents were very happy with the daily portfolio update that we send at day-end via email. 54% of the respondents were positive about receiving updated information about their portfolio and stock market news via SMS. Included in the 46% who said no, were respondents who were not sure if they wanted the SMS service, until they knew exactly how much it would cost.

Indicator- PR 6) Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.

The marketing policy requires that all marketing communications are reviewed by our Marketing and Corporate Communications Department prior to publication. BEIL intend to maintain the co-branding and promotional affiliation with business that does not conflict with our vision and business principles. BEIL has published its brand guideline in the year 2012.

To add more, BEIL follows relevant developments in legislation, international standards and voluntary codes related to marketing communications (including advertising, promotion and sponsorship), so as to continuously adopt its practices and ensure compliance with best practice. BEIL will look to further promote such adherence to laws, standards and voluntary codes through comprehensive training program specifically designed to meet the needs of BEIL communicators.

Indicator- PR 7) Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.

There has been no incidence of non-compliance with regulations and voluntary codes concerning marketing communications by types of outcomes.

Indicator- PR 8) Substantiated complaints regarding breaches of customer privacy.

Customer privacy is important to BEIL and we have not received any material complaints concerning breaches of customer privacy or losses of customer data. Efforts are ongoing to ensure that all of our business units have the necessary data privacy protocols in place.

Indicator- PR 9) Non-compliance with laws and regulations concerning products and services

See Indicator PR 4

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Note: n/av = not available, n/ap= not applicable