



পিনাকী এণ্ড কোম্পানী
Pinaki & Company

Chartered Accountants



**CERTIFICATE ON COMPLIANCE OF CORPORATE
GOVERNANCE GUIDELINES
TO THE SHAREHOLDERS OF
DESH GARMENTS LIMITED**

We have examined the compliance of conditions of corporate governance guidelines of Bangladesh Securities And Exchange Commission (BSEC) by Desh Garments Limited as stipulated in clause 7(i) of the BSEC notification no. SEC/CMRRCD/2006 – 158/134/admin/44 dated August 07, 2012 and SEC/CMRRCD/2006-158/147/Admin/48 dated 21 July, 2013 (the “conditions of corporate governance guidelines”) for the year ended 30th June 2017.

The compliance of conditions of corporate governance guidelines as stated in the aforesaid notification and reporting of the status of compliance is the responsibility of the company's management. Our examination for the purpose of issuing this certification was limited to the checking of procedures and implementations thereof, adopted by the company for ensuring the compliance of conditions of corporate governance and correct reporting of compliance status on the attached statement on the basis of evidence gathered and representation received.

According to the information and explanations provided by the company, we hereby certify that in our opinion, the company has complied with all the conditions of Corporate Governance Guidelines issued by BSEC.

Pinaki Das
Pinaki Das, FCA
Senior Partner
ICAB Enrolment No. 151
For Pinaki & Company
Chartered Accountants

Dhaka, October 28, 2017

CORPORATE GOVERNANCE COMPLIANCE REPORT

Status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 august, 2012 as amended by notification no. SEC/CMRRCD/2006-158/147/Admin/48 dated July 21, 2013 issued under section 2CC of the Bangladesh Securities and Exchange Ordinance, 1969 is presented below:

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1	Board of Directors (BoD)			
1.1	Board's Size: Board's Size (number of board members-minimum 5 and maximum 20)	✓		
1.2	Independent Directors			
1.2(i)	At least one fifth (1/5) of the total number of directors shall be Independent directors	✓		
1.2(ii)	Independent Director means a director			
1.2(ii) (a)	Who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company	✓		
1.2(ii) (b)	Who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company	✓		
1.2(ii) (c)	Who does not have any other relationship whether pecuniary or otherwise with the company or its subsidiary/associated companies	✓		
1.2(ii) (d)	Who is not a member, director or officer of any stock exchange	✓		
1.2(ii) (e)	Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	✓		
1.2(ii) (f)	Who is not a partner or executive or was not a partner or an executive during the preceding 3 (three) years of the companies' statutory audit firm	✓		
1.2(ii) (g)	Who shall not been an independent director in more than 3 (three) listed companies	✓		
1.2(ii) (h)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution(NBFI)	✓		
1.2(ii) (i)	Who has not been convicted for a criminal offence involving moral turpitude	✓		
1.2(iii)	Independent Director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting(AGM)	✓		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1.2(iv)	The post of independent director(s) cannot remain vacant for more than 90(ninety)days	✓		
1.2(v)12	The Board shall lay down a code of conduct of all board members and annual compliance of the code to be recorded	✓		
1.2(vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only	✓		
1.3	Qualification of Independent director(ID)			
1.3(i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial regulatory and corporate laws and can make meaningful contribution to business	✓		
1.3(ii)	Independent Director should be Business Leader/Corporate Leader/Bureaucrat/University Teacher with Economics or Business Studies or law background/ Professional like Chartered Accountants, Cost & Management Accountants, and Chartered Secretaries. The independent director must have at least 12(twelve) years of corporate management/ professional experiences	✓		
1.3(iii)	In special cases the above qualifications may be relaxed subject to prior approval of commission	-	-	Not applicable
1.4	The Chairman of the board and the Chief executive officer: The Chairman of the board and the Chief executive officer (CEO) shall be different individuals. The chairman shall be elected from the directors. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the CEO	✓		
1.5	The directors' report shall include the following additional statements under section 184 of the companies Act, 1994 (Act No. XVIII of 1994)			
1.5(i)	Industry outlook and possible future developments in the industry	✓		
1.5(ii)	Segment-wise or product –wise performance			Not applicable
1.5(iii)	Risk and concerns	✓		
1.5(iv)	A discussion on Cost of goods sold, Gross profit Margin and Net Profit Margin	✓		
1.5(v)	Discussion on continuity of any Extra-Ordinary gain or loss	--	--	Not applicable
1.5(vi)	Basis for related party transactions-a statement of all related party transactions should be disclosed in the annual report	✓		
1.5(vii)	Utilization of proceeds from public issues, right issues and/or through any other instruments			Not applicable



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1.5(viii)	An explanations if the financial results deteriorate after the company goes for Initial Public Offering(IPO)			Not applicable
1.5(ix)	If significant variance occurs between quarterly financial performance and annual financial statements, the management shall explain about the variance			Not applicable
1.5(x)	Remuneration to directors including independent directors	✓		
1.5(xi)	The financial statements present fairly its state of affairs , the result of its operations, cash flows and changes in equity	✓		
1.5(xii)	Proper books of account have been maintained	✓		
1.5(xiii)	Adaption of appropriate accounting policies & estimates	✓		
1.5(xiv)	IAS/BAS/IFRS/BFRS as applicable in Bangladesh have been followed and adequate disclosure for any departure	✓		
1.5(xv)	The system of internal control is sound in design and has been effective implemented and monitored	✓		
1.5(xvi)	Going Concern (ability to continue as a going concern)	✓		
1.5(xvii)	Highlight and explain significant deviations from the last years operating results	✓		
1.5(xviii)	Key operating and financial data of at least preceding 5(five) years shall be summarized	✓		
1.5(xix)	Reason for non-declaration of dividend	-	-	Not applicable
1.5(xx)	The number of board meeting held during the year and attendance by each director	✓		
1.5(xxi)	Pattern of shareholding and name wise details (disclosing aggregate number of shares)			
1.5(xxi)(a)	Parent/Subsidiary/Associate Companies and other related parties	✓		
1.5(xxi)(b)	Directors, Chief Executive Officer(CEO), Company Secretary(CS), Chief Financial Officer(CFO), Head of Internal Audit(HIA) and their spouses and minor children	✓		
1.5(xxi)(c)	Top five executives other than mentioned above			Not applicable
1.5(xxi)(d)	Shareholders holding ten percent (10%) or more voting interest in the company	✓		
1.5(xxii)	In case of the appointment/re-appointment of a director, disclose			
1.5(xxii)(a)	A brief resume of the director			
1.5(xxii)(b)	Nature of his/her expertise in specific functional areas	✓		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1.5(xxii)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board	✓		
2.	Chief Financial Officer(CFO) Head of Internal Audit and Company Secretary(CS):			
2.1	Appointment: Appointment of CFO, HIA and CS and defining their respective roles, responsibilities & duties	✓		
2.2	Requirement to attend the Board Meetings: The CFO and the CS shall attend the meeting of the board of directors	✓		
3	Audit Committee			
3(i)	The company shall have an Audit Committee as a sub-committee of the BoD	✓		
3(ii)	The Audit Committee shall assist the BoD in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business	✓		
3(iii)	The Audit Committee shall be responsible to the Bod. The duties of the audit committee shall be clearly set forth in writing	✓		
3.1	Constitution of the Audit Committee	✓		
3.1(i)	The Audit Committee shall be composed of at least(3)three members	✓		
3.1(ii)	The BoD shall appoint members of the audit committee who shall be directors of the company and shall include at least 1(one) Independent Director	✓		
3.1(iii)	All members of the audit committee should be "financially literate" and at least 1(one) member shall have accounting or related financial management experience	✓		
3.1(iv)	Expiration of the term of service of Audit Committee members making the number lower than 3 (three) and fill up the vacancy(ies) by the board not later than 1(one) month from the date of vacancy(ies)	-	-	No vacancy occurred
3.1(v)	The company secretary shall act as the secretary of the committee	✓		
3.1(vi)	The quorum of the audit committee meeting shall not constitute without at least 1(one) independent director	✓		
3.2	Chairman of the Audit committee			
3.2(i)	The BoD shall select the chairman of the Audit Committee who shall be an independent director	✓		
3.2(ii)	Chairman of the audit committee shall remain present in the AGM	✓		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
3.3	Role of Audit Committee			
3.3(i)	Oversee the financial reporting process	✓		
3.3(ii)	Monitor choice accounting policies and principles	✓		
3.3(iii)	Monitor Internal Control Risk management process	✓		
3.3(iv)	Oversee hiring and performance of external auditors	✓		
3.3(v)	Review the annual financial statements before submission to the board for approval	✓		
3.3(vi)	Review the quarterly and half yearly financial statements before submission to the board approval	✓		
3.3(vii)	Review the adequacy of internal audit function	✓		
3.3(viii)	Review statements of significant related party transactions submitted by the management	✓		
3.3(ix)	Review Management Letters/Letter of Internal Control weakness issued by statutory auditors	✓		
3.3(x)	Disclosure to the audit committee about the uses /applications of IPO funds by major category (capital expenditure, sales and marketing expenses, working capital etc) on a quarterly basis, as a part of their quarterly declaration of financial results. Further on an annual basis shall prepare a statement of funds utilized for the purposes other than those stated in the prospectus	--	--	Not applicable
3.4	Reporting the Audit Committee			
3.4.1	Reporting to the Board of Directors			
3.4.1(i)	The Audit Committee shall report on its activities to the Board of Directors	✓		
3.4.1(ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings if any: -	✓		
3.4.1(ii)(a)	Reporting on conflicts of interest			Not applicable
3.4.1(ii)(b)	Suspected or presumed fraud or irregularity or material defect in the internal control system			Not applicable
3.4.1(ii)(c)	Suspected infringement of laws, including securities related laws, rules and regulations			Not applicable
3.4.1(ii)(d)	Any other matter which shall be disclosed to the Board of Directors immediately			Not applicable
3.4.2	Reporting to the Authorities			
3.4.2	Reporting to BSEC (if any material impact on the financial condition & results of operation, unreasonably ignored by the management)	✓		
3.5.	Reporting to the shareholders and General Investor: Reporting to the shareholders of audit committee activities, which shall be signed by the chairman and disclosed in the annual report	✓		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
4.00	External/Statutory Auditors			
4(i)	Non-engagement in appraisal or valuation services or fairness opinion	✓		
4(ii)	Non-engagement in designing and implementation of Financial information systems	✓		
4(iii)	Non-engagement in book keeping or other services related to the accounting records or financial statements	✓		
4(iv)	Non-engagement in Broker – dealer services	✓		
4(v)	Non-engagement in actuarial services	✓		
4(vi)	Non-engagement in internal audit services	✓		
4(vii)	Non-engagement in any other services that the audit committee determines	✓		
4(viii)	No partner or employees of the external audit firms shall possess any share of the company during the tenure of their assignment	✓		
5.00	Subsidiary Company			
5(i)	Provision relating to the composition of the BoD of the holding company shall be made applicable to the composition of the BoD of the subsidiary company			Not applicable
5(ii)	At least 1(one) independent director on the BoD of the holding company shall be a director on the BoD of the subsidiary company			Not applicable
5(iii)	The minutes of the board meeting of the subsidiary company shall be placed for review at the following board meeting of the holding company			Not applicable
5(iv)	The minutes of the respective board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also			Not applicable
5(v)	The audit committee of the holding company shall also review the financial statements, in particular the investment made by the subsidiary company			Not applicable
6	The CEO and CFO shall certify to the board that they have reviewed financial statements for the year and that to the best of their knowledge and belief			
6(i)(a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	✓		
6(i)(b)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws	✓		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
6(ii)	There are to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent , illegal or violation of the company's code of conduct	✓		
7(i)	Obtaining certificate from a practicing Professional Accountant/Secretary regarding compliance of conditions of Corporate Governance Guidelines of the BSEC and include in the Annual Report	✓		
7(ii)	Directors statements in the directors report whether the company has complied with these conditions	✓		

