

## ARTISAN

CHARTERED ACCOUNTANTS

### Annexure-IV

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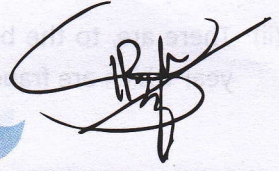
## CERTIFICATE OF COMPLIANCE TO THE SHAREHOLDERS OF ALHAJ TEXTILE MILLS LTD. On the Conditions of Corporate Governance Guidelines

We have reviewed the statement of compliance of Conditions of Corporate Governance guidelines prepared by the management of **ALHAJ TEXTILE MILLS LTD.** to comply with the Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 7<sup>th</sup> August 2012 of Bangladesh Securities and Exchange Commission (BSEC), where the company is listed.

The responsibility for compliance with the Conditions of Corporate Governance Guideline is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Company's compliance with the provisions of the conditions of Corporate Governance guidelines and report if it does not.

Based on our review, we certify that nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Conditions of Corporate governance as applicable to the Company for the year ended on 30 June, 2017.

Dhaka, 22 November, 2017

  
**Md. Selim Reza FCA FCS**  
Partner  
ARTISAN  
Chartered Accountants



**Status of compliance with the conditions imposed  
by BSEC's Notification on Corporate Governance  
(Report under Condition No. 7.00)**

**Annexure-v**

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
<b>1.0</b>	<b>Board of Directors</b>			
1.1	The number of the Board members of the company shall not be less than 5(five) and more than 20(twenty).	✓		The Board of Alhaj Textile Mills Limited is comprised of, 10 (ten) Directors including 2 (two) Independent Directors.
<b>1.2</b>	<b>Independent Directors</b>			
1.2 (i)	Independent Directors: At least one fifth (1/5) of the total number of Directors in the company's Board shall be Independent Directors.	✓		There are two Independent Directors in Alhaj Textile Mills Limited's Board, namely: Mr. M. Farhad Hussain FCA and Mr. Md. Abdus Sobhan Bhuiyan.
1.2(ii)	For the purpose of this clause "independent director" means a director.	✓		The Independent Directors have declared their compliances.
1.2 (ii) a)	Independent Director does not hold any share or holds less than 1% shares of the total paid-up capital.	✓		Do
1.2 (ii) b)	Independent Director or his family members are not connected with the company's any sponsor or Director or Shareholder who holds 1% or more shares.	✓		Do
1.2 (ii) c)	Does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies.	✓		Do
1.2 (ii) d)	Independent Director is not a member, Director or officer of any Stock Exchange.	✓		Do
1.2 (ii) e)	Independent Director is not a shareholder, Director or officer of any member of Stock Exchange or an intermediary of the capital market.	✓		Do
1.2 (ii) f)	Independent Director is not a partner or an executive or was not a partner or an executive during the preceding 3(three) years of any statutory audit firm.	✓		Do
1.2 (ii) g)	Independent Director shall not be an Independent Director in more than 3(three) listed companies.	✓		Do
1.2 (ii) h)	Independent Director 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).	✓		Do
1.2 (ii) i)	Independent Director has not been convicted for a criminal offence involving moral turpitude.	✓		Do
1.2 (iii)	Independent Director(s) shall be appointed by the Board of Directors and approved by the shareholders in the AGM.	✓		In Practice
1.2 (iv)	The Post of Independent Director(s) cannot remain vacant for more than 90(ninety) days.	✓		There was no vacancy in the position of Independent Directors during the period.
1.2 (v)	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.	✓		
<b>1.3</b>	<b>Qualification of Independent Director(ID)</b>			
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.	✓		The qualification and background of Independent Directors justify their ability as such.
1.3 (ii)	Independent Director should be a Business Leader/Corporate Leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost and Management Accountants, Chartered Secretaries. The Independent Director must have at least 12(twelve) years of corporate management/professional experiences.	✓		Independent Directors are Corporate Leader and have knowledge on Business, economics, finance etc. possessing more than 12 (Twelve) years of experience.
1.3 (iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.	Not Applicable		
<b>1.4</b>	<b>Chairman of the Board and Chief Executive Officer</b>			
1.4	Chairman and CEO shall be filled by different individuals. Chairman shall be elected from among the Directors. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the CEO.	✓		Chairman of the Board and CEO are different individuals.
<b>1.5</b>	<b>The Directors' Report to Shareholders:</b>			
1.5 (i)	Industry outlook and possible future developments in the industry.	✓		The Directors' Report complies with the guidelines.
1.5 (ii)	Segment-wise or product-wise performance.	✓		Do
1.5 (iii)	Risks and concerns.	✓		Do
1.5 (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	✓		Do
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss.	Not Applicable		Do
1.5 (vi)	Basis for related party transactions-a statement of all related party transactions should be disclosed in the annual report.	✓		Do
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments.	Not Applicable		Do
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public offering (RPO), Rights offer, Direct Listing, etc.	Not Applicable		Do
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	Not Applicable		Do
1.5 (x)	Remuneration to Directors including Independent Directors.	✓		Do
1.5 (xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	✓		Do
1.5 (xii)	Proper books of account of the issuer company have been maintained.	✓		Do





1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable prudent judgments	✓		Do
1.5 (xiv)	International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	✓		Do
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	✓		Do
1.5 (xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	✓		Do
1.5(xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	✓		Do
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	✓		Do
1.5 (xix)	Reason for non Declaration of Dividend	Not Applicable		
1.5 (xx)	The number of Board meetings held during the year and attendance by each Director shall be disclosed.	✓		Stated in the Annexure- i to the Directors' Report.
1.5 (xxi)	<b>The pattern of shareholdings shall be reported to disclose the aggregate number of shares ( along with name wise details where stated below) held by:</b>			
1.5(xxii) a)	Parent/Subsidiary/Associated companies and other related parties (name wise details);	✓		Stated in the Annexure- i to the Directors' Report.
1.5(xxii) b)	Directors, Chief Executive Officer, Company Secretary, and Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details).	✓		Do
1.5(xxii) c)	Executives	✓		Do
1.5(xxii) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	None		There is none holding 10% or more votes.
1.5(xxii)	In case of the appointment/re-appointment of a Director the company shall disclose the following information to the shareholders:- a) a brief resume of the Director; b) nature of his/her expertise in specific	✓		Stated in the Directors' Report.
<b>2</b>	<b>Chief Financial Officer, Head of Internal Audit and Company Secretary</b>			
2.1	The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of CFO, The Head of Internal Audit and the CS.	✓		The Company has appointed CFO who is also in the position of CS. Mr. Sharif Abu Baker is acting as the Head of Internal Audit. The Company is also in the process of recruiting Head of Internal Audit. Who will be leading the Internal Audit Department. There are clearly defined roles, responsibilities and duties which have been approved by the Board.
2.2	Attendance of CFO and the Company Secretary in the Board meeting.	✓		In Practice





<b>3</b>	<b>Audit Committee</b>			
3 (i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	✓		
3 (ii)	The Audit Committee shall assist the Board of Directors 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.	✓		In Practice
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	✓		In Practice
<b>3.1</b>	<b>Constitution of the Audit Committee</b>			
3.1 (i)	The Audit Committee shall be composed of at least 3(three) members.	✓		The Audit Committee is composed with 4 (four) members.
3.1 (ii)	The Board of Directors shall appoint members of the Audit Committee who shall be Directors of the company and shall include at least 1 (one) Independent Director.	✓		The members of the Audit Committee are appointed by the board who are Directors and which includes 1 (one) Independent Directors.
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: the term financially literate means the ability to read and understand the financial statement i.e. Balance Sheet, Income Statement and Cash Flow Statement and a person will be considered to have accounting or related financial management expertise if (s) he possesses professional qualification or Accounting/Finance Graduate with at least 12 (twelve) years of corporate management/professional experiences.	✓		Based on the academic qualification and professional experiences, the Board reviewed and considered that all the existing members of the Audit Committee are "Financially Literate" and they have 'Related Financial Management experience" as per BSEC notification.
3.1 (iv)	Casual vacancy in Audit Committee shall be filled by the Board.	✓		The Board will appoint audit committee member in due time if casual vacancy arises.
3.1 (v)	The Company Secretary shall act as the Secretary of the committee.	✓		In Practice
3.1 (vi)	The quorum of the Audit Committee (AC) meeting shall not constitute without at least 1 (one) Independent Director.	✓		In Practice
<b>3.2</b>	<b>Chairman of the Audit Committee</b>			
3.2 (i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairmen of the Audit Committee, who shall be an Independent Director.	✓		Mr. M. Farhad Hussain FCA has been appointed as Independent Director who is also Chairman of Audit Committee.
3.2 (ii)	Chairman of the Audit Committee shall remain present in the Annual General Meeting (AGM).	✓		In Practice
<b>3.3</b>	<b>Role of the Audit Committee</b>			
3.3 (i)	The role of Audit Committee: Oversee the financial reporting process.	✓		In Practice
3.3 (ii)	Monitor choice of accounting policies and principles	✓		In Practice
3.3 (iii)	Monitor Internal Control Risk Management process	✓		In Practice
3.3 (iv)	Oversee hiring and performance of external Auditors	✓		In Practice





3.3 (v)	Review along with the management, the annual financial statements before submission the Board for approval.	✓		In Practice
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval.	✓		In Practice
3.3 (vii)	Review the adequacy of Internal Audit functions.	✓		In Practice
3.3 (viii)	Review statement of significant related party transaction submitted by the management.	✓		In Practice
3.3 (ix)	Review Management letters/Letter of Internal Control weakness issued by statutory auditor.	✓		In Practice
3.3 (x)	When money is raised through Initial Public Offering (IPO)/ Repeat Public Offering (RPO)/ Rights Issue the company shall disclose to the Audit Committee above the uses / applications of 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, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer documents/ prospectus.	Not Applicable		There was no IPO/RPO/Rights Issue during the period.
<b>3.4</b>	<b>Reporting of the Audit Committee</b>			
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	✓		In Practice
3.4.1 (ii) a)	Report on conflicts of interest to the Board of Directors.	Not Applicable		There was no reportable case of conflict of interest in 2017.
3.4.1 (ii) b)	Will report any suspected or presumed fraud or irregularities or material defect in the internal control system to the Board.	Not Applicable		There was no such case in the year.
3.4.1 (ii) c)	Will report any suspected infringement of laws, including securities related laws, rules and regulations to the Board.	Not Applicable		Do
3.4.1 (ii) d)	Will report any other matters which shall be disclosed to the Board of Directors immediately.	Not Applicable		Do
3.4.2	Reporting to the Authorities: If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such findings to the commission, upon reporting of such matters to the Board of Directors for 3 (three) times or completion of a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.	Not Applicable		
3.5	Reporting to the Shareholders and General Investors: report on activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.4.1 (ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company.	✓		The Audit Committee report is disclosed in the Annual Report and signed by the Chairman of the audit Committee.





<b>4</b>	<b>External/Statutory Auditors</b>			
4 (i)	Non-engagement of external/statutory auditors in appraisal or valuation services or fairness opinions.	✓		In Practice
4 (ii)	Non-engagement of external/ statutory auditors in Financial Information Systems Design and implementation.	✓		In Practice
4 (iii)	Non-engagement of external/statutory auditors in Book-keeping or other services related to the accounting records or financial statements.	✓		In Practice
4 (iv)	Non-engagement of external/statutory auditors in Broker-dealer services.	✓		In Practice
4 (v)	Non-engagement of external/statutory auditors in Actuarial Services.	✓		In Practice
4 (vi)	Non-engagement of external/statutory auditors in Internal Audit services.	✓		In Practice
4 (vii)	Non-engagement of external/statutory auditors in any other service that the Audit Committee determines.	✓		In Practice
4 (viii)	No partner or employees of the external audit firm's shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	✓		In Practice
4 (ix)	Audit/certification services on compliance of corporate governance as required under clause (i) of condition No. 7.	✓		In Practice
<b>5</b>	<b>Subsidiary Company</b>			
5 (i)	Provisions relating to the composition to the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	Not Applicable		Alhaj Textile Mills Limited does not have any subsidiary company.
5 (ii)	At least 1(one) Independent Directors on the Board of Directors of the holding company shall be a Director on the Board of Directors of the subsidiary company.	Not Applicable		Do
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following	Not Applicable		Do
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		Do
5 (v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	Not Applicable		Do





6 Duties of Chief Executive Officer(CEO) and Chief Financial Officer(CFO)			
6 (i) a)	The CEO and CFO will certify to the Board that they have reviewed the financial statements and believe that these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.	✓	CEO and CFO certified to the Board during finalization of Financial Statement which is stated in the "Directors' declaration as to financial statements in the Directors' Report."
6 (i) b)	The CEO and CFO will certify to the Board that they have reviewed the financial statements and believe that 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.	✓	Do
6 (ii)	There are, to the best 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.	✓	Do
7 Reporting and Compliance of Corporate Governance			
7 (i)	The company shall obtain a certificate from a professional Chartered Secretary/ Accountant (Chartered Accountant/ Cost and Management Accountant/ Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall sent the same to the Shareholders along with the Annual Report on an yearly basis.	✓	Certificate has been obtained from ARTISAN-Chartered Accountants for the year ended on 30 <sup>th</sup> June, 2017 which is published in annual Report.
7 (ii)	The Directors of the company shall state, in accordance with the Annexure attached, in the Directors' report whether the company has complied with these conditions.	✓	Status of compliance is, published with the Directors' report as required.

