



Annexure-V

Advanced Chemical Industries Limited

Status of Compliance with the Corporate Governance Guidelines (CGG)

Status of the compliance with the conditions imposed by the Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 of the Bangladesh Securities and Exchange Commission (BSEC) is appended below:

(Report under Condition No. 7.00)

Condition No.	Title	Compliance Status as on 30 June 2017	Remarks
1	Board of Directors		
1.1	Board's Size The number of the Board members of the Company shall not be less than 5 (five) and more than 20 (twenty).	Complied	The Board consists of 10 (ten) members
1.2	Independent Directors (IDs)		
1.2(i)	At least one fifth (1/5) of the total number of directors in the Company's Board shall be Independent Directors (IDs).	Complied	There are two Independent Directors (ID) in the Board
1.2(ii)(a)	ID either does not hold share in the company or holds less than one (1%) shares of the total paid up shares of the company;	Complied	Required declarations made by the Directors
1.2(ii)(b)	ID is not sponsor of the Company and is not connected with any sponsor or director or shareholder who holds one percent or more shares of the Company on the basis of family relationship;	Complied	Do
1.2(ii)(c)	ID does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies;	Complied	Do
1.2(ii)(d)	ID is not a member, director or officer of any stock exchange;	Complied	Do
1.2(ii)(e)	ID is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market;	Complied	Do
1.2(ii)(f)	ID is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm;	Complied	Do
1.2(ii)(g)	ID shall not be an independent director in more than 3 (three) listed companies;	Complied	Do
1.2(ii)(h)	ID 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);	Complied	Do
1.2(ii)(i)	ID has not been convicted for a criminal offence involving moral turpitude.	Complied	Do
1.2(iii)	IDs shall be appointed by the Board of Directors and approved by the shareholders in the Annual General Meeting (AGM).	Complied	Appointments are approved in AGM
1.2(iv)	The post of IDs cannot remain vacant for more than 90 (ninety) days.	Complied	No such vacancy occurred
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.	Complied	There are written Codes of Conduct to which the Board members are obliged to comply with
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.	Complied	The Independent Directors are in their extended term of office

Condition No.	Title	Compliance Status as on 30 June 2017	Remarks
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.	Complied	The Independent Directors have requisite qualification and experience
1.3(ii)	The person should be a Business Leader / Corporate Leader / Bureaucrat / University Teacher with Economics or Business Studies or Law background / Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management / professional experiences.	Complied	Do
1.3(iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.	N/A	Not applicable
1.4	Chairman of the Board and Chief Executive Officer: The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals. The Chairman of the company shall be elected from among the directors of the Company. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.	Complied	Chairman and CEO of the Company are different individuals with clearly defined roles & responsibilities
1.5	Directors' Report to Shareholders:		
1.5(i)	Industry outlook and possible future developments in the industry.	Complied	The Directors' Report complies with the guideline
1.5(ii)	Segment-wise or product-wise performance.	Complied	Do
1.5(iii)	Risks and concerns.	Complied	Do
1.5(iv)	Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	Complied	Do
1.5(v)	Discussion on continuity of any Extra-Ordinary gain or loss.	Complied	Do
1.5(vi)	Statement of all related party transactions.	Complied	Do
1.5(vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments.	Complied	No such issues in FY 2016-2017
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.	Complied	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.	Complied	The Directors' Report complies with the guideline
1.5(x)	Remuneration to directors including independent directors.	Complied	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.	Complied	The financial statements are prepared following the guideline
1.5(xii)	Proper books of account of the issuer Company have been maintained.	Complied	In practice
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 and prudent judgment.	Complied	The financial statements are prepared following the guideline

Contd.



Condition No.	Title	Compliance Status as on 30 June 2017	Remarks
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.	Complied	The financial statements are prepared following the guideline
1.5(xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	Complied	In practice
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.	Complied	The Directors' Report complies with the guideline
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.	Complied	Do
1.5(xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	Complied	Do
1.5(xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	Complied	Do
1.5(xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	Complied	Stated in Annexure-I of the Directors' Report
1.5(xx1)	Pattern of shareholding :		
1.5(xx1)(a)	Parent / Subsidiary / Associated Companies and other related parties (name wise details);	Complied	Annexure-II of the Directors' Report complies with the guideline
1.5(xx1)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	Complied	Do
1.5(xx1)(c)	Executives;	Complied	Do
1.5(xx1)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	Complied	Do
1.5(xx2)	Appointment / reappointment of director :		
1.5(xx2)(a)	A brief resume of the director;	Complied	Annexure-III complies with the guideline
1.5(xx2)(b)	Nature of his / her expertise in specific functional areas;	Complied	Do
1.5(xx2)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	Complied	Do

Condition No.	Title	Compliance Status as on 30 June 2017	Remarks
2.0	Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary (CS):		
2.1	Appointment: 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 the CFO, the Head of Internal Audit and the CS.	Complied	The CFO, HIA and CS are different individuals and their roles & responsibilities are separately defined
2.2	Requirement to attend the Board Meetings The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors, provided that the CFO and/or the Company Secretary shall not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to their personal matters.	Complied	The CFO and CS attend the Board Meeting as required by the guideline
3.0	Audit Committee		
3. (i)	The Company shall have an Audit Committee as a sub-committee of the Board of Directors.	Complied	Details are given in the "Audit Committee Report"
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.	Complied	The Committee discharges duties as per BSEC guidelines
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.	Complied	The Committee discharges duties as per ToR approved by the Board
3.1	Constitution of the Audit Committee (AC):		
3.1(i)	The Audit Committee shall be composed of at least 3 (three) members.	Complied	The Committee comprises of 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.	Complied	All members of the Committee are Directors and include 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.	Complied	The Committee Members are selected by the Board as per guidelines
3.1(iv)	Filling of casual vacancy in the Audit Committee.	N/A	No such vacancy occurred
3.1(v)	The Company Secretary shall act as the Secretary of the Committee.	Complied	In practice
3.1(vi)	The quorum of the Audit Committee meeting shall not constitute without Independent Director.	Complied	In practice
3.2	Chairman of the Audit Committee		
3.2(i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.	Complied	The Chairman of the Audit Committee is an Independent Director
3.2(ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	Complied	In practice
3.3	Role of Audit Committee:		
3.3(i)	Oversee the financial reporting process.	Complied	Audit Committee's roles are clearly defined in its TOR

Contd.



Condition No.	Title	Compliance Status as on 30 June 2017	Remarks
3.3(ii)	Monitor choice of accounting policies and principles.	Complied	Committee's roles are clearly defined in its TOR
3.3(iii)	Monitor Internal Control Risk management process.	Complied	Do
3.3(iv)	Oversee hiring and performance of external auditors.	Complied	Do
3.3(v)	Review along with the management, the annual financial statements before submission to the board for approval.	Complied	Do
3.3(vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval.	Complied	Do
3.3(vii)	Review the adequacy of internal audit function.	Complied	Do
3.3(viii)	Review statement of significant related party transactions submitted by the management.	Complied	Do
3.3(ix)	Review Management Letters / Letter of Internal Control weakness issued by statutory auditors.	Complied	Do
3.3(x)	Disclosure of the company to the Committee about the uses/applications of funds raised through IPO/RPO/Right issue	Complied	There was no IPO/RPO/ Right Issue in FY 2016-2017
3.4	Reporting of the Audit Committee:		
3.4.1(i)	The Audit Committee shall report on its activities to the Board of Directors.	Complied	In practice
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)	Report on conflicts of interests;	None	There has been no such reportable case in FY 2016-2017
3.4.1(ii)(b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;	None	Do
3.4.1(ii)(c)	Suspected infringement of laws, including securities related laws, rules and regulations;	None	Do
3.4.1(ii)(d)	Any other matter which shall be disclosed to the Board of Directors immediately.	None	Do
3.4.2	Reporting to the Authorities (BSEC): (if any material impact on the financial condition and results of operation, unreasonably ignored by the management).	None	Do
3.5	Reporting to the Shareholders and General Investors Report on the activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.4.1 (ii).	Complied	The Audit Committee Report is disclosed in the Annual Report
4.0	Non-engagement of External / Statutory Auditors:		
4.0(i)	Non-engagement in Appraisal or valuation services or fairness opinions;	Complied	Required declarations made by the Auditors
4.0(ii)	Non-engagement in Financial information systems design and implementation;	Complied	Do
4.0(iii)	Non-engagement in Book-keeping or other services related to the accounting records or financial statements;	Complied	Do
4.0(iv)	Non-engagement in Broker-dealer services;	Complied	Do
4.0(v)	Non-engagement in Actuarial services;	Complied	Do
4.0(vi)	Non-engagement in Internal Audit service;	Complied	Do

Condition No.	Title	Compliance Status as on 30 June 2017	Remarks
4.0(vii)	Non-engagement in any other services that the Audit Committee determines;	Complied	Required declarations made by the Auditors
4.0(viii)	No partner or employees of the external audit firms shall possess any share of the Company they audit at least during the tenure of their audit assignment of that Company;	Complied	Do
4.0(ix)	Non-engagement audit/certification services on compliance of corporate governance as required under Clause (i) of condition No.7;	Complied	Do
5.0	Subsidiary Company		
5.0(i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	Complied	In practice
5.0(ii)	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.	Complied	Do
5.0(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.	Complied	Do
5.0(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.	Complied	Do
5.0(v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	Complied	Do
6.0	Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO): The CEO and CFO certified to the Board that :-		
6.0(i)(a)	They have reviewed financial statements for the year and the financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	Complied	Required declaration is enclosed in Annexure-IV
6.0(i)(b)	The financial statements together present a true and fair view of the Company's affairs and are in compliance with affairs and are in compliance with applicable laws.	Complied	Do
6.0(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.	Complied	Do
7.0	Reporting and Compliance of Corporate Governance		
7.0(i)	Obtaining certificate from a practicing Professional Accountant / Secretary (Chartered Accountant / Cost and Management Accountant / Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and inclusion of the same in the Annual Report.	Complied	Certificate is enclosed in Annexure-VI
7.0(ii)	Directors statement along with annexure as to the compliance with these conditions, in accordance with the Annexure prescribed by the Commission	Complied	Annexure-V complies with the guideline