

Report to the Shareholders of Daffodil Computers Limited on Compliance on the Corporate Governance Code

[As per condition No. 1(5)(xxvii)]

We have examined the compliance status to the **Corporate Governance Code** by **Daffodil Computers Limited** for the year ended on 30 June 2019. This Code relates to the Notification No. BSEC/CMRRRCD/2006-158/207/Admin/80 dated 03 June 2018 issued under Section 2CC of the Bangladesh Securities and Exchange Commission.

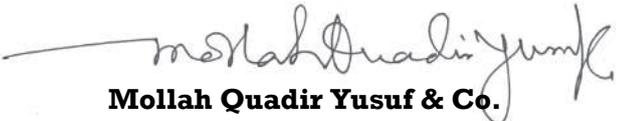
Such compliance with the Corporate Governance Code is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of the Corporate Governance Code.

This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

- (a) The Company has complied with the conditions of the Corporate Governance Code as stipulated in the above mentioned Corporate Governance Code issued by the Commission;
- (b) The Company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
- (c) Proper books and records have been kept by the company as required under the companies Act 1994, the Securities Laws and other relevant Laws; and
- (d) The Governance of the company is satisfactory.

Dated: November 20, 2019
Place: Dhaka



Mollah Quadir Yusuf & Co.
Chartered Accountants

Daffodil Coumpers Limited

Status of compliance with the conditions imposed by the Commission's Notification No. SEC/CMRRCD/2006-158/207/Admin/80, dated 3 June 2018 issued section 2CC of the Securities & Exchange Ordinance, 1969:

Contition No.	Title	Compliance Status (Put v in the appropriate column)		Remarks
		Complied	Not Complied	
1(1)	Board's size	√		
1(2)(a)	No. of Independent Directors	√		One Independent Director
1(2)(b)(i)	Shareholding of Independent Director	√		
1(2)(b)(ii)	Relationship of Independent Director with sponsor, shareholders and others	√		
1(2)(b)(iii)	Executive of the Company	√		
1(2)(b)(iv)	Pecuniary or other relationship with the company	√		
1(2)(b)(v)	Relationship with the Stock Exchange	√		
1(2)(b)(vi)	Relationship with the member of any Stock Exchange	√		
1(2)(b)(vii)	Relationship with the statutory Audit Firm	√		
1(2)(b)(viii)	Directorship in more than 5 listed companies	√		
1(2)(b)(ix)	Conviction by a competent court	√		
1(2)(b)(x)	Conviction for criminal offence	√		
1(2)(c)	Approval of appointment of Independent Director in the AGM	√		
1(2)(d)	Vacancy in the post of Independent Director	√		
1(2)(e)	Tenure of office of Independent Director	√		
1(3)(a)	Individual with knowledge and integrity	√		
1(3)(b)(i)	Promoter or director of listed/non listed companies or member of chamber of commerce or business association	√		
1(3)(b)(ii)	Top level executive listed/non listed companies	√		
1(3)(b)(iii)	Government official not below 5 th grade with degree in economics, commerce or law	N/A		
1(3)(b)(iv)	University teacher in Economics, Commerce or Business Studies	√		
1(3)(b)(v)	Professional who is an Advocate/CA/CMA/CPA/CS	√		
1(3)(c)	10 years experience of Independent directors in prescribed field	√		
1(3)(d)	Relaxation of qualifications	√		

Contition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks
		Complied	Not Complied	
1(4)(a)	Chairperson and Managing Director or CEO shall be filled by different individual	✓		
1(4)(b)	Managing Director or CEO of listed company shall not hold same position in another listed company	✓		
1(4)(c)	Chairperson shall be elected from non-executive directors	✓		
1(4)(d)	Defining roles and responsibilities of Chairperson/Managing Director/ Chief Executive Officer	✓		
1(4)(e)	In absence of Chairperson remaining members may elect Chairperson for that particular meeting from themselves	✓		
1(5)(i)	Industry outlook and possible future developments	✓		
1(5)(ii)	Product wise performance	✓		
1(5)(iii)	Risks and concerns	✓		
1(5)(iv)	Discussion on Cost of goods sold, Gross profit and Net profit margin	✓		
1(5)(v)	Discussion on continuity of extraordinary activities	✓		
1(5)(vi)	Discussion on related party transactions	✓		
1(5)(vii)	Statement of utilization of proceeds from public issue	N/A		No Significant Variance
1(5)(viii)	Explanation for deterioration of financial results	N/A		
1(5)(ix)	Deviation in operating results between quarterly and annual financial statements	N/A		
1(5)(x)	Statement of remuneration to Directors	✓		
1(5)(xi)	Fair presentation of Financial statements	✓		
1(5)(xii)	Maintaining proper books of account	✓		
1(5)(xiii)	Application of appropriate accounting policies	✓		
1(5)(xiv)	Follow up IAS/IFRS	✓		
1(5)(xv)	Sound internal control designed and implementation thereof	✓		
1(5)(xvi)	Protection of minority shareholders interest	✓		
1(5)(xvii)	Statement about ability to continue as a going concern	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks
		Complied	Not Complied	
1(5)(xviii)	Explanation of significant deviations and reasons thereof	✓		
1(5)(xix)	Statement of key operating and financial data for last 5 years	N/A		
1(5)(xx)	Reasons for non declaration of dividend	✓		Dividend has been Declared
1(5)(xxi)	Board's intention to declare interim stock dividend	✓		
1(5)(xxii)	Number of Board Meeting held	✓		
1(5)(xxiii)(a)	Shareholding by Parent or Subsidiary / Associated companies	✓		
1(5)(xxiii)(b)	Shareholding by Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance	✓		
1(5)(xxiii)(c)	Shareholding by Executives	✓		
1(5)(xxiii)(d)	10% or more shareholding	✓		
1(5)(xxiv)(a)	Brief resume of the director	✓		
1(5)(xxiv)(b)	Nature of expertise	✓		
1(5)(xxiv)(c)	Names of companies in which director holds directorship	✓		
1(5)(xxv)(a)	Accounting policies and estimation for preparation of financial statements	✓		
1(5)(xxv)(b)	Changes in accounting policies and estimates	✓		
1(5)(xxv)(c)	Comparative analysis of financial performance for immediate preceding five years	✓		
1(5)(xxv)(d)	Compare financial performance and position with peer industry	✓		No peer industry is available for comparison
1(5)(xxv)(e)	Financial and economic scenario of the country and the globe	✓		
1(5)(xxv)(f)	Risk and concerns issues related to financial statements and mitigation plan	✓		
1(5)(xxv)(g)	Future plan or projection of company's operation, performance and financial position	✓		
1(5)(xxvi)	Declaration by CEO and CFO	✓		
1(5)(xxvii)	Certificate regarding compliance of conditions	✓		

Contition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks
		Complied	Not Complied	
1(6)	Board meetings and record of minutes as per requirement	√		
1(7)(a)	Code of conduct for chairperson, Board members and Chief Executive Officer	√		
1(7)(b)	Posting code of conduct on the website of the company	√		
2(a)	Composition of the Board of holding company	-	-	N/A
2(b)	Independent director on the Board	-	-	N/A
2(c)	Minutes of the Board meeting of the subsidiary company	-	-	N/A
2(d)	Minutes of the meeting of holding company	-	-	N/A
2(e)	Review of the financial statements of subsidiary company.	-	-	N/A
3(1)(a)	Appointment of : a) Managing Director (MD), b) Company Secretary (CS), c) Chief Financial Officer (CFO), d) Head of Internal Audit and Compliance (HIAC)	√		
3(1)(b)	Managing Director, Company Secretary, CFO and HIAC shall be different individuals	√		
3(1)(c)	Holding of executive position in any other company by Managing Director, Company Secretary, CFO and HIAC	√		
3(1)(d)	Roles and responsibilities of Company Secretary, CFO and HIAC	√		
3(1)(e)	Removal of Managing Director, Company Secretary, CFO and HIAC and dissemination to the commission	√		
3(2)	Attendance in Board Meetings by Managing Director, Company secretary, CFO and HIAC	√		
3(3)(a)(i)	Untrue/misleading statement	√		
3(3)(a)(ii)	True and fair view of company's affairs	√		
3(3)(b)	Certification by Managing Director and CFO regarding transaction that entered into by the company are not fraudulent and illegal or in violation of the code of conduct of the Board members.	√		
3(3)(c)	Disclosure of certificate in the Annual Report.	√		
4(i)	Audit Committee	√		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks
		Complied	Not Complied	
4(ii)	Nomination and Remuneration Committee	✓		
5(1)(a)	Audit committee as a sub-committee of the Board	✓		
5(1)(b)	Ensuring true and fair view of the financial statements and good monitoring system	✓		
5(1)(c)	Duties of the Audit committee shall be in writing	✓		
5(2)(a)	Composition of Audit Committee	✓		
5(2)(b)	Members of the Audit Committee	✓		
5(2)(c)	Financial literacy of Audit Committee members	✓		
5(2)(d)	Casual vacancy in the Audit Committee	✓		
5(2)(e)	Secretary of the Audit Committee	✓		
5(2)(f)	Quorum of Audit Committee	✓		
5(3)(a)	Chairman of the Audit Committee	✓		
5(3)(b)	Chairman from remaining members in absence of chairman of Audit committee	✓		
5(3)(c)	Presence of chairperson of Audit committee in the AGM	✓		
5(4)(a)	No. of meetings in a year (4 meetings in a year)	✓		
5(4)(b)	Quorum of the Audit Committee	✓		
5(5)(a)	Oversee the Financial reporting process	✓		
5(5)(b)	Monitor accounting policies and principles	✓		
5(5)(c)	Monitor internal control	✓		
5(5)(d)	Oversee hiring and performance of external Auditors	✓		
5(5)(e)	Meeting with external auditors	✓		
5(5)(f)	Review along with management	✓		
5(5)(g)	Review quarterly and half yearly financial statements	✓		
5(5)(h)	Review internal Audit function	✓		
5(5)(i)	Review management discussion and analysis	✓		
5(5)(j)	Review related party transactions	✓		
5(5)(k)	Review management letters by statutory Auditors	✓		
5(5)(l)	Oversee the determination of Audit fees	✓		

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks
		Complied	Not Complied	
5(5)(m)	Oversee the proceeds of initial public offering	√		
5(6)(a)(i)	Report of the Audit Committee	√		
5(6)(a)(ii)(a)	Report on conflict of interest to the Board of Directors	-		No such conflictions
5(6)(a)(ii)(b)	Suspected or presumed fraud or irregularity or material defect in the internal control system	-		No such incidence
5(6)(a)(ii)(c)	Suspected infringement of laws	-		No such incidence
5(6)(a)(ii)(d)	Reporting any other matter to the Board of Directors	-		No such matter
5(6)(b)	Reporting to the Authorities	-		No such incidence
5(7)	Reporting to the Shareholders and general investor	√		
6(1)(a)	Nomination and Remuneration Committee (NRC)	√		
6(1)(b)	Assist the Board in formulation of nomination criteria of directors and top level executive	√		
6(1)(c)	Terms of reference of NRC	√		
6(2)(a)	Members of NRC	√		
6(2)(b)	Members are non-executive directors	√		
6(2)(c)	Members of NRC shall be appointed by the Board.	√		
6(2)(d)	Board's authority to remove and appoint member of NRC	√		
6(2)(e)	Fill-up vacancy of member of NRC	√		
6(2)(f)	Appoint/co-opt any external expert	-		So far not required
6(2)(g)	Secretary of the NRC	√		
6(2)(h)	Quorum of the NRC	√		
6(2)(i)	No remuneration for advisory services or consultancy	√		
6(3)(a)	Chairperson of the NRC	√		
6(3)(b)	Chairman from remaining members	√		
6(3)(c)	Attendance of chairperson of NRC in AGM	√		
6(4)(a)	No. of meeting in a year	√		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks
		Complied	Not Complied	
6(4)(b)	Convening emergency meeting	-		No such emergency arises
6(4)(c)	Quorum of the meeting of NRC	✓		
6(4)(d)	Proceedings of NRC meeting	✓		
6(5)(a)	NRC shall be accountable to the Board	✓		
6(5)(b)(i)(a)	level of composition of remuneration	✓		
6(5)(b)(i)(b)	Relationship of remuneration to performance	✓		
6(5)(b)(i)(c)	Balancing between fixed and incentive pay	✓		
6(5)(b)(ii)	Devising policy on Board's diversity	✓		
6(5)(b)(iii)	Identifying persons who are qualified to become directors and top level executives.	✓		
6(5)(b)(iv)	Formulating criteria for evaluation of performance of independent directors and the Board	✓		
6(5)(b)(v)	Identifying company's needs for appointment of employees and determination their selection, transfer and promotion criteria.	✓		
6(5)(b)(vi)	Developing human resources and training	✓		
6(5)(c)	Disclosure in annual report the nomination and remuneration policy and evaluation criteria and activities of NRC	✓		
7(1)(i)	Appraisal or valuation services	✓		
7(1)(ii)	Financial information systems	✓		
7(1)(iii)	Book-keeping or other services	✓		
7(1)(iv)	Broker-dealer services	✓		
7(1)(v)	Actuarial services	✓		
7(1)(vi)	Internal audit services	✓		
7(1)(vii)	Any other service	✓		
7(1)(viii)	Audit or certification services on compliance of corporate governance as required under condition no. 9(1)	✓		
7(1)(ix)	Any other service that creates conflict of interest	✓		
7(2)	Shareholding of partner or employees of external Audit firms	✓		

Contition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks
		Complied	Not Complied	
7(3)	Presence of representative of external auditors in AGM/EGM	√		
8(1)	Official website of the company	√		
8(2)	Keeping website functional from date of listing	√		
8(3)	Detailed disclosures under listing regulation	√		
9(1)	Certificate of compliance regarding Corporate Governance Guidelines	√		
9(2)	Compliance auditor shall be appointed by the shareholders in the AGM	√		
9(3)	Compliance of conditions as per Annexure-C	√		