

Certificate of Corporate Governance Code

Annexure-B



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'COMPLIANCE REPORT'

[Certificate as per condition no. 1(5)(xxvii)]

**Report to the Shareholders of Silva Pharmaceuticals Limited on
compliance on the Corporate Governance Code**

We have examined the compliance status to the Corporate Governance Code by **Silva Pharmaceuticals Limited** for the year ended on June 30, 2020. This Code relates to the Notification no. BSEC/CMRRCD/2006-158/207/Admin/80 Dated 3 June, 2018 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 highly satisfactory.

Place: Dhaka
Dated: October 27, 2020


Shaiful Alam FCA
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Compliance Status of Corporate Governance Code

Annexure-C

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Compliance status on Corporate Governance Code of BSEC

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

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

(Report under Condition No. 9)

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not complied	
1.00	BOARD OF DIRECTORS			
1(1)	Size of the Board of Directors	√		
1(2)	INDEPENDENT DIRECTORS			
1(2)(a)	At least 1/5 th of the total number of directors	√		
1(2)(b)(i)	Does not hold any share or holds less than one percent (1%) shares of total paid up capital.	√		
1(2)(b)(ii)	Not a sponsor of the company or is not connected with the company's any sponsor or director or nominated director or shareholder of the company or any of its associates, sister concerns, subsidiaries and parents or holding entities who holds one percent (1%) or more shares of the total paid-up share	√		
1(2)(b)(iii)	Has not been an executive of the company in immediately preceding 2 (two) financial years.	√		
1(2)(b)(iv)	Has any other relationship, whether pecuniary or otherwise, with the company or its subsidiary or associated companies	√		
1(2)(b)(v)	Not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange	√		
1(2)(b)(vi)	Not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market.	√		
1(2)(b)(vii)	Not the partners or executives during preceding 3 (three) years of concerned company's statutory audit firm.	√		
1(2)(b)(viii)	Not the independent directors in more than 5 (five) listed companies.	√		
1(2)(b)(ix)	Not 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)(b)(x)	Not been convicted for a criminal offence involving moral turpitude.	√		
1(2)(c)	Shall be appointed by the Board of Directors and approved by the Shareholders in the AGM.	√		
1(2)(d)	The post of independent directors cannot remain vacant for more than 90 days.	√		
1(2)(e)	The tenure of office of an Independent Directors shall be for a period of 3 (three) years which may be extended for 1 (one) term only.	√		
1(3)	QUALIFICATION OF INDEPENDENT DIRECTOR			
1(3)(a)	Independent Director shall be knowledgeable individual with integrity who is able to ensure required compliance.	√		
1(3)(b)(i)	Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk. 100.00 million or any listed company	Not Applicable		



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1(3)(b)(i)	Corporate Leader who is or was a top level executive not lower than CEO or MD or DMD or CFO or Head of F&A or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid-up capital of Tk. 100.00 million or of a listed company	√		
1(3)(b)(iii)	Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale	Not Applicable		
1(3)(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law	Not Applicable		
1(3)(b)(v)	Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a CA or CMA or CFA or CCA or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification	√		
1(3)(c)	The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b)	√		
1(3)(d)	In special cases, the above qualifications or experiences may be relaxed subject to prior approval of the Commission	Not Applicable		
1(4)	Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer			
1(4)(a)	The positions of the Chairperson of the Board and the MD and/or CEO of the company shall be filled by different individuals	√		
1(4)(b)	The MD and/or CEO of a listed company shall not hold the same position in another listed company	√		
1(4)(c)	The Chairperson of the Board shall be elected from among the non-executive directors of the company	√		
1(4)(d)	Separate Chairman and CEO and clearly defined roles and responsibilities.	√		
1(4)(e)	Chairperson of the Board, the remaining members may elect one of themselves from non-executive directors as Chairperson	No such situation was occurred		
1(5)	The Directors Report to Shareholders			
1(5)(i)	Industry outlook and possible future developments in the industry	√		
1(5)(ii)	Segment-wise or product-wise performance.	√		
1(5)(iii)	Risks and concerns	√		
1(5)(iv)	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.	√		
1(5)(vi)	Basis for related party transaction- 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 others instruments.	√		
1(5)(viii)	An explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing etc.	√		
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.	√		
1(5)(x)	Remuneration to directors including independent directors.	√		



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1(5)(xi)	The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operation, cash flows and changes in equity.	√		
1(5)(xii)	Proper books of accounts of the company have been maintained.	√		
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.	√		
1(5)(xiv)	IAS, BAS, IFRS, BFRS, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	√		
1(5)(xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	√		
1(5)(xvi)	Interest of Minority Shareholders	√		
1(5)(xvii)	There are no significant doubts upon the company's ability to continue as a going concern.	√		
1(5)(xviii)	Significant deviations from the last year's operating results of the company shall be highlighted and the reasons thereof should be explained.	√		
1(5)(xix)	Key operating and financial data of at least preceding 5 (Five) years shall be summarized.	√		
1(5)(xx)	If the company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	Not Applicable		
1(5)(xxi)	Effect that no bonus shares or stock dividend has been declared as interim dividend	Not Applicable		
1(5)(xxii)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		
1(5)(xxiii)	The Pattern of shareholding:			
1(5)(xxiii)(a)	Parent or Subsidiary or Associated Companies and other related parties	√		
1(5)(xxiii)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		
1(5)(xxiii)(c)	Executives (top five salaried employees of the company other than stated in 1.5(xxii)b);	√		
1(5)(xxiii)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√		
1(5)(xxiv)	Appointment or re-appointment of a director			
1(5)(xxiv)(a)	A brief resume of the Director;	√		
1(5)(xxiv)(b)	Nature of his/her expertise in specific functional areas.	√		
1(5)(xxiv)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		
1(5)(xxv)	Management discussion and analysis of financial statements			
1(5)(xxv)(a)	accounting policies and estimation for preparation of financial statements	√		
1(5)(xxv)(b)	changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes	√		



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1(5)(xxv)(c)	comparative analysis	√		
1(5)(xxv)(d)	compare such financial performance or results and financial position as well as cash flows with the peer industry scenario	√		
1(5)(xxv)(e)	briefly explain the financial and economic scenario of the country and the globe	√		
1(5)(xxv)(f)	risks and concerns	√		
1(5)(xxv)(g)	future plan or projection or forecast for company's operation, performance and financial position	√		
1(5)(xxvi)	Declaration or certification by the CEO and the CFO to the Board	√		
1(5)(xxvii)	Certificate regarding compliance of conditions of this Code	√		
1(6)	Meetings of the Board of Directors	√		
1(7)	Code of conduct for the Chairperson, other Board members and Chief Executive Officer			
1(7)(a)	Board shall lay down a code of conduct	√		
1(7)(b)	The code of conduct as determined by the NRC shall be posted on the website of the company	√		
2.00	Governance of Board of Directors of Subsidiary Company	The Company has no Subsidiary Company		
2(a)	Provisions relating to the composition of the Board of the holding company			N/A
2(b)	At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company			N/A
2(c)	The minutes of the Board meeting of the subsidiary company shall be placed for review			N/A
2(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also			N/A
2(e)	The Audit Committee of the holding company shall also review the financial statements			N/A
3.00	Managing Director(MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)			
3(1)	Appointment			
3(1)(a)	The Board shall appoint a MD or CEO, a Company Secretary, a CFO and a Head of Internal Audit and Compliance (HIAC)	√		
3(1)(b)	The positions of the MD or CEO, Company Secretary, CFO and Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals	√		
3(1)(c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time	√		
3(1)(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS	√		
3(1)(e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board			No such situation is observed



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3(2)	The MD or CEO, CS, CFO and HIAC shall attend the meeting of the Board of Directors'	√		
3(3)	Duties of MD or CEO and CFO			
3(3)(a)	Certified by MD and CFO that they have reviewed financial statements and that to the best of their knowledge and belief:			
3(3)(a)(i)	Do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	√		
3(3)(a)(ii)	True and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws	√		
3(3)(b)	MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members	√		
3(3)(c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report	√		
4.00	BOARD OF DIRECTORS' COMMITTEE			
4(i)	Audit Committee	√		
4(ii)	Nomination and Remuneration Committee	√		
5.00	Audit Committee			
5(1)	Responsibility to the Board of Directors			
5(1)(a)	The company shall have an Audit Committee as a sub-committee of the Board	√		
5(1)(b)	Audit Committee shall assist the Board in ensuring that the financial statements reflect true and fair view of the state of affairs of the company	√		
5(1)(c)	The Audit Committee shall be responsible to the Board; the duties of the Audit Committee shall be clearly set forth in writing	√		
5(2)	Constitution of the Audit Committee			
5(2)(a)	The Audit Committee shall be composed of at least 3 members.	√		
5(2)(b)	Constitution of Audit Committee with Board Members including one Independent Director.	√		
5(2)(c)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	√		
5(2)(d)	Filling of Casual Vacancy in Committee	√		No such situation is observed
5(2)(e)	The Company Secretary shall act as the secretary of the Committee.	√		
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without at least 1 independent director.	√		
5(3)	Chairperson of the Audit Committee			
5(3)(a)	Chairman of the Audit Committee shall be an Independent Director.	√		
5(3)(b)	In absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson	√		
5(3)(c)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	√		



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5(4)	Meeting of the Audit Committee			
5(4)(a)	The Audit Committee shall conduct at least its four meetings in a financial year	√		
5(4)(b)	The quorum of the meeting of the Audit Committee shall be constituted in presence	√		
5(5)	Role of Audit Committee			
5(5)(a)	Oversee the financial reporting process	√		
5(5)(b)	Monitor choice of accounting policies and principles.	√		
5(5)(c)	Monitor Internal Control Risk management process.	√		
5(5)(d)	Oversee hiring and performance of external auditors.	√		
5(5)(e)	Hold meeting with the external or statutory auditors	√		
5(5)(f)	Review along with the management, the annual financial statements before submission to the board for approval.	√		
5(5)(g)	Review along with the management, the quarterly and half yearly Financial Statements before submission to the Board for approval.	√		
5(5)(h)	Review the adequacy of internal audit function.	√		
5(5)(i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report	√		
5(5)(j)	Review statement of all related party transactions submitted by the management.	√		
5(5)(k)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	√		
5(5)(l)	Oversee the determination of audit fees	√		
5(5)(m)	When money is raised through Initial Public Offering (IPO)/ Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about 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.	√		
5(6)	Reporting of the Audit Committee			
5(6)(a)	Reporting to the Board of Directors.			
5(6)(a)(i)	The Audit Committee shall report on its activities to the Board of Directors.	√		
5(6)(a)(ii)(a)	Report on conflicts of interests.	None		There was no such issue
5(6)(a)(ii)(b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;	None		There was no such issue
5(6)(a)(ii)(c)	Suspected infringement of laws, including securities related laws, rules and regulations;	None		There was no such issue
5(6)(a)(ii)(d)	Any other matter which shall be disclosed to the Board of Directors immediately.	√		



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5(6)(b)	If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board 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 finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier.	None		There was no such issue
5(7)	Reporting of activities of the Audit Committee to the Shareholders and General Investors.	√		
6.00	Nomination and Remuneration Committee (NRC)			
6(1)	Responsibility to the Board of Directors'			
6(1)(a)	The company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board	√		
6(1)(b)	The NRC shall assist the Board in formulation of the nomination criteria or policy	√		
6(1)(c)	The Terms of Reference (ToR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b)	√		
6(2)	Constitution of the NRC			
6(2)(a)	The Committee shall comprise of at least three members including an independent director	√		
6(2)(b)	All members of the Committee shall be non-executive directors	√		
6(2)(c)	Members of the Committee shall be nominated and appointed by the Board	√		
6(2)(d)	The Board shall have authority to remove and appoint any member of the Committee	√		
6(2)(e)	In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee	√		
6(2)(f)	The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor	None		
6(2)(g)	The company secretary shall act as the secretary of the Committee	√		
6(2)(h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director	√		
6(2)(i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company	√		
6(3)	Chairperson of the NRC			
6(3)(a)	The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director	√		
6(3)(b)	In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson	√		



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6(3)(c)	The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders	√		
6(4)	Meeting of the NRC			
6(4)(a)	The NRC shall conduct at least one meeting in a financial year	√		
6(4)(b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC	√		
6(4)(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher where presence of an independent director is must as required under condition No. 6(2)(h)	√		
6(4)(d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes	√		
6(5)	Role of the NRC			
6(5)(a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders	√		
6(5)(b)(i)(a)	The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully	√		
6(5)(b)(i)(b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks	√		
6(5)(b)(i)(c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance	√		
6(5)(b)(ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality	√		
6(5)(b)(iii)	Identifying persons who are qualified to become directors and who may be appointed in top level executive position	√		
6(5)(b)(iv)	Formulating the criteria for evaluation of performance of independent directors and the Board	√		
6(5)(b)(v)	Identifying the company's needs for employees at different levels	√		
6(5)(b)(vi)	Developing, recommending and reviewing annually the company's human resources and training policies	√		
6(5)(c)	The company shall disclose the nomination and remuneration policy	√		
7.00	External/Statutory Auditors.			
7(1)	The issuer company shall not engage its external or statutory auditors' to perform the following services of the company, namely:-			
7(1)(i)	Appraisal or valuation services or fairness opinions;	√		
7(1)(ii)	Financial Information System design and implementation;	√		
7(1)(iii)	Book-keeping or other services related to the accounting records or financial statements;	√		



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7(1)(iv)	Broker-dealer services;	√		
7(1)(v)	Actuarial services;	√		
7(1)(vi)	Internal audit services or special audit services	√		
7(1)(vii)	Any services that the Audit Committee determines;	√		
7(1)(viii)	Audit/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)	No partner or employees of the external audit firms shall possess any share of the company	√		
7(3)	Representative of external or statutory auditors shall remain present in the Shareholders' Meeting	√		
8.00	Maintaining a website by the Company			
8(1)	The company shall have an official website linked with the website of the stock exchange	√		
8(2)	The company shall keep the website functional from the date of listing	√		
8(3)	The company shall make available the detailed disclosures on its website	√		
9.00	Reporting and Compliance of Corporate Governance			
9(1)	The company shall obtain a Certificate from a practicing Professional Accountant or Secretary (CA/CMA/CS) regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report.	√		
9(2)	The professional who will Provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the AGM	√		
9(3)	The directors of the company shall state, in accordance with the Annexure-C attached, in the directors' report whether the company has complied with these conditions or not.	√		