

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF DESCON OXYCHEM LIMITED

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

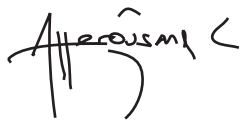
We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Descon Oxychem Limited for the year ended June 30, 2023 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2023.



A.F. Ferguson & Co.
Chartered Accountants
Lahore

Date: September 25, 2023

UDIN: CR202310128BtbC6LR72

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Statement of Compliance

with the Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of company: **Descon Oxychem Limited**

Year ending: June 30, 2023

The company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the "Regulations") in the following manner:

1. The total numbers of directors are 8 (including the Chief Executive Officer) as per the following:

- a) Male: 7
- b) Female: 1

2. The Composition of the Board is as follows:

Category	Names
Independent Directors	Mr. Muhammad Zahir
	Mr. Jehanzeb Khan
Non-Executive Directors	Mr. Taimur Dawood
	Mr. Faisal Dawood
	Mr. Farooq Nazir
	Mrs. Mehreen Dawood
	Mr. Asif Qadir
Executive Director	Mr. Muhammad Mohsin Zia (CEO)

3. The directors have confirmed that none of them is serving as a director on more than seven (7) listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/shareholders as empowered by the relevant provisions of the Act and the Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Companies Act 2017 (the "Act") and the Regulations with respect to frequency, recording and circulating minutes of the Meetings of the Board;
8. The Board has a formal policy and transparent procedures for the remuneration of directors in accordance with Act and these Regulations;
9. Out of eight (08) directors Six (06) of the Directors have obtained certificates of Directors' Training program, whereas one of the Directors is exempt from training under Regulation no. 19(2) of the Regulations. The remaining Director will undertake a training program or get the exemption certificate in due course.
10. The Board has approved the appointment of the Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed three committees comprising the members given below:
 - a) **Audit Committee**
 - i. Mr. Muhammad Zahir (Independent Director) - Chairman
 - ii. Mr. Farooq Nazir (Non-executive Director)
 - iii. Mr. Jehanzeb Khan (Independent Director)
 - b) **Human Resource and Remuneration Committee**
 - i. Mr. Farooq Nazir (Non-executive Director)- Chairman
 - ii. Mr. Faisal Dawood (Non-executive Director)
 - iii. Mr. Muhammad Zahir (Independent Director)
 - c) **Enterprise Risk Management Committee**
 - i. Mr. Muhammad Mohsin Zia (Executive Director) – Chairman
 - ii. Mr. Muhammad Rizwan Qaiser (Chief Financial Officer)
 - iii. Mr. Mushfiq Hussain (Works Manager)
 - iv. Ms. Noor Shuja
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;
14. The frequency of meetings of the committees were as per following:
 - a) **Audit Committee:**
Four quarterly meetings were held during the financial year ended June 30, 2023.
 - b) **Human Resource and Remuneration Committee:**
Two meetings of Human Resource and Remuneration Committee were held during the financial year ended June 30, 2023.
 - c) **Enterprise Risk Management Committee:**
Four meetings of Enterprise Risk Management Committee were held during the financial year ended June 30, 2023.
15. The Board has outsourced the internal audit function to M/s. KPMG Taseer Hadi and Co., Chartered Accountants, who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with and;
- i. In respect of regulation 6(1), the company believes it has sufficient impartiality and is able to exercise independence in decision-making within the Board and hence, does not require to round up the fraction to 3 independent directors.
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are as below:
- i. There is no Nomination Committee in place (required under the non-mandatory provision of Regulations 29 & 30). The company is considering forming a Nomination Committee.
- ii. The Chairman of the Human Resource and Remuneration Committee is not an independent director (required under the non-mandatory provision of Regulation 28). The present Chairman is appointed due to his extensive board experience, including participation in the last three consecutive terms of Human Resource and Remuneration Committee.
- iii. Female executive has not completed training under Directors' Training Program (required under non-mandatory provision of the Regulation 19). However, their trainings are planned in the ensuing year.

Lahore
September 07, 2023


Faisal Dawood
Chairman