

Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Jubilee Spinning & Weaving Mills Limited

Dates of Hearing	September 22, 2020, October 13, 2020, November 16, 2020
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Order-Redacted Version

Order dated January 20, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Jubilee Spinning & Weaving Mills Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated April 18, 2019
2. Name of Company	Jubilee Spinning & Weaving Mills Limited
3. Name of Individual*	The proceedings were initiated against the directors of the Company i.e. Jubilee Spinning & Weaving Mills Limited
4. Nature of Offence	Violation of Listed Companies (Code of Corporate Governance) Regulations, 2017 read with section 512 of the Companies Act, 2017.
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have examined the submissions made in writing and during the hearing as well as issues highlighted in the SCN and requirements of the Regulations and of the Act. Based on the available record, I have analyzed the matter in the following manner:</p> <p>(i) In terms of regulation (23) of the Regulations, chief financial officer, is required to have minimum prescribed criteria. In this regard, it was informed that CFO, having prescribed qualifications was appointed by the board of directors on October 5, 2020. The aforesaid highlights that at the relevant time of Auditors' Review, the Respondents were in non-compliance of the requirements of regulation (23) of the Regulations.</p> <p>(ii) In terms of regulation (25) of the Regulations, company secretary, is required to have minimum prescribed criteria as per relevant Regulations. In this regard, the Respondents are of the view that company secretary was appointed in</p>

	<p>2017 having relevant experience. I, am of the view that the Companies (General Provisions and Form) Regulations, 2018 were notified in October 2018 i.e. subsequent to the year ended June 30, 2018, and in terms of the aforesaid relevant regulations the minimum criteria for company secretary was provided.</p> <p>(iii) In terms of regulation (17), the board is required to have in place a formal policy and transparent procedure for fixing remuneration package of individual directors. The Respondents informed that a formal policy in this regard to be prepared. Hence, at the relevant time of Auditor's Review, violation of regulation (17) of the Regulations is attracted.</p> <p>(iv) In terms of regulation 20(2) of the Regulations, the directors are required to attend directors' training program from the institutions approved by the Commission. In case of exemption, the Company is required to seek approval of the Commission. In this regard, evidence of compliance was not furnished, which attracts violation of regulation 20(2) of the Regulations.</p> <p>(v) In terms of regulation 29(1), for Human Resource and Remuneration (HR) Committee, it has been stipulated that HR committee to be constituted comprising of three members having majority of non-executive directors of whom at least one member be an independent director. The Company in representation explained that independent directors to be appointed on the board and consequently HR committee to be constituted. I have also noticed that there was no independent director on the board of the Company at the relevant time of SOC, hence, violation of regulation 29(1) of the Regulations is attracted.</p> <p>(vi) The Respondent did not furnish any evidence of compliance for having independent director as chairman of the audit committee. Hence, violation of regulation 28(1)(b) of the Regulations is attracted.</p> <p>(vii) It was informed that terms of reference for audit committee were prepared in 2020. I, am of the view that subsequent compliance does not exonerate the Respondents for not complying the given requirements of regulation 28(3) of the Regulations.</p>
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	<p>(viii) It was informed that internal audit function was in existence since 2017-2018. However, the Respondents did not furnish any evidence of compliance in this regard. Hence, found non-compliant with the provisions of regulation 32(1)(a) of the Regulation.</p> <p>(ix) The Auditors in review report on the SOC reported that: <i>“The Company has not complied with the financial reporting and corporate compliance requirements of the Regulations. The financial statements of the Company have not been prepared in accordance with approved accounting standards as applicable in Pakistan. Therefore, the financial statements do not give a true and fair view of state of the Company’s affairs as at 30 June 2018 and of the profit, other comprehensive loss, the changes in equity and its cash flows for the year then ended”</i>. The Auditor also gave adverse opinion on the financial statements for the year ended June 30, 2018. The Respondents are of the view that subsequently in Accounts of 2020 no such observation of the Auditor exists. I, am of the view that in absence of audit committee as per requirements of the Regulations, the corporate and financial reporting mechanism is questionable. Moreover, subsequent compliance in this regard does not exonerate the Respondents from the compliance requirements of the aforesaid framework.</p> <p>(x) In terms of clause (1) of regulation (6) of the Regulations, the independent directors of each listed company shall not be less than two members or one third of the total members of the board, whichever is higher. The Company, however, at the time of review of SOC did not have any independent director. The Company in its representation has stated about an application which was made before the Commission seeking exemption of the given requirement, and informed that the same was denied by the concerned department of the Commission. It was also submitted that the independent directors to be appointed on the board. Hence, at the time of review of SOC, the Respondents did not ensure compliance with regulation 6(1) of the Regulations.</p> <p>(xi) The Company needs to have a board approved, corporate strategy and significant policies. The Respondents, however, did not provide any evidence of the said regulation therefore found non-complaint with the provision of regulation 10(3)(i) of the Regulations.</p>
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	<p>(xii) In terms of regulation 10(3)(ii) a formal code of conduct is required and it has been enshrined that board shall take steps to disseminate code of conduct along with supporting policies and procedures and these shall be put on the company's website. The Authorized Representative has submitted that subsequent to the SOC as aforesaid, code of conduct was implemented. However, I observe that at relevant time, regulation 10(3)(ii) was not complied.</p> <p>2. In view of the foregoing, it is concluded that the lapse was demonstrated by the Respondents with regard to compliance of the requirements of the Regulations. Further, the Auditor of the Company reported such non-compliances in his review report on the SOC with the Regulations. The Respondents in their written representations did not furnish any supporting documents in order to substantiate their stance. The Respondents, therefore violated the aforesaid requirements of the Regulations for which justifiable grounds do not exist.</p> <p>Keeping in view, a penalty of Rs. 50,000/- only (Rupees fifty thousand) was imposed on the chief executive of the Company.</p> <p>Penalty order dated January 20, 2021 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A Penalty of Rs. 50,000/- (Rupees fifty thousand) was imposed on chief executive of the Company.
7. Current Status of Order	No Appeal has been filed by the respondents.

Redacted version issued for placement of website of the Commission.