

*Before*

**Amir M. Khan Afridi, Director/Head of Department**

*In the matter of*

**Bilal Fibres Limited**

Date of Hearing

October 20, 2021

**Order-Redacted Version**

Order dated December 30, 2021 was passed by Director/Head of Department (Adjudication-I) in the matter of Bilal Fibres Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show Cause Notice dated September 2, 2021
2. Name of Company	Bilal Fibres Limited
3. Name of Individual*	The proceedings were initiated against the Company and its Board of Directors of the Company.
4. Nature of Offence	<p>Brief facts of the case are that the Company held its election of directors in the extra ordinary general meeting (EOGM) on December 20, 2020, wherein seven directors were re-elected. It was, however, observed that neither any independent director nor any female director was appointed on the board of directors (BOD) of the Company. In terms of regulation 6 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations), the Company was required to have at least two or one-third members of the Board, whichever was higher, as independent directors on its board. Moreover, in terms of regulation 7 of the Regulations, the Company was also required to have at least one female director on the BOD. The concerned department of Securities and Exchange Commission of Pakistan (<b>the Commission</b>) vide letter dated May 26, 2021 sought explanation of the Company for non-compliances of regulations 6 and 7 of the Regulations. The Company in its response vide letter dated June 16, 2021, <i>inter alia</i>, stated that: "At time of announcement of election of directors, search was made on the website of Pakistan Institute of Corporate Governance (PICG) for independent directors who may be stationed at Lahore. However, the Company has not been able to identify any suitable person for filling the slot of independent director. The Company shall continue to search for suitable persons for induction on the board. As soon as the efforts succeed, such persons will be appointed by co-option by withdrawing family directors. Similar, is the position with regard to appointment of a female director. As the Company is heavily under debt, the sponsors do not find feasible to bring in any family female on the board."</p> <p>The aforesaid reply of the Company was not found satisfactory. Hence, proceedings were initiated through said SCN against the Respondents.</p>

5. Action Taken	<p>Key findings are as hereunder:</p> <p>I have examined the facts of the case, submissions made in writings and during the hearing proceedings. I am of the view that it is mandatory for the listed company to have:</p> <ul style="list-style-type: none"> <li>(i) at least two or one third members of the Board, whichever is higher, as independent directors as per the requirements of the regulation 6 and</li> <li>(ii) at least one female director on its board as per the requirement of regulations 7 of the Regulations.</li> </ul> <p>The purpose of having independent directors and a female director is to bring an independent oversight and have gender diversity on the boards of the listed companies for better corporate governance. The Respondents have not furnished evidence of compliance of the relevant Regulations and defaults persisted since last election of BOD held on December 20, 2020. I am of the view that the arguments submitted by the Respondents are not tenable. The Respondents admitted the defaults and are construed non-compliant with the mandatory requirements of regulation 6 and regulation 7 of the Regulations by not having at least two independent directors and at least one female director on BOD of the Company. The aforesaid violations attract applicability of regulation 37 read with Section 512(2) of the Act. I, therefore, in terms of powers conferred under regulation 37 of the Regulations read with Section 512(2) of the Act, hereby, impose penalty of <b>Rs. 100,000/- (Rupees One Hundred Thousand only)</b> on *** and also warn the *** to be careful in future.</p> <p>It is hereby directed to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the Commission with MCB Bank Limited within thirty (30) days of the date of this Order and furnish receipted bank challan, evidencing payment of the same, to the Commission forthwith. In case of failure to deposit the penalties, the proceedings under Section 485 of the Act will be initiated for recovery of the fines as arrears of land revenue.</p> <p>Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for imposition of penalties in respect of any default, omission, violation of the Act.</p>
6. Penalty Imposed	Rs. 100,000/-
7. Current Status of Order	No appeal was filed.