

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

In the matter of Show Cause Notice issued to WorldCall Telecom Limited

Dates of Hearing

January 22, 2021

Order-Redacted Version

Order dated March 26, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of WorldCall Telecom Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated February 6, 2020
2. Name of Company	WorldCall Telecom Limited
3. Name of Individual*	The proceedings were initiated against the directors and Chief Executive Officer of the company i.e. WorldCall Telecom Limited.
4. Nature of Offence	In view of alleged violations of the Listed Companies (Code of Corporate Governance) Regulation, 2019 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 analyzed the facts of the case, relevant provisions of law, and the arguments set forth during the hearing as well as the Company's written correspondence with the Commission. It is evident that the Board of Directors of the Company have contravened the afore-referred provisions of the Regulations by failing to appoint an independent director in its Audit Committee, an independent director as Chairman of the Board Audit Committee, and a formal and effective mechanism for an annual evaluation of the Board's own performance, members of Board and of its committees.</p> <p>I would like to add here that the Code of Corporate Governance aims at strengthening governance structures, bringing consistency in the corporate practices and promoting transparency through enhanced disclosure requirements laying down certain significant functions like safeguarding the interest of all stakeholders, particularly the minority holders, harmonizing the conflicting interest of the stakeholders, analyzing the performance of management, mediating in situations like the conflict between management and the shareholders interest. Under the 2017 Code, the roles and responsibilities of directors are more explicit and enhanced, encouraging independent decision-making, diversity, and strengthening the mechanism for transparency and accountability.</p> <p>2. It is imperative to state that the key purpose of inclusion of independent directors on Boards is to provide strategic guidance,</p>

unbiased and objective judgment to ensure objectivity in order to evaluate the performance and wellbeing of a company without having any conflict of interest or undue influence. Independent directors discharge their duties and try to bring transparency in the working mechanism of the company. When the Board is taking any decisions, which would adversely affect the rights of the shareholders or creditors or employees, the independent directors have a significant role in such decisions acting in the best interest and welfare of the stakeholders.

Likewise, Audit Committee composed of independent directors can greatly strengthen the independence, integrity, and effectiveness of audit activities by providing independent oversight of the internal and external audit work plans and results, assessing audit resource and qualification needs, and mediating the auditors' relationship with the company. Under the 2017 Code, the Audit Committee chaired by an independent director (not being the Chairman of the Board) is mandatory as it assists in discharging the primary responsibilities of the Committee of assisting the Board of Directors in carrying out its responsibilities relating to the company's accounting policies, internal control and financial reporting practices, establishing and maintaining lines of communication between the Board and the company's independent and internal auditors as well as financial management.

3. In terms of responsibilities of the Board of Directors, the 2017 Code has added the responsibility to ensure a formal and effective mechanism is put in place for an annual evaluation of the members of the Board and of its Committees in addition to the Board's own performance. Under the 2017 Code, the annual evaluation can be undertaken either in-house directly or by engaging external independent consultants and if so appointed, a statement to that effect shall be made in the Directors' Report disclosing the name, qualifications and major terms of appointment, ensuring that the evaluation is carried out objectively and independently.

It is pertinent to mention that a well-conducted evaluation helps the Board and its Committees to perform to their maximum capabilities, crucial for the continuing success and growth in the long-term sustainable value of a company. Board evaluations serve as a vital tool in the achievement of effective Boards and the continuous improvement of corporate governance in companies by identifying critical gaps in areas of their fiduciary responsibilities. An effective mechanism for an annual evaluation ought to comprise compliance and risk-management competencies, Board dynamics and processes as well as its composition and diversity.

4. In view of the preceding facts, taking cognizance of the submissions by virtue of the Company's written correspondence and arguments set forth during the hearing, I have come to the conclusion that the pertinent provisions of the Regulations have been contravened and the Respondents are liable to penal action under Regulation 41 of the Regulations as a result of failing to appoint an independent director in its Audit Committee, an independent director as chairman of the Board

	Audit Committee, and a formal and effective mechanism for an annual evaluation of the Board's own performance, members of Board and of its committees. Therefore, in exercise of powers conferred under sub-section (2) of Section 512 of the Act, I hereby impose penalty of Rs. 100,000/- (Rupees one hundred thousand only) on Chief Executive of Worldcall Telecom Limited.
6. Penalty Imposed	A Penalty of Rs. 100,000/- (Rupees one hundred thousand only) was imposed on Chief Executive Officer of the company.
7. Current Status of Order	No Appeal has been filed by the respondents.

Redacted version issued for placement on website of the Commission.