**Before**

**Amir M. Khan Afridi, Director/HOD (Adjudication-I)**

**In the matter of Show Cause Notice issued to Sally Textile Mills Limited**

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| Date of Hearing | September 01, 2021, September 17, 2021, October 27, 2021 |

**Order-Redacted Version**

Order dated January 18, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Sally Textile Mills Limited. Relevant details are given as hereunder:

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| **Nature** | **Details** |
| 1. Date of Action | Show cause notice dated April 20, 2021 |
| 1. Name of Company | Sally Textile Mills Limited |
| 1. Name of Individual\* | The proceedings were initiated against Sally Textile Mills Limited and its directors. |
| 1. Nature of Offence | Under sub-regulation (1) of regulation 6 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (CCG Regulations) and Section 166 of the Companies Act, 2017 (Act) read with regulations 27 of CCG Regulations and Sections 169 & 479 of the Act. |
| 1. Action Taken | I have gone through the facts of the case, submissions made both in writing and verbally, record placed before me, and the applicable legal provisions and state that sub regulation (1) of regulation 6 of the Regulations require every listed company to have at least two independent directors. In terms of sub-sections (1) and (3) of Section 166 of the Act, the independent directors are required to be registered in the databank of PICG. I have observed that the Respondents have acknowledged non-compliance of regulation 6 of the Regulations and Section 166 of the Act by their failure to appoint one independent director in addition to Mr. \*\*\*\*. The Respondents have also acknowledged that Mr. \*\*\*\* is not registered with PICG and no evidence was provided that could validate subsequent compliance with the requirement of Section 166 of the Act.  Keeping in view the above, I am of the considered view that the Respondents have failed to appoint the requisite number (minimum two) of individuals as independent directors and thereby contravened the provisions of regulation 6 of the Regulations. Further, the appointment of Mr. \*\*\*\* as independent director, not registered in the databank of PICG is contravention of Section 166 of the Act. The Respondents are, therefore, liable for penalty under regulation 37 of the Regulations and Section 169 of the Act. I hereby, impose cumulative penalty of Rs. 50,000 (Rupees fifty thousand only) on chief Executive Officer and one director. Further, remaining Respondents are warned to ensure compliance of relevant law in letter and in spirit in future.  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 or violation of the Act. |
| 1. Penalty Imposed | A cumulative penalty of Rs. 50,000/- (Rupees Fifty thousand only) was imposed on the CEO and one director. |
| 1. Current Status of Order | No Appeal has been filed by the Respondents. |