



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company	M/s. Systems Limited
Show Cause Notice No. & Date:	No. CSD/ARN/561/2018-623 dated July 07, 2025
Noticee(s):	(i) Ms. Systems Limited, Chief Executive/Director; (ii) Mr. Aezaz Hussain, Director; (iii) Mr. Asif Peer, Director; (iv) Mr. Arshad Masood, Director; (v) Mr. Asif Jooma, Director; (vi) Syed Shabbar Zaidi, Director; (vii) Ms. Romana Abdullah, Director; and (viii) Mr. Omer Saeed, Director
Date(s) of Hearing(s):	September 05, 2025
Case represented by:	(i) Ms. Roohi Khan, Chief Financial Officer; (ii) Mr. Fayez Qamar, Head of Legal and; (iii) Mr. Ahmed Parvez, Legal Advisor. As Authorized Representatives on the behalf of all Noticee(s)
Provision of law involved:	Section 166(1) of the Companies Act, 2017 and Regulation 4(7) of the Companies (Manner and Selection of Independent Directors) Regulations, 2018 read with Section 169 of the Act and Regulations 7A(9), 27(1)(ii) and 36(1) of the Listed Companies (Code of Corporate Governance) Regulations, 2019 read with Regulation 37 thereof and Section 512(2) of the Act
Date of Order:	October 03, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission") through the Show Cause Notice No. CSD/ARN/561/2018-623 dated July 07, 2025 ("SCN") against M/s. Systems Limited (the "Company") and its Board of Directors ("BoD") hereinafter collectively referred to as the "Noticee(s)" issued under Section 166(1) of the Companies Act, 2017 (the "Act") and regulation 4(7) of the Companies (Manner and Selection of Independent Directors) Regulations, 2018 (the "Director's Regulations") read with Section 169 of the Act and regulations 7A(9), 27(1)(ii) and 36(1) of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the "CCG Regulations") read with regulation 37 thereof and Section 512(2) of the Act.

2. The provisions of sub-section (1) of Section 166 of the Act requires that an independent director to be appointed under any law, rules, regulations or code, shall be selected from the databank of independent directors duly maintained by the Pakistan Institute of Corporate Governance (the "PICG") who are eligible and willing to act as independent directors. Furthermore, proviso to Section 166(1) of the Act provides that responsibility of exercising due diligence before selecting a person from the data bank referred to above, as an independent director shall lie with the company. Moreover, sub-regulation (7) of regulations 4 of the Director's Regulations also provides that every company shall be responsible for exercising its due diligence before selecting an individual from the databank or appointment as independent director.

3. Sub-regulation (9) of regulation 7A of the CCG Regulations provides that all the notices received for election under the category of Independent Director shall be subject to due diligence by the Company. Moreover, clause (ii) of sub-regulation (1) of regulation 27 of the CCG Regulations makes it mandatory that the Audit Committee (the "AC") of the company shall be chaired by an independent director. Furthermore, sub-regulation (1) of regulation 36(1) of the CCG Regulations provide that it is mandatory that the company shall publish and circulate a statement along with their annual reports to set out the status of their compliance with the requirements of the CCG Regulations and the said statement shall be specific and supported by necessary explanations.

4. The penalty for non-compliance of the aforementioned provisions of Section 166 of the Act attracts a penal action under Section 169 read with Section 479 thereof as whoever contravenes or fails to comply with

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any of the provisions of Section 166 or is a party to the contravention of the said provisions shall be liable to a penalty of level 2 on the standard scale and may also be debarred by the authority which imposes the penalty from becoming or continuing a director of the company for a period not exceeding three years.

5. Moreover, regulation 37 of the CCG Regulations provides that whoever fails or refuses to comply with, or contravenes regulations 7, 27 and 36 of the CCG Regulations, shall be punishable with penalty as provided under sub-section (2) of Section 512 of the Act, which in-turn provides that any regulation made under sub-section (1) may provide that a contravention thereof shall be punishable with a penalty which may extend to five million rupees and where the contravention is a continuing one, with a further penalty which may extend to one hundred thousand rupees for every day after the first during which such contravention continues.

6. The brief facts of the case are that review of the Annual Audited Financial Statements for the year ended December 31, 2023 (the "Accounts") transpired that the Company held its election of directors in the Extra-Ordinary Annual General Meeting on December 26, 2023 (the "EOGM"); wherein Mr. Zubyr Soomro was elected as an independent director. However, databank of PICG was checked on August 02, 2024 and it was observed that at the time of election, Mr. Soomro's name was not registered/listed in the PICG databank. Moreover, Mr. Soomro was also appointed as Chairman of AC of the Company despite the explicit requirement, prescribed under the CCG Regulations, of appointing an independent director as chairman of the AC.

7. It was also observed that despite the above non-registration of the name of Mr. Soomro with the PICG databank, the Company, in its Statement of Compliance with the CCG Regulations for the year ended 2023 ("SoC"), confirmed at Sr. No. 18, thereof, that it had complied with all mandatory provisions of the CCG Regulations.

8. The Commission vide letter dated August 07, 2024 sought explanation/justification from the Company with respect to afore-mentioned elected independent director. The Company vide its letter dated August 16, 2024, *inter alia*, submitted that:

"Mr. Zubyr Soomro has been included in the independent director databank of the Pakistan Institute of Corporate Governance."

9. Having being not satisfied with the aforesaid response, a SCN was issued to the Noticee(s) to show the cause in writing as to why penal action may not be taken against them for non-compliance of the requirements of the Act and the mandatory provisions of the CCG Regulations. In response to the SCN, the Company vide its letter dated July 21, 2025, *inter-alia*, stated that:

- (i) *Non-verification of listing status of Mr. Zubyr Soomro in the independent director databank maintained by the Pakistan institute of Corporate Governance (PICG), at the time of the Extra-Ordinary General Meeting held on December 26, 2023, was an inadvertent oversight. The same was unintentional and without any mala fide intent, hence regretted;*
- (ii) *Mr. Soomro has been registered with PICG databank, confirming his eligibility and independence in accordance with the Director's Regulations;*
- (iii) *The Company, at all times, even before the registration of Mr. Soomro at PICG databank, was fully compliant as its board comprised of four (4) independent directors. Accordingly, full quorum and representation of independent directors in all board meetings and committee proceedings was ensured and all decisions of the Board and its committees were made with full transparency, independence and in accordance with the spirit of the governance framework;*
- (iv) *Company has undertaken an internal review of its nomination and compliance procedures and has taken steps to ensure that pre-election verification of PICG databank registration is institutionalized in the due diligence checklist going forward to avoid recurrence of such oversight; and*
- (v) *In consideration of the aforesaid, the Commission is requested to take lenient view in the matter.*

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10. In order to provide an opportunity of personal representation to the Noticee(s), hearing in the matter was fixed for September 05, 2025; where Ms. Roohi Khan-Chief Financial Officer, Mr. Fayez Qamar-Head of Legal and Mr. Ahmed Pervez-Legal Advisor appeared on behalf of all Noticee(s), as their Authorized Representatives (the "Authorized Representatives"). The Authorized Representatives reiterated its earlier response made in respect of SCN and requested a lenient view in the matter.

11. I have gone through the relevant provisions of Section 166(1) of the Act, regulation 4(7) of the Directors Regulations, regulations 7A(9), 27(1)(ii) and 36(1) of the CCG Regulations and considered the facts of the case along with the available record of the Company as well as written and verbal submissions of the Noticee(s). I have also perused Section 169 of the Act and regulation 37 of the CCG Regulations along with Section 512(2) of the Act, which stipulates penal provisions for contravention of the afore-referred provisions of law. It is observed that inclusion of independent directors in the Board enhances the transparency, accountability and governance structure. It also ensures that the board has a diverse range of perspectives, particularly from individuals not directly tied to the company's management or major shareholders which helps to safeguard against potential conflicts of interest and fosters objective decision-making. Inclusion of independent directors is a key element in boosting investor confidence and independent directors are likely to provide oversight that is crucial for protecting minority shareholders and promoting corporate responsibility.

12. The significance of selecting independent directors from the PICG databank under sub-section (1) of Section 166 of the Act is paramount in upholding the standards of corporate governance and regulatory compliance. This requirement ensures that independent directors are not only qualified and experienced but also are duly vetted for their eligibility and independence, as desired by law. By adhering to this requirement, companies demonstrate a commitment to transparency and accountability, which are critical for maintaining stakeholder trust and confidence. Guidance in this respect can be sought from the principle of statutory interpretation as also affirmed in PLD 1992 SC 602, which held that statutes must be interpreted in light of their objective.

13. It is imperative to highlight that conducting due diligence before selecting an independent director for election by the Company, as required in terms of regulation 4(7) of the Directors Regulations and regulation 7A(9) of the CCG Regulations, is crucial to ensure the integrity, competence, and independence of the board. It vests the responsibility into the company to verify that the proposed candidate meets the regulatory requirements, including independence criteria as defined under CCG Regulations and the Act. This process helps assess the candidate's background, qualifications, experience, potential conflicts of interest ensuring that only individuals who can act in the best interests of all shareholders, particularly minority shareholders, are nominated. Effective due diligence mitigates risks, promotes transparency, and strengthens the board's ability to provide objective oversight, ultimately contributing to sound corporate governance and stakeholder confidence.

14. Regulation 27(1) (ii) of the CCG Regulations mandates that the AC of a listed company shall be chaired by an independent director. The purpose of this requirement is again to enhance transparency, accountability, and oversight within the company and to strengthen the independence of AC. An independent chairperson brings objectivity and impartiality to the committee's functions, reducing the risk of undue influence from management or majority shareholders and ensures that financial reporting, internal controls, and audit processes are examined with professional skepticism and in the best interest of all stakeholders. The said requirements is prescribed with the perspective to build investor confidence, uphold regulatory compliance, and to support the overall integrity of the company's corporate governance framework. However, in the instant matter, the Company appointed an individual as Chairman of its AC at the time when he did not meet the criteria of eligibility for an independent director of the Company as his name was not registered in PICG databank of independent directors. Accordingly, his appointment as Chairman AC also diluted its impact as an independent forum reviewing the critical areas of the audit and compliance; thereby contravening regulation 27(1)(ii) of the CCG Regulations.

15. It is important to observe that the arguments relating to the claimed subsequent compliance with the provisions of law by registering Mr. Zubyr Soomro with the databank of independent directors maintained by PICG is not tenable. The subsequent compliance of the given requirements of the Act and the CCG Regulations, although have been given due weightage, but does not exonerate the Noticee(s) from their primary responsibility

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of appointing only eligible persons as independent directors and appointing an independent director as Chairman of AC.

16. It is also pertinent to observe that regulation 36(1) of the CCG Regulations requires the listed companies to publish a SoC in their annual reports, detailing adherence to the CCG Regulations. The SOC must disclose any deviations from the CCG Regulations to ensure transparency. However, the Company failed to report its non-compliance with regulation 27(1)(ii) in its SOC for the financial year ending December 31, 2023; thereby contravening requirements of regulation 36 of the CCG Regulations. It is also pertinent to note that Para 18 of the SOC wrongly declared that the Company is compliant; where it, as a consequence of lack of eligibility of the Independent Director, actually resulted in non-compliance with regulation 27(1)(ii) of the CCG Regulations.

17. In view of the above, the aforesaid contravention with the requirements of Section 166(1) of the Act and regulations 7A(9) and 27(1)(ii) of the CCG Regulations at the relevant point in time have been established beyond doubt and the same have been admitted by the Noticee(s) which attract penal actions in terms of Section 169 of the Act along with regulation 37 of the CCG Regulations read with Section 512(2) of the Act. I have also considered the fact that the Noticee(s), before the issuance of SCN, have complied the aforesaid provisions of the Act and the CCG Regulations. Due consideration has also been given to the request of the Authorized Representatives for a lenient view on account of the preventive measures taken by the Company including instituting pre-verification of PICG databank registration before selecting any independent director in the due-diligence checklist for future. I, therefore, in exercise of the powers conferred upon me under Section 169 read with Section 479 and Section 512(2) of the Act read with SRO 1545(I)/2019 dated December 06, 2019, hereby, conclude the proceedings initiated through SCN with a **Warning** to the Noticee(s) and advise them to ensure meticulous compliance of applicable legal and regulatory framework in future.

18. Without prejudice to the above, in case the Noticee(s) are aggrieved by this Order, they may, within thirty days of the Order, prefer to file review application in terms of Section 32B of the Securities and Exchange Commission of Pakistan Act, 1997 ("SECP Act") or may file an appeal to Appellate Bench of the Commission in terms of Section 33 of the SECP Act in accordance with the procedure for filing an appeal as laid down under the Securities and Exchange Commission of Pakistan (Appellate Bench Procedure) Rules, 2003.



(Sohail Qadri)

Director/ Head of Department
Adjudication Department-I

Announced:

Dated: October 03, 2025

Islamabad.