



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

Before

Shahzad Afzal Khan - Director/
Head of Department
Adjudication Department-I

In the matter of

Quice Food Industries Limited

Show Cause Notice No. & Date: CSD/ARN/165/2015-187 dated August 29, 2023
Date of hearing: September 27, 2023 and October 16, 2023
Hearing attended by: Mr. Adeel Habib, Authorized Representative

ORDER

Under Sections 166, 169, and 479 of the Companies Act, 2017

This order shall dispose of the proceedings initiated through Show Cause Notice No. CSD/ARN/165/2015-187 dated August 29, 2023 (the SCN) issued Under Section 166 of the Companies Act, 2017 (the Act) and Sections 169 and 479 thereof against Board of Directors and Quice Food Industries Limited (the Company) through the Chief Executive, hereinafter collectively referred to as the Respondents.

2. The brief facts of the case are that the Company in annual audited financial statements for the year ended June 30, 2022 (the Accounts) reported two independent directors namely Mr. Salman Haroon and Ms. Hina Faiyaz. In terms of Section 166(1) of the Act, the independent director is required to be selected from the data bank maintained by the Pakistan Institute of Corporate Governance (PICG), an institute notified by the Securities and Exchange Commission of Pakistan (the Commission) in terms of SRO 73(I)/2018 dated January 25, 2018. However, the name of Mr. Salman Haroon was not found registered with the data bank of PICG. In this regard, an explanation was sought by the Commission through letter dated June 22, 2023. In response, the Company through letter dated July 12, 2023, *inter alia*, stated that: "We are considering and may appoint in future independent director preferably selected from independent director data bank maintained by Pakistan Institute of Corporate Governance."

3. The Companies (Manner and Selection of Independent Directors) Regulations, 2018 and the data bank of independent directors (which is operational since July 2018) were all in place. By having independent director namely Mr. Salman Haroon, who was not registered with the data bank of a notified institute i.e. PICG, the Company, *prima facie*, has violated the requirements of Section 166(1) of the Act, for which penalty is provided in terms of Section 169 of the Act. Therefore, taking cognizance of the alleged non-compliance, the proceedings under Sections 166, 169, and 479 of the Act were initiated against the Respondents through the SCN requiring them to show cause in



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writing within fourteen (14) days, as to why penalty, as provided, should not be imposed on them for the aforesaid violation.

4. The Company through a letter dated September 09, 2023 furnished a reply to the SCN and, *inter alia*, submitted that:

- The Company now entails three (3) independent directors (including two females) with requisite experience and knowledge to manage the affairs of the Company and further that one of our directors namely Ms. Hina Faiyaz (Independent Director) is certified under Directors Training program (DTP) from recognized institution, and is also registered with the data bank of a notified institute namely, PICG.
- Mr. Salman Haroon is expected to enroll for DTP and get registered with the notified institute during the year as per Listed Companies (Code of Corporate Governance) Regulations, 2019 (**the Regulations**) and under section 166(1) of the Act.
- In light of the above, we would be obliged, penalty if imposed would be exonerated/waived.

5. In order to provide opportunity of personal representation, hearing in this matter was fixed for September 27, 2023. However, the hearing was adjourned on request of the Respondents due to the reason that the Company was under the process to finalize its holding of annual general meeting arrangements. Subsequently, the hearing was scheduled for October 16, 2023, wherein Mr. Adeel Habib, Authorized Representative on behalf of the Respondents appeared before me. He was authorized in terms of the board of directors' resolution. He admitted the default and assured that the relevant provisions of Section 166 of the Act would be complied. He requested to take a lenient view.

6. I have examined the facts of the case, submissions made in writings and during the hearing proceedings as well. In this regard, it is observed that:

(i) **Independent director was not registered with the data bank of a notified institute:**

At the outset, in terms of Section 166(1) of the Act, an independent director to be appointed under any law, rules, regulations or code, shall be selected from a data bank containing names, addresses and qualifications of persons who are eligible and willing to act as independent directors, maintained by any institute, body or association, as may be notified by the Commission, having expertise in creation and maintenance of such data bank and post on their website for the use by the company making the appointment of such directors. Moreover, in terms of SRO 73(I)/2018, PICG was notified to maintain data bank of independent directors. The aforesaid provisions of the Act, make it obligatory that the independent directors to be selected from a data bank of a notified institute i.e. PICG. In given case of the Company, the independent director namely Mr. Salman Haroon was not registered with the PICG. As per the available information, Mr. Salman Haroon was elected as director in AGM of 2020. The review of Accounts 2022 transpired that he was acting as independent director, however, he was not registered with the data bank of PICG. The Respondents, in this regard, did not furnish any cogent reason of non-compliance of Section 166(1) of the Act. I am, therefore, of the view that violation of Section 166(1) of the Act is attracted.



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(ii) **Subsequent compliance:**

The Company through its email dated November 15, 2023 has informed that in subsequent election of directors of the Company held on October 26, 2023, Ms. Hina Faiyaz and Ms. Saba Irfan were appointed as independent directors in compliance with Section 166 (1) of the Act and both are registered with the data bank of PICG.

7. Keeping in view that subsequent compliance of the provisions of Section 166(1) of the Act was made in election of directors of 2023, I, instead of imposing maximum penalty, hereby, impose an aggregate penalty of Rs. 200,000/- (Rupees Two Hundred Thousand only) on the Respondents in the following scale:

S. No.	Names of the Respondents	Amount of Penalty (Rs.)
1	Mr. Muhammad Atif, Chief Executive	100,000/-
2	Quice Food Industries Limited	100,000/-
Total		200,000/-

The other Respondents are hereby warned and they are advised to ensure compliance of the given provisions of the legal provisions in letter and spirit.

8. The aforesaid fines must be deposited in the designated bank account maintained with MCB Bank Limited/United Bank Limited in the name of the Securities and Exchange Commission of Pakistan within thirty days of the date of this order and furnish receipted bank vouchers to the Commission. In case of non-deposit of the said penalty, proceedings under Section 485 of the Act will be initiated for recovery of the same as arrears of land revenue.

9. 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.

Shahzad Afzal Khan
Head of Department
Adjudication Department-I

Announced:
Dated: November 16, 2023
Islamabad