



**CA**  
PAKISTAN



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Pakistan

# BEST CORPORATE REPORT

## 2020-2021 Evaluation Criteria

The 2020 Evaluation Criteria aims to promote a cohesive approach to corporate reporting that will improve the quality of information available to the stakeholders. It will help in elevating the level of accountability and stewardship of reporting organizations and enabling effective decision making, as well as it will enhance the quality of 'Governance Reporting' in Pakistan in line with global best practices.

The aim is to promote integrated thinking within the organization considering both financial and non-financial information. Inspiration has been derived from the 'Content Elements' (disclosures) of the International Integrated Reporting Framework <IR>. The companies are encouraged to adopt <IR> fully applying the 'Fundamental Concepts' and 'Guiding Principles' of <IR> into their corporate reporting in addition to the 'Content Elements' (disclosures) of <IR>, as covered in this Criteria.

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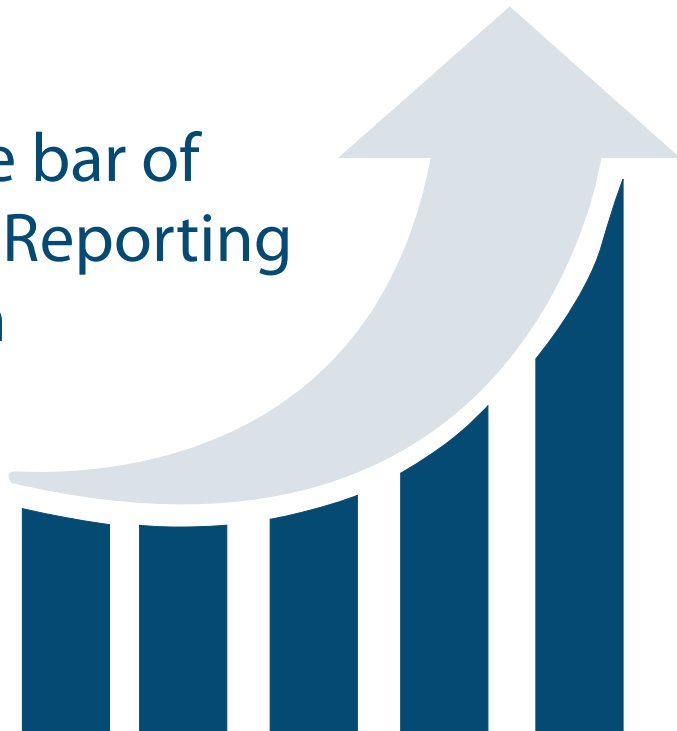
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**Institute of Cost &  
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## Raising the bar of Corporate Reporting in Pakistan



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1 ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT 		Marks
<b>No</b>	<b>What does the organization do and circumstances under which it operates</b>	<b>15</b>
1.01	Principal business activities and markets local and international including key brands, products and services.	2
1.02	Geographical location and address of all business units including sales units and plants.	1
1.03	Mission, vision, code of conduct, culture, ethics and values.	1
1.04	Ownership, operating structure and relationship with group companies and nature of those relations. Also name and country of origin of the holding company/subsidiary company, if such Companies are a foreign company.	3
1.05	Organization chart indicating functional and administrative reporting, presented with legends.	1
1.06	Key quantitative information (Number of persons employed as on the date of financial statements and average number of employees during the year, separately disclosing factory employees).	1
1.07	Position of the reporting organization within the value chain showing connection with other businesses in the upstream and downstream value chain. (This disclosure shall be provided by the companies in service and non-service sector organizations through graphical presentation).	1
1.08	Significant factors effecting the external environment and the associated organization's response (external environment includes political, economic, social, technological, environmental and legal environment). Also describe the effect of seasonality on business in terms of production and sales.	1
1.09	Significant changes from prior years (regarding the information disclosed in this section).	1
1.10	Composition of local versus imported material and sensitivity analysis in narrative form due to foreign currency fluctuations.	1
1.11	Competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, and the intensity of competitive rivalry).	2

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2 STRATEGY AND RESOURCE ALLOCATION 		Marks
<b>No</b>	<b>Where does the organization want to go and how does it intend to get there</b>	<b>10</b>
2.01	Short, medium and long term strategic objectives.	1
2.02	Strategies in place or intended to be implemented to achieve those strategic objectives.	2
2.03	Resource allocation plans to implement the strategy and financial capital structure. (Resource mean CAPITALS including financial capital (e.g. liquidity, cash flows, financing arrangements); human capital, manufactured capital (e.g. building, equipment, infrastructure); intellectual capital (e.g. patents, copyrights, software, licenses, knowledge, system, procedures); social and relationship capital and natural capital).	1
2.04	Key performance indicators (KPIs) to measure the achievement against strategic objectives including statement as to whether the indicators used will continue to be relevant in the future.	1
2.05	Strategy to overcome liquidity problem and the company's plan to manage its repayment of debts and meet operational losses.	2
2.06	Significant plans and decisions such as corporate restructuring, business expansion and discontinuance of operations etc.	2
2.07	Significant changes in objectives and strategies from prior years.	1


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3 RISKS AND OPPORTUNITIES 		Marks
<b>No</b>	<b>Specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how it is dealing with them</b>	<b>10</b>
3.01	Key risks and opportunities effecting availability, quality and affordability of CAPITALS in the short, medium and long term.	1
3.02	Sources of risks and opportunities (internal and external).	1
3.03	Assessment of the 'likelihood' that the risk or opportunity will come to fruition and the 'magnitude' of its effect if it does.	1
3.04	Specific steps being taken to mitigate or manage key risks or to create value from key opportunities by identifying the associated strategic objectives, strategies, plans, policies, targets and KPIs.	3
3.05	Board's efforts for determining the company's level of risk tolerance by establishing risk management policies.	1
3.06	A statement from the Board of Directors that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten the business model, future performance, solvency or liquidity.	2
3.07	Inadequacy in the capital structure and plans to address such inadequacy.	1

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4 GOVERNANCE 		Marks
<b>No</b>	<b>How does the organization's governance structure support its ability to create value in the short, medium and long term</b>	<b>50</b>
4.01	Leadership structure of those charged with governance: a) Name of independent directors indicating justification for their independence. b) Profile of each director including education, experience and involvement /engagement of in other entities as CEO, Director, CFO or Trustee etc. c) Representation of female director on the Board.	2
4.02	Review Report by the Chairman of the Company on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.	1
4.03	A statement of how the Board operates, including a high-level statement of which types of decisions are to be taken by the Board and which are to be delegated to management.	1
4.04	Shariah Advisor Report and Profile of the Shariah Advisor / Members' of the Shariah Board.	1
4.05	Annual evaluation of performance, along with description of criteria used for the members of the Board and its committees, CEO and the Chairman.	1
4.06	Disclosure if the Board's Performance evaluation is carried out by an external consultant once in three years.	1
4.07	Details of formal orientation courses for Directors.	1
4.08	Directors' Training Program (DTP) attended by Directors, female executive and head of department from the Institutes approved by the SECP and names of those who availed exemptions during the year.	1
4.09	a) Policy for remuneration to Non-executive directors including independent directors. b) Policy of retention of Board fee by the Executive Director earned by him against his services as non-executive director in other companies.	2
4.10	Policy for security clearance of foreign directors.	1
4.11	How the organization's implemented governance practices exceeding legal requirements.	1
4.12	Board's policy on diversity, (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.	1
4.13	No. of companies in which the executive director of the reporting organization is serving as non-executive director.	1

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4 GOVERNANCE 	Marks
4.14 a) Names of related parties in Pakistan and outside Pakistan, with whom the company had entered into transactions or had agreements and / or arrangements in place during the financial year, along with the basis of relationship describing common directorship and percentage of shareholding. b) Contract or arrangement with the related party other than in the ordinary course of business on an arm's length basis, if any along with the justification for entering into such contract or arrangement. c) Approved Policy for related party transactions including policy for disclosure of Interest by directors in this regard.	3
4.15 Details of Board meetings held outside Pakistan during the year.	1
4.16 Disclosure of Policy for actual and perceived conflicts of interest relating to members of the Board of directors and a disclosure that how such a conflict is managed and monitored.	1
4.17 Investors' grievance policy.	1
4.18 Policy for safety records of the company.	1
4.19 Disclosure of IT Governance Policy.	1
4.20 Disclosure of Whistle blowing policy established to receive, handle complains in a fair and transparent manner and providing protection to the complainant against victimization, and disclosure of the number of such incidences reported to the Audit Committee during the year.	1
4.21 Human resource management policies including preparation of a succession plan.	1
4.22 Social and environmental responsibility policy.	1
4.23 Review by the Board of the organization's business continuity plan or disaster recovery plan.	1
4.24 Disclosure of beneficial (including indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking.	2
4.25 Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance).	1
4.26 A brief description about role of the Chairman and the CEO.	1
4.27 Shares held by Sponsors / Directors / Executives.	1
4.28 Salient features of TOR and attendance in meetings of the Board Committees (Audit, Human Resource, Nomination and Risk management).	1


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4 GOVERNANCE 	Marks
<p>4.29 Timely Communication: Date of authorization of Financial Statements by the Board of Directors:</p> <p>within 60 Days ---6 Marks within 75 days ---4 Marks within 90 Days ---2 Marks</p> <p>(Entities requiring approval from a Regulator before finalization of their Financial Statements would be provided a 20 days relaxation, on providing evidence to the Committee)</p>	6
<p>4.30 Audit Committee Report should describe the work of the committee in discharging its responsibilities. The report should include:</p> <ul style="list-style-type: none"><li>a) Composition of the Committee with at least one member qualifie as “financially literate and all members are non-executive Independent directors including the Chairman of the Audit Committee.</li><li>b) Role of the Committee in discharging its responsibilities for the significant issues in relation to the financial statements, and how these issues were addressed with details where particular attention was paid in this regard.</li><li>c) Committee’s overall approach to risk management and internal control, and its processes, outcomes and disclosure.</li><li>d) Role of Internal Audit to risk management and internal control, and approach to Internal Audit to have direct access to audit committee and evaluation of Internal Auditors performance.</li><li>e) Review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommended instituting remedial and mitigating measures.</li><li>f) An explanation as to how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current statutory auditor; and if the external auditor provides non-audit services, an explanation as to how auditor’s objectivity and independence is safeguarded.</li><li>g) If Audit Committee recommends external auditors other than the retiring external auditors, before the lapse of three consecutive years, reasons shall be reported.</li><li>h) The Committee’s views whether the Annual Report was fair, balanced and understandable and also whether it provided the necessary information for shareholders to assess the Company’s position and performance, business model and strategy.</li><li>i) Results of the self-evaluation of the Audit Committee carried out of its own performance.</li></ul>	5


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4 GOVERNANCE 	Marks
4.31 Presence of the chairman of the audit committee at the AGM to answer questions on the audit committee's activities and matters within the scope of the audit committee's responsibilities.	1
4.32 Where an external search consultancy has been used in the appointment of the Chairman or a non-Executive Director, it should be disclosed if it has any other connection with the company.	1
4.33 Chairman's significant commitments and any changes thereto.	1
4.34 Pandemic Recovery Plan by the Management and policy statement.	3

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5 PERFORMANCE AND POSITION 		Marks
<b>No</b>	<b>To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals</b>	<b>55</b>
5.01	<p>Analysis of the financial and non-financial performance using both qualitative and quantitative indicators showing linkage between:</p> <ul style="list-style-type: none"><li>(a) Past and current performance; and</li><li>(b) Performance against targets /budget</li><li>(c) Objectives to assess stewardship of management.</li></ul> <p>The analysis should cover significant deviations from previous year in operating results and the reasons for loss, if incurred and future prospects of profits.</p> <p>Note: Analysis of non-financial performance shall be presented for material non-financial KPIs relevant for the business and stakeholders around other forms of capitals as mentioned under International Integrated Reporting Framework &lt;IR&gt;, i.e. human capital, manufactured capital, intellectual capital, social and relationship capital and natural capital. Inspiration can also be taken from the Specific Standard Disclosures of G4 Guidelines of the Global Reporting Initiative (GRI) for measurement and reporting on non-financial KPIs.</p>	5
5.02	<p>Analysis of financial statements:</p> <ul style="list-style-type: none"><li>a) Financial Ratios (Refer Annexure '1')</li><li>b) DuPont analysis</li><li>c) Free Cash Flow</li><li>d) Economic Value Added (EVA)</li></ul>	16
5.03	Combined analysis both vertical and horizontal of the Balance Sheet and Profit and Loss Account for last 6 years.	3
5.04	Summary of Cash Flow Statement for last 6 years.	1
5.05	Graphical presentation of the Balance Sheet, Profit & Loss Account and analysis in 5.02, 5.03 and 5.04 above.	4
5.06	Explanation of negative change in the performance against prior year including analysis of variation in results reported in interim reports with the final accounts, including comments on the results disclosed as per 5.02, 5.03 and 5.04 above.	3
5.07	Information about defaults in payment of any debts and reasons thereof period.	2
5.08	Methods and assumptions used in compiling the indicators.	2
5.09	Cash Flow Statement based on Direct Method (separate Cash Flow for specific funds e.g. Zakat).	2

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5 PERFORMANCE AND POSITION 	Marks
5.11 Market share information preferably from an independent source including share price sensitivity analysis.	3
5.12 History of major events during the year.	1
5.13 Business rationale of major capital expenditure /projects during the year and for those planned for next year.	2
5.14 Brief description and reasons; <ul style="list-style-type: none"><li>• for not declaring dividend despite earning profits and future prospects of dividend.</li><li>• where any payment on account of taxes, duties, levies etc. is overdue or outstanding.</li></ul>	2
5.15 CEO presentation video on the organization’s website explaining the business overview, performance, strategy and outlook. (Please provide reference / weblink on company's annual report).	7


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6 OUTLOOK		Marks
<b>No</b>	<b>Challenges and uncertainties that the organization is likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance</b>	<b>15</b>
6.01	Forward looking statement in narrative and quantitative form including projections or forecasts about known trends and uncertainties that could affect the entity's resources, revenues and operations. Also explaining the external environment including political, economic, social, technological, environmental and legal environment that is likely to be faced in the short, medium and long term and how it will affect the organization in terms of its business performance, strategic objectives and availability, quality and affordability of capitals.	6
6.02	Explanation as to how the performance of the entity meets the forward-looking disclosures made in the previous year.	3
6.03	Status of the projects in progress and were disclosed in the forward-looking statement in the previous year.	2
6.04	Sources of information and assumptions used for projections / forecasts in the forward-looking statement and assistance taken by any external consultant.	2
6.05	How the organization is currently equipped in responding to the critical challenges and uncertainties that are likely to arise.	2





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7 STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT 		Marks
<b>No</b>	<b>State of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests</b>	<b>15</b>
7.01	Stakeholders' engagement process and the frequency of such engagements during the year. Explanation on how these relationships are likely to affect the performance and value of the entity, and how those relationships are managed. These engagements may be with (a) Institutional investors; (b) Customers & suppliers; (c) Banks and other lenders; (d) Media; (e) Regulators; (f) Local committees and (g) Analysts.	3
7.02	Steps taken by the management to encourage the minority shareholders to attend the general meetings.	3
7.03	Investors' Relations section on the corporate website.	1
7.04	Issues raised in the last AGM, decisions taken and their implementation status.	1
7.05	Statement of value added and its distribution with graphical presentation: a) Employees as remuneration b) Government as taxes (separately direct and indirect) c) Shareholders as dividends d) Providers of financial capital as financial charges e) Society as donation; and f) Retained within the business	2
7.06	Stakeholders engagement policy and steps Board has taken to solicit and understand the views of stakeholders through corporate briefing sessions and disclosure of brief summary of Analyst briefing conducted during the year.	5

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8 SPECIFIC DISCLOSURES OF THE FINANCIAL STATEMENTS 		Marks
<b>No</b>		20
8.01	Please refer <b>Annexure II</b>	20
9 SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY 		Marks
<b>No</b>		20
9.01	Highlights of the entity's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and corporate social responsibility.	15
9.02	Certifications acquired and international standards adopted for best sustainability and CSR practices.	5
10 BUSINESS MODEL 		Marks
<b>No</b>	<b>Business model is a system of transforming inputs, through business activities, into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short, medium and long term</b>	5
10.01	Describe the business model including inputs, business activities, outputs and outcomes in accordance with the guidance as set out under section 4C of the International Integrated Reporting Framework <IR>.	
11 STRIVING FOR EXCELLENCE IN CORPORATE REPORTING 		Marks
<b>No</b>		15
11.01	Statement by management of unreserved compliance of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB)	5
11.02	Adoption and statement of adherence with the International Integrated Reporting Framework <IR>	5
11.03	Disclosures beyond BCR criteria (Note :The participating organization to attach the list of additional disclosures)	5

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12 ASSESSMENT BASED ON QUALITATIVE FACTORS			Marks
No			20
12.01	Please refer Annexure III		20
Total Marks			250



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### Annexure 'I' Financial Ratios (Ref. section 5 of the Criteria)

#### Financial Sector

##### Profitability Ratios

- Profit before tax ratio
- Gross Yield on Earning Assets
- Gross Spread ratio
- Cost/Income ratio
- Return on Equity
- Return on Capital employed

##### Liquidity Ratios

- Advances to deposits ratio
- Current ratio
- Quick / Acid test ratio
- Cash to Current Liabilities

##### Investment /Market Ratios

- Earnings per share (EPS) and diluted EPS
- Price Earnings ratio
- Price to Book ratio
- Dividend Yield ratio
- Dividend Payout ratio / Dividend Cover Ratio
- Cash Dividend per share / Stock Dividend per share
- Market value per share at the end of the year and high/low during the year
- Breakup value per share
  - without Surplus on Revaluation of Property, plant and equipment
  - with Surplus on Revaluation of Property plant and equipment including the effect of all Investments
  - including Investment in Related Party at fair /market value and also with Surplus on Revaluation of Property plant and equipment.

##### Capital Structure

- Capital Adequacy ratio
- Earning assets to total assets ratio
- Weighted Average cost of deposit
- Net assets per share
- Concentration of assets, liabilities and off-Balance Sheet items
- Disclosure of non-performing loans

#### Non-Financial Sector

##### Profitability Ratios

- Gross Profit ratio
- Net Profit to Sales
- EBITDA Margin to Sales
- Operating leverage ratio
- Return on Equity
- Return on Capital employed

##### Liquidity Ratios

- Current ratio
- Quick / Acid test ratio
- Cash to Current Liabilities
- Cash flow from operations to Sales

##### Investment /Market Ratios

- Earnings per Share (EPS) and diluted EPS
- Price Earnings ratio
- Price to Book ratio
- Dividend Yield ratio
- Dividend Payout ratio / Dividend Cover Ratio
- Cash Dividend per share / Stock Dividend per share
- Market value per share at the year end and high/low during the year
- Breakup value per share
  - without Surplus on Revaluation of Property, plant and equipment
  - with Surplus on Revaluation of Property plant and equipment including the effect of all Investments
  - including Investment in Related Party at fair /market value and also with Surplus on Revaluation of Property plant and equipment.

##### Capital Structure

- Financial leverage ratio
- Weighted average cost of debt
- Debt to Equity ratio (as per book and as per market value)
- Interest Cover /Time Interest earned ratio

##### Activity / Turnover Ratios

- Total Assets turnover ratio
- Fixed Assets turnover ratio
- No. of Days in Inventory
- No. of Days in Receivables
- No. of Days in Payables
- Operating cycle

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### Annexure 'II' – Specific disclosures (Refer section 8 of the Criteria)

- 1) Fair value of Property, Plant and Equipment.
- 2) Segment analysis of gross income and profit before tax.
- 3) Reconciliation of weighted average number of shares for calculating EPS and diluted EPS.
- 4) Particulars of significant/ material assets and immovable property including location and area of land.
- 5) Disclosure of discounts on revenue.
- 6) Sector wise analysis of deposits and advances.
- 7) Complete set of financial statements (Balance sheet, Income statement & Cash flow) for Islamic banking operations.
- 8) Status for adoption of Islamic Financial Accounting Standards (IFAS) issued by the ICAP.
- 9) Summary of significant transactions and events that have affected the company's financial position and performance during the year.
- 10) Forced sale value in case of revaluation of Property, Plant and Equipment or investment property.
- 11) Particulars of major foreign shareholders, other than natural person, holding more than 5% of paid up capital in the company in Pattern of Shareholding.
- 12) Particulars where company has given loans or advances or has made investments in foreign companies or undertakings.
- 13) Accounts Receivable in respect of Export Sales - Name of company or undertaking in case of related party and in case of default brief description of any legal action taken against the defaulting parties.
- 14) Treasury shares in respect of issued share capital of a company.
- 15) In describing legal proceedings, under any court, agency or government authority, whether local or foreign, include name of the court, agency or authority in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis of the proceeding and the relief sought.
- 16) Management assessment of sufficiency of tax provision made in the company's financial statements shall be stated along with comparisons of tax provision as per accounts vis a vis tax assessment for last three years.
- 17) Income tax reconciliation as required by IFRS and applicable tax regime for the year.
- 18) In respect of loans and advances, other than those to the suppliers of goods or services, the name of the borrower and terms of repayment if the loan or advance exceeds rupees one million, together with the of collateral security, if any.
- 19) In financial statements issued after initial or secondary public offering(s) of securities or issuance of debt instrument(s) implementation of plans as disclosed in the prospectus/offering document with regards to utilization of proceeds raised till full implementation of such plans.
- 20) Where any property or asset acquired with the funds of the company and is not held in the name of the company or is not in the possession and control of the company, this fact along with reasons for the property or asset not being in the name of or possession or control of the company shall be stated; and the description and value of the property or asset, the person in whose name and possession or control it is held shall be disclosed.
- 21) Standards, amendments and interpretations adopted during the current year along with their impact on the company's financial statements.
- 22) Standards, amendments and interpretations, not yet effective and not adopted along with their impact on the company's financial statements.

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**Annexure III** Assessment based on Qualitative factors (Refer section 12 of the Criteria)

### Examples of Qualitative factors

- **Clarity and conciseness:** Express information clearly, concisely and in as few words as possible without repeating the same concept and information using different words or under different sections of the corporate report.
- **Concrete and specific:** The information disclosed should be specific to the organization and should not be generic.
- **Good, bad and ugly:** Present both negative and positive information in a balanced way and with equal prominence.
- **Effective use of presentation tools:** Maximum, effective and creative use of diagrams, charts, smart arts, icons, tables and infographics in the sections where normally narrative disclosures are given.
- **Sequence, structure, logic and flow:** Follow a logical structure to enhance connectivity of information through sections and chapters and include internal cross-references and linkages as appropriate to limit repetition.
- **Easy to understand:** Use of simple plain language and avoid using jargons or technical terms.
- **Consistency & comparability:** Where disclosures differ or have been rearranged, have been properly presented with cross reference.
- **Relevance:** Effectiveness of photos and graphs.

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### Evaluation Committee

#### Chairman

Abdul Rahim Suriya, FCA, FCMA

#### Members

- |                                  |                                    |
|----------------------------------|------------------------------------|
| 1. Aftab Q. Munshi FCMA          | 7. Khalid Mehboob, FCMA            |
| 2. Ahsan Ghaffar Mehanti, FCA    | 8. Moneeza Usman Butt, FCA         |
| 3. Farough Ali Naweed, FCMA      | 9. Muhammad Farid Alam, FCA        |
| 4. Hena Sadiq, FCA               | 10. Shahid Ilyas, FCMA             |
| 5. Intisar Muhammad Usmani, FCMA | 11. Syed Fahim ul Hasan, FCA, ACMA |
| 6. Kamran Ahmed Hashmi, FCMA     | 12. Wasif Sajjad, FCA              |

### Notes

1. Entities participating in the competition are encouraged to –fill self-assessment form available at the websites of both the Institutes.
2. Annual reports with other than a clean audit report are subject to deduction (up to max. 5 marks).
3. Minimum qualifying marks are 50%.
4. Other than listed companies (e.g. Non – listed Public Interest Companies including Mutual Fund, Public Sector Companies and Non listed Large Size Companies including NPOs /Companies licensed under Section 42 or 45 of the Companies Act 2017) are encouraged to take part in the competition.
5. Criteria and formula for Ratios are available at <http://www.icap.net.pk/bcsra/bcr-criteria> and [https://www.icmap.com.pk/News\\_Pdf/evaluation\\_criteria\\_BCRA\\_2020.pdf](https://www.icmap.com.pk/News_Pdf/evaluation_criteria_BCRA_2020.pdf)

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