



The Institute of
Chartered Accountants
of Pakistan



Institute of
Cost and Management Accountants
of Pakistan

Evaluation Committee of the
Joint Committee of ICAP and ICMAP

EVALUATION CRITERIA 2013



Best Corporate Report Awards

The aim of the Best Corporate Report (BCR) Awards is to encourage and give recognition to excellence in annual corporate reporting. Instituted and presented for the first time in 2000, BCR Awards seek to promote corporate accountability and transparency through the publication of timely, informative, factual and reader friendly annual reports.

Best Corporate Report Awards

EVALUATION CRITERIA 2013

ELIGIBILITY:

1. Maximum of Five (5) marks will be deducted in case of other than clean audit report
2. Minimum qualifying marks are 60
3. This Criteria is for the listed entities. However non-listed and private entities are encouraged to take part in the competition.

	Marks		Marks
1. Corporate Objectives	2	2.6 Explanation as to how the performance of the entity meets/exceeds and why it was short of forward-looking disclosures made in the prior period.	2
1.1 Vision	0.5		
1.2 Mission	0.5		
1.3 Overall strategic objectives	0.5		
1.4 Core values and code of conduct or ethical principles	0.5	2.7 Description of critical performance measures and indicators which management uses to measure performance of the entity against stated objectives of the entity and whether the indicators used currently will continue to be relevant in the future	1
2. Directors' Report / Chairman's / CEO's Review	24	2.8 Analysis of the prospects of the entity including targets for financial and non-financial measures and explanation as to why the results from performance measures have changed over the period or how the indicators have changed	1
*2.1 Description of nature of business including a macro-level (e.g. industry, main markets, and legal environment) and a micro-level (e.g. business model, product portfolio) discussion	1	2.9 Strategy to overcome liquidity problem and the company's plan to manage its repayment of debts and recover losses.	1
*2.2 a) Explanation of management's objectives and its strategies for meeting those objectives including priorities for action and addressing threats and opportunities of market trends.	1	2.10 Key sources of estimation uncertainty	1
b) Significant changes in an entity's objectives and strategies from the previous period or periods	1	2.11 Human resource management policies including preparation of a succession plan	1
c) The relationship between the entity's results, management's objectives and management's strategies for achieving those objectives	1	2.12 Market share information preferably from an independent source	1
*2.3 Description of the entity's most significant:	0.5	2.13 Highlights on the entity's performance in relation to the following aspects of corporate sustainability:	3
a) Resources, including an analysis of liquidity, cash flows, financing arrangements, human capital;	0.5	a) Corporate Social Responsibility	
b) Capital structure including any inadequacies in the capital structure and plans to address such inadequacies;	0.5	b) Energy conservation	
c) Significant changes in financial position, liquidity and performance compared with those of the previous period;	0.5	c) Environmental protection measures	
d) Risks, including strategic, commercial operational and financial risks;	0.5	d) Community investment & welfare schemes	
e) Plans and strategies for mitigating these risks and potential opportunities; and	0.5	e) Consumer protection measures	
f) The significant relationships that the entity has with stakeholders, how those relationships are likely to affect the performance and value of the entity, and how those relationships are managed	0.5	f) Industrial relations	
		g) Employment of special persons	
		h) Occupational safety & health	
		i) Business ethics & anti-corruption measures	
		j) National cause donations	
		k) Contribution to national exchequer	
		l) Rural development programmes	
*2.4 Comparison of the entity's financial and non-financial performance from the last year and description of the future prospects, including whether the performance may be indicative of the future performance	2	2.14 Efforts made to mitigate the adverse impact of industrial effluents by adapting techniques, creating awareness and providing training etc .to the surrounding communities.	1
*2.5 Forward looking information in narrative or quantitative form including projections or forecasts about known trends, uncertainties or the other factors that could affect the entity's liquidity, capital resource, revenues and the results of its operations	2	2.15 Description of energy saving measures taken by the company during the year and how the company is planning to overcome the escalating energy crisis (organization specific)	1
		*Note: For further guidance, please refer to IFRS Practice Statement 'Management Commentary' available at IASB website	

3. Disclosures

- 3.1 Disclosures as prescribed by the IFRS, SBP, SECP and other applicable laws & regulations, following additional disclosures, where applicable, will also be considered:
- i) Comprehensive related party disclosure
 - ii) Disclosure of all changes in corresponding figures
 - iii) Adequate disclosure of significant judgment and estimates
 - iv) Detailed disclosure of financial instruments
 - v) Detailed disclosure of facilities provided to CEO and Directors
 - vi) Detailed disclosure of all contingencies and commitments
 - vii) Income tax reconciliation as required by IFRS
 - viii) Reconciliation of weighted average number of shares for calculating EPS and diluted EPS
 - ix) Adequate disclosure of new accounting standards and their expected impact
 - x) Sector wise analysis of deposits and advances
 - xi) Segment analysis of gross income and profit before tax
 - xii) Disclosure of fair value of Property, Plant and Equipment
 - xiii) Summary of significant/ material assets or immovable property
 - xiv) WDV reconciliation as per IAS 16
 - xv) Disclosure of discounts on revenue
 - xvi) Detailed plant capacity
- 3.2 Cash Flow Statement based on Direct Method

14

12

2

4. Stakeholder's Information

- 4.1 Performance indicators for 6 years:
- 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
 - ▶ Cash Dividend per share
 - ▶ Stock Dividend per share
 - ▶ Market value per share at the end of the year and high/low during the year
- Capital Structure Ratios**
- ▶ Capital Adequacy ratio
 - ▶ Earning assets to total assets ratio
 - ▶ Weighted Average cost of deposit
 - ▶ Net assets per share
 - ▶ Maturity analysis of assets and liabilities
 - ▶ Concentration of assets, liabilities and off Balance Sheet items
 - ▶ Disclosure of non performing loans

27

10

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

Activity / Turnover Ratios

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

Investment /Market Ratios

- ▶ Earnings per Share (EPS) and diluted EPS
- ▶ Price Earnings 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 Fixed Assets
- ▶ Breakup value per share including the effect of Surplus on Revaluation of Fixed Assets

Capital Structure Ratios

- ▶ Financial leverage ratio
- ▶ Weighted average cost of debt
- ▶ Debt to Equity ratio
- ▶ Interest Cover ratio

Note: Formulas are available at <http://www.icap.org.pk/web/links/0/bestcorporatereportawards.php>

- 4.2 Summary of the Cash Flow Statement for 6 years
- 4.3 Vertical and Horizontal analysis of Balance Sheet and Profit and Loss Account for 6 years
- 4.4 Comments on the results of the analysis at 4.1, 4.2 & 4.3 above
- 4.5 Analysis of variation in results reported in quarterly accounts
- 4.6 Video presentation of CEO placed on company's website detailing financial position and performance of the company, major products launched, projects accomplished during the year and planned for next year including an overview of future prospects of the company
- 4.7 Policy and procedure for stakeholders' engagement and the frequency of such engagements during the year (both formal and informal). Dialogue may be with:
- a) Institutional Investors
 - b) Customers & Suppliers
 - c) Banks and other lenders
 - d) Media
 - e) Regulator

1

2

3

1

3

1

EVALUATION CRITERIA 2013

Marks

Marks

4.8	SWOT Analysis	1	6.5	Whistle blowing policy and procedures enabling staff to raise concerns about possible improprieties in financial and other matters, without fear of reprisal, in confidence, and a disclosure of the number of such incidences reported to the Audit Committee during the year	1
4.9	Share Price Sensitivity Analysis	1	6.6	Organization Chart indicating functional and administrative reporting	1
4.10	Policy for safety of records of the company	1	6.7	The Board structure and its committees	1
4.11	Shares held by Sponsors / Directors / Executives	1	6.8	Chairman of the Board other than the CEO	1
4.12	Statement of Value Added and how distributed with graphical presentation: <ul style="list-style-type: none"> ▶ To Employees as remuneration ▶ To Government as taxes ▶ To Shareholders as dividends ▶ To providers of finance as financial charges ▶ To Society ▶ Retained within the business 	1	6.9	Name of non-executive directors, indicating their independence, with at least one independent non-executive director having relevant industry experience	1
4.13	Investors' Relations section on the corporate website and Analyst briefing	1	6.10	Number of executive directors on the Board less than one-third	1
5.	Report Presentation	7	6.11	Disclosure for all members of the Board of Directors: a) Profile of each director b) Involvement / engagement of each director in other companies / entities as CEO, Director, CFO or Trustee etc.	1
5.1	Theme on the cover	0.5	6.12	Salient features, TOR and attendance in meetings of the Board Committees including Audit Committee and Human Resource Committee	2
5.2	Effectiveness of photographs and their relevance	0.5	6.13	Report of the Audit Committee	2
5.3	Effectiveness of charts and graphic presentation of Balance Sheet, Profit & Loss Account and Cash Flow Statement	2	6.14	Risk and Opportunity Report	2
5.4	Comprehensiveness of corporate information and address for correspondence e.g. website, email addresses and telephone Nos.	1	6.15	Independent non- executive directors including the Chairman on Audit Committee. Full marks if all are independent non-executive directors, else zero	2
5.5	Complete and accessible annual report on the website	1	6.16	Independent non- executive directors on the Human Resources and Remuneration Committee. Full marks if all are non-executive directors, else zero	1
5.6	Definition and glossary of terms	1	6.17	Annual evaluation of Board's performance, along with description of criteria used	1
5.7	Calendar of major events	1	6.18	CEO performance review	1
6.	Corporate Governance	26	6.19	Formal orientation at induction and regular continuous professional development Programs for the members of the Board of Directors	1
6.1	Timely Communication: Date of authorization of Financial Statements by the Board of Directors: <ul style="list-style-type: none"> ▶ within 30 Days --- 4 Marks ▶ within 45 Days --- 3 Marks ▶ within 60 Days --- 2 Marks ▶ within 75 Days --- 1 Mark 	4	Note: 'Independent director' has the same meaning as defined in clause (i)(b), of the Code of Corporate Governance		
6.2	Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance)	1			
6.3	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			
6.4	Disclosure of IT Governance Policy	1			
				Total Marks	100

Note: Entities participating in the competition are encouraged to fill self assessment form available on website of both the Institutes

Evaluation Committee of the Joint Committee of ICAP and ICMAP

Chairman:
Abdul Rahim Suriya

Members:
Hena Irfan
Muhammad Farid Alam
Shafqat Ali
Omer Mustafa Ansari
Naveed Abdul Hameed
Syed Fahim-ul Hasan
Abdul Rashid

Wasif Khalid
Naresh Kumar
Muhammad Lukman
Ahsan Ghaffar Mehanti
Mustansir Zakir
Shaikat Zaman

SECRETARIAT
Haroon Tabraze
Ghazala Yunus
Muhammed Owais Mukati
Mirza Asif Ali Jah
Asim Husain Khan
dts.comments@icap.org.pk