



CA
PAKISTAN



ICMA
Pakistan

Raising the bar of Corporate Reporting in Pakistan



Contents

1.	ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT	1
2.	STRATEGY AND RESOURCE ALLOCATION	2
3.	RISKS AND OPPORTUNITIES	3
4.	GOVERNANCE	4
5.	PERFORMANCE AND POSITION.....	8
6.	OUTLOOK.....	10
7.	STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT	11
8.	SPECIFIC DISCLOSURES OF THE FINANCIAL STATEMENTS	12
9.	SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY.....	12
10.	BUSINESS MODEL.....	12
11.	STRIVING FOR EXCELLENCE IN CORPORATE REPORTING.....	13
12.	ASSESSMENT BASED ON QUALITATIVE FACTORS	13

1. ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

What does the organization do and circumstances under which it operates.



No.		10 MARKS
1.01	Principle business activities and markets including key brands, products and services.	1
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.	1
1.05	Organization chart indicating functional and administrative reporting presented with legend.	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 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).	<i>Effective 2020</i>

2. STRATEGY AND RESOURCE ALLOCATION

Where does the organization want to go and how does it intend to get there



No.		10 MARKS
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. <i>(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).</i>	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

3. RISKS AND OPPORTUNITIES

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



No.		10 MARKS
3.01	Key risks and opportunities affecting availability, quality and affordability of CAPITALS in the short, medium and long term. (Capital mean Financial Capital, Human Capital, Manufactured Capital, Intellectual Capital and Social & Relationship Capital)	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.	2
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.	1
3.07	Information about defaults in payment of any debts and reasons thereof.	2
3.08	Inadequacy in the capital structure and plans to address such inadequacy.	1

4. GOVERNANCE

How does the organization's governance structure support its ability to create value in the short, medium and long term.



No.		45 MARKS
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.	3
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 executives 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 for retention of Board fee by the Company for the fee earned by Executive Director against his/her services as non- executive director in other companies.	1
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
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 complaints 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 (indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary or associated undertaking etc.	1
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).	2
4.29	Timely Communication: Date of authorization of Financial Statements by the Board of Directors: a) within 40 Days --- 6 Marks b) within 60 Days --- 2 Marks <i>(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)</i>	6
4.30	Audit Committee Report should describe the work of the committee in discharging its responsibilities. The report should include: a) Composition of the Committee with at least one member qualifies as "financially literate and all members are non-executive / Independent directors including the Chairman of the Audit Committee. 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. c) Committee's overall approach to risk management and internal control, and its processes, outcomes and disclosure. 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. 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. 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. g) If Audit Committee recommends external auditors other than the retiring external auditors, before the lapse of three consecutive years, reasons shall be reported. 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. i) Results of the self - evaluation of the Audit Committee carried out of its own performance. (If Audit Committee Report is not presented, no mark will be given.)	5
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.	<i>Effective 2020</i>
4.33	Chairman's significant commitments and any changes thereto.	<i>Effective 2020</i>
4.34	The responsibility of those charged with governance for promoting and enabling innovation.	<i>Effective 2020</i>
4.35	How remuneration and incentives of the Board are linked to value creation in the short, medium and long term.	<i>Effective 2020</i>

5. PERFORMANCE AND POSITION

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.



No.		50 MARKS
5.01	<p>Analysis of the financial and non-financial performance using both qualitative and quantitative indicators showing linkage between (a) Past and current performance; and (b) Performance against targets /budget and objectives to assess stewardship of management.</p> <p><i>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 <IR>, 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.</i></p>	5
5.02	<p>Analysis of financial statements:</p> <ul style="list-style-type: none"> a) Financial Ratios (please see Annexure '1') b) Duo Pont analysis c) Free Cash Flow d) Economic Value Added 	16
5.03	Combined analysis both vertical and horizontal of the Balance Sheet and Profit and Loss Account for last 6 years.	2
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.	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
5.10	Segmental review of business performance.	2

5.11	Market share information preferably from an independent source including share price sensitivity analysis. (Sensitivity Analysis should demonstrate how much change in market capitalization will occur as a result of X% change in market price as of year-end.)	2
5.12	History of major events.	1
5.13	Business rationale of major capital expenditure / projects during the year and for those planned for next year.	2
5.14	CEO presentation video on the organization's website explaining the business overview, performance, strategy and outlook.	6

6. OUTLOOK

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.



No.		10 MARKS
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.	4
6.02	Explanation as to how the performance of the entity meets the forward-looking disclosures made in the previous year.	2
6.03	Status of the projects in progress and were disclosed in the forward-Looking Statement in the previous year.	2
6.04	Source of information and assumption 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.	<i>Effective 2020</i>

7. STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT

State of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests.



No.		15 MARKS
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 minority shareholders to attend the general meetings. (Completing just legal formality such as sending Annual Report to minority shareholders will not carry any marks.)	3
7.03	Investors' Relations section on the corporate website.	1
7.04	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
7.05	Stakeholders engagement policy and steps Board has taken to solicit and understand the views of the stakeholders through corporate briefing programs and through investor road show etc. and disclosure of brief summary of analysis and shareholders briefings conducted during the year.	6

8. SPECIFIC DISCLOSURES OF THE FINANCIAL STATEMENTS



No.	20 MARKS
8.01 Please refer Annexure II	

9. SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY



No.	20 MARKS
9.01 Highlights on 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

Business model is a system of transforming inputs, through its 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



No.	Effective 2020
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



No.	10 MARKS
11.01 Statement by management of unreserved compliance of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). (Companies providing separate audited financial statements based on full IFRS compliance will get full marks, otherwise, companies will get zero)	5
11.02 Adoption and statement of adherence with the International Integrated Reporting Framework <IR>.	5
11.03 Disclosure beyond BCR criteria. (The participating organization to attach the list of those additional disclosures)	<i>Effective 2020</i>

12. ASSESSMENT BASED ON QUALITATIVE FACTORS



No.	20 MARKS
12.01 Please refer Annexure III	

TOTAL MARKS 220

ANNEXURE "I" FINANCIAL RATIOS (REF. SECTION 5 OF THE CRITERIA)

FINANCIAL SECTOR	NON-FINANCIAL SECTOR
Profitability Ratios <ol style="list-style-type: none"> Profit before tax ratio Gross Yield on Earning Assets Gross Spread ratio Cost/Income ratio Return on Equity Return on Capital employed 	Profitability Ratios <ol style="list-style-type: none"> Gross Profit ratio Net Profit to Sales EBITDA Margin to Sales Operating leverage ratio Return on Equity Return on Capital employed
Liquidity Ratios <ol style="list-style-type: none"> Advances to deposits ratio Current ratio Quick / Acid test ratio Cash to Current Liabilities 	Liquidity Ratios <ol style="list-style-type: none"> Current ratio Quick / Acid test ratio Cash to Current Liabilities Cash flow from operations to Sales
Investment / Market Ratios <ol style="list-style-type: none"> 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 <ol style="list-style-type: none"> 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. 	Investment / Market Ratios <ol style="list-style-type: none"> 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 <ol style="list-style-type: none"> 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 <ol style="list-style-type: none"> 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 	Capital Structure <ol style="list-style-type: none"> 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 <ol style="list-style-type: none"> 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

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 'FRS 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 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.

ANNEXURE 'III' — ASSESSMENT BASED ON QUALITATIVE FACTORS (REFER SECTION 12 OF THE CRITERIA)

- **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 as appropriate to limit repetition.
- **Easy to understand:** Use of simple plain language and avoid using jargons or technical terms.
- **Consistency a Comparability:** Where disclosures differ or have been rearranged, have been properly presented with cross reference
- **Relevance:** Effectiveness of photos and graphs
- **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.

EVALUATION COMMITTEE

CHAIRMAN

Mr. Abdul Rahim Suriya, FCA, FCMA

MEMBERS

- | | |
|----------------------------------|--|
| 1. Mr. Aftab Q. Munshi, FCMA | 2. Mr. Ahsan Ghaffar Mehanti, FCA |
| 3. Ms. Hena Sadiq, FCA | 4. Mr. Intisar Muhammad Usmani, FCMA |
| 5. Mr. Kamran Ahmed Hashmi, FCMA | 6. Mr. Khalid Mehboob, FCMA |
| 7. Mr. Muhammad Farid Alam, FCA | 8. Ms. Moneeza Osman But, FCA |
| 9. Mr. Naresh Kumar, ACA | 10. Mr. Naveed Abdul Hameed, ACA |
| 11. Mr. Shafqat Ali, FCMA | 12. Mr. Syed Fahim ul Hasan, FCA, ACMA |

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 effective from year 2020 have been specified against relevant criterion.
6. For Further clarification, please visit Frequently Asked Questions <https://www.icap.net.pk/wp-content/uploads/bcr/FAQsforBCRCriteria2019.pdf>
7. Formula for Ratios are placed at <https://www.icap.net.pk/wp-content/uploads/bcr/BCRRatiosCriteria2019.pdf>

SECRETARIAT

MR. MUHAMMAD OWAIS MUKATI, FCA

The Institute of Chartered Accountants of Pakistan
Contact +92 21 111-000-422 | Ext: 350/411
owais.mukati@icap.org.pk | URL: www.icap.net.pk

MR. ASIM HUSAIN KHAN

Institute of Cost and Management Accountants of Pakistan
Contact +92 21 99243900 | Ext: 120
asim.khan@icmap.com.pk | URL: www.icmap.com.pk