



PAKISTAN STOCK EXCHANGE LIMITED

Stock Exchange Building, Stock Exchange Road, Karachi-74000,
Phones: 111-001-122

CRITERIA FOR SELECTION OF TOP 25 COMPANIES FOR THE YEAR 2017

1) **Prerequisites for Selection of Top Companies:**

- a) A minimum distribution of 30% (including at least 15% cash dividend) for the year;
- b) The Shares of the company are traded 50% of the total trading days during the year;
- c) The company should not be in the Defaulters' Segment of the Exchange or trading in its shares has not been suspended on account of violation of Listing of Companies & Securities Regulations of the Exchange during the year.

2) **The Companies that Qualify above Prerequisites will be selected on the Basis of Highest Marks Obtained as per the following Criteria:**

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| a) Capital Efficiency: (i) Shareholders Return on Equity (on the basis of before tax profit) (ii) Ratio of Capital Expenditure to Total Assets (iii) Change in Market Value Added (MVA of a year is the difference between Market Value minus Book Value for that year.) | 15% 3% 2.5% |
| b) Dividend Distribution (including Bonus) (i) Total Distribution out of Current Year's Profit only. (In case dividend/bonus is paid out of prior year's earnings/reserves, then the dividend/bonus shall be adjusted proportionately) (ii) Payout Ratio (DPS / EPS) | 10% 10% |
| c) (i) Growth in Operating Revenue (ii) Change in EBITDA Margin (Operating margin) in absolute terms | 6% 6% |
| d) Free-Float of Shares Free-Float of shares as a percentage of total shares outstanding | 10% |
| e) Turnover of Shares Transactions that are executed on Karachi Automated Trading System (KATS) | 2.5% |

| f) Corporate Governance & Investors Relation | |
|---|-------------|
| (i) Updated website is maintained by the company where information regarding the Management/Board of Directors, Vision/Mission statement and latest financials are available | 3.5% |
| (ii) Announcement of Half-yearly result within one month | 2.5% |
| (iii) Holding of Board Meeting for the consideration of accounts within one month of the close of financial year | 5% |
| (iv) Holding of AGM within three months of year-end | 2.5% |
| (v) Early despatch of final dividend / bonus shares within 10 days instead of the requirement of 15 working days | 5% |
| (vi) Holding of at least one corporate briefing program during the year | 2.5% |
| (vii) Compliance with the provisions of Code of Corporate Governance (in case of any noncompliance, no marks shall be awarded) | 4% |
| (viii) At least 50% of directors have completed Director's Training Program from institutes approved by SECP. | 2.5% |
| (ix) More than 1 independent director in the Board of Directors | 2.5% |
| (x) Chairman of Audit Committee who is an independent and a non-executive director | 2.5% |
| (xi) Corporate Social Responsibilities: Monetary donation(s) as percentage of after tax profit disclosed in the annual accounts (minimum 1% of after tax profit will qualify for full marks) | 2.5% |
| TOTAL | 100% |