



# OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

ANNUAL REPORT 2016



## VISION

To be the premier body for promoting new and existing overseas investment in Pakistan by leveraging world-class expertise of OICCI members for the benefit of investors and the country.

## MISSION

- To assist in fostering a conducive, open and equitable business environment in Pakistan.
- To facilitate the transfer of best global practices to Pakistan.
- To enhance the image of overseas investors in Pakistan and of the country abroad.

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# OICCI PROFILE

The Overseas Investors Chamber of Commerce and Industry (OICCI) is the collective voice of all major foreign investors in Pakistan. Established over 150 years ago in 1860, primarily as a business chamber for foreign investors, the OICCI is engaged in promoting foreign direct investment in Pakistan, besides protecting the interest of existing foreign investors/OICCI members. Through its diversified activities, the OICCI contributes significantly to supporting commerce and industry across the country.

- 195 Members belonging to 35 countries and involved in 14 key sectors of Pakistan economy
- 57 OICCI members are currently listed on Pakistan Stock Exchange
- 50 Members are associates of the 2016 Global Fortune 500 companies

## Major contributor to the economy of Pakistan

- About one third of the total taxes and levies in Pakistan are collected from OICCI members
- Total value of members' assets in excess of PKR 8 trillion
- Annual new capital expenditure in excess of PKR 171 billion
- Members provide direct and indirect employment to around one million people
- Significant role in various CSR activities across the country

## Snapshot of OICCI Listed Members Success Stories

The Compound Annual Growth Rate (CAGR) of 57 OICCI members listed on the Pakistan Stock Exchange over the period from 2009 to 2015:

Profit before Tax in PKR	18.4%
Profit before Tax in USD	14.7%
Turnover	10.6%

## Incentives for Foreign Investors in Pakistan

- 100% foreign shareholding allowed in legal entities incorporated in Pakistan
- No restriction on repatriation of dividends, royalties and capital
- Business losses can be carried forward for six years for tax purposes
- No minimum capital requirement except in the banking sector
- Avoidance of double taxation agreements with over sixty countries
- Several fiscal incentives like tax holidays, accelerated tax depreciation, export processing zones and special economic zones
- Level playing field – no discrimination between foreign and local investors
- Intellectual Property Rights law enacted in 2012
- Ease of hiring expatriates

## OICCI MEMBERS - COUNTRY OF ORIGIN



United States of America	31
United Kingdom	30
Netherlands	19
Germany	13
Japan	13
United Arab Emirates	13
Switzerland	11
Singapore	8
Hong Kong	5
France	4
Kuwait	4
Saudi Arabia	4
Others	40

## MEMBERS' REPRESENTATION IN ALL MAJOR BUSINESS SECTORS

Banking / Insurance / Finance & Leasing	33
Oil / Gas / Energy	31
Pharmaceutical	24
Chemicals / Pesticides / Fertilizers / Paints / Cement	23
Trading & Other Services	22
Food / Consumer Products	20
Engineering / Industrial Products	14
IT & Communications	11
Shipping & Airlines	5
Automobile	3
Printing & Publishing	3
Telecommunications	3
Tobacco	2
Security Services	1



## PRESIDENT'S MESSAGE

As we conclude another successful year for your chamber, it is a great pleasure for me to share with you a brief overview of the business environment in the country and the accomplishments of OICCI in 2016.

It has been a relatively good year for the economy of the country. The IMF program was completed as per schedule enabling the country to secure additional financing from other agencies and the international capital market.



The GDP growth of 4.7% for the fiscal year 2015-16 was the highest in the last 8 years, foreign exchange reserves achieved a record level of USD 23 billion, helping in maintaining stability in Pak Rupee exchange rate, inflation remained around 4% and SBP reduced the policy rate to a record low level of 5.75%, making it much more viable for doing business by the private sector, especially SMEs.

Despite all these positive developments, the foreign direct investment (FDI) continued its downward trend of the last few years and remains a matter of great concern for the government and all stakeholders, including the members of this chamber. However, the increasing level of investment committed for the energy and infrastructure projects under CPEC are positive developments, and should provide a good opportunity to leverage private sector FDI from other countries taking advantage of the vast untapped business potential in Pakistan. Another matter of concern has been the gradual drop in exports, which for 2015-16 were 15% lower than the last year. With low FDI, falling exports, and relative stagnation in the

inward remittances, the country will continue to face pressure on its Balance of Payments, a worrisome matter for a growing economy like Pakistan which has considerable potential due to its demography, size of the economy, resources available and strategic location. The OICCI members consider that a turnaround can be managed if the policymakers and the government(s), including those in the provinces, make a sincere joint effort through public private partnerships to arrest this decline and implement a workable plan to attract FDI resulting in economic growth as has been observed in many other economies in the region.

The activities of the chamber during 2016, have been appropriately covered in this annual report. I shall mention only a few of these accomplishments. The chamber continued to regularly interact with the relevant government authorities to resolve investor related issues and make appropriate recommendations to facilitate the inflow of FDI and accelerate the economic growth of the country. The chamber also interacted with foreign business delegations, diplomats and senior executives from the global and regional offices of our member companies.

Two Business Confidence Index surveys were conducted across Pakistan, whose results were widely reported in the media and shared with senior most government leaders and other stakeholders. A brief comment would be appropriate on the two surveys: After BCI wave 12, released in April 2016, recorded an increase by 14 percent in positive sentiment and went up to a positive of 36 percent, only six months later in the BCI survey, wave 13, the sentiments of the business community dropped by 19 percent. Though the sentiments remained positive at 17 percent and are much more positive versus the results two years ago, the detailed responses indicate that the major fall represents a correction versus the previous April 2016 BCI results and hence this should be taken as a key watch-out for the government. Part of this correction could be natural rebalancing of feelings with the euphoria of initial positivity cooling down. Another part of this correction is driven by perceived and real concerns on taxation, inconsistency of policies, and management of security and energy issues. We believe that quick, decisive, and visible action from the government in these areas is needed to arrest potential decline in future surveys.

The OICCI participated in a number of events including collaboration with a renowned organization which hosted the “Pakistan Business and Economic Summit” where three MC members proactively participated in projecting the conference theme of “Finding the Bright Spots” in the Pakistan Business environment. As the OICCI President, I participated proactively in the IPOB Policy Board meetings and kept on emphasising the need for an increased IPR enforcement regime in the country. You will be pleased to know that despite the low FDI inflow into the country the OICCI members continued to give a visible vote of confidence to the potential of the country and invested during the year approximately USD 1.7 billion in new capital expenditure to enhance industrial capacities and modernize their facilities.

I am glad to share that members of the OICCI have not only focused on operating their business profitably in an ethical and transparent manner, they were also mindful of their Corporate Social Responsibility. The OICCI Corporate Social Responsibility report for 2015-16 issued in November mentions that OICCI members contributed PKR 2.8 billion and 450,000 man hours to various CSR initiatives with benefit to over 20 million people throughout the country. These numbers are based on feedback from 70 members only which could be much higher if all the members had participated in the publication of the report.

I thank all those members who participated in the chamber’s activities and request all members to continue their involvement as OICCI achievements are a reflection of how closely members participate in the activities of the chamber.

The chamber secretariat continued to look after the interest of the members and regularly took up their new and existing concerns with concerned authorities besides organising several new, as well as regular programs during the year. On behalf of the Managing Committee, I would like to thank the Secretary General and his team, as well as the chairpersons and members of the subcommittees for their accomplishments in 2016.

I also thank members of the Managing Committee for their strong support to the chamber throughout the year. I am confident OICCI will remain a ‘port of first call’ for all potential foreign investors and will continue to be actively engaged with authorities for speedy resolution of all issues of the foreign investors to ensure meaningful growth of investment and trade in Pakistan.

I warmly welcome Khalid Mansoor as the new President of the chamber, Nauman Ansari, the incoming Vice President and members of the new Managing Committee, whose names will be announced in the next AGM, and wish them great success in 2017.

It has been a great honour and privilege to have served as President of the oldest business chamber in South Asia and I sincerely thank everyone for the support and guidance extended to me.

I am confident that 2017 will be another great year for the chamber.

**Shahab Rizvi**

# SECRETARY GENERAL'S REPORT

On behalf of the Managing Committee of Overseas Investors Chambers of Commerce and Industry (OICCI), I am pleased to present the 2016 activities and audited accounts of the chamber. 2016 has been a landmark year for the chamber which extended its outreach among the stakeholders and continued to proactively play its role towards the betterment of the economy and business environment.



Throughout the year the OICCI Managing Committee (MC) and members, individually and collectively, regularly interacted with key officials, regulatory authorities, diplomats and other stakeholders, including media, to proactively highlight the measures required to increase the FDI in the country, improve policy framework, boost economic growth, increase employment and, above all, present the factual, research based, positive potential of the country.

In January 2016, the MC members had the unique honour of presenting to the Prime Minister of Pakistan, Mr. Mian Muhammad Nawaz Sharif, and key cabinet members, the Minister of Finance Mr. Ishaq Dar, Minister of Commerce Mr. Ghulam Dastagir Khan and Chairman BoI Mr. Miftah Ismail, the OICCI 2015 Perception and Investment Survey results, which were based on the feedback from OICCI members only. This survey is done every alternate year to get foreign investors feedback on various aspects of doing business and on FDI prospects in Pakistan. The OICCI team, took this opportunity to highlight the key issues impeding the inflow of FDI and also suggested the way forward to facilitate investment and economic activities in the country. We requested the PM on the need to have structured dialogue on a periodical basis between the decision makers in the government and prominent business organizations, like OICCI, to timely address concerns on critical matters which are restraining the due growth of the economy and inflow of FDI to Pakistan.

The bi-annual OICCI Business Confidence Index Survey (BCI), waves 12 and 13 conducted during the year, showed mixed results. The BCI, having

touched a record level of 36% in wave 12 in April 2016, lost momentum and recorded 17% in wave 13 in November 2016 which is still quite positive but well below past two surveys. The business confidence of OICCI members included in the above surveys followed the trend and went up to 55% in wave 12 before retreating to 46% in wave 13. The OICCI members were disappointed with certain taxation measures announced in the 2016-17 budget including the continuation of 3 percent "super tax" on organizations earning more than PKR 500 million annual taxable profit and the continuing delay in the clearance of their pending tax refunds. BCI results were extensively shared with the government authorities including in the provinces, and were also widely covered by the media.

The FDI during the fiscal year 2015-16 was USD 1.3 billion, which was well below the country's potential, though it was 50% higher than the lowest FDI of USD 851 million, in the previous year.

According to State Bank of Pakistan, the FDI inflow into the country during the first five months of the ongoing fiscal year, July-November 2016, was only USD 460 million which is 45% lower than the already very low inflow of USD 836 million during the corresponding period last year. This is an area of serious concern for all those who understand the opportunities and potential for FDI in the country. There is a need to analyse as to why Pakistan is consistently failing to attract sizeable FDI especially in the past two and a half years despite achieving economic stability, significant improvement of the security environment and new initiatives to bridge the energy gap. Moreover, Pakistan offers attractive incentive to

foreign investors. Those invested in Pakistan, both in the capital market as well as most multinationals operating in Pakistan, have performed well over the years. Besides the country offers great potential for large greenfield investment to meet growing domestic demand of a large middle class, estimated at 70 million people, which remains untapped. The ongoing China Pakistan Economic Corridor (CPEC) projects also offer a great opportunity for growth and investment in Pakistan which should have attracted large FDI from non-Chinese MNCs.

The OICCI, for its part, has regularly suggested to the authorities to proactively and professionally address the concerns which contribute to the negative image of the country and improve the country's Ease of Doing Business ranking. Pakistan's poor ranking in the 2017 World Bank's Ease of Doing Business (EODB) parameters at 144 out of 190 countries – marginal improvement versus the ranking of 148 last year – is one of the important deterrents for new FDI inflow. OICCI actively participated in the GOP 'Committee on Improving Ranking on Ease of Doing Business' and continue to urge the authorities to simplify and streamline operating and regulatory framework in line with the best in class from among the competitive regional economies.

The OICCI has consistently urged for genuine and meaningful public private partnership through regular and increasing interaction with the private sector to avoid surprises and to deliver on a predictable, transparent and consistent policy framework and its implementation.



During the year, senior government officials both from federal and provincial governments visited the chamber for interactive sessions with our members on matters relating to taxation, energy, IPR, competition commission, etc.

As before, foreign business delegations, ambassadors and other diplomats, from the country of origin of our members visited the chamber for round table discussions with the Managing Committee and members to familiarise themselves with the prevalent investment culture. The foreign visitors included officials from the global and regional offices of member companies who visited OICCI for an insight of the corporate governance practices and various aspects of doing business in Pakistan.

The comprehensive taxation proposals for 2016-17 submitted by the OICCI were discussed in detail by the FBR and the provincial revenue authorities. While many of our proposals were accepted totally or partially, there were several surprises in the 2016-17 Finance Bill which, we believe, have dented the confidence of the foreign investors well beyond the extra revenue it may have generated. We appreciate the timely intervention of the Minister of Finance and also of Mr. Haroon Akhtar, Special Assistant to Prime Minister on Revenue, in reversing the most damaging taxation measure in the 2016-17 Finance Bill which proposed to omit the provincial sales tax levied on services from the definition of input tax. This action alone created a serious concern for all investors in the country with longer term damage to business confidence. The OICCI members were also concerned that broadening the tax base and the recommendations of the Tax Reforms Commission have not progressed as promised. As a result, one is led to believe that the government has focused its taxation strategy in burdening the organised sectors only while offering successive tax amnesty scheme to tax evaders. The OICCI, whose members are all tax compliant and contribute over one third of all the taxes collected in the country, in principle does not support such amnesty schemes.

The MC and the subcommittees at the chamber remained active throughout the year and were intensely involved in propagating the OICCI agenda. These subcommittees met at regular intervals to identify current issues and presented several quality reports and recommendations, which were duly shared with the relevant authorities. As details of the chamber's various

activities throughout the year are mentioned elsewhere in this report, I shall make a few comments on only the most prominent and significant activities.

The OICCI CSR report 2015-2016 was issued in November 2016, in which 70 prominent member companies participated. The OICCI members continue to give high priority to improving the health, education and community development in the society. In order to enable members to interact amongst themselves on CSR related matters and also with leading organizations working in the respective fields, three CSR networking session with members followed by interactive sessions with leading NGOs in the field of climate change, education and healthcare were arranged at the chamber.

The chamber once again conducted a comprehensive 2016 Security Survey with its members which was very positive and highly appreciated by the members, government authorities, the media, global/regional security teams of member companies and foreign diplomats. During the year, we had regular interaction with security professionals and law enforcement authorities including DG Rangers, Sindh who gave a good overview of the progress made so far in the elimination of crime in Sindh, especially in Karachi, besides sharing security and crime control initiatives in the pipeline.

A compact set of recommendations on the status and way forward for the energy sector in Pakistan is currently in final stages and is expected to be presented to the government in early 2017. Earlier in 2016, the chamber had presented to the Secretary, Ministry of Water and Power, recommendations on energy generation and conservation.

The chamber continues to play its active role in promoting effective implementation of the Intellectual Property Rights in Pakistan and the OICCI President is an active member of the IPOP Policy Board. The OICCI representatives extensively participated in various IPR seminars and events to promote IPR regime in Pakistan. We are pleased that the U.S. authorities have reduced the level of Pakistan in the U.S. IPR Watch list of countries, which indicates a recognition of the concerted efforts being made by IPOP and other key stakeholders including OICCI in improving the status of IPR in Pakistan.

The Pharma Bureau remained engaged with the government to amend the notification of Drug Pricing Policy (DPP)

issued in 2015. PB members primarily seek a transparent and equitable drugs pricing and product registration policy. The Competition Commission of Pakistan (CCP) issued a show cause notice to the PB in October 2016, alleging that the member companies of the PB had colluded in fixing prices and putting this show cause notice and enquiry report on the CCP website in early November, 2016. The PB is contesting these allegations with assistance from a prominent law firm.

The financial results of the OICCI for the year ended December 31, 2016, included in this annual report, are satisfactory and the Managing Committee Report summarizes key elements contributing to the good results.

Looking forward, we anticipate relative stability in the political and economic environment. The progressive completion of various energy projects together with enhanced activity on CPEC projects should boost the economic and investment activity in the country. We do hope that the government policy will not be deterred by political compulsions due to upcoming elections in 2018. We expect that the government will follow the path of bold measures required to broaden the tax base, reduce the burden on the highly taxed corporate sector and implement growth oriented economic policies to surpass the competitive economies in the region. We are already noticing increasing international interest to complement CPEC projects which, if smartly capitalized, may substantially boost the FDI in the country and may change the economic dimensions of the country and its people. The chamber will be conducting the Perception and Investment Survey in 2017 to further assess the foreign investors' point of view about the economic conditions and EODB in the country, in light of the CPEC projects.

Finally a sincere word of thanks to all the stakeholders in the federal and provincial governments, regulatory bodies, the members of the Managing Committee, the OICCI members and the OICCI Secretariat team for their support and guidance which made 2016 a memorable year for the OICCI. I wish you all great success in 2017.

**M. Abdul Aleem**

# MANAGING COMMITTEE

As on December 31, 2016



**Shahab Rizvi**  
**OICCI President**  
 Country President and Chief Executive Officer  
 Novartis Pharma (Pakistan) Limited



**Khalid Mansoor**  
**OICCI Vice President**  
 Chief Executive Officer  
 Hub Power Company Limited



**M. Abdul Aleem**  
**CE / Secretary General**  
 Overseas Investors Chamber of Commerce & Industry

## Members



**Aftab Husain**  
**Managing Director & Chief Executive Officer**  
 Pakistan Refinery Limited



**Bruno Olierhoek**  
**Managing Director**  
 Nestlé Pakistan Limited



**Dr. Daniel Ritz**  
**President & Chief Executive Officer**  
 Pakistan Telecommunication Company Limited



**Helmut Von Struve**  
**Managing Director**  
 Siemens Pakistan Engineering Company Limited



**Kazim Hasnain**  
**Managing Director**  
 Eli Lilly Pakistan (Pvt.) Limited



**Kimihide Ando**  
**Chief Executive Officer**  
 Mitsubishi Corporation



**Marek Andrzej Minikiewicz**  
**Chief Executive Officer**  
 Metro Habib Cash & Carry Pakistan (Pvt.) Limited



**Nadeem Lodhi**  
**Managing Director**  
 Citibank N. A.



**Nauman Ansari**  
**President & Chief Executive Officer**  
 Faysal Bank Limited



**Sami Ahmed**  
**Vice President & Country Manager**  
 Procter and Gamble Pakistan (Pvt.) Limited



**Zehra Naqvi**  
**Chief Executive Officer**  
 Chubb Insurance Pakistan Limited

# SUMMARY OF OICCI ACTIVITIES IN 2016

## POLICY REFORM AND ADVOCACY

**The Overseas Investors Chamber of Commerce and Industry (OICCI) and its members remained engaged throughout the year with a number of senior government leaders, heads of regulatory bodies and other senior officials, to safeguard members' interest in the formulation of government policies.**

The government gives due recognition to the pivotal role being played by the chamber in the economy of the country and has invited its nominees to sit on a number of official forums and regulatory bodies, including the 'Board of Investment', 'IPOP Policy Board', 'Tax Reforms Commission', 'CCP – Competition Consultant Group' and the committees for 'Broadening the Tax Base' and 'Improving Pakistan's ranking at WB Ease of Doing Business survey'.

Policy related inputs are regularly provided by the chamber to the federal and provincial governments on fiscal, commercial, industrial and other matters which impact business, to ensure that the views of the OICCI members, who represent the largest group of foreign investors in the country, are duly considered in formulation and implementation of government policies. The government authorities give due consideration to the recommendations received from the chamber, which is a major stakeholder in the country's economy, as members of the OICCI collectively pay over one third of total taxes collected in Pakistan, besides making substantial new investments every year. The results of the research and surveys conducted by the chamber, on various aspects impacting the business operations in the country, are extensively shared with all the key stakeholders, especially those in the government and others who can help in creating a balanced perception of the country, for facilitating foreign direct investment (FDI).

### **Government dignitaries at OICCI**

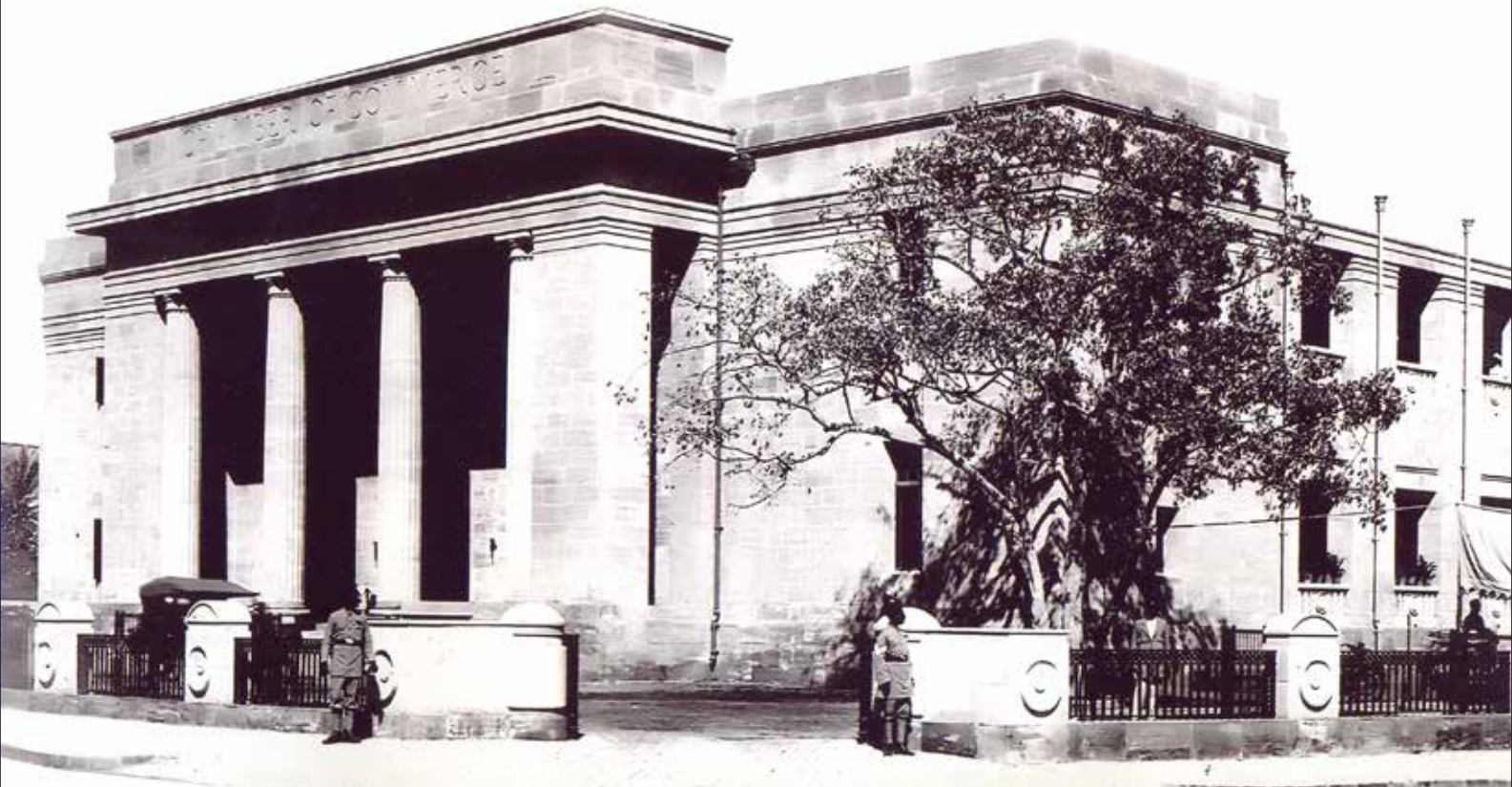
During the year, several government officials, including the Special Advisor for Revenue to the Prime Minister, Governor Punjab, Finance Minister of Punjab, Minister of State/Chairman Board of Investment (BoI), Minister of State/Chairperson BISP, Secretary Ministry of Water and Power, Chairman WAPDA, Secretary BoI, Chairperson Competition Commission of Pakistan (CCP), Chairperson Sindh Board of Investment, Director General Pakistan

Standards and Quality Control Authority, Member-Tax Policy Federal Board of Revenue (FBR), Chairman Sindh Revenue Board (SRB) and Chairman Punjab Revenue Authority (PRA), and Director General Rangers Sindh, visited the chamber to discuss various matters affecting members and impacting the business environment in the country. Some of these interactions are also mentioned later in this annual report.

### **Taxation proposals and tax related activities**

As per past practice, comprehensive taxation proposals were submitted to the federal and provincial revenue authorities, for inclusion in the respective budgets for the fiscal year 2016-17. OICCI taxation proposals were based on input from members, followed by an in depth professional and analytical review by the Taxation Subcommittee. OICCI taxation proposals are quite comprehensive and incorporate recommendations to improve documentation of the economy, broaden the tax base, correction of fiscal anomalies, practical incentives to attract FDI and simplification of taxation related processes. These proposals were widely covered in the media.

OICCI followed up these proposals by engaging with senior most policymakers to ensure that members recommendations were given due consideration. The two visits of Special Advisor for Revenue to the Prime Minister, Haroon Akhtar to the chamber, before and after the announcement of the Federal Budget, to discuss OICCI members' proposals and later the concerns on the Finance Bill, underscores the recognition given by the government to OICCI members. Besides the very productive interaction with the Special Advisor to the PM, meetings were also held in the chamber and at other forums. In addition, communications were exchanged with various officials at the federal and provincial governments, including the chairmen/members of FBR, PRA and SRB to define the way forward.



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Banking / Insurance / Finance & Leasing	33
Oil / Gas / Energy	31
Pharmaceutical	24
Chemicals / Pesticides / Fertilizers / Paints / Cement	23
Trading & Other Services	22
Food / Consumer Products	20
Engineering / Industrial Products	14
IT & Communications	11
Shipping & Airlines	5
Automobile	3
Printing & Publishing	3
Telecommunications	3
Tobacco	2
Security Services	1





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Two Business Confidence Index surveys were conducted across Pakistan, whose results were widely reported in the media and shared with senior most government leaders and other stakeholders. A brief comment would be appropriate on the two surveys: After BCI wave 12, released in April 2016, recorded an increase by 14 percent in positive sentiment and went up to a positive of 36 percent, only six months later in the BCI survey, wave 13, the sentiments of the business community dropped by 19 percent. Though the sentiments remained positive at 17 percent and are much more positive versus the results two years ago, the detailed responses indicate that the major fall represents a correction versus the previous April 2016 BCI results and hence this should be taken as a key watch-out for the government. Part of this correction could be natural rebalancing of feelings with the euphoria of initial positivity cooling down. Another part of this correction is driven by perceived and real concerns on taxation, inconsistency of policies, and management of security and energy issues. We believe that quick, decisive, and visible action from the government in these areas is needed to arrest potential decline in future surveys.

The OICCI participated in a number of events including collaboration with a renowned organization which hosted the "Pakistan Business and Economic Summit" where three MC members proactively participated in projecting the conference theme of "Finding the Bright Spots" in the Pakistan Business environment. As the OICCI President, I participated proactively in the IPOB Policy Board meetings and kept on emphasising the need for an increased IPR enforcement regime in the country. You will be pleased to know that despite the low FDI inflow into the country the OICCI members continued to give a visible vote of confidence to the potential of the country and invested during the year approximately USD 1.7 billion in new capital expenditure to enhance industrial capacities and modernize their facilities.

I am glad to share that members of the OICCI have not only focused on operating their business profitably in an ethical and transparent manner, they were also mindful of their Corporate Social Responsibility. The OICCI Corporate Social Responsibility report for 2015-16 issued in November mentions that OICCI members contributed PKR 2.8 billion and 450,000 man hours to various CSR initiatives with benefit to over 20 million people throughout the country. These numbers are based on feedback from 70 members only which could be much higher if all the members had participated in the publication of the report.

I thank all those members who participated in the chamber's activities and request all members to continue their involvement as OICCI achievements are a reflection of how closely members participate in the activities of the chamber.

The chamber secretariat continued to look after the interest of the members and regularly took up their new and existing concerns with concerned authorities besides organising several new, as well as regular programs during the year. On behalf of the Managing Committee, I would like to thank the Secretary General and his team, as well as the chairpersons and members of the subcommittees for their accomplishments in 2016.

I also thank members of the Managing Committee for their strong support to the chamber throughout the year. I am confident OICCI will remain a 'port of first call' for all potential foreign investors and will continue to be actively engaged with authorities for speedy resolution of all issues of the foreign investors to ensure meaningful growth of investment and trade in Pakistan.

I warmly welcome Khalid Mansoor as the new President of the chamber, Nauman Ansari, the incoming Vice President and members of the new Managing Committee, whose names will be announced in the next AGM, and wish them great success in 2017.

It has been a great honour and privilege to have served as President of the oldest business chamber in South Asia and I sincerely thank everyone for the support and guidance extended to me.

I am confident that 2017 will be another great year for the chamber.

**Shahab Rizvi**

# SECRETARY GENERAL'S REPORT

On behalf of the Managing Committee of Overseas Investors Chambers of Commerce and Industry (OICCI), I am pleased to present the 2016 activities and audited accounts of the chamber. 2016 has been a landmark year for the chamber which extended its outreach among the stakeholders and continued to proactively play its role towards the betterment of the economy and business environment.



Throughout the year the OICCI Managing Committee (MC) and members, individually and collectively, regularly interacted with key officials, regulatory authorities, diplomats and other stakeholders, including media, to proactively highlight the measures required to increase the FDI in the country, improve policy framework, boost economic growth, increase employment and, above all, present the factual, research based, positive potential of the country.

In January 2016, the MC members had the unique honour of presenting to the Prime Minister of Pakistan, Mr. Mian Muhammad Nawaz Sharif, and key cabinet members, the Minister of Finance Mr. Ishaq Dar, Minister of Commerce Mr. Ghulam Dastagir Khan and Chairman BoI Mr. Miftah Ismail, the OICCI 2015 Perception and Investment Survey results, which were based on the feedback from OICCI members only. This survey is done every alternate year to get foreign investors feedback on various aspects of doing business and on FDI prospects in Pakistan. The OICCI team, took this opportunity to highlight the key issues impeding the inflow of FDI and also suggested the way forward to facilitate investment and economic activities in the country. We requested the PM on the need to have structured dialogue on a periodical basis between the decision makers in the government and prominent business organizations, like OICCI, to timely address concerns on critical matters which are restraining the due growth of the economy and inflow of FDI to Pakistan.

The bi-annual OICCI Business Confidence Index Survey (BCI), waves 12 and 13 conducted during the year, showed mixed results. The BCI, having

touched a record level of 36% in wave 12 in April 2016, lost momentum and recorded 17% in wave 13 in November 2016 which is still quite positive but well below past two surveys. The business confidence of OICCI members included in the above surveys followed the trend and went up to 55% in wave 12 before retreating to 46% in wave 13. The OICCI members were disappointed with certain taxation measures announced in the 2016-17 budget including the continuation of 3 percent "super tax" on organizations earning more than PKR 500 million annual taxable profit and the continuing delay in the clearance of their pending tax refunds. BCI results were extensively shared with the government authorities including in the provinces, and were also widely covered by the media.

The FDI during the fiscal year 2015-16 was USD 1.3 billion, which was well below the country's potential, though it was 50% higher than the lowest FDI of USD 851 million, in the previous year.

According to State Bank of Pakistan, the FDI inflow into the country during the first five months of the ongoing fiscal year, July-November 2016, was only USD 460 million which is 45% lower than the already very low inflow of USD 836 million during the corresponding period last year. This is an area of serious concern for all those who understand the opportunities and potential for FDI in the country. There is a need to analyse as to why Pakistan is consistently failing to attract sizeable FDI especially in the past two and a half years despite achieving economic stability, significant improvement of the security environment and new initiatives to bridge the energy gap. Moreover, Pakistan offers attractive incentive to

foreign investors. Those invested in Pakistan, both in the capital market as well as most multinationals operating in Pakistan, have performed well over the years. Besides the country offers great potential for large greenfield investment to meet growing domestic demand of a large middle class, estimated at 70 million people, which remains untapped. The ongoing China Pakistan Economic Corridor (CPEC) projects also offer a great opportunity for growth and investment in Pakistan which should have attracted large FDI from non-Chinese MNCs.

The OICCI, for its part, has regularly suggested to the authorities to proactively and professionally address the concerns which contribute to the negative image of the country and improve the country's Ease of Doing Business ranking. Pakistan's poor ranking in the 2017 World Bank's Ease of Doing Business (EODB) parameters at 144 out of 190 countries – marginal improvement versus the ranking of 148 last year – is one of the important deterrents for new FDI inflow. OICCI actively participated in the GOP 'Committee on Improving Ranking on Ease of Doing Business' and continue to urge the authorities to simplify and streamline operating and regulatory framework in line with the best in class from among the competitive regional economies.

The OICCI has consistently urged for genuine and meaningful public private partnership through regular and increasing interaction with the private sector to avoid surprises and to deliver on a predictable, transparent and consistent policy framework and its implementation.

During the year, senior government officials both from federal and provincial governments visited the chamber for interactive sessions with our members on matters relating to taxation, energy, IPR, competition commission, etc.

As before, foreign business delegations, ambassadors and other diplomats, from the country of origin of our members visited the chamber for round table discussions with the Managing Committee and members to familiarise themselves with the prevalent investment culture. The foreign visitors included officials from the global and regional offices of member companies who visited OICCI for an insight of the corporate governance practices and various aspects of doing business in Pakistan.

The comprehensive taxation proposals for 2016-17 submitted by the OICCI were discussed in detail by the FBR and the provincial revenue authorities. While many of our proposals were accepted totally or partially, there were several surprises in the 2016-17 Finance Bill which, we believe, have dented the confidence of the foreign investors well beyond the extra revenue it may have generated. We appreciate the timely intervention of the Minister of Finance and also of Mr. Haroon Akhtar, Special Assistant to Prime Minister on Revenue, in reversing the most damaging taxation measure in the 2016-17 Finance Bill which proposed to omit the provincial sales tax levied on services from the definition of input tax. This action alone created a serious concern for all investors in the country with longer term damage to business confidence. The OICCI members were also concerned that broadening the tax base and the recommendations of the Tax Reforms Commission have not progressed as promised. As a result, one is led to believe that the government has focused its taxation strategy in burdening the organised sectors only while offering successive tax amnesty scheme to tax evaders. The OICCI, whose members are all tax compliant and contribute over one third of all the taxes collected in the country, in principle does not support such amnesty schemes.

The MC and the subcommittees at the chamber remained active throughout the year and were intensely involved in propagating the OICCI agenda. These subcommittees met at regular intervals to identify current issues and presented several quality reports and recommendations, which were duly shared with the relevant authorities. As details of the chamber's various

activities throughout the year are mentioned elsewhere in this report, I shall make a few comments on only the most prominent and significant activities.

The OICCI CSR report 2015-2016 was issued in November 2016, in which 70 prominent member companies participated. The OICCI members continue to give high priority to improving the health, education and community development in the society. In order to enable members to interact amongst themselves on CSR related matters and also with leading organizations working in the respective fields, three CSR networking session with members followed by interactive sessions with leading NGOs in the field of climate change, education and healthcare were arranged at the chamber.

The chamber once again conducted a comprehensive 2016 Security Survey with its members which was very positive and highly appreciated by the members, government authorities, the media, global/regional security teams of member companies and foreign diplomats. During the year, we had regular interaction with security professionals and law enforcement authorities including DG Rangers, Sindh who gave a good overview of the progress made so far in the elimination of crime in Sindh, especially in Karachi, besides sharing security and crime control initiatives in the pipeline.

A compact set of recommendations on the status and way forward for the energy sector in Pakistan is currently in final stages and is expected to be presented to the government in early 2017. Earlier in 2016, the chamber had presented to the Secretary, Ministry of Water and Power, recommendations on energy generation and conservation.

The chamber continues to play its active role in promoting effective implementation of the Intellectual Property Rights in Pakistan and the OICCI President is an active member of the IPOP Policy Board. The OICCI representatives extensively participated in various IPR seminars and events to promote IPR regime in Pakistan. We are pleased that the U.S. authorities have reduced the level of Pakistan in the U.S. IPR Watch list of countries, which indicates a recognition of the concerted efforts being made by IPOP and other key stakeholders including OICCI in improving the status of IPR in Pakistan.

The Pharma Bureau remained engaged with the government to amend the notification of Drug Pricing Policy (DPP)

issued in 2015. PB members primarily seek a transparent and equitable drugs pricing and product registration policy. The Competition Commission of Pakistan (CCP) issued a show cause notice to the PB in October 2016, alleging that the member companies of the PB had colluded in fixing prices and putting this show cause notice and enquiry report on the CCP website in early November, 2016. The PB is contesting these allegations with assistance from a prominent law firm.

The financial results of the OICCI for the year ended December 31, 2016, included in this annual report, are satisfactory and the Managing Committee Report summarizes key elements contributing to the good results.

Looking forward, we anticipate relative stability in the political and economic environment. The progressive completion of various energy projects together with enhanced activity on CPEC projects should boost the economic and investment activity in the country. We do hope that the government policy will not be deterred by political compulsions due to upcoming elections in 2018. We expect that the government will follow the path of bold measures required to broaden the tax base, reduce the burden on the highly taxed corporate sector and implement growth oriented economic policies to surpass the competitive economies in the region. We are already noticing increasing international interest to complement CPEC projects which, if smartly capitalized, may substantially boost the FDI in the country and may change the economic dimensions of the country and its people. The chamber will be conducting the Perception and Investment Survey in 2017 to further assess the foreign investors' point of view about the economic conditions and EODB in the country, in light of the CPEC projects.

Finally a sincere word of thanks to all the stakeholders in the federal and provincial governments, regulatory bodies, the members of the Managing Committee, the OICCI members and the OICCI Secretariat team for their support and guidance which made 2016 a memorable year for the OICCI. I wish you all great success in 2017.

**M. Abdul Aleem**

# MANAGING COMMITTEE

As on December 31, 2016



**Shahab Rizvi**  
**OICCI President**  
 Country President and Chief Executive Officer  
 Novartis Pharma (Pakistan) Limited



**Khalid Mansoor**  
**OICCI Vice President**  
 Chief Executive Officer  
 Hub Power Company Limited



**M. Abdul Aleem**  
**CE / Secretary General**  
 Overseas Investors Chamber of Commerce & Industry

## Members



**Aftab Husain**  
**Managing Director & Chief Executive Officer**  
 Pakistan Refinery Limited



**Bruno Olierhoek**  
**Managing Director**  
 Nestlé Pakistan Limited



**Dr. Daniel Ritz**  
**President & Chief Executive Officer**  
 Pakistan Telecommunication Company Limited



**Helmut Von Struve**  
**Managing Director**  
 Siemens Pakistan Engineering Company Limited



**Kazim Hasnain**  
**Managing Director**  
 Eli Lilly Pakistan (Pvt.) Limited



**Kimihide Ando**  
**Chief Executive Officer**  
 Mitsubishi Corporation



**Marek Andrzej Minikiewicz**  
**Chief Executive Officer**  
 Metro Habib Cash & Carry Pakistan (Pvt.) Limited



**Nadeem Lodhi**  
**Managing Director**  
 Citibank N. A.



**Nauman Ansari**  
**President & Chief Executive Officer**  
 Faysal Bank Limited



**Sami Ahmed**  
**Vice President & Country Manager**  
 Procter and Gamble Pakistan (Pvt.) Limited



**Zehra Naqvi**  
**Chief Executive Officer**  
 Chubb Insurance Pakistan Limited

# SUMMARY OF OICCI ACTIVITIES IN 2016

## POLICY REFORM AND ADVOCACY

**The Overseas Investors Chamber of Commerce and Industry (OICCI) and its members remained engaged throughout the year with a number of senior government leaders, heads of regulatory bodies and other senior officials, to safeguard members' interest in the formulation of government policies.**

The government gives due recognition to the pivotal role being played by the chamber in the economy of the country and has invited its nominees to sit on a number of official forums and regulatory bodies, including the 'Board of Investment', 'IPOP Policy Board', 'Tax Reforms Commission', 'CCP – Competition Consultant Group' and the committees for 'Broadening the Tax Base' and 'Improving Pakistan's ranking at WB Ease of Doing Business survey'.

Policy related inputs are regularly provided by the chamber to the federal and provincial governments on fiscal, commercial, industrial and other matters which impact business, to ensure that the views of the OICCI members, who represent the largest group of foreign investors in the country, are duly considered in formulation and implementation of government policies. The government authorities give due consideration to the recommendations received from the chamber, which is a major stakeholder in the country's economy, as members of the OICCI collectively pay over one third of total taxes collected in Pakistan, besides making substantial new investments every year. The results of the research and surveys conducted by the chamber, on various aspects impacting the business operations in the country, are extensively shared with all the key stakeholders, especially those in the government and others who can help in creating a balanced perception of the country, for facilitating foreign direct investment (FDI).

### **Government dignitaries at OICCI**

During the year, several government officials, including the Special Advisor for Revenue to the Prime Minister, Governor Punjab, Finance Minister of Punjab, Minister of State/Chairman Board of Investment (BoI), Minister of State/Chairperson BISP, Secretary Ministry of Water and Power, Chairman WAPDA, Secretary BoI, Chairperson Competition Commission of Pakistan (CCP), Chairperson Sindh Board of Investment, Director General Pakistan

Standards and Quality Control Authority, Member-Tax Policy Federal Board of Revenue (FBR), Chairman Sindh Revenue Board (SRB) and Chairman Punjab Revenue Authority (PRA), and Director General Rangers Sindh, visited the chamber to discuss various matters affecting members and impacting the business environment in the country. Some of these interactions are also mentioned later in this annual report.

### **Taxation proposals and tax related activities**

As per past practice, comprehensive taxation proposals were submitted to the federal and provincial revenue authorities, for inclusion in the respective budgets for the fiscal year 2016-17. OICCI taxation proposals were based on input from members, followed by an in depth professional and analytical review by the Taxation Subcommittee. OICCI taxation proposals are quite comprehensive and incorporate recommendations to improve documentation of the economy, broaden the tax base, correction of fiscal anomalies, practical incentives to attract FDI and simplification of taxation related processes. These proposals were widely covered in the media.

OICCI followed up these proposals by engaging with senior most policymakers to ensure that members recommendations were given due consideration. The two visits of Special Advisor for Revenue to the Prime Minister, Haroon Akhtar to the chamber, before and after the announcement of the Federal Budget, to discuss OICCI members' proposals and later the concerns on the Finance Bill, underscores the recognition given by the government to OICCI members. Besides the very productive interaction with the Special Advisor to the PM, meetings were also held in the chamber and at other forums. In addition, communications were exchanged with various officials at the federal and provincial governments, including the chairmen/members of FBR, PRA and SRB to define the way forward.

The major issue of members pending tax refunds remained a focal issue at all interactions with FBR authorities, and it is also the main agenda item of the FBR-OICCI Joint Committee meetings which were initiated by the FBR Chairman in 2013. As a result of this regular follow-ups by the chamber with the higher authorities in the government, some of our members received payments against their outstanding income/sales tax refund claims.

During the year, OICCI actively participated in the meetings of the Tax Reforms Commission (TRC) and the Committee for Broadening the Tax Base. The OICCI Secretary General represents OICCI on these forums. TRC final recommendations were presented to the Minister of Finance in the first half of 2016.



Mr. Haroon Akhtar, Special Advisor for Revenue to the Prime Minister, accompanied by FBR Member Tax Policy Rehmatullah Khan Wazir and other officials, visited the OICCI on Friday March 25, 2016 to discuss with the members the OICCI Taxation Proposals submitted to the FBR and other issues of concern for foreign investors. They came to the chamber, once again, on August 15, 2016 to discuss new issues in Finance Act 2016, taken up by OICCI with the Finance Minister and FBR.

Dr. Aisha Ghaus Pasha, Finance Minister, Punjab, visited OICCI for an interactive session with members on May 20, 2016, along with Mr. Muzaffar Miraj Khawaja, Chairman PBIT, and Dr. Raheal A. Siddiqui, Chairperson PRA, during which many issues of mutual interest, including OICCI's Taxation Proposals 2016-17 for Punjab, were discussed in detail.



Mr. Tashfeen Khalid Niaz (Late), Chairman, and Mr. Mushtaq Kazimi, Advisor on Taxes, SRB visited OICCI for an interactive session with members on May 2, 2016, to discuss OICCI's Taxation Proposals 2016-17 for Sindh.

### Collaboration with Board of Investment (BoI)

Dr. Miftah Ismail, Minister of State/Chairman BoI, along with Mr. Azhar Ali Choudhry, Secretary BoI, visited the OICCI for an interactive session with members in June 2016. The Chairman informed the members about various investment related matters, including the investment friendly laws and economic strengths of the country, creation of five Special Economic Zones (SEZ) to promote investment in the underdeveloped areas of the country. The discussions with OICCI members were focused on FDI, reasons for the low FDI in the last few years, and suggestions on actions needed to increase the FDI level. As OICCI vision and mission are mainly focussed on promoting and facilitating FDI, the chamber strives to maintain a regular engagement with BoI to translate investment opportunities into increased level of FDI inflow into the country.



Dr. Miftah Ismail, Minister of State/Chairman BoI, addressing OICCI members during his visit to the chamber on June 20, 2016, along with Mr. Azhar Ali Choudhry, Secretary BoI.

### Security, Law & Order Activities

The OICCI Security, Law & Order subcommittee remained active throughout the year with visits of DG Rangers, Sindh, Chief of the Citizens-Police Liaison Committee (CPLC) Sindh, interactions with law enforcement agencies as well as two security related training sessions for members were conducted by in-house security experts from member companies. Throughout the year, security related alerts were sent to members on a need basis. The corporate/regional security heads of several member companies visited the chamber seeking an independent OICCI perspective on the security, law and order environment in Pakistan. OICCI members' security related survey results were also shared during these meetings.

DG Rangers, Major General Bilal Akbar visited the chamber on May 3, 2016 to give an overview to the members about the prevailing law and order situation and actions being taken by the Rangers to further improve the security situation in the province, especially in Karachi. He also responded to several queries by the participants.



Mr. Zubair Habib, CPLC Chief visited the OICCI on September 1, 2016, for an interactive session with members, during which he gave an informative and statistical overview, highlighting the recent improvement of the security, law and order situation in Karachi and answered several queries from the participants.



### Trade and Industry

The Pakistan Standards and Quality Control Authority, celebrated the 47th World Standards Day on October 14, 2016 in Karachi. Mr. Sami Ahmed, Chairman T&I Sub-Committee, presented OICCI members view on the importance of maintaining high standards in all aspects of products sold in the market to ensure that the consumer has the choice of buying best quality products and he also lauded efforts of PSQCA.



DG PSQCA, Mr. Muhammad Khalid Siddiq, visited OICCI on May 26, 2016, and again on September 8, 2016, during which members' issues relating to PSQCA were discussed in detail. He also informed about Foreign Manufacturing License rules, which were later shared with OICCI for comments, besides members support for PSQCA World Standards Day related programs.





Ms. Naheed Memon, Chairperson Sindh Board of Investment visited OICCI on July 25, 2016. She gave an overview of initiatives being taken for growth of trade and industry in the province and invited the OICCI members to maintain a close liaison with her office and promised full support in resolution of issues related to the Sindh provincial government.

An interactive session with Mr. Malik Rafique Rajwana, Governor Punjab, and OICCI members was held on March 01, 2016 at OICCI. The governor promised full support to OICCI to address members concerns relating to the Federal or Punjab Governments.



Mr. Zafar Mahmood, Chairman WAPDA, visited the OICCI for an interactive session with the members on February 8, 2016, during which he shared various initiatives in the pipeline to address the energy gap and related issues.

Ms. Vadiyya Khalil, Chairperson, CCP and other senior members CCP, visited OICCI on January 14, 2016, as part of their ongoing advocacy initiative to inform members about various aspects of the work being done by the CCP to ensure proper implementation of the Competition Act, 2010, including their endeavour to maintain fair and transparent competition in the market and support for the sanctity of the rights of brand and patent owners.



## ACTIVITIES OF THE PHARMA BUREAU

The challenges and difficulties faced by the pharmaceutical industry in Pakistan since 2001 continued to mount, notwithstanding the notification of a Drug Pricing Policy (DPP) in 2015 by the government, about which the industry had strong reservations and a dialogue with the government to amend and rationalise the DPP continued during the year under review.

The Pharma Bureau (PB) held several meetings with the Minister of State for National Health Services, Regulations and Coordination, Secretary Health, CEO of the Drug Regulatory Authority (DRAP) and other senior health ministry officials to work on resolving issues faced by the Pharma Industry, in particular those with the DPP. However, despite assurances from the Secretary Health and the CEO DRAP, the issues remain outstanding.

The challenging regulatory framework and lack of coherent policy has resulted in many companies selling their businesses and exiting Pakistan over the past few years and this trend continued in 2016 also, with the Germany-based multinational company (MNC), Merck divesting their shareholding in their Pakistani associate to a local group. There are presently 21 MNCs who are members of the Pharma Bureau, and they account for 44% of the total industry market share. All new therapies and innovations are introduced in Pakistan by these companies.

The Competition Commission of Pakistan (CCP), apparently reacting to pressure from the Ministry of Health, issued a show cause notice to the PB (not to individual members as per past practice in similar actions taken against other business sectors) on October 13, 2016, alleging that the member companies of the PB had colluded in fixing prices and putting this show cause notice and enquiry report on the CCP website in early November, 2016. The CCP also issued a press release in this respect.

The Enquiry Report has focused on the issue of pricing mentioned in some minutes of the PB meetings, without taking in to account the fact that the discussions which had taken place between the members of PB were with regard to framing of a new pricing policy by the government which would apply to the entire industry across the board. It also does not take into account the fact that the prices of medicines are determined by the government. Therefore, the question of the pharma industry colluding to set prices or

otherwise determine the prices of medicines simply does not arise. Furthermore the action has been taken only against MNCs and national companies were not issued similar show cause notice(s).

A hearing was held at the CCP office on November 17, 2016, where the PB was represented by Mr. Salman Akram Raja, Advocate Supreme Court of Pakistan, who has considerable experience in dealing with cases before the CCP, he was accompanied by the Executive Director of the Pharma Bureau. Earlier the advocate had submitted a preliminary response to the CCP show cause notice on October 28, 2016 followed up by a final reply on November 15, 2016.

The hearing was presided over by the Chairperson CCP together with Member Cartels, Trade Abuses & Legal and Member Office of Fair Trade and Advocacy. DRAP was represented their Pricing team comprising of the Director, Deputy Director and Assistant Director. The role of the DRAP has not been made clear to the PB though they appeared to be the complainants.

Due to paucity of time only partial submissions were made by the advocate, who took the commission through the enquiry report and provided substantial case law and arguments to call in to question and challenge the findings of the same. After the hearing, the chairperson assured that PB legal counsel will be given ample opportunity to conclude his arguments and thereafter the commission would hear the DRAP point of view. The hearing will continue in the new year but no date has been fixed at the time of writing this report.

The PB, after consultation with member companies, made a presentation to the DRAP, on November 25, 2016, to ensure that the proposed Bar Coding Scheme is reasonable and effective. The presentation identified all areas of concern for PB members. The CEO DRAP assured the PB that the draft rules would be ready and put up on the DRAP website at the earliest to allow the industry to revert with its comments.

The PB continued with the engagement of a PR firm and the level of interaction with the media has increased, with several interactions of the chairman, co-chairman and executive director with members of the press in Karachi, Lahore and Islamabad.

## INVESTMENT PROMOTION

Besides the regular engagement with the major foreign investors already operating in the country, the chamber is considered a 'port of first call' for potential new foreign investors/foreign business delegations, government officials of various countries visiting Pakistan to explore investment opportunities for the entrepreneurs of their respective countries, ambassadors and various diplomats, to get an insight of the perspective of existing major foreign investors about the business environment in Pakistan. The chamber ensures that a transparent and balanced input is provided to all visitors, by the Managing Committee and other representatives of the OICCI, based on the results of the regular research and surveys conducted by the chamber on various aspects impacting the business operations in the country.

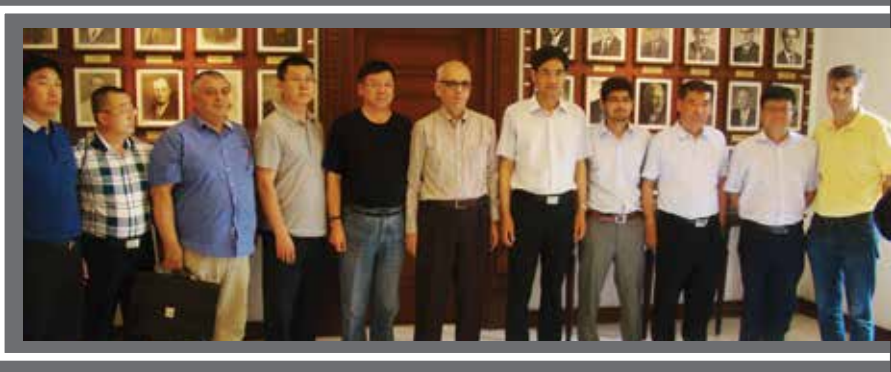
There was a regular stream of visitors to the chamber in 2016, which included Trade/Business delegations and government officials from a number of countries, members of foreign missions in Pakistan, including ambassadors, heads of economic and other senior persons, to learn about the experiences of foreign investors in Pakistan as well as opportunities and incentives for foreign investors. During these regular interactions, OICCI presented a factual position on the investment and business environment in Pakistan highlighting fiscal, tax, legal and other incentives available to foreign investors, as well as updates on the security climate, so as to help potential investors make long term investment decisions in Pakistan. Visitors to the chamber during 2016 included:

- Ambassador of the Kingdom of Netherlands, Jeannette Seppen, accompanied by the First Secretary, Political Department Nanna Stolze, on March 22, and again on August 2, 2016, with Rick Slettenhaar, First Secretary Economic Affairs
- James Golsen, Executive Director for Asia, International Trade Administration, United States Department of Commerce from Washington accompanied by U.S. Consul General in Karachi Grace Shelton on October 6, 2016
- The U.S. Consul General Brian Heath and Richard Rasmussen, Senior Economic Officer, U.S. Consulate, Karachi on March 2, 2016
- Consul General of Switzerland in Karachi, Philippe Crevoisier, accompanied by Jordan James Din from the Swiss Consulate, on December 1, 2016
- Robert Garverick, the Economic Counsellor in Pakistan based at the U.S. Embassy in Islamabad, along with Brenden S. Morgan, Economic Officer, Fahd Zaidi, Economic Specialist, on December 5, 2016
- Takashi Harada, Head of Economic and Development Division, Consulate General of Japan, Karachi on January 24, 2016
- Naomi Yamamoto (JICA Expert to BoI) on January 29, 2016
- Consul Mary Pellegrini, from the U.S. Consulate General in Karachi on March 25, 2016
- SAARC delegation led by their DG, Thusantha Wijemanna, on May 19, 2016
- Yoko Watanabe from Consulate General of Japan on March 17 and October 21, 2016
- Larita Bolden, after assuming the position of the United States Department of Treasury's Financial Attaché in the U.S. Embassy in Islamabad, June 15, and again on November 14, 2016, accompanied by Frank P. Talluto, Economic Officer and Fahd Zaidi, Economic Specialist
- Takashi Harada, Counsellor (Head of Economic and Development Division), Consulate of Japan on January 24 and February 29, 2016
- New DHC & UKTI Director for Pakistan Belinda Lewis on July 26, 2016
- Edward Burkhalter, Political Economic Chief/U.S. Consulate and his Economic team on August 15, 2016
- Andrew Proctor, Consultant, World Bank Group Trade and Competiveness for South Asia, on November 11, 2016
- Head of Economic Department Philippe FOUET, Embassy of France in Pakistan on November 16, 2016
- Gianpaolo Bruno, Trade Commissioner to the UAE, Oman and Pakistan, Italian Trade Agency, Dr. Gianluca Rubagotti, Consul of the Consulate of Italy in Karachi, A.R. Daudpota, Trade Commissioner, on November 17, 2016
- Takashi Harada, Head of Economic and Development Division, Consulate General of Japan, Karachi on January 24, 2016 to learn about OICCI perspective on current business environment in the country



The U.S. Consul General Mr. Brian Heath and Mr. Richard Rasmussen, Senior Economic Officer, U.S. Consulate, Karachi visited the OICCI on March 02, 2016 and met the OICCI President and SG to discuss matters related to the country's business climate.

A business and trade delegation from China comprising of government officials involved in commerce and investment promotion activities, and senior officials of Chinese companies, visited OICCI on June 29, 2016, to discuss the potential and incentives for foreign investors in Pakistan.



Ambassador of the Kingdom of Netherlands, Ms. Jeannette Seppen, accompanied by the First Secretary Political Department, Ms. Nanna Stolze, visited OICCI on March 22, and again on August 2, 2016, with Mr. Rick Slettenhaar, First Secretary Economic Affairs.

Edward Burkhalter, Political Economic Chief, U.S. Consulate Karachi and his economic team visited OICCI on August 15, 2016, to discuss matters of mutual interest for new and existing American investors operating in Pakistan.





Mr. James Golsen, Executive Director for Asia, International Trade Administration, U.S. Department of Commerce from Washington accompanied by U.S. Consul General in Karachi Ms. Grace Shelton met the OICCI MC members on October 6, 2016, for a wide ranging discussion on matters relating to doing business in Pakistan for foreign investors.

Ms. Larita Bolden, after taking over the office of U.S. Department of Treasury's Financial Attaché in the U.S. Embassy in Islamabad, came to the OICCI on June 15, 2016, for a courtesy call and to get members' views on current business environment. She also visited the chamber on November 14, 2016, along with Mr. Frank P. Talluto, Economic Officer, and Mr. Fahd Zaidi, Economic Specialist, to get OICCI views on how the completion of the IMF program could affect the Pakistan business climate, reasons for low FDI and impact of CPEC in the coming months.



Consul Ms. Mary Pellegrini, from the U.S. Consulate General in Karachi and OICCI CE/Secretary General, M. Abdul Aleem, signed an agreement for a fast track visa interview scheduling facility for Business Visas for employees of OICCI member companies on March 25, 2016.

Consul General of Switzerland in Karachi, Mr. Philippe Crevoisier, Karachi, accompanied by Mr. Jordan James Din from the Swiss Consulate, paid a courtesy visit to the OICCI on December 1, 2016, for the first time after taking up his position a couple of months back, to discuss matters related to increasing trade and business between Switzerland and Pakistan.





Mr. Robert Garverick, Economic Counsellor, U.S. Embassy Islamabad, along with Mr. Brenden S. Morgan, Economic Officer, Mr. Fahd Zaidi, Economic Specialist, from the U.S. Consulate Karachi, visited the OICCI on December 5, 2016, for a courtesy call and to get OICCI views on the business environment, including, the impact of CPEC in the coming months.

SAARC delegation led by their DG, Mr. Thusantha Wijemanna, visited OICCI twice, on March 17 and May 19, 2016 to discuss the role that SAARC Arbitration Council could play in the development of trade and business in the region.



Head of Economic Department, Mr. Philippe Fouet, at Embassy of France visited the OICCI on November 16, 2016 to discuss matters of mutual interest related to enhancement of France-Pakistan trade and investment.

Mr. Gianpaolo Bruno, Trade Commissioner to the UAE, Oman and Pakistan, Italian Trade Agency, Dr. Gianluca Rubagotti, Consul, Consulate of Italy in Karachi, Mr. A. R. Daudpota, Trade Commissioner, visited the chamber on November 17, 2016 to discuss promotion of trade between Italy and Pakistan and seek support for the planned visit by an Italian business delegation comprising of members from the Italian association representing manufacturing and services companies, accompanied by Italian Deputy Minister and Government officials.



To improve the perception of Pakistan in the international business community, the chamber also played a vibrant role of a facilitator in promoting and marketing Pakistan, by sharing success stories and good practices of member companies doing well in the country by speaking on various investment forums and conferences, including the working lunch with economic counsellors of Western countries on July 21, 2016 in Islamabad, hosted by the Netherland Embassy, where few OICCI managing committee members also participated. Secretary General made a presentation on Business and Investment Climate in the country, followed by related discussions. During the year, number of foreign officials from the global and regional offices of member companies also visited OICCI to get an insight view on various aspects of doing business in Pakistan including the business climate, economic conditions, investment and growth prospects. Some of these visits are listed below:



Mr. Serge Osouf and Mr. Steve Dixon, Regional Chubb Insurance Directors, accompanied by Pakistan CEO Ms. Zehra Naqvi & Director Mr. Umar Ali Shah came to the chamber on August 30, 2016 to learn about OICCI perspective of Pakistan business environment.

Ms. Ritva Sotamaa, Chief Legal Officer, Unilever Group and Mr. D. Bajpai, VP Legal, SA, Pakistan came to the chamber on August 30, 2016 to learn about OICCI perspective of the country's business climate. They were accompanied by Pakistan CEO Ms. Shazia Syed and the Company Secretary Mr. Amar Naseer.



- Anthony Clymo, VP, EHS & Security, and Werner Nagel, Senior Manager, Area Security, both from BASF Asia Pacific, accompanied by Faisal Akhtar, CEO BASF Pakistan, visited OICCI on November 29, 2016, to get OICCI perspective of security, as well as other business matters.
- Murat Olcayto, new CFO of Dawlance Pakistan, after majority shareholding taken over by Turkish Group KOC/Arcelik A.S., accompanied by Uzma Chishti, Head of HR, visited the OICCI on November 30, 2016 for an introductory meeting with the aim to seek chamber's membership and to learn the OICCI perspective of the Pakistan Business environment.
- Phil Stevenson, Director Global Security, Anthony Leray-Meyer, Manager Business Risk Intelligence Europe Middle East & Africa, accompanied by Abbott Pakistan team, Anis Ahmed, CEO, Rana

- Anjum Latif, Director Operations and Col. Asif Zaidi, Head of Security, Abbott Laboratories (Pakistan) Ltd., visited the OICCI on December 13, 2016.
- Giles Ward, Regional President, Euroasia and Africa, Chubb Insurance Company, accompanied by Zehra Naqvi, CEO Chubb Pakistan, on December 15, 2016.

The chamber's activities also included liaising with trade bodies and diplomatic missions, certification of export documents and issuance of inward and outward visa recommendation letters for business purposes. Nearly 5,600 executives were issued recommendation letters for speedy visa process and 14,200 export certifications of origin were facilitated by the chamber during the year.

## PROFILE BUILDING AND NETWORKING

The primary function of the chamber is to promote Foreign Direct Investment and the growth of commerce and industry in Pakistan. In order to facilitate this very important role, the OICCI continues to cultivate and broaden its network of associates, maintains a regular engagement with them through meetings, hosting of events and participation in various forums to share information about best practices and success stories of foreign investors operating in Pakistan, as well as other matters.

### Pakistan Economic & Business Summit

OICCI collaborated with Nutshell which organized "Pakistan Business and Economic Summit" at Karachi on October 22, 2016 with the theme "Finding the Bright Spots." The summit was supported by OICCI, Pakistan Business Council, Ministry for Water and Power, Board of Investment and Privatization Commission of Pakistan. OICCI VP Khalid Mansoor and MC Members Helmut Von Struve, Kimihide Ando and M. Abdul Aleem actively participated as speaker/panellists.

### Media Coverage

Over the past few years the chamber is following a

roadmap to enhance its image especially in the print and electronic media. To achieve this, the activities of the OICCI were extensively covered in all leading newspapers and news channels. During the year, a total of 210 OICCI appearances were noted in the print and electronic media including exclusive interviews of President and Secretary General.

President and MC members had a luncheon get together with senior media persons on November 23, 2016, where the discussion was focused on OICCI contribution to business and economy, OICCI members concerns on low FDI and results of the latest BCI Survey.

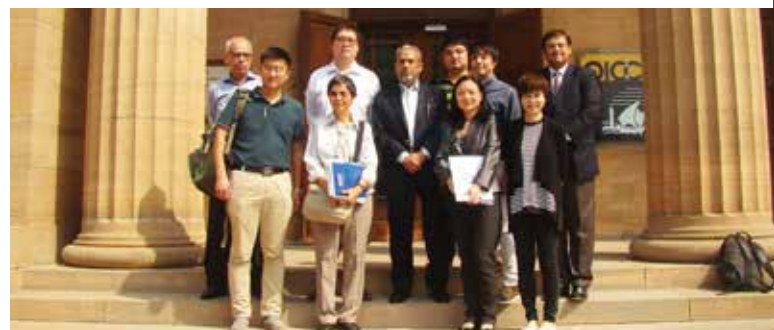


The President, Secretary General and other MC members have been constantly portraying the potential for foreign investment in Pakistan and in this respect, have been giving various interviews on international as well as nationally recognised media groups and channels, which includes the following:

- OICCI President Shahab Rizvi recorded an interview with Bloomberg on November 2, 2016, on the current business environment in the country with special emphasis on poor FDI inflow.
- CE/Secretary General, M. Abdul Aleem was the Chief guest in talk shows on Business Plus on the role of FDI in the Economic Development of Pakistan on June 22 and November 3, 2016.
- Kimihide Ando appeared live on April 4, 2016 in a major Japanese TV news channel where he strongly promoted the opportunities for Japanese investors in Pakistan.
- SG gave an interview to Spanish think-tank "Elcano"

on CPEC related matters for foreign investors on April 8, 2016.

- Five Chinese journalists from leading Chinese media organizations, sponsored by Standard Chartered Bank visited the OICCI on November 2, 2011 to seek OICCI views on China's growing investment in Pakistan, especially on CPEC related projects. Two Regional SC Bank employees and one from their Pakistan operations also participated in the meeting.





### CEOs LUNCHESES

Three luncheon meetings with CEOs of member companies were hosted by the President OICCI, two in Karachi and one in Lahore during 2016. A separate luncheon meeting with past presidents was held on June 6, 2016 where their expert opinion was solicited to further widen the role of the OICCI for the benefit of members.

### VARIOUS INTERACTIVE SESSIONS

There have been two visits to the OICCI by the National Management Course (NMC) which provided members an opportunity for a good interaction with senior officials of government bureaucracy.



17 Members of the 104th batch of the National Management College, Lahore comprising of senior officials from different government service groups, visited the OICCI on March 9, 2016.

17 Members of the 105th batch of the National Management College, Lahore comprising of senior officials from different government service groups, visited the OICCI on September 8, 2016.



Dr. Ishrat Husain, the then Dean of IBA and M. Abdul Aleem, CE/Secretary General, OICCI, signing the MOU on March 4, 2016 for potential access to the intellectual reservoirs of both organizations.

Mr. Parvez Ghias, Indus Motors, and M. Abdul Aleem, OICCI, were in the judges' panel of the final of the 2nd National Finance Olympiad, organized by the Institute of Chartered Accountants of Pakistan in collaboration with Unilever Pakistan, on November 28, 2016. The Olympiad aims to showcase corporate talent in the country.

## INFORMATION DISSEMINATION

The OICCI serves as a resource pool for its members as well as other key stakeholders. The chamber serves as a focal point for various bodies to disseminate pertinent information to its members. OICCI publications assist members to stay abreast with new developments related to business and investment.

### OICCI Surveys & Reports

- **OICCI Business Confidence Index (Wave 12 & 13)**
- **Consumer Price Index 2016**
- **OICCI Security Survey 2016**
- **Corporate Social Responsibility Report 2015-16**

### Business Confidence Index Survey (BCI)

BCI is a survey conducted every six months since 2010, through field interviews across the country. BCI is a continuous measurement of business community's sentiments, and is an effective way to gauge perception of key stakeholders' current state of business climate and short term future outlook of the economy. The survey is based on feedback from representatives of all business segments in Pakistan, including retailers, wholesalers, manufacturers and the service industry, covering roughly 80 percent of the Pakistan Gross Domestic Product excluding the agriculture sector. During the year 2016, the results of two surveys were released – BCI wave 12 and 13, which were both somewhat surprising till a more detailed review substantiated the results. The overall BCI wave 12, released in April 2016 recorded the second highest ever upswing in positive sentiment from 22 percent in wave 11 to 36 percent, an increase by 14 percent. This euphoria witnessed in the April 2016 survey, however, subsided six months later and combined with a few more concerns brought down the BCI score to a positive of 17 percent in the last BCI survey, wave 13. Though the overall positivity was maintained, 19 percent is a significant drop with all the business sectors recording a downward drift: manufacturing sector went down by 12 percent, retail sector by 21 percent and the services sector by 28 percent.

The sentiments of the leading foreign investors, represented by the OICCI members, who were part of the survey, followed the overall drift, albeit by 9 percent only, to come down from 55 percent to 46 percent in the wave 13 results. This is still a very high confidence level and a vote of confidence by the leading foreign investors in the Pakistan business environment.

Going forward, the business confidence remains positive, though less bullish than the previous April 2016 survey, with 35 percent of the respondents expecting to expand their business in next six months, with an increase in sales volume, sales revenue, profits, and ROI, with 22 percent planning capital investment during this period.

This bi-annual survey evaluates business sentiment, covering feedback from manufacturing, services and retail sectors throughout the country and is largely attitudinal.

Summaries of all BCI surveys were shared with members, senior government officials, diplomats and a number of other stakeholders who are interested in the growth of the country's economy.

### Members Corporate Social Responsibility activities

OICCI Corporate Social Responsibility 2015-16 report was launched on November 4, 2016 at the OICCI. The report includes CSR activities of seventy OICCI member companies, which collectively made contributions of PKR 2.8 billion during the report period, besides investing 450,000 man-hours in CSR activities directly impacting 20.4 million beneficiaries. The members partnered with 165 social sector organizations for their CSR activities. The largest number of participants (93%), contributed for uplifting education in the country, followed by participation in health related activities (81%), with contributions also being made for community development, environment improvement, disaster relief, infrastructure development and other fields, all across the country.



### CSR Networking Events

Three CSR networking events were held during this term on April 13, July 18, and December 1, 2016, on “Climate Change”, “Education” and “Healthcare” respectively. Major stakeholders in the social sector were invited to make presentations of their respective organizations. Corporate and communications managers of member companies were invited to the interactive sessions to create a greater awareness of the relevant NGOs activities with OICCI members and to enable CSR managers to make more informed decisions on matters related to their respective CSR activities. The invited stakeholders included:



**HEALTH:** Patients’ Aid Foundation – Jinnah Postgraduate Medical Centre; The Indus Hospital; Patients’ Behbud Society for Aga Khan University Hospital; SINA Health Education & Welfare Trust and Health Oriented Preventive Education (HOPE).

**EDUCATION:** Hunar Foundation, SOS Children’s Villages, SOS Technical Training Institute, Professional Education Foundation, Literate Pakistan and IdaRieu



**CLIMATE CHANGE:** Society for Conservation and Protection of Environment (SCOPE), Hisaar Foundation and LEAD Pakistan



Events organised at the chamber included talks by dignitaries on CSR and Sustainability to enable members to conduct their CSR activities/initiatives in more efficient ways.



Chairman Water Environment Forum, Mr. Nisar A. Memon visited the OICCI on January 20, 2016 to give a talk on the Climate Change Challenges. He highlighted that climate change is already happening in the form of rising temperatures, atmospheric carbon dioxide level, frequency of tropical storms and sea levels. Its impact is already being felt by Pakistan in the form of recurring floods leading to widespread damage to infrastructure, livelihoods and settlements, increasing heat-related mortality and drought related water and food shortages causing malnutrition.

Dr. Atta ur Rehman, the eminent scientist and scholar, former Federal Minister for Education and Ex-Chairman of Higher Education Commission, made a presentation to the OICCI members on September 7, 2016 covering "Innovation and Sustainability", "Innovative/Disruptive Technologies", "Biotechnology/Genomics", "Neuroscience: The Human Brain" "Discovery of New Materials" and matters related to education in Pakistan. The highly intellectual and educational presentation was widely appreciated by the participants who asked a number of questions related to various aspects of Dr. Atta's presentation.



Mr. Javed Jabbar, former Federal Minister, well-known social worker, scholar and a regular speaker on social issues, gave a presentation to the OICCI members on August 11, 2016 on the topic "CSR and Sustainability", covering a wide range of CSR activities, from poverty alleviation to matters related to education in Pakistan.



Ms. Marvi Memon, Minister of State/Chairperson Benazir Income Support Program (BISP), accompanied by Mr. Naeem Anwar, DG BISP Sindh, visited the chamber on August 22, 2016 for an interactive session with members. The minister informed the participants about various aspects of the BISP, and requested them for giving full support to various BISP programs and in particular the events organised by BISP in different rural areas of the country where a variety of garments, handicrafts and other items made by the members of the respective areas, especially women, are on display for sale.



### Security Trainings and Awareness Sessions

OICCI Training cum awareness session was conducted at Islamabad on October 21, 2016 at PTCL Auditorium on “Security Dynamics of Pakistan with focus on Central and North Regions and Geo-Strategic dimensions of CPEC, Threats and Opportunities”. The two hour session was very well received by corporate security and administration managers of the OICCI member companies. An overview of security threats confronting Pakistan was discussed with prevalent trends and effects on corporate sector. Corporate managers were keen to learn the opportunities as well as corresponding threats associated with ‘China Pakistan Economic Corridor’.



A training and awareness session on “Emergency Response & Business Continuity Management” was organised for the OICCI members on May 17, 2016 at the chamber. The workshop covered the fundamentals of Emergency Response & Business Continuity Management principles for an organization.



### Security Survey

This is an in-house security related survey of members which was initiated in 2015 and was followed up by another one in June 2016. The purpose of the survey was to seek members’ feedback on their perception on the level of improvement in the security environment since 2013, after the Karachi operation and launch of ‘Zarb-e-Azb’. The survey results were generally positive and corresponded with the reports of independent authorities, like CPLC, and our own security subcommittee members. The responses from members indicated that the security situation, all over Pakistan and especially in Karachi, had improved significantly during the period covered in the survey (as compared to situation pre-August 2013), with 76% of the respondents reporting a reduction in security incidents and 87% informing that their staff felt more comfortable in their everyday commute to/from the workplace as compared to last survey in 2015. Over 70% of the respondents revealed that more overseas/expat visitors, including technical and professional staff, came to Pakistan during 2016 as compared to 2013 and hardly any meeting held outside Pakistan due to security concerns. The survey was widely covered in the print media and also shared directly with many stakeholders, including important foreign diplomatic missions.



### Seminars on Intellectual Property Rights

The OICCI arranged an IPR Session titled “Fostering Creativity and Innovation through IPRs (Intellectual Property Rights)” at Karachi School of Business and Leadership (KSBL). Copyright violations, Trademark Transgressions and Patent Infringements were discussed at length during this highly engaging session. KSBL MBA students enthusiastically participated in the session and asked pertinent questions as well.



### Talk on Newly Enacted Labour Laws

The OICCI arranged an exclusive session for members with labour law expert Mr. Faisal Ghani, who gave an overview of the recent enactments by the Sindh government relating to Sindh Labour Laws on September 8, 2016 and the potential impact on member companies.

### OICCI Daily Political and Economic Update

The OICCI has been circulating a comprehensive round-up from all major English newspapers in a daily update, since 2010, which covers matters related to economy, business, energy, as well as interesting news and editorial items relating to political affairs and PKR rate versus various major currencies. This daily report reaches out to around 450 recipients, and is greatly appreciated with regular feedbacks on the usefulness of these daily updates and requests for adding new recipients.

## OICCI's REPRESENTATION ON VARIOUS BODIES

For the year 2016

One of the key objectives of the chamber is to act as a mediator between the government and its members to ensure timely solutions to genuine concerns. This is done through highlighting issues faced by members and bringing them to the notice of relevant authorities as well as lobbying with the government.

OICCI is represented on the boards of the following government and semi-autonomous bodies:

S.No	Representation	Nominee
1.	Board of Investment, Islamabad	President
2.	Intellectual Property Organisation of Pakistan	President
3.	Board of Governors – Pakistan Institute of Trade & Development (Ministry of Commerce)	President
4.	Management and Executive Committee & General Body of FPCCI	President & Mr. Sami Ahmed
5.	Federal Export Promotion (FEPB) (Ministry of Commerce) – Committee III (Demand Side Issues & Export Promotion)	President
6.	Advisory Council of the Ministry of Commerce	President
7.	Pakistan Institute of Corporate Governance	Mr. Asad Jafar, former President
8.	Board of Trustees – Karachi Port Trust	Mr. Aftab Husain, Member of Managing Committee
9.	Competition Commission of Pakistan (Competition Consultative Group)	Secretary General
10.	Tax Advisory Council (FBR)	Secretary General
11.	Tax Reforms Commission (Ministry of Finance/FBR)	Secretary General
12.	Committee on Improving Pakistan's Ranking on Ease of Doing Business	Secretary General
13.	Committee for Broadening the Tax Base	Secretary General
14.	Managing Committee of Employers Federation of Pakistan	Mr. Shahid M. Qureshi, Member, IPR Subcommittee

# REPORT OF THE MANAGING COMMITTEE

The audited accounts of OICCI for the year ended 31 December 2016, together with the Auditors' Report thereon, are attached.

The Income and Expenditure account for the year ended December 31, 2016 shows a surplus of Rs. 29.69 million before taxation, as compared to a surplus of PKR 18.98 million in the previous year. The increase is mainly due to delay/deferment of Pharma Bureau specific expenses, which are funded through separate subscription by OICCI pharmaceutical sector members. There was no increase in the chamber's annual subscription fee this year also and the mark-up rates on bank deposits also reduced by over 200 basis points. The challenge from these two income lines, which comprise nearly 80% of the chamber's income, was successfully overcome by increase in other receipts and cost controls, despite increase in expenses on account of new research activities, inflation related increase in costs and annual salary increments to staff. After accounting for taxation of PKR 4.72 million, the net surplus for the year was PKR 24.96 million.

The total income, at PKR 107.22 million, was marginally higher by 2% as compared to the income of PKR 105.16 million in the previous year, due to increased receipt from certification and visa letters fees, and rental income. We are pleased to confirm that the ground floor of the OICCI building has been rented out at market rates to a reputable organization for five years. As you may observe from the attached detailed accounts that the operating cost of the chamber, including legal expenses of the Pharma Bureau have been, by and large, well-controlled below the inflation rate.

At the end of the year 2016, the chamber had 195 members which was the same as last year, with seven new members joining the chamber, and the same number withdrawing mainly due to mergers among the membership, winding up of business and other reasons.

The chamber remains engaged with a number of realtors to find a reputable tenant for the vacant first floor of the OICCI building but, as mentioned in the previous reports also, the construction boom in new and modern office buildings, in areas with easier access and lesser congestion, has so far nullified all our efforts. We invite members looking for new or additional office space near the commercial and banking hub of Karachi, to take a look at the heritage OICCI building, with hassle free availability of utilities and ample parking space.

During the year, the chamber organized a number of value adding activities and also increased interactions with key decision makers to further raise its' profile. The chamber remains mindful of the interests of the members and raised its considerable voice on a number of issues during the year, including on new taxation measures in the 2016-17 Finance Act and various provisions introduced in the new Companies Ordinance 2016, which has in the meantime been reverted

back to the government by the Senate. The chamber continued to pursue with relevant authorities members: issues relating to pending tax refund claims, and concerns on procedural issues on quality standards. During 2016, the chamber also organized sessions with highly regarded professionals on new enactments in labor laws by the Sindh Government, training sessions for security personnel of member companies, talks by eminent personalities and CSR sessions with leading organizations in healthcare, education and climate change. The details of all the major activities are separately mentioned in this annual report.

The chamber has continued to proactively engage with key government functionaries on various policy, regulatory and operational matters in the area of taxation, security, energy, trade and industry and Intellectual Property Rights protection. The chamber's nominees on various bodies gave their value adding input wherever necessary, including the 'IPOP Policy Board', and the committees for 'Broadening the Tax Base' and on 'Improving Pakistan's rating at WB Ease of Doing Business survey'. The report of the Tax Reform Commission (TRC), where your chamber was a key contributor, has been submitted to the government highlighting the need to improve the documentation of the economy, broaden the tax base and facilitate longer term investment especially Foreign Direct Investment (FDI) in the country.

During the year, the elected Managing Committee member Omar Y. Sheikh resigned due to his transfer out of the country and the Managing Committee nominated Dr. Daniel Ritz to fill the vacancy. The MC hereby records its' sincere appreciation for the support given by the outgoing MC member during his tenure and wishes him success in the new responsibilities.

Going forward, the chamber will, as always aim to further increase the frequency of its current activities and add new ones which add value and make the "bright spots" in the country more visible to the potential new foreign investors and will continue to contribute for a more effective presence and interaction at various forums. Such activities need to be conducted on a sustained basis and will require stable funding. As the annual subscription from the members remains the main funding for running the chamber and its activities, the Managing Committee has recommended to the members for an increase in the annual membership subscription fee, which was last increased three years ago by approximately ten percent from next year, with effect from January 1, 2018. We request members to approve this increase in the AGM, to reflect the true value of the services provided to OICCI members.

We thank all the OICCI members for their participation and full support in the activities and endeavors of the chamber, and also thank all the employees for their contribution, dedication and hard work which has contributed to the good performance of the chamber during 2016.



**Shahab Rizvi**  
President



**M. Abdul Aleem**  
CE/Secretary General



**Khalid Mansoor**  
Vice President

# FINANCIAL STATEMENTS

For the Year Ended December 31, 2016









## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Overseas Investors Chamber of Commerce and Industry as at December 31, 2016 and the related income and expenditure account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31, 2016 and of the surplus, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**Chartered Accountants**  
Karachi

Dated: January 10, 2017

**Name of the engagement partner: Farrukh Rehman**

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# OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

ANNUAL REPORT 2016



## VISION

To be the premier body for promoting new and existing overseas investment in Pakistan by leveraging world-class expertise of OICCI members for the benefit of investors and the country.

## MISSION

- To assist in fostering a conducive, open and equitable business environment in Pakistan.
- To facilitate the transfer of best global practices to Pakistan.
- To enhance the image of overseas investors in Pakistan and of the country abroad.

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# OICCI PROFILE

The Overseas Investors Chamber of Commerce and Industry (OICCI) is the collective voice of all major foreign investors in Pakistan. Established over 150 years ago in 1860, primarily as a business chamber for foreign investors, the OICCI is engaged in promoting foreign direct investment in Pakistan, besides protecting the interest of existing foreign investors/OICCI members. Through its diversified activities, the OICCI contributes significantly to supporting commerce and industry across the country.

- 195 Members belonging to 35 countries and involved in 14 key sectors of Pakistan economy
- 57 OICCI members are currently listed on Pakistan Stock Exchange
- 50 Members are associates of the 2016 Global Fortune 500 companies

## Major contributor to the economy of Pakistan

- About one third of the total taxes and levies in Pakistan are collected from OICCI members
- Total value of members' assets in excess of PKR 8 trillion
- Annual new capital expenditure in excess of PKR 171 billion
- Members provide direct and indirect employment to around one million people
- Significant role in various CSR activities across the country

## Snapshot of OICCI Listed Members Success Stories

The Compound Annual Growth Rate (CAGR) of 57 OICCI members listed on the Pakistan Stock Exchange over the period from 2009 to 2015:

Profit before Tax in PKR	18.4%
Profit before Tax in USD	14.7%
Turnover	10.6%

## Incentives for Foreign Investors in Pakistan

- 100% foreign shareholding allowed in legal entities incorporated in Pakistan
- No restriction on repatriation of dividends, royalties and capital
- Business losses can be carried forward for six years for tax purposes
- No minimum capital requirement except in the banking sector
- Avoidance of double taxation agreements with over sixty countries
- Several fiscal incentives like tax holidays, accelerated tax depreciation, export processing zones and special economic zones
- Level playing field – no discrimination between foreign and local investors
- Intellectual Property Rights law enacted in 2012
- Ease of hiring expatriates

## OICCI MEMBERS - COUNTRY OF ORIGIN



United States of America	31
United Kingdom	30
Netherlands	19
Germany	13
Japan	13
United Arab Emirates	13
Switzerland	11
Singapore	8
Hong Kong	5
France	4
Kuwait	4
Saudi Arabia	4
Others	40

## MEMBERS' REPRESENTATION IN ALL MAJOR BUSINESS SECTORS

Banking / Insurance / Finance & Leasing	33
Oil / Gas / Energy	31
Pharmaceutical	24
Chemicals / Pesticides / Fertilizers / Paints / Cement	23
Trading & Other Services	22
Food / Consumer Products	20
Engineering / Industrial Products	14
IT & Communications	11
Shipping & Airlines	5
Automobile	3
Printing & Publishing	3
Telecommunications	3
Tobacco	2
Security Services	1



## PRESIDENT'S MESSAGE

As we conclude another successful year for your chamber, it is a great pleasure for me to share with you a brief overview of the business environment in the country and the accomplishments of OICCI in 2016.

It has been a relatively good year for the economy of the country. The IMF program was completed as per schedule enabling the country to secure additional financing from other agencies and the international capital market.



The GDP growth of 4.7% for the fiscal year 2015-16 was the highest in the last 8 years, foreign exchange reserves achieved a record level of USD 23 billion, helping in maintaining stability in Pak Rupee exchange rate, inflation remained around 4% and SBP reduced the policy rate to a record low level of 5.75%, making it much more viable for doing business by the private sector, especially SMEs.

Despite all these positive developments, the foreign direct investment (FDI) continued its downward trend of the last few years and remains a matter of great concern for the government and all stakeholders, including the members of this chamber. However, the increasing level of investment committed for the energy and infrastructure projects under CPEC are positive developments, and should provide a good opportunity to leverage private sector FDI from other countries taking advantage of the vast untapped business potential in Pakistan. Another matter of concern has been the gradual drop in exports, which for 2015-16 were 15% lower than the last year. With low FDI, falling exports, and relative stagnation in the

inward remittances, the country will continue to face pressure on its Balance of Payments, a worrisome matter for a growing economy like Pakistan which has considerable potential due to its demography, size of the economy, resources available and strategic location. The OICCI members consider that a turnaround can be managed if the policymakers and the government(s), including those in the provinces, make a sincere joint effort through public private partnerships to arrest this decline and implement a workable plan to attract FDI resulting in economic growth as has been observed in many other economies in the region.



The activities of the chamber during 2016, have been appropriately covered in this annual report. I shall mention only a few of these accomplishments. The chamber continued to regularly interact with the relevant government authorities to resolve investor related issues and make appropriate recommendations to facilitate the inflow of FDI and accelerate the economic growth of the country. The chamber also interacted with foreign business delegations, diplomats and senior executives from the global and regional offices of our member companies.

Two Business Confidence Index surveys were conducted across Pakistan, whose results were widely reported in the media and shared with senior most government leaders and other stakeholders. A brief comment would be appropriate on the two surveys: After BCI wave 12, released in April 2016, recorded an increase by 14 percent in positive sentiment and went up to a positive of 36 percent, only six months later in the BCI survey, wave 13, the sentiments of the business community dropped by 19 percent. Though the sentiments remained positive at 17 percent and are much more positive versus the results two years ago, the detailed responses indicate that the major fall represents a correction versus the previous April 2016 BCI results and hence this should be taken as a key watch-out for the government. Part of this correction could be natural rebalancing of feelings with the euphoria of initial positivity cooling down. Another part of this correction is driven by perceived and real concerns on taxation, inconsistency of policies, and management of security and energy issues. We believe that quick, decisive, and visible action from the government in these areas is needed to arrest potential decline in future surveys.

The OICCI participated in a number of events including collaboration with a renowned organization which hosted the "Pakistan Business and Economic Summit" where three MC members proactively participated in projecting the conference theme of "Finding the Bright Spots" in the Pakistan Business environment. As the OICCI President, I participated proactively in the IPOB Policy Board meetings and kept on emphasising the need for an increased IPR enforcement regime in the country. You will be pleased to know that despite the low FDI inflow into the country the OICCI members continued to give a visible vote of confidence to the potential of the country and invested during the year approximately USD 1.7 billion in new capital expenditure to enhance industrial capacities and modernize their facilities.

I am glad to share that members of the OICCI have not only focused on operating their business profitably in an ethical and transparent manner, they were also mindful of their Corporate Social Responsibility. The OICCI Corporate Social Responsibility report for 2015-16 issued in November mentions that OICCI members contributed PKR 2.8 billion and 450,000 man hours to various CSR initiatives with benefit to over 20 million people throughout the country. These numbers are based on feedback from 70 members only which could be much higher if all the members had participated in the publication of the report.

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I warmly welcome Khalid Mansoor as the new President of the chamber, Nauman Ansari, the incoming Vice President and members of the new Managing Committee, whose names will be announced in the next AGM, and wish them great success in 2017.

It has been a great honour and privilege to have served as President of the oldest business chamber in South Asia and I sincerely thank everyone for the support and guidance extended to me.

I am confident that 2017 will be another great year for the chamber.

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On behalf of the Managing Committee of Overseas Investors Chambers of Commerce and Industry (OICCI), I am pleased to present the 2016 activities and audited accounts of the chamber. 2016 has been a landmark year for the chamber which extended its outreach among the stakeholders and continued to proactively play its role towards the betterment of the economy and business environment.



Throughout the year the OICCI Managing Committee (MC) and members, individually and collectively, regularly interacted with key officials, regulatory authorities, diplomats and other stakeholders, including media, to proactively highlight the measures required to increase the FDI in the country, improve policy framework, boost economic growth, increase employment and, above all, present the factual, research based, positive potential of the country.

In January 2016, the MC members had the unique honour of presenting to the Prime Minister of Pakistan, Mr. Mian Muhammad Nawaz Sharif, and key cabinet members, the Minister of Finance Mr. Ishaq Dar, Minister of Commerce Mr. Ghulam Dastagir Khan and Chairman BoI Mr. Miftah Ismail, the OICCI 2015 Perception and Investment Survey results, which were based on the feedback from OICCI members only. This survey is done every alternate year to get foreign investors feedback on various aspects of doing business and on FDI prospects in Pakistan. The OICCI team, took this opportunity to highlight the key issues impeding the inflow of FDI and also suggested the way forward to facilitate investment and economic activities in the country. We requested the PM on the need to have structured dialogue on a periodical basis between the decision makers in the government and prominent business organizations, like OICCI, to timely address concerns on critical matters which are restraining the due growth of the economy and inflow of FDI to Pakistan.

The bi-annual OICCI Business Confidence Index Survey (BCI), waves 12 and 13 conducted during the year, showed mixed results. The BCI, having

touched a record level of 36% in wave 12 in April 2016, lost momentum and recorded 17% in wave 13 in November 2016 which is still quite positive but well below past two surveys. The business confidence of OICCI members included in the above surveys followed the trend and went up to 55% in wave 12 before retreating to 46% in wave 13. The OICCI members were disappointed with certain taxation measures announced in the 2016-17 budget including the continuation of 3 percent "super tax" on organizations earning more than PKR 500 million annual taxable profit and the continuing delay in the clearance of their pending tax refunds. BCI results were extensively shared with the government authorities including in the provinces, and were also widely covered by the media.

The FDI during the fiscal year 2015-16 was USD 1.3 billion, which was well below the country's potential, though it was 50% higher than the lowest FDI of USD 851 million, in the previous year.

According to State Bank of Pakistan, the FDI inflow into the country during the first five months of the ongoing fiscal year, July-November 2016, was only USD 460 million which is 45% lower than the already very low inflow of USD 836 million during the corresponding period last year. This is an area of serious concern for all those who understand the opportunities and potential for FDI in the country. There is a need to analyse as to why Pakistan is consistently failing to attract sizeable FDI especially in the past two and a half years despite achieving economic stability, significant improvement of the security environment and new initiatives to bridge the energy gap. Moreover, Pakistan offers attractive incentive to

foreign investors. Those invested in Pakistan, both in the capital market as well as most multinationals operating in Pakistan, have performed well over the years. Besides the country offers great potential for large greenfield investment to meet growing domestic demand of a large middle class, estimated at 70 million people, which remains untapped. The ongoing China Pakistan Economic Corridor (CPEC) projects also offer a great opportunity for growth and investment in Pakistan which should have attracted large FDI from non-Chinese MNCs.

The OICCI, for its part, has regularly suggested to the authorities to proactively and professionally address the concerns which contribute to the negative image of the country and improve the country's Ease of Doing Business ranking. Pakistan's poor ranking in the 2017 World Bank's Ease of Doing Business (EODB) parameters at 144 out of 190 countries – marginal improvement versus the ranking of 148 last year – is one of the important deterrents for new FDI inflow. OICCI actively participated in the GOP 'Committee on Improving Ranking on Ease of Doing Business' and continue to urge the authorities to simplify and streamline operating and regulatory framework in line with the best in class from among the competitive regional economies.

The OICCI has consistently urged for genuine and meaningful public private partnership through regular and increasing interaction with the private sector to avoid surprises and to deliver on a predictable, transparent and consistent policy framework and its implementation.

During the year, senior government officials both from federal and provincial governments visited the chamber for interactive sessions with our members on matters relating to taxation, energy, IPR, competition commission, etc.

As before, foreign business delegations, ambassadors and other diplomats, from the country of origin of our members visited the chamber for round table discussions with the Managing Committee and members to familiarise themselves with the prevalent investment culture. The foreign visitors included officials from the global and regional offices of member companies who visited OICCI for an insight of the corporate governance practices and various aspects of doing business in Pakistan.

The comprehensive taxation proposals for 2016-17 submitted by the OICCI were discussed in detail by the FBR and the provincial revenue authorities. While many of our proposals were accepted totally or partially, there were several surprises in the 2016-17 Finance Bill which, we believe, have dented the confidence of the foreign investors well beyond the extra revenue it may have generated. We appreciate the timely intervention of the Minister of Finance and also of Mr. Haroon Akhtar, Special Assistant to Prime Minister on Revenue, in reversing the most damaging taxation measure in the 2016-17 Finance Bill which proposed to omit the provincial sales tax levied on services from the definition of input tax. This action alone created a serious concern for all investors in the country with longer term damage to business confidence. The OICCI members were also concerned that broadening the tax base and the recommendations of the Tax Reforms Commission have not progressed as promised. As a result, one is led to believe that the government has focused its taxation strategy in burdening the organised sectors only while offering successive tax amnesty scheme to tax evaders. The OICCI, whose members are all tax compliant and contribute over one third of all the taxes collected in the country, in principle does not support such amnesty schemes.

The MC and the subcommittees at the chamber remained active throughout the year and were intensely involved in propagating the OICCI agenda. These subcommittees met at regular intervals to identify current issues and presented several quality reports and recommendations, which were duly shared with the relevant authorities. As details of the chamber's various

activities throughout the year are mentioned elsewhere in this report, I shall make a few comments on only the most prominent and significant activities.

The OICCI CSR report 2015-2016 was issued in November 2016, in which 70 prominent member companies participated. The OICCI members continue to give high priority to improving the health, education and community development in the society. In order to enable members to interact amongst themselves on CSR related matters and also with leading organizations working in the respective fields, three CSR networking session with members followed by interactive sessions with leading NGOs in the field of climate change, education and healthcare were arranged at the chamber.

The chamber once again conducted a comprehensive 2016 Security Survey with its members which was very positive and highly appreciated by the members, government authorities, the media, global/regional security teams of member companies and foreign diplomats. During the year, we had regular interaction with security professionals and law enforcement authorities including DG Rangers, Sindh who gave a good overview of the progress made so far in the elimination of crime in Sindh, especially in Karachi, besides sharing security and crime control initiatives in the pipeline.

A compact set of recommendations on the status and way forward for the energy sector in Pakistan is currently in final stages and is expected to be presented to the government in early 2017. Earlier in 2016, the chamber had presented to the Secretary, Ministry of Water and Power, recommendations on energy generation and conservation.

The chamber continues to play its active role in promoting effective implementation of the Intellectual Property Rights in Pakistan and the OICCI President is an active member of the IPOP Policy Board. The OICCI representatives extensively participated in various IPR seminars and events to promote IPR regime in Pakistan. We are pleased that the U.S. authorities have reduced the level of Pakistan in the U.S. IPR Watch list of countries, which indicates a recognition of the concerted efforts being made by IPOP and other key stakeholders including OICCI in improving the status of IPR in Pakistan.

The Pharma Bureau remained engaged with the government to amend the notification of Drug Pricing Policy (DPP)

issued in 2015. PB members primarily seek a transparent and equitable drugs pricing and product registration policy. The Competition Commission of Pakistan (CCP) issued a show cause notice to the PB in October 2016, alleging that the member companies of the PB had colluded in fixing prices and putting this show cause notice and enquiry report on the CCP website in early November, 2016. The PB is contesting these allegations with assistance from a prominent law firm.

The financial results of the OICCI for the year ended December 31, 2016, included in this annual report, are satisfactory and the Managing Committee Report summarizes key elements contributing to the good results.

Looking forward, we anticipate relative stability in the political and economic environment. The progressive completion of various energy projects together with enhanced activity on CPEC projects should boost the economic and investment activity in the country. We do hope that the government policy will not be deterred by political compulsions due to upcoming elections in 2018. We expect that the government will follow the path of bold measures required to broaden the tax base, reduce the burden on the highly taxed corporate sector and implement growth oriented economic policies to surpass the competitive economies in the region. We are already noticing increasing international interest to complement CPEC projects which, if smartly capitalized, may substantially boost the FDI in the country and may change the economic dimensions of the country and its people. The chamber will be conducting the Perception and Investment Survey in 2017 to further assess the foreign investors' point of view about the economic conditions and EODB in the country, in light of the CPEC projects.

Finally a sincere word of thanks to all the stakeholders in the federal and provincial governments, regulatory bodies, the members of the Managing Committee, the OICCI members and the OICCI Secretariat team for their support and guidance which made 2016 a memorable year for the OICCI. I wish you all great success in 2017.

**M. Abdul Aleem**

# MANAGING COMMITTEE

As on December 31, 2016



**Shahab Rizvi**  
**OICCI President**  
 Country President and Chief Executive Officer  
 Novartis Pharma (Pakistan) Limited



**Khalid Mansoor**  
**OICCI Vice President**  
 Chief Executive Officer  
 Hub Power Company Limited



**M. Abdul Aleem**  
**CE / Secretary General**  
 Overseas Investors Chamber of Commerce & Industry

## Members



**Aftab Husain**  
**Managing Director & Chief Executive Officer**  
 Pakistan Refinery Limited



**Bruno Olierhoek**  
**Managing Director**  
 Nestlé Pakistan Limited



**Dr. Daniel Ritz**  
**President & Chief Executive Officer**  
 Pakistan Telecommunication Company Limited



**Helmut Von Struve**  
**Managing Director**  
 Siemens Pakistan Engineering Company Limited



**Kazim Hasnain**  
**Managing Director**  
 Eli Lilly Pakistan (Pvt.) Limited



**Kimihide Ando**  
**Chief Executive Officer**  
 Mitsubishi Corporation



**Marek Andrzej Minikiewicz**  
**Chief Executive Officer**  
 Metro Habib Cash & Carry Pakistan (Pvt.) Limited



**Nadeem Lodhi**  
**Managing Director**  
 Citibank N. A.



**Nauman Ansari**  
**President & Chief Executive Officer**  
 Faysal Bank Limited



**Sami Ahmed**  
**Vice President & Country Manager**  
 Procter and Gamble Pakistan (Pvt.) Limited



**Zehra Naqvi**  
**Chief Executive Officer**  
 Chubb Insurance Pakistan Limited

# SUMMARY OF OICCI ACTIVITIES IN 2016

## POLICY REFORM AND ADVOCACY

**The Overseas Investors Chamber of Commerce and Industry (OICCI) and its members remained engaged throughout the year with a number of senior government leaders, heads of regulatory bodies and other senior officials, to safeguard members' interest in the formulation of government policies.**

The government gives due recognition to the pivotal role being played by the chamber in the economy of the country and has invited its nominees to sit on a number of official forums and regulatory bodies, including the 'Board of Investment', 'IPOP Policy Board', 'Tax Reforms Commission', 'CCP – Competition Consultant Group' and the committees for 'Broadening the Tax Base' and 'Improving Pakistan's ranking at WB Ease of Doing Business survey'.

Policy related inputs are regularly provided by the chamber to the federal and provincial governments on fiscal, commercial, industrial and other matters which impact business, to ensure that the views of the OICCI members, who represent the largest group of foreign investors in the country, are duly considered in formulation and implementation of government policies. The government authorities give due consideration to the recommendations received from the chamber, which is a major stakeholder in the country's economy, as members of the OICCI collectively pay over one third of total taxes collected in Pakistan, besides making substantial new investments every year. The results of the research and surveys conducted by the chamber, on various aspects impacting the business operations in the country, are extensively shared with all the key stakeholders, especially those in the government and others who can help in creating a balanced perception of the country, for facilitating foreign direct investment (FDI).

### **Government dignitaries at OICCI**

During the year, several government officials, including the Special Advisor for Revenue to the Prime Minister, Governor Punjab, Finance Minister of Punjab, Minister of State/Chairman Board of Investment (BoI), Minister of State/Chairperson BISP, Secretary Ministry of Water and Power, Chairman WAPDA, Secretary BoI, Chairperson Competition Commission of Pakistan (CCP), Chairperson Sindh Board of Investment, Director General Pakistan

Standards and Quality Control Authority, Member-Tax Policy Federal Board of Revenue (FBR), Chairman Sindh Revenue Board (SRB) and Chairman Punjab Revenue Authority (PRA), and Director General Rangers Sindh, visited the chamber to discuss various matters affecting members and impacting the business environment in the country. Some of these interactions are also mentioned later in this annual report.

### **Taxation proposals and tax related activities**

As per past practice, comprehensive taxation proposals were submitted to the federal and provincial revenue authorities, for inclusion in the respective budgets for the fiscal year 2016-17. OICCI taxation proposals were based on input from members, followed by an in depth professional and analytical review by the Taxation Subcommittee. OICCI taxation proposals are quite comprehensive and incorporate recommendations to improve documentation of the economy, broaden the tax base, correction of fiscal anomalies, practical incentives to attract FDI and simplification of taxation related processes. These proposals were widely covered in the media.

OICCI followed up these proposals by engaging with senior most policymakers to ensure that members recommendations were given due consideration. The two visits of Special Advisor for Revenue to the Prime Minister, Haroon Akhtar to the chamber, before and after the announcement of the Federal Budget, to discuss OICCI members' proposals and later the concerns on the Finance Bill, underscores the recognition given by the government to OICCI members. Besides the very productive interaction with the Special Advisor to the PM, meetings were also held in the chamber and at other forums. In addition, communications were exchanged with various officials at the federal and provincial governments, including the chairmen/members of FBR, PRA and SRB to define the way forward.



# OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

ANNUAL REPORT 2016



## VISION

To be the premier body for promoting new and existing overseas investment in Pakistan by leveraging world-class expertise of OICCI members for the benefit of investors and the country.

## MISSION

- To assist in fostering a conducive, open and equitable business environment in Pakistan.
- To facilitate the transfer of best global practices to Pakistan.
- To enhance the image of overseas investors in Pakistan and of the country abroad.

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# OICCI PROFILE

The Overseas Investors Chamber of Commerce and Industry (OICCI) is the collective voice of all major foreign investors in Pakistan. Established over 150 years ago in 1860, primarily as a business chamber for foreign investors, the OICCI is engaged in promoting foreign direct investment in Pakistan, besides protecting the interest of existing foreign investors/OICCI members. Through its diversified activities, the OICCI contributes significantly to supporting commerce and industry across the country.

- 195 Members belonging to 35 countries and involved in 14 key sectors of Pakistan economy
- 57 OICCI members are currently listed on Pakistan Stock Exchange
- 50 Members are associates of the 2016 Global Fortune 500 companies

## Major contributor to the economy of Pakistan

- About one third of the total taxes and levies in Pakistan are collected from OICCI members
- Total value of members' assets in excess of PKR 8 trillion
- Annual new capital expenditure in excess of PKR 171 billion
- Members provide direct and indirect employment to around one million people
- Significant role in various CSR activities across the country

## Snapshot of OICCI Listed Members Success Stories

The Compound Annual Growth Rate (CAGR) of 57 OICCI members listed on the Pakistan Stock Exchange over the period from 2009 to 2015:

Profit before Tax in PKR	18.4%
Profit before Tax in USD	14.7%
Turnover	10.6%

## Incentives for Foreign Investors in Pakistan

- 100% foreign shareholding allowed in legal entities incorporated in Pakistan
- No restriction on repatriation of dividends, royalties and capital
- Business losses can be carried forward for six years for tax purposes
- No minimum capital requirement except in the banking sector
- Avoidance of double taxation agreements with over sixty countries
- Several fiscal incentives like tax holidays, accelerated tax depreciation, export processing zones and special economic zones
- Level playing field – no discrimination between foreign and local investors
- Intellectual Property Rights law enacted in 2012
- Ease of hiring expatriates

## OICCI MEMBERS - COUNTRY OF ORIGIN



United States of America	31
United Kingdom	30
Netherlands	19
Germany	13
Japan	13
United Arab Emirates	13
Switzerland	11
Singapore	8
Hong Kong	5
France	4
Kuwait	4
Saudi Arabia	4
Others	40

## MEMBERS' REPRESENTATION IN ALL MAJOR BUSINESS SECTORS

Banking / Insurance / Finance & Leasing	33
Oil / Gas / Energy	31
Pharmaceutical	24
Chemicals / Pesticides / Fertilizers / Paints / Cement	23
Trading & Other Services	22
Food / Consumer Products	20
Engineering / Industrial Products	14
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touched a record level of 36% in wave 12 in April 2016, lost momentum and recorded 17% in wave 13 in November 2016 which is still quite positive but well below past two surveys. The business confidence of OICCI members included in the above surveys followed the trend and went up to 55% in wave 12 before retreating to 46% in wave 13. The OICCI members were disappointed with certain taxation measures announced in the 2016-17 budget including the continuation of 3 percent "super tax" on organizations earning more than PKR 500 million annual taxable profit and the continuing delay in the clearance of their pending tax refunds. BCI results were extensively shared with the government authorities including in the provinces, and were also widely covered by the media.

The FDI during the fiscal year 2015-16 was USD 1.3 billion, which was well below the country's potential, though it was 50% higher than the lowest FDI of USD 851 million, in the previous year.

According to State Bank of Pakistan, the FDI inflow into the country during the first five months of the ongoing fiscal year, July-November 2016, was only USD 460 million which is 45% lower than the already very low inflow of USD 836 million during the corresponding period last year. This is an area of serious concern for all those who understand the opportunities and potential for FDI in the country. There is a need to analyse as to why Pakistan is consistently failing to attract sizeable FDI especially in the past two and a half years despite achieving economic stability, significant improvement of the security environment and new initiatives to bridge the energy gap. Moreover, Pakistan offers attractive incentive to

foreign investors. Those invested in Pakistan, both in the capital market as well as most multinationals operating in Pakistan, have performed well over the years. Besides the country offers great potential for large greenfield investment to meet growing domestic demand of a large middle class, estimated at 70 million people, which remains untapped. The ongoing China Pakistan Economic Corridor (CPEC) projects also offer a great opportunity for growth and investment in Pakistan which should have attracted large FDI from non-Chinese MNCs.

The OICCI, for its part, has regularly suggested to the authorities to proactively and professionally address the concerns which contribute to the negative image of the country and improve the country's Ease of Doing Business ranking. Pakistan's poor ranking in the 2017 World Bank's Ease of Doing Business (EODB) parameters at 144 out of 190 countries – marginal improvement versus the ranking of 148 last year – is one of the important deterrents for new FDI inflow. OICCI actively participated in the GOP 'Committee on Improving Ranking on Ease of Doing Business' and continue to urge the authorities to simplify and streamline operating and regulatory framework in line with the best in class from among the competitive regional economies.

The OICCI has consistently urged for genuine and meaningful public private partnership through regular and increasing interaction with the private sector to avoid surprises and to deliver on a predictable, transparent and consistent policy framework and its implementation.

During the year, senior government officials both from federal and provincial governments visited the chamber for interactive sessions with our members on matters relating to taxation, energy, IPR, competition commission, etc.

As before, foreign business delegations, ambassadors and other diplomats, from the country of origin of our members visited the chamber for round table discussions with the Managing Committee and members to familiarise themselves with the prevalent investment culture. The foreign visitors included officials from the global and regional offices of member companies who visited OICCI for an insight of the corporate governance practices and various aspects of doing business in Pakistan.

The comprehensive taxation proposals for 2016-17 submitted by the OICCI were discussed in detail by the FBR and the provincial revenue authorities. While many of our proposals were accepted totally or partially, there were several surprises in the 2016-17 Finance Bill which, we believe, have dented the confidence of the foreign investors well beyond the extra revenue it may have generated. We appreciate the timely intervention of the Minister of Finance and also of Mr. Haroon Akhtar, Special Assistant to Prime Minister on Revenue, in reversing the most damaging taxation measure in the 2016-17 Finance Bill which proposed to omit the provincial sales tax levied on services from the definition of input tax. This action alone created a serious concern for all investors in the country with longer term damage to business confidence. The OICCI members were also concerned that broadening the tax base and the recommendations of the Tax Reforms Commission have not progressed as promised. As a result, one is led to believe that the government has focused its taxation strategy in burdening the organised sectors only while offering successive tax amnesty scheme to tax evaders. The OICCI, whose members are all tax compliant and contribute over one third of all the taxes collected in the country, in principle does not support such amnesty schemes.

The MC and the subcommittees at the chamber remained active throughout the year and were intensely involved in propagating the OICCI agenda. These subcommittees met at regular intervals to identify current issues and presented several quality reports and recommendations, which were duly shared with the relevant authorities. As details of the chamber's various

activities throughout the year are mentioned elsewhere in this report, I shall make a few comments on only the most prominent and significant activities.

The OICCI CSR report 2015-2016 was issued in November 2016, in which 70 prominent member companies participated. The OICCI members continue to give high priority to improving the health, education and community development in the society. In order to enable members to interact amongst themselves on CSR related matters and also with leading organizations working in the respective fields, three CSR networking session with members followed by interactive sessions with leading NGOs in the field of climate change, education and healthcare were arranged at the chamber.

The chamber once again conducted a comprehensive 2016 Security Survey with its members which was very positive and highly appreciated by the members, government authorities, the media, global/regional security teams of member companies and foreign diplomats. During the year, we had regular interaction with security professionals and law enforcement authorities including DG Rangers, Sindh who gave a good overview of the progress made so far in the elimination of crime in Sindh, especially in Karachi, besides sharing security and crime control initiatives in the pipeline.

A compact set of recommendations on the status and way forward for the energy sector in Pakistan is currently in final stages and is expected to be presented to the government in early 2017. Earlier in 2016, the chamber had presented to the Secretary, Ministry of Water and Power, recommendations on energy generation and conservation.

The chamber continues to play its active role in promoting effective implementation of the Intellectual Property Rights in Pakistan and the OICCI President is an active member of the IPOP Policy Board. The OICCI representatives extensively participated in various IPR seminars and events to promote IPR regime in Pakistan. We are pleased that the U.S. authorities have reduced the level of Pakistan in the U.S. IPR Watch list of countries, which indicates a recognition of the concerted efforts being made by IPOP and other key stakeholders including OICCI in improving the status of IPR in Pakistan.

The Pharma Bureau remained engaged with the government to amend the notification of Drug Pricing Policy (DPP)

issued in 2015. PB members primarily seek a transparent and equitable drugs pricing and product registration policy. The Competition Commission of Pakistan (CCP) issued a show cause notice to the PB in October 2016, alleging that the member companies of the PB had colluded in fixing prices and putting this show cause notice and enquiry report on the CCP website in early November, 2016. The PB is contesting these allegations with assistance from a prominent law firm.

The financial results of the OICCI for the year ended December 31, 2016, included in this annual report, are satisfactory and the Managing Committee Report summarizes key elements contributing to the good results.

Looking forward, we anticipate relative stability in the political and economic environment. The progressive completion of various energy projects together with enhanced activity on CPEC projects should boost the economic and investment activity in the country. We do hope that the government policy will not be deterred by political compulsions due to upcoming elections in 2018. We expect that the government will follow the path of bold measures required to broaden the tax base, reduce the burden on the highly taxed corporate sector and implement growth oriented economic policies to surpass the competitive economies in the region. We are already noticing increasing international interest to complement CPEC projects which, if smartly capitalized, may substantially boost the FDI in the country and may change the economic dimensions of the country and its people. The chamber will be conducting the Perception and Investment Survey in 2017 to further assess the foreign investors' point of view about the economic conditions and EODB in the country, in light of the CPEC projects.

Finally a sincere word of thanks to all the stakeholders in the federal and provincial governments, regulatory bodies, the members of the Managing Committee, the OICCI members and the OICCI Secretariat team for their support and guidance which made 2016 a memorable year for the OICCI. I wish you all great success in 2017.

**M. Abdul Aleem**

# MANAGING COMMITTEE

As on December 31, 2016



**Shahab Rizvi**  
**OICCI President**  
 Country President and Chief Executive Officer  
 Novartis Pharma (Pakistan) Limited



**Khalid Mansoor**  
**OICCI Vice President**  
 Chief Executive Officer  
 Hub Power Company Limited



**M. Abdul Aleem**  
**CE / Secretary General**  
 Overseas Investors Chamber of Commerce & Industry

## Members



**Aftab Husain**  
**Managing Director & Chief Executive Officer**  
 Pakistan Refinery Limited



**Bruno Olierhoek**  
**Managing Director**  
 Nestlé Pakistan Limited



**Dr. Daniel Ritz**  
**President & Chief Executive Officer**  
 Pakistan Telecommunication Company Limited



**Helmut Von Struve**  
**Managing Director**  
 Siemens Pakistan Engineering Company Limited



**Kazim Hasnain**  
**Managing Director**  
 Eli Lilly Pakistan (Pvt.) Limited



**Kimihide Ando**  
**Chief Executive Officer**  
 Mitsubishi Corporation



**Marek Andrzej Minikiewicz**  
**Chief Executive Officer**  
 Metro Habib Cash & Carry Pakistan (Pvt.) Limited



**Nadeem Lodhi**  
**Managing Director**  
 Citibank N. A.



**Nauman Ansari**  
**President & Chief Executive Officer**  
 Faysal Bank Limited



**Sami Ahmed**  
**Vice President & Country Manager**  
 Procter and Gamble Pakistan (Pvt.) Limited



**Zehra Naqvi**  
**Chief Executive Officer**  
 Chubb Insurance Pakistan Limited

# SUMMARY OF OICCI ACTIVITIES IN 2016

## POLICY REFORM AND ADVOCACY

**The Overseas Investors Chamber of Commerce and Industry (OICCI) and its members remained engaged throughout the year with a number of senior government leaders, heads of regulatory bodies and other senior officials, to safeguard members' interest in the formulation of government policies.**

The government gives due recognition to the pivotal role being played by the chamber in the economy of the country and has invited its nominees to sit on a number of official forums and regulatory bodies, including the 'Board of Investment', 'IPOP Policy Board', 'Tax Reforms Commission', 'CCP – Competition Consultant Group' and the committees for 'Broadening the Tax Base' and 'Improving Pakistan's ranking at WB Ease of Doing Business survey'.

Policy related inputs are regularly provided by the chamber to the federal and provincial governments on fiscal, commercial, industrial and other matters which impact business, to ensure that the views of the OICCI members, who represent the largest group of foreign investors in the country, are duly considered in formulation and implementation of government policies. The government authorities give due consideration to the recommendations received from the chamber, which is a major stakeholder in the country's economy, as members of the OICCI collectively pay over one third of total taxes collected in Pakistan, besides making substantial new investments every year. The results of the research and surveys conducted by the chamber, on various aspects impacting the business operations in the country, are extensively shared with all the key stakeholders, especially those in the government and others who can help in creating a balanced perception of the country, for facilitating foreign direct investment (FDI).

### Government dignitaries at OICCI

During the year, several government officials, including the Special Advisor for Revenue to the Prime Minister, Governor Punjab, Finance Minister of Punjab, Minister of State/Chairman Board of Investment (BoI), Minister of State/Chairperson BISP, Secretary Ministry of Water and Power, Chairman WAPDA, Secretary BoI, Chairperson Competition Commission of Pakistan (CCP), Chairperson Sindh Board of Investment, Director General Pakistan

Standards and Quality Control Authority, Member-Tax Policy Federal Board of Revenue (FBR), Chairman Sindh Revenue Board (SRB) and Chairman Punjab Revenue Authority (PRA), and Director General Rangers Sindh, visited the chamber to discuss various matters affecting members and impacting the business environment in the country. Some of these interactions are also mentioned later in this annual report.

### Taxation proposals and tax related activities

As per past practice, comprehensive taxation proposals were submitted to the federal and provincial revenue authorities, for inclusion in the respective budgets for the fiscal year 2016-17. OICCI taxation proposals were based on input from members, followed by an in depth professional and analytical review by the Taxation Subcommittee. OICCI taxation proposals are quite comprehensive and incorporate recommendations to improve documentation of the economy, broaden the tax base, correction of fiscal anomalies, practical incentives to attract FDI and simplification of taxation related processes. These proposals were widely covered in the media.

OICCI followed up these proposals by engaging with senior most policymakers to ensure that members recommendations were given due consideration. The two visits of Special Advisor for Revenue to the Prime Minister, Haroon Akhtar to the chamber, before and after the announcement of the Federal Budget, to discuss OICCI members' proposals and later the concerns on the Finance Bill, underscores the recognition given by the government to OICCI members. Besides the very productive interaction with the Special Advisor to the PM, meetings were also held in the chamber and at other forums. In addition, communications were exchanged with various officials at the federal and provincial governments, including the chairmen/members of FBR, PRA and SRB to define the way forward.



The major issue of members pending tax refunds remained a focal issue at all interactions with FBR authorities, and it is also the main agenda item of the FBR-OICCI Joint Committee meetings which were initiated by the FBR Chairman in 2013. As a result of this regular follow-ups by the chamber with the higher authorities in the government, some of our members received payments against their outstanding income/sales tax refund claims.

During the year, OICCI actively participated in the meetings of the Tax Reforms Commission (TRC) and the Committee for Broadening the Tax Base. The OICCI Secretary General represents OICCI on these forums. TRC final recommendations were presented to the Minister of Finance in the first half of 2016.



Mr. Haroon Akhtar, Special Advisor for Revenue to the Prime Minister, accompanied by FBR Member Tax Policy Rehmatullah Khan Wazir and other officials, visited the OICCI on Friday March 25, 2016 to discuss with the members the OICCI Taxation Proposals submitted to the FBR and other issues of concern for foreign investors. They came to the chamber, once again, on August 15, 2016 to discuss new issues in Finance Act 2016, taken up by OICCI with the Finance Minister and FBR.

Dr. Aisha Ghaus Pasha, Finance Minister, Punjab, visited OICCI for an interactive session with members on May 20, 2016, along with Mr. Muzaffar Miraj Khawaja, Chairman PBIT, and Dr. Raheal A. Siddiqui, Chairperson PRA, during which many issues of mutual interest, including OICCI's Taxation Proposals 2016-17 for Punjab, were discussed in detail.



Mr. Tashfeen Khalid Niaz (Late), Chairman, and Mr. Mushtaq Kazimi, Advisor on Taxes, SRB visited OICCI for an interactive session with members on May 2, 2016, to discuss OICCI's Taxation Proposals 2016-17 for Sindh.

### Collaboration with Board of Investment (BoI)

Dr. Miftah Ismail, Minister of State/Chairman BoI, along with Mr. Azhar Ali Choudhry, Secretary BoI, visited the OICCI for an interactive session with members in June 2016. The Chairman informed the members about various investment related matters, including the investment friendly laws and economic strengths of the country, creation of five Special Economic Zones (SEZ) to promote investment in the underdeveloped areas of the country. The discussions with OICCI members were focused on FDI, reasons for the low FDI in the last few years, and suggestions on actions needed to increase the FDI level. As OICCI vision and mission are mainly focussed on promoting and facilitating FDI, the chamber strives to maintain a regular engagement with BoI to translate investment opportunities into increased level of FDI inflow into the country.



Dr. Miftah Ismail, Minister of State/Chairman BoI, addressing OICCI members during his visit to the chamber on June 20, 2016, along with Mr. Azhar Ali Choudhry, Secretary BoI.

### Security, Law & Order Activities

The OICCI Security, Law & Order subcommittee remained active throughout the year with visits of DG Rangers, Sindh, Chief of the Citizens-Police Liaison Committee (CPLC) Sindh, interactions with law enforcement agencies as well as two security related training sessions for members were conducted by in-house security experts from member companies. Throughout the year, security related alerts were sent to members on a need basis. The corporate/regional security heads of several member companies visited the chamber seeking an independent OICCI perspective on the security, law and order environment in Pakistan. OICCI members' security related survey results were also shared during these meetings.

DG Rangers, Major General Bilal Akbar visited the chamber on May 3, 2016 to give an overview to the members about the prevailing law and order situation and actions being taken by the Rangers to further improve the security situation in the province, especially in Karachi. He also responded to several queries by the participants.



Mr. Zubair Habib, CPLC Chief visited the OICCI on September 1, 2016, for an interactive session with members, during which he gave an informative and statistical overview, highlighting the recent improvement of the security, law and order situation in Karachi and answered several queries from the participants.



### Trade and Industry

The Pakistan Standards and Quality Control Authority, celebrated the 47th World Standards Day on October 14, 2016 in Karachi. Mr. Sami Ahmed, Chairman T&I Sub-Committee, presented OICCI members view on the importance of maintaining high standards in all aspects of products sold in the market to ensure that the consumer has the choice of buying best quality products and he also lauded efforts of PSQCA.



DG PSQCA, Mr. Muhammad Khalid Siddiq, visited OICCI on May 26, 2016, and again on September 8, 2016, during which members' issues relating to PSQCA were discussed in detail. He also informed about Foreign Manufacturing License rules, which were later shared with OICCI for comments, besides members support for PSQCA World Standards Day related programs.



Ms. Naheed Memon, Chairperson Sindh Board of Investment visited OICCI on July 25, 2016. She gave an overview of initiatives being taken for growth of trade and industry in the province and invited the OICCI members to maintain a close liaison with her office and promised full support in resolution of issues related to the Sindh provincial government.

An interactive session with Mr. Malik Rafique Rajwana, Governor Punjab, and OICCI members was held on March 01, 2016 at OICCI. The governor promised full support to OICCI to address members concerns relating to the Federal or Punjab Governments.



Mr. Zafar Mahmood, Chairman WAPDA, visited the OICCI for an interactive session with the members on February 8, 2016, during which he shared various initiatives in the pipeline to address the energy gap and related issues.

Ms. Vadiyya Khalil, Chairperson, CCP and other senior members CCP, visited OICCI on January 14, 2016, as part of their ongoing advocacy initiative to inform members about various aspects of the work being done by the CCP to ensure proper implementation of the Competition Act, 2010, including their endeavour to maintain fair and transparent competition in the market and support for the sanctity of the rights of brand and patent owners.



## ACTIVITIES OF THE PHARMA BUREAU

The challenges and difficulties faced by the pharmaceutical industry in Pakistan since 2001 continued to mount, notwithstanding the notification of a Drug Pricing Policy (DPP) in 2015 by the government, about which the industry had strong reservations and a dialogue with the government to amend and rationalise the DPP continued during the year under review.

The Pharma Bureau (PB) held several meetings with the Minister of State for National Health Services, Regulations and Coordination, Secretary Health, CEO of the Drug Regulatory Authority (DRAP) and other senior health ministry officials to work on resolving issues faced by the Pharma Industry, in particular those with the DPP. However, despite assurances from the Secretary Health and the CEO DRAP, the issues remain outstanding.

The challenging regulatory framework and lack of coherent policy has resulted in many companies selling their businesses and exiting Pakistan over the past few years and this trend continued in 2016 also, with the Germany-based multinational company (MNC), Merck divesting their shareholding in their Pakistani associate to a local group. There are presently 21 MNCs who are members of the Pharma Bureau, and they account for 44% of the total industry market share. All new therapies and innovations are introduced in Pakistan by these companies.

The Competition Commission of Pakistan (CCP), apparently reacting to pressure from the Ministry of Health, issued a show cause notice to the PB (not to individual members as per past practice in similar actions taken against other business sectors) on October 13, 2016, alleging that the member companies of the PB had colluded in fixing prices and putting this show cause notice and enquiry report on the CCP website in early November, 2016. The CCP also issued a press release in this respect.

The Enquiry Report has focused on the issue of pricing mentioned in some minutes of the PB meetings, without taking in to account the fact that the discussions which had taken place between the members of PB were with regard to framing of a new pricing policy by the government which would apply to the entire industry across the board. It also does not take into account the fact that the prices of medicines are determined by the government. Therefore, the question of the pharma industry colluding to set prices or

otherwise determine the prices of medicines simply does not arise. Furthermore the action has been taken only against MNCs and national companies were not issued similar show cause notice(s).

A hearing was held at the CCP office on November 17, 2016, where the PB was represented by Mr. Salman Akram Raja, Advocate Supreme Court of Pakistan, who has considerable experience in dealing with cases before the CCP, he was accompanied by the Executive Director of the Pharma Bureau. Earlier the advocate had submitted a preliminary response to the CCP show cause notice on October 28, 2016 followed up by a final reply on November 15, 2016.

The hearing was presided over by the Chairperson CCP together with Member Cartels, Trade Abuses & Legal and Member Office of Fair Trade and Advocacy. DRAP was represented their Pricing team comprising of the Director, Deputy Director and Assistant Director. The role of the DRAP has not been made clear to the PB though they appeared to be the complainants.

Due to paucity of time only partial submissions were made by the advocate, who took the commission through the enquiry report and provided substantial case law and arguments to call in to question and challenge the findings of the same. After the hearing, the chairperson assured that PB legal counsel will be given ample opportunity to conclude his arguments and thereafter the commission would hear the DRAP point of view. The hearing will continue in the new year but no date has been fixed at the time of writing this report.

The PB, after consultation with member companies, made a presentation to the DRAP, on November 25, 2016, to ensure that the proposed Bar Coding Scheme is reasonable and effective. The presentation identified all areas of concern for PB members. The CEO DRAP assured the PB that the draft rules would be ready and put up on the DRAP website at the earliest to allow the industry to revert with its comments.

The PB continued with the engagement of a PR firm and the level of interaction with the media has increased, with several interactions of the chairman, co-chairman and executive director with members of the press in Karachi, Lahore and Islamabad.

## INVESTMENT PROMOTION

Besides the regular engagement with the major foreign investors already operating in the country, the chamber is considered a 'port of first call' for potential new foreign investors/foreign business delegations, government officials of various countries visiting Pakistan to explore investment opportunities for the entrepreneurs of their respective countries, ambassadors and various diplomats, to get an insight of the perspective of existing major foreign investors about the business environment in Pakistan. The chamber ensures that a transparent and balanced input is provided to all visitors, by the Managing Committee and other representatives of the OICCI, based on the results of the regular research and surveys conducted by the chamber on various aspects impacting the business operations in the country.

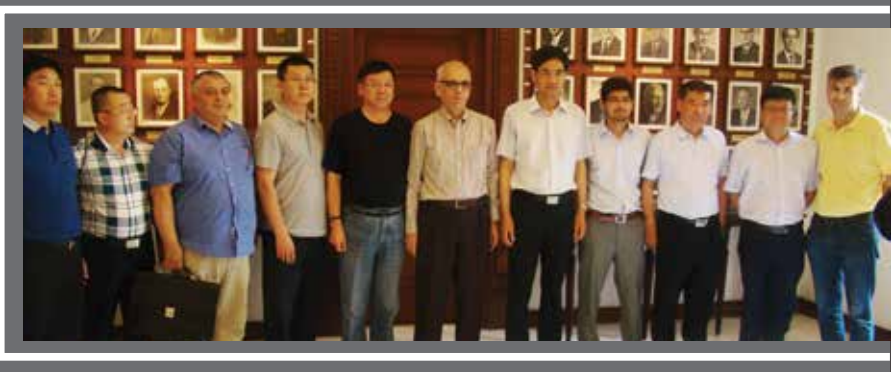
There was a regular stream of visitors to the chamber in 2016, which included Trade/Business delegations and government officials from a number of countries, members of foreign missions in Pakistan, including ambassadors, heads of economic and other senior persons, to learn about the experiences of foreign investors in Pakistan as well as opportunities and incentives for foreign investors. During these regular interactions, OICCI presented a factual position on the investment and business environment in Pakistan highlighting fiscal, tax, legal and other incentives available to foreign investors, as well as updates on the security climate, so as to help potential investors make long term investment decisions in Pakistan. Visitors to the chamber during 2016 included:

- Ambassador of the Kingdom of Netherlands, Jeannette Seppen, accompanied by the First Secretary, Political Department Nanna Stolze, on March 22, and again on August 2, 2016, with Rick Slettenhaar, First Secretary Economic Affairs
- James Golsen, Executive Director for Asia, International Trade Administration, United States Department of Commerce from Washington accompanied by U.S. Consul General in Karachi Grace Shelton on October 6, 2016
- The U.S. Consul General Brian Heath and Richard Rasmussen, Senior Economic Officer, U.S. Consulate, Karachi on March 2, 2016
- Consul General of Switzerland in Karachi, Philippe Crevoisier, accompanied by Jordan James Din from the Swiss Consulate, on December 1, 2016
- Robert Garverick, the Economic Counsellor in Pakistan based at the U.S. Embassy in Islamabad, along with Brenden S. Morgan, Economic Officer, Fahd Zaidi, Economic Specialist, on December 5, 2016
- Takashi Harada, Head of Economic and Development Division, Consulate General of Japan, Karachi on January 24, 2016
- Naomi Yamamoto (JICA Expert to BoI) on January 29, 2016
- Consul Mary Pellegrini, from the U.S. Consulate General in Karachi on March 25, 2016
- SAARC delegation led by their DG, Thusantha Wijemanna, on May 19, 2016
- Yoko Watanabe from Consulate General of Japan on March 17 and October 21, 2016
- Larita Bolden, after assuming the position of the United States Department of Treasury's Financial Attaché in the U.S. Embassy in Islamabad, June 15, and again on November 14, 2016, accompanied by Frank P. Talluto, Economic Officer and Fahd Zaidi, Economic Specialist
- Takashi Harada, Counsellor (Head of Economic and Development Division), Consulate of Japan on January 24 and February 29, 2016
- New DHC & UKTI Director for Pakistan Belinda Lewis on July 26, 2016
- Edward Burkhalter, Political Economic Chief/U.S. Consulate and his Economic team on August 15, 2016
- Andrew Proctor, Consultant, World Bank Group Trade and Competiveness for South Asia, on November 11, 2016
- Head of Economic Department Philippe FOUET, Embassy of France in Pakistan on November 16, 2016
- Gianpaolo Bruno, Trade Commissioner to the UAE, Oman and Pakistan, Italian Trade Agency, Dr. Gianluca Rubagotti, Consul of the Consulate of Italy in Karachi, A.R. Daudpota, Trade Commissioner, on November 17, 2016
- Takashi Harada, Head of Economic and Development Division, Consulate General of Japan, Karachi on January 24, 2016 to learn about OICCI perspective on current business environment in the country



The U.S. Consul General Mr. Brian Heath and Mr. Richard Rasmussen, Senior Economic Officer, U.S. Consulate, Karachi visited the OICCI on March 02, 2016 and met the OICCI President and SG to discuss matters related to the country's business climate.

A business and trade delegation from China comprising of government officials involved in commerce and investment promotion activities, and senior officials of Chinese companies, visited OICCI on June 29, 2016, to discuss the potential and incentives for foreign investors in Pakistan.



Ambassador of the Kingdom of Netherlands, Ms. Jeannette Seppen, accompanied by the First Secretary Political Department, Ms. Nanna Stolze, visited OICCI on March 22, and again on August 2, 2016, with Mr. Rick Slettenhaar, First Secretary Economic Affairs.

Edward Burkhalter, Political Economic Chief, U.S. Consulate Karachi and his economic team visited OICCI on August 15, 2016, to discuss matters of mutual interest for new and existing American investors operating in Pakistan.





Mr. James Golsen, Executive Director for Asia, International Trade Administration, U.S. Department of Commerce from Washington accompanied by U.S. Consul General in Karachi Ms. Grace Shelton met the OICCI MC members on October 6, 2016, for a wide ranging discussion on matters relating to doing business in Pakistan for foreign investors.

Ms. Larita Bolden, after taking over the office of U.S. Department of Treasury's Financial Attaché in the U.S. Embassy in Islamabad, came to the OICCI on June 15, 2016, for a courtesy call and to get members' views on current business environment. She also visited the chamber on November 14, 2016, along with Mr. Frank P. Talluto, Economic Officer, and Mr. Fahd Zaidi, Economic Specialist, to get OICCI views on how the completion of the IMF program could affect the Pakistan business climate, reasons for low FDI and impact of CPEC in the coming months.



Consul Ms. Mary Pellegrini, from the U.S. Consulate General in Karachi and OICCI CE/Secretary General, M. Abdul Aleem, signed an agreement for a fast track visa interview scheduling facility for Business Visas for employees of OICCI member companies on March 25, 2016.

Consul General of Switzerland in Karachi, Mr. Philippe Crevoisier, Karachi, accompanied by Mr. Jordan James Din from the Swiss Consulate, paid a courtesy visit to the OICCI on December 1, 2016, for the first time after taking up his position a couple of months back, to discuss matters related to increasing trade and business between Switzerland and Pakistan.





Mr. Robert Garverick, Economic Counsellor, U.S. Embassy Islamabad, along with Mr. Brenden S. Morgan, Economic Officer, Mr. Fahd Zaidi, Economic Specialist, from the U.S. Consulate Karachi, visited the OICCI on December 5, 2016, for a courtesy call and to get OICCI views on the business environment, including, the impact of CPEC in the coming months.

SAARC delegation led by their DG, Mr. Thusantha Wijemanna, visited OICCI twice, on March 17 and May 19, 2016 to discuss the role that SAARC Arbitration Council could play in the development of trade and business in the region.



Head of Economic Department, Mr. Philippe Fouet, at Embassy of France visited the OICCI on November 16, 2016 to discuss matters of mutual interest related to enhancement of France-Pakistan trade and investment.

Mr. Gianpaolo Bruno, Trade Commissioner to the UAE, Oman and Pakistan, Italian Trade Agency, Dr. Gianluca Rubagotti, Consul, Consulate of Italy in Karachi, Mr. A. R. Daudpota, Trade Commissioner, visited the chamber on November 17, 2016 to discuss promotion of trade between Italy and Pakistan and seek support for the planned visit by an Italian business delegation comprising of members from the Italian association representing manufacturing and services companies, accompanied by Italian Deputy Minister and Government officials.





To improve the perception of Pakistan in the international business community, the chamber also played a vibrant role of a facilitator in promoting and marketing Pakistan, by sharing success stories and good practices of member companies doing well in the country by speaking on various investment forums and conferences, including the working lunch with economic counsellors of Western countries on July 21, 2016 in Islamabad, hosted by the Netherland Embassy, where few OICCI managing committee members also participated. Secretary General made a presentation on Business and Investment Climate in the country, followed by related discussions. During the year, number of foreign officials from the global and regional offices of member companies also visited OICCI to get an insight view on various aspects of doing business in Pakistan including the business climate, economic conditions, investment and growth prospects. Some of these visits are listed below:



Mr. Serge Osouf and Mr. Steve Dixon, Regional Chubb Insurance Directors, accompanied by Pakistan CEO Ms. Zehra Naqvi & Director Mr. Umar Ali Shah came to the chamber on August 30, 2016 to learn about OICCI perspective of Pakistan business environment.

Ms. Ritva Sotamaa, Chief Legal Officer, Unilever Group and Mr. D. Bajpai, VP Legal, SA, Pakistan came to the chamber on August 30, 2016 to learn about OICCI perspective of the country's business climate. They were accompanied by Pakistan CEO Ms. Shazia Syed and the Company Secretary Mr. Amar Naseer.



- Anthony Clymo, VP, EHS & Security, and Werner Nagel, Senior Manager, Area Security, both from BASF Asia Pacific, accompanied by Faisal Akhtar, CEO BASF Pakistan, visited OICCI on November 29, 2016, to get OICCI perspective of security, as well as other business matters.
- Murat Olcayto, new CFO of Dawlance Pakistan, after majority shareholding taken over by Turkish Group KOC/Arcelik A.S., accompanied by Uzma Chishti, Head of HR, visited the OICCI on November 30, 2016 for an introductory meeting with the aim to seek chamber's membership and to learn the OICCI perspective of the Pakistan Business environment.
- Phil Stevenson, Director Global Security, Anthony Leray-Meyer, Manager Business Risk Intelligence Europe Middle East & Africa, accompanied by Abbott Pakistan team, Anis Ahmed, CEO, Rana

Anjum Latif, Director Operations and Col. Asif Zaidi, Head of Security, Abbott Laboratories (Pakistan) Ltd., visited the OICCI on December 13, 2016.

- Giles Ward, Regional President, Euroasia and Africa, Chubb Insurance Company, accompanied by Zehra Naqvi, CEO Chubb Pakistan, on December 15, 2016.

The chamber's activities also included liaising with trade bodies and diplomatic missions, certification of export documents and issuance of inward and outward visa recommendation letters for business purposes. Nearly 5,600 executives were issued recommendation letters for speedy visa process and 14,200 export certifications of origin were facilitated by the chamber during the year.

## PROFILE BUILDING AND NETWORKING

The primary function of the chamber is to promote Foreign Direct Investment and the growth of commerce and industry in Pakistan. In order to facilitate this very important role, the OICCI continues to cultivate and broaden its network of associates, maintains a regular engagement with them through meetings, hosting of events and participation in various forums to share information about best practices and success stories of foreign investors operating in Pakistan, as well as other matters.

### Pakistan Economic & Business Summit

OICCI collaborated with Nutshell which organized "Pakistan Business and Economic Summit" at Karachi on October 22, 2016 with the theme "Finding the Bright Spots." The summit was supported by OICCI, Pakistan Business Council, Ministry for Water and Power, Board of Investment and Privatization Commission of Pakistan. OICCI VP Khalid Mansoor and MC Members Helmut Von Struve, Kimihide Ando and M. Abdul Aleem actively participated as speaker/panellists.

### Media Coverage

Over the past few years the chamber is following a

roadmap to enhance its image especially in the print and electronic media. To achieve this, the activities of the OICCI were extensively covered in all leading newspapers and news channels. During the year, a total of 210 OICCI appearances were noted in the print and electronic media including exclusive interviews of President and Secretary General.

President and MC members had a luncheon get together with senior media persons on November 23, 2016, where the discussion was focused on OICCI contribution to business and economy, OICCI members concerns on low FDI and results of the latest BCI Survey.

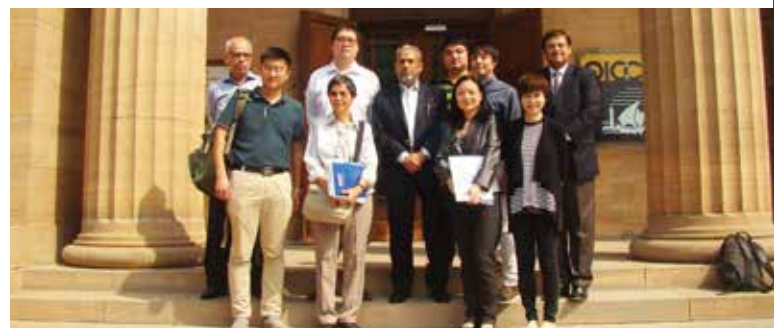


The President, Secretary General and other MC members have been constantly portraying the potential for foreign investment in Pakistan and in this respect, have been giving various interviews on international as well as nationally recognised media groups and channels, which includes the following:

- OICCI President Shahab Rizvi recorded an interview with Bloomberg on November 2, 2016, on the current business environment in the country with special emphasis on poor FDI inflow.
- CE/Secretary General, M. Abdul Aleem was the Chief guest in talk shows on Business Plus on the role of FDI in the Economic Development of Pakistan on June 22 and November 3, 2016.
- Kimihide Ando appeared live on April 4, 2016 in a major Japanese TV news channel where he strongly promoted the opportunities for Japanese investors in Pakistan.
- SG gave an interview to Spanish think-tank "Elcano"

on CPEC related matters for foreign investors on April 8, 2016.

- Five Chinese journalists from leading Chinese media organizations, sponsored by Standard Chartered Bank visited the OICCI on November 2, 2011 to seek OICCI views on China's growing investment in Pakistan, especially on CPEC related projects. Two Regional SC Bank employees and one from their Pakistan operations also participated in the meeting.



### CEOs LUNCHESES

Three luncheon meetings with CEOs of member companies were hosted by the President OICCI, two in Karachi and one in Lahore during 2016. A separate luncheon meeting with past presidents was held on June 6, 2016 where their expert opinion was solicited to further widen the role of the OICCI for the benefit of members.

### VARIOUS INTERACTIVE SESSIONS

There have been two visits to the OICCI by the National Management Course (NMC) which provided members an opportunity for a good interaction with senior officials of government bureaucracy.



17 Members of the 104th batch of the National Management College, Lahore comprising of senior officials from different government service groups, visited the OICCI on March 9, 2016.

17 Members of the 105th batch of the National Management College, Lahore comprising of senior officials from different government service groups, visited the OICCI on September 8, 2016.



Dr. Ishrat Husain, the then Dean of IBA and M. Abdul Aleem, CE/Secretary General, OICCI, signing the MOU on March 4, 2016 for potential access to the intellectual reservoirs of both organizations.

Mr. Parvez Ghias, Indus Motors, and M. Abdul Aleem, OICCI, were in the judges' panel of the final of the 2nd National Finance Olympiad, organized by the Institute of Chartered Accountants of Pakistan in collaboration with Unilever Pakistan, on November 28, 2016. The Olympiad aims to showcase corporate talent in the country.

## INFORMATION DISSEMINATION

The OICCI serves as a resource pool for its members as well as other key stakeholders. The chamber serves as a focal point for various bodies to disseminate pertinent information to its members. OICCI publications assist members to stay abreast with new developments related to business and investment.

### OICCI Surveys & Reports

- **OICCI Business Confidence Index (Wave 12 & 13)**
- **Consumer Price Index 2016**
- **OICCI Security Survey 2016**
- **Corporate Social Responsibility Report 2015-16**

### Business Confidence Index Survey (BCI)

BCI is a survey conducted every six months since 2010, through field interviews across the country. BCI is a continuous measurement of business community's sentiments, and is an effective way to gauge perception of key stakeholders' current state of business climate and short term future outlook of the economy. The survey is based on feedback from representatives of all business segments in Pakistan, including retailers, wholesalers, manufacturers and the service industry, covering roughly 80 percent of the Pakistan Gross Domestic Product excluding the agriculture sector. During the year 2016, the results of two surveys were released – BCI wave 12 and 13, which were both somewhat surprising till a more detailed review substantiated the results. The overall BCI wave 12, released in April 2016 recorded the second highest ever upswing in positive sentiment from 22 percent in wave 11 to 36 percent, an increase by 14 percent. This euphoria witnessed in the April 2016 survey, however, subsided six months later and combined with a few more concerns brought down the BCI score to a positive of 17 percent in the last BCI survey, wave 13. Though the overall positivity was maintained, 19 percent is a significant drop with all the business sectors recording a downward drift: manufacturing sector went down by 12 percent, retail sector by 21 percent and the services sector by 28 percent.

The sentiments of the leading foreign investors, represented by the OICCI members, who were part of the survey, followed the overall drift, albeit by 9 percent only, to come down from 55 percent to 46 percent in the wave 13 results. This is still a very high confidence level and a vote of confidence by the leading foreign investors in the Pakistan business environment.

Going forward, the business confidence remains positive, though less bullish than the previous April 2016 survey, with 35 percent of the respondents expecting to expand their business in next six months, with an increase in sales volume, sales revenue, profits, and ROI, with 22 percent planning capital investment during this period.

This bi-annual survey evaluates business sentiment, covering feedback from manufacturing, services and retail sectors throughout the country and is largely attitudinal.

Summaries of all BCI surveys were shared with members, senior government officials, diplomats and a number of other stakeholders who are interested in the growth of the country's economy.

### Members Corporate Social Responsibility activities

OICCI Corporate Social Responsibility 2015-16 report was launched on November 4, 2016 at the OICCI. The report includes CSR activities of seventy OICCI member companies, which collectively made contributions of PKR 2.8 billion during the report period, besides investing 450,000 man-hours in CSR activities directly impacting 20.4 million beneficiaries. The members partnered with 165 social sector organizations for their CSR activities. The largest number of participants (93%), contributed for uplifting education in the country, followed by participation in health related activities (81%), with contributions also being made for community development, environment improvement, disaster relief, infrastructure development and other fields, all across the country.



### CSR Networking Events

Three CSR networking events were held during this term on April 13, July 18, and December 1, 2016, on “Climate Change”, “Education” and “Healthcare” respectively. Major stakeholders in the social sector were invited to make presentations of their respective organizations. Corporate and communications managers of member companies were invited to the interactive sessions to create a greater awareness of the relevant NGOs activities with OICCI members and to enable CSR managers to make more informed decisions on matters related to their respective CSR activities. The invited stakeholders included:



**HEALTH:** Patients’ Aid Foundation – Jinnah Postgraduate Medical Centre; The Indus Hospital; Patients’ Behbud Society for Aga Khan University Hospital; SINA Health Education & Welfare Trust and Health Oriented Preventive Education (HOPE).

**EDUCATION:** Hunar Foundation, SOS Children’s Villages, SOS Technical Training Institute, Professional Education Foundation, Literate Pakistan and IdaRieu



**CLIMATE CHANGE:** Society for Conservation and Protection of Environment (SCOPE), Hisaar Foundation and LEAD Pakistan



Events organised at the chamber included talks by dignitaries on CSR and Sustainability to enable members to conduct their CSR activities/initiatives in more efficient ways.



Chairman Water Environment Forum, Mr. Nisar A. Memon visited the OICCI on January 20, 2016 to give a talk on the Climate Change Challenges. He highlighted that climate change is already happening in the form of rising temperatures, atmospheric carbon dioxide level, frequency of tropical storms and sea levels. Its impact is already being felt by Pakistan in the form of recurring floods leading to widespread damage to infrastructure, livelihoods and settlements, increasing heat-related mortality and drought related water and food shortages causing malnutrition.

Dr. Atta ur Rehman, the eminent scientist and scholar, former Federal Minister for Education and Ex-Chairman of Higher Education Commission, made a presentation to the OICCI members on September 7, 2016 covering "Innovation and Sustainability", "Innovative/Disruptive Technologies", "Biotechnology/Genomics", "Neuroscience: The Human Brain" "Discovery of New Materials" and matters related to education in Pakistan. The highly intellectual and educational presentation was widely appreciated by the participants who asked a number of questions related to various aspects of Dr. Atta's presentation.



Mr. Javed Jabbar, former Federal Minister, well-known social worker, scholar and a regular speaker on social issues, gave a presentation to the OICCI members on August 11, 2016 on the topic "CSR and Sustainability", covering a wide range of CSR activities, from poverty alleviation to matters related to education in Pakistan.



Ms. Marvi Memon, Minister of State/Chairperson Benazir Income Support Program (BISP), accompanied by Mr. Naeem Anwar, DG BISP Sindh, visited the chamber on August 22, 2016 for an interactive session with members. The minister informed the participants about various aspects of the BISP, and requested them for giving full support to various BISP programs and in particular the events organised by BISP in different rural areas of the country where a variety of garments, handicrafts and other items made by the members of the respective areas, especially women, are on display for sale.



### Security Trainings and Awareness Sessions

OICCI Training cum awareness session was conducted at Islamabad on October 21, 2016 at PTCL Auditorium on “Security Dynamics of Pakistan with focus on Central and North Regions and Geo-Strategic dimensions of CPEC, Threats and Opportunities”. The two hour session was very well received by corporate security and administration managers of the OICCI member companies. An overview of security threats confronting Pakistan was discussed with prevalent trends and effects on corporate sector. Corporate managers were keen to learn the opportunities as well as corresponding threats associated with ‘China Pakistan Economic Corridor’.



A training and awareness session on “Emergency Response & Business Continuity Management” was organised for the OICCI members on May 17, 2016 at the chamber. The workshop covered the fundamentals of Emergency Response & Business Continuity Management principles for an organization.

### Security Survey

This is an in-house security related survey of members which was initiated in 2015 and was followed up by another one in June 2016. The purpose of the survey was to seek members’ feedback on their perception on the level of improvement in the security environment since 2013, after the Karachi operation and launch of ‘Zarb-e-Azb’. The survey results were generally positive and corresponded with the reports of independent authorities, like CPLC, and our own security subcommittee members. The responses from members indicated that the security situation, all over Pakistan and especially in Karachi, had improved significantly during the period covered in the survey (as compared to situation pre-August 2013), with 76% of the respondents reporting a reduction in security incidents and 87% informing that their staff felt more comfortable in their everyday commute to/from the workplace as compared to last survey in 2015. Over 70% of the respondents revealed that more overseas/expat visitors, including technical and professional staff, came to Pakistan during 2016 as compared to 2013 and hardly any meeting held outside Pakistan due to security concerns. The survey was widely covered in the print media and also shared directly with many stakeholders, including important foreign diplomatic missions.



### Seminars on Intellectual Property Rights

The OICCI arranged an IPR Session titled “Fostering Creativity and Innovation through IPRs (Intellectual Property Rights)” at Karachi School of Business and Leadership (KSBL). Copyright violations, Trademark Transgressions and Patent Infringements were discussed at length during this highly engaging session. KSBL MBA students enthusiastically participated in the session and asked pertinent questions as well.



### Talk on Newly Enacted Labour Laws

The OICCI arranged an exclusive session for members with labour law expert Mr. Faisal Ghani, who gave an overview of the recent enactments by the Sindh government relating to Sindh Labour Laws on September 8, 2016 and the potential impact on member companies.

### OICCI Daily Political and Economic Update

The OICCI has been circulating a comprehensive round-up from all major English newspapers in a daily update, since 2010, which covers matters related to economy, business, energy, as well as interesting news and editorial items relating to political affairs and PKR rate versus various major currencies. This daily report reaches out to around 450 recipients, and is greatly appreciated with regular feedbacks on the usefulness of these daily updates and requests for adding new recipients.

## OICCI's REPRESENTATION ON VARIOUS BODIES

For the year 2016

One of the key objectives of the chamber is to act as a mediator between the government and its members to ensure timely solutions to genuine concerns. This is done through highlighting issues faced by members and bringing them to the notice of relevant authorities as well as lobbying with the government.

OICCI is represented on the boards of the following government and semi-autonomous bodies:

S.No	Representation	Nominee
1.	Board of Investment, Islamabad	President
2.	Intellectual Property Organisation of Pakistan	President
3.	Board of Governors – Pakistan Institute of Trade & Development (Ministry of Commerce)	President
4.	Management and Executive Committee & General Body of FPCCI	President & Mr. Sami Ahmed
5.	Federal Export Promotion (FEPB) (Ministry of Commerce) – Committee III (Demand Side Issues & Export Promotion)	President
6.	Advisory Council of the Ministry of Commerce	President
7.	Pakistan Institute of Corporate Governance	Mr. Asad Jafar, former President
8.	Board of Trustees – Karachi Port Trust	Mr. Aftab Husain, Member of Managing Committee
9.	Competition Commission of Pakistan (Competition Consultative Group)	Secretary General
10.	Tax Advisory Council (FBR)	Secretary General
11.	Tax Reforms Commission (Ministry of Finance/FBR)	Secretary General
12.	Committee on Improving Pakistan's Ranking on Ease of Doing Business	Secretary General
13.	Committee for Broadening the Tax Base	Secretary General
14.	Managing Committee of Employers Federation of Pakistan	Mr. Shahid M. Qureshi, Member, IPR Subcommittee



# REPORT OF THE MANAGING COMMITTEE

The audited accounts of OICCI for the year ended 31 December 2016, together with the Auditors' Report thereon, are attached.

The Income and Expenditure account for the year ended December 31, 2016 shows a surplus of Rs. 29.69 million before taxation, as compared to a surplus of PKR 18.98 million in the previous year. The increase is mainly due to delay/deferment of Pharma Bureau specific expenses, which are funded through separate subscription by OICCI pharmaceutical sector members. There was no increase in the chamber's annual subscription fee this year also and the mark-up rates on bank deposits also reduced by over 200 basis points. The challenge from these two income lines, which comprise nearly 80% of the chamber's income, was successfully overcome by increase in other receipts and cost controls, despite increase in expenses on account of new research activities, inflation related increase in costs and annual salary increments to staff. After accounting for taxation of PKR 4.72 million, the net surplus for the year was PKR 24.96 million.

The total income, at PKR 107.22 million, was marginally higher by 2% as compared to the income of PKR 105.16 million in the previous year, due to increased receipt from certification and visa letters fees, and rental income. We are pleased to confirm that the ground floor of the OICCI building has been rented out at market rates to a reputable organization for five years. As you may observe from the attached detailed accounts that the operating cost of the chamber, including legal expenses of the Pharma Bureau have been, by and large, well-controlled below the inflation rate.

At the end of the year 2016, the chamber had 195 members which was the same as last year, with seven new members joining the chamber, and the same number withdrawing mainly due to mergers among the membership, winding up of business and other reasons.

The chamber remains engaged with a number of realtors to find a reputable tenant for the vacant first floor of the OICCI building but, as mentioned in the previous reports also, the construction boom in new and modern office buildings, in areas with easier access and lesser congestion, has so far nullified all our efforts. We invite members looking for new or additional office space near the commercial and banking hub of Karachi, to take a look at the heritage OICCI building, with hassle free availability of utilities and ample parking space.

During the year, the chamber organized a number of value adding activities and also increased interactions with key decision makers to further raise its' profile. The chamber remains mindful of the interests of the members and raised its considerable voice on a number of issues during the year, including on new taxation measures in the 2016-17 Finance Act and various provisions introduced in the new Companies Ordinance 2016, which has in the meantime been reverted

back to the government by the Senate. The chamber continued to pursue with relevant authorities members: issues relating to pending tax refund claims, and concerns on procedural issues on quality standards. During 2016, the chamber also organized sessions with highly regarded professionals on new enactments in labor laws by the Sindh Government, training sessions for security personnel of member companies, talks by eminent personalities and CSR sessions with leading organizations in healthcare, education and climate change. The details of all the major activities are separately mentioned in this annual report.

The chamber has continued to proactively engage with key government functionaries on various policy, regulatory and operational matters in the area of taxation, security, energy, trade and industry and Intellectual Property Rights protection. The chamber's nominees on various bodies gave their value adding input wherever necessary, including the 'IPOP Policy Board', and the committees for 'Broadening the Tax Base' and on 'Improving Pakistan's rating at WB Ease of Doing Business survey'. The report of the Tax Reform Commission (TRC), where your chamber was a key contributor, has been submitted to the government highlighting the need to improve the documentation of the economy, broaden the tax base and facilitate longer term investment especially Foreign Direct Investment (FDI) in the country.

During the year, the elected Managing Committee member Omar Y. Sheikh resigned due to his transfer out of the country and the Managing Committee nominated Dr. Daniel Ritz to fill the vacancy. The MC hereby records its' sincere appreciation for the support given by the outgoing MC member during his tenure and wishes him success in the new responsibilities.

Going forward, the chamber will, as always aim to further increase the frequency of its current activities and add new ones which add value and make the "bright spots" in the country more visible to the potential new foreign investors and will continue to contribute for a more effective presence and interaction at various forums. Such activities need to be conducted on a sustained basis and will require stable funding. As the annual subscription from the members remains the main funding for running the chamber and its activities, the Managing Committee has recommended to the members for an increase in the annual membership subscription fee, which was last increased three years ago by approximately ten percent from next year, with effect from January 1, 2018. We request members to approve this increase in the AGM, to reflect the true value of the services provided to OICCI members.

We thank all the OICCI members for their participation and full support in the activities and endeavors of the chamber, and also thank all the employees for their contribution, dedication and hard work which has contributed to the good performance of the chamber during 2016.



**Shahab Rizvi**  
President



**M. Abdul Aleem**  
CE/Secretary General



**Khalid Mansoor**  
Vice President

# FINANCIAL STATEMENTS

For the Year Ended December 31, 2016







## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Overseas Investors Chamber of Commerce and Industry as at December 31, 2016 and the related income and expenditure account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31, 2016 and of the surplus, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**Chartered Accountants**  
Karachi

Dated: January 10, 2017

**Name of the engagement partner: Farrukh Rehman**

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State Life Building No. 1-C, I.I. Chundrigar Road, P.O.Box 4716, Karachi-74000, Pakistan  
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; www.pwc.com/pk*

*Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Lahore- 54660, Pakistan; Tel: +92 (42) 35715864-71; fax: +92 (42) 35715872  
Islamabad: PIA Building, 3rd floor; 49 Blue Area, Fazl-ul-haq Road, P.O.Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924  
Kabul: Apartment No.3, 3rd floor; Dost Tower; Haji Tayub Square, Sher-e-Nau, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320*

# BALANCE SHEET

As at December 31, 2016

	Note	2016 Rupees	2015 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	24,952,550	27,731,805
Intangibles	4	-	253,765
Long term deposits		408,586	408,586
		<u>25,361,136</u>	<u>28,394,156</u>
<b>CURRENT ASSETS</b>			
Receivables	5	208,499	4,554,805
Staff retirement benefit - gratuity	6	-	339,315
Loan and advances	7	4,112	4,128
Short-term prepayments		468,783	442,353
Other receivables	8	2,782,048	-
Accrued mark up		4,761,363	5,554,986
Cash and bank balances	9	179,857,555	147,643,210
		<u>188,082,360</u>	<u>158,538,797</u>
		<u>213,443,496</u>	<u>186,932,953</u>
<b>ACCUMULATED FUND</b>			
Accumulated Fund		167,925,499	142,959,344
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Staff retirement benefit - gratuity	6	1,235,729	-
Deferred taxation	10	667,224	654,295
		<u>1,902,953</u>	<u>654,295</u>
<b>CURRENT LIABILITIES</b>			
Taxation - provisions less payments		6,001,605	3,710,537
Trade and other payables	11	37,613,439	39,608,777
		<u>43,615,044</u>	<u>43,319,314</u>
		<u>45,517,997</u>	<u>43,973,609</u>
		<u>213,443,496</u>	<u>186,932,953</u>

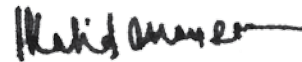
The annexed notes 1 to 25 form an integral part of these financial statements.



**Shahab Rizvi**  
President



**M. Abdul Aleem**  
CE/Secretary General



**Khalid Mansoor**  
Vice President

# INCOME AND EXPENDITURE ACCOUNT

For the Year Ended December 31, 2016

	Note	2016 Rupees	2015 Rupees
<b>INCOME</b>			
Members contributions	12	76,766,383	76,382,895
Rental income from building		4,395,350	3,841,750
Return on bank deposits		8,629,033	10,317,612
Other receipts	13	17,427,982	14,615,500
		<b>107,218,748</b>	<b>105,157,757</b>
<b>EXPENDITURE</b>			
Salaries, allowances and other benefits	14	50,081,726	47,924,984
Legal and professional charges		6,261,341	14,998,358
Depreciation and amortisation		3,748,041	4,335,333
Advertisement, promotions and public relationship		5,895,703	5,871,427
Electricity, fuel and gas [net of recoveries Rs. 32,500; (2015: Rs.181,750)]		1,786,793	2,783,688
Printing and stationery		893,134	883,779
Repairs and maintenance		834,402	1,169,240
Entertainment		523,693	489,266
Other expenditure	15	7,509,010	7,722,577
		<b>77,533,843</b>	<b>86,178,652</b>
<b>SURPLUS BEFORE TAXATION</b>		<b>29,684,905</b>	<b>18,979,105</b>
Taxation	16	(4,718,750)	(3,745,606)
<b>SURPLUS AFTER TAXATION</b>		<b>24,966,155</b>	<b>15,233,499</b>

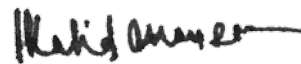
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**Shahab Rizvi**  
President



**M. Abdul Aleem**  
CE/Secretary General



**Khalid Mansoor**  
Vice President

# CASH FLOW STATEMENT

For the Year Ended December 31, 2016

	Note	2016 Rupees	2015 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	17	28,026,390	22,799,824
Taxes paid		(2,414,753)	(1,532,197)
Staff gratuity paid		(2,077,800)	(4,603,363)
Net cash from operating activities		23,533,837	16,664,264
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Encashment of short term investments		140,700,000	147,200,000
Term deposits placed		(173,000,000)	(164,400,000)
Purchase of property, plant and equipment		(752,148)	(306,820)
Proceeds from disposal of property, plant and equipment		10,000	-
Return received		9,422,656	11,390,392
Net cash used in investing activities		(23,619,492)	(6,116,428)
Net (decrease) / increase in cash and cash equivalents		(85,655)	10,547,836
Cash and cash equivalents at the beginning of the year		26,943,210	16,395,374
Cash and cash equivalents at the end of the year	18	26,857,555	26,943,210

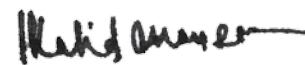
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**Shahab Rizvi**  
President



**M. Abdul Aleem**  
CE/Secretary General



**Khalid Mansoor**  
Vice President

# STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31, 2016

	<b>Accumulated Fund Rupees</b>
Balance as at January 1, 2015	127,725,845
Surplus after tax for the year	15,233,499
Balance as at December 31, 2015	142,959,344
Surplus after tax for the year	24,966,155
Balance as at December 31, 2016	<b>167,925,499</b>

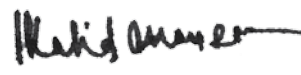
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**Shahab Rizvi**  
President



**M. Abdul Aleem**  
CE/Secretary General



**Khalid Mansoor**  
Vice President



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

## 1. THE COMPANY AND ITS OPERATION

The company is a not for profit association under section 42 of the Companies Ordinance, 1984 and was incorporated as a guarantee limited company. The Chamber deals with matters relating to trade and commerce for the foreign investors in Pakistan. The Chamber was granted a license as a Trade Organisation by the Federal Government under the Trade Organisations Ordinance, 2007 which was renewed for a period of five years from June 18, 2008, the current renewed license in this respect under Trade Organisations Act 2013 is valid upto June 2019.

The registered office of the Chamber is situated at Chamber of Commerce Building, Talpur Road, Karachi.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with the applicable approved accounting and financial reporting standards as applicable in Pakistan, as stated below.

Approved accounting and financial reporting standards comprise of International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board as adopted in Pakistan by council of Institute of Chartered Accountants of Pakistan, and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

### 2.2 Overall valuation policy

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

### 2.3 Property, plant and equipment

#### i) Tangible

These are stated at cost less accumulated depreciation and any accumulated impairment losses except for capital work-in-progress which are stated at cost.

Depreciation on all assets is charged to income applying the straight line method whereby cost of an asset is written off over its estimated useful life at rates shown in note 3.1. Leasehold land is depreciated over the period of lease. Full year's depreciation is charged on additions during the year whereas no depreciation is charged in the year of disposal.

Maintenance and normal repairs are charged to income as and when incurred; gains and losses on disposal of fixed assets are included in income currently.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

## ii) Intangible

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the period of three years on straight-line basis.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

## 2.4 Receivables

Receivables are stated at original invoice amount. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables considered irrecoverable are written off and provision is made against those considered doubtful of recovery.

## 2.5 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, with banks and short term investments with original maturities of three months or less.

## 2.6 Staff Retirement Benefits

The Chamber operates an approved funded gratuity scheme which is a defined benefit plan. Accrual is made on the basis of actuarial recommendation. Actuarial valuation of scheme is carried out on periodical basis using the projected unit credit method and the latest valuation has been carried out as at December 31, 2016. Gratuity is payable to all employees of the Chamber who have completed minimum qualifying period in accordance with the Gratuity Scheme.

Actuarial gains and losses are charged or credited to income and expenditure account in the period in which they arise.

Past-service costs are recognised immediately in income and expenditure account.

The Chamber also operates a recognised provident fund scheme which is a defined contribution plan for all its employees. Equal monthly contributions are made, both by the Chamber and the employees, to the fund at the rate of 10% of basic salary. The contributions by the Chamber are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

## 2.7 Compensated absences

The Chamber accounts for compensated absences on the basis of unavailed leave balance of each employee in accordance with the policy of the Chamber at the end of the year.

## 2.8 Trade and other payables

Trade payables are carried at the fair value of the consideration to be paid for goods and services.

## 2.9 Revenue recognition

Members' contributions are recognised on accrual basis. Certification and Visa fee are recognised at the time of issuance of certificate / letter.

Return / interest on bank deposits is recognised on accrual basis.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

## 2.10 Foreign currency transactions and translation

Foreign currency transactions are translated into Pakistani Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognised in the income and expenditure account.

The financial statements are presented in Pakistani Rupees, which is the Chamber's functional and presentation currency.

## 2.11 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in income and expenditure account, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

### i) Current

Provision for taxation is based on taxable income at the current rates of taxation.

### ii) Deferred

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## 2.12 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. Its also requires management to exercise its judgement in the process of applying the Chamber's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are provision for taxes and provision for staff gratuity.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

## 3. PROPERTY, PLANT AND EQUIPMENT

	2016 Rupees	2015 Rupees
Operating assets - note 3.1	<u>24,952,550</u>	<u>27,731,805</u>

### 3.1 OPERATING ASSETS

	Leasehold land (note 3.2)	Building on leasehold land	Air conditioning plant	Electrical installations	Office furniture, fittings and equipments	Motor Vehicles	Total
	Rupees						
<b>Net carrying value basis</b>							
<b>Year ended December 31, 2016</b>							
Opening net book value (NBV)	4,916,971	15,365,192	3,752,194	118,447	3,579,001	-	27,731,805
Additions (at cost)	-	-	-	-	690,148	62,000	752,148
Disposals / write-off (at NBV)	-	-	-	-	(37,128)	-	(37,128)
Amortisation / Depreciation charge	(116,655)	(354,740)	(1,250,733)	(114,981)	(1,644,766)	(12,400)	(3,494,275)
Closing net book value	<u>4,800,316</u>	<u>15,010,452</u>	<u>2,501,461</u>	<u>3,466</u>	<u>2,587,255</u>	<u>49,600</u>	<u>24,952,550</u>
<b>Gross carrying value basis</b>							
<b>At December 31, 2016</b>							
Cost	5,832,750	18,231,583	12,507,325	3,309,717	15,116,610	1,572,000	56,569,985
Accumulated depreciation	(1,032,434)	(3,221,131)	(10,005,864)	(3,306,251)	(12,529,355)	(1,522,400)	(31,617,435)
Net book value	<u>4,800,316</u>	<u>15,010,452</u>	<u>2,501,461</u>	<u>3,466</u>	<u>2,587,255</u>	<u>49,600</u>	<u>24,952,550</u>
<b>Net carrying value basis</b>							
<b>Year ended December 31, 2015</b>							
Opening net book value (NBV)	5,035,786	15,719,933	5,002,927	437,638	4,965,161	302,000	31,463,445
Additions (at cost)	-	-	-	-	340,340	-	340,340
Disposals / write-off (at NBV)	-	-	-	(11,800)	(9,945)	-	(21,745)
Amortisation / Depreciation charge	(118,815)	(354,741)	(1,250,733)	(307,391)	(1,716,555)	(302,000)	(4,050,235)
Closing net book value	<u>4,916,971</u>	<u>15,365,192</u>	<u>3,752,194</u>	<u>118,447</u>	<u>3,579,001</u>	<u>-</u>	<u>27,731,805</u>
<b>Gross carrying value basis</b>							
<b>At December 31, 2015</b>							
Cost	5,832,750	18,231,583	12,507,325	3,309,717	14,479,502	1,510,000	55,870,877
Accumulated depreciation	(915,779)	(2,866,391)	(8,755,131)	(3,191,270)	(10,900,501)	(1,510,000)	(28,139,072)
Net book value	<u>4,916,971</u>	<u>15,365,192</u>	<u>3,752,194</u>	<u>118,447</u>	<u>3,579,001</u>	<u>-</u>	<u>27,731,805</u>
Rate of depreciation	2%	2%	10%	15%	15% & 33.33%	20%	

3.2 Lease of land expired in 2007 and the Chamber is in the process of getting its renewal for another 50 years. On interaction with the concerned government department, it had been highlighted that there may be a possible situation relating to renewal of lease whereby additional charges may arise for the Chamber to be paid to the government, the amount and payment of which at present is uncertain. The management of the Chamber has been in discussion with the relevant department for its early resolution.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

	2016 Rupees	2015 Rupees
<b>4. INTANGIBLES - Computer software</b>		
Net carrying value basis		
Opening net book value	253,765	538,863
Additions (at cost)	-	-
Amortisation for the year	(253,765)	(285,098)
Closing net book value	<u>-</u>	<u>253,765</u>
Gross carrying value basis		
Cost	1,708,196	1,708,196
Accumulated amortisation	(1,708,196)	(1,454,431)
Net book value	<u>-</u>	<u>253,765</u>

Amortisation is charged at the rate of 33.33% per annum.

	2016 Rupees	2015 Rupees
<b>5. RECEIVABLES</b>		
Considered good	208,499	4,554,805
Considered doubtful	1,233,811	804,211
	<u>1,442,310</u>	<u>5,359,016</u>
Provision for doubtful debts - note 5.2	(1,233,811)	(804,211)
	<u>208,499</u>	<u>4,554,805</u>

5.1 This represents receivables from members amounting to Rs. 1.44 million (2015: Rs. 3 million).

5.2 This represents provision in respect of following:

	2016 Rupees	2015 Rupees
- Johnson & Johnson Pakistan (Pvt) Ltd.	825,480	404,211
- OBS Health Care	358,331	-
- Novo Nordisk Pharma (Pvt) Ltd.	50,000	50,000
- Otsuka Pakistan Limited	-	350,000
	<u>1,233,811</u>	<u>804,211</u>

Further the Chamber has written off debts by utilising the provision amounting to Rs. 350,000 during the year.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

## 6. STAFF RETIREMENT BENEFIT - GRATUITY

As stated in note 2.6, the company operates approved funded gratuity scheme. The scheme defines an amount of gratuity benefit that an employee will receive on retirement subject to minimum qualifying period in accordance with the Gratuity Scheme. Actuarial valuation of these plans is carried out every year and the latest actuarial valuation was carried out as at December 31, 2016.

The latest actuarial valuations of the Plans as at December 31, 2016 were carried out using the Projected Unit Credit Method. Details of the Scheme as per the actuarial valuations are as follows:

	2016 Rupees	2015 Rupees
<b>6.1</b> Balance sheet reconciliation as at December 31		
Present value of defined benefit obligation	<b>16,234,758</b>	14,891,353
Fair value of plan assets	<b>14,999,029</b>	15,230,668
	<u><b>1,235,729</b></u>	<u>(339,315)</u>
<b>6.2</b> Movement in the defined benefit obligation		
Obligation as at January 01	<b>14,891,353</b>	11,387,254
Current service cost	<b>2,523,387</b>	2,345,605
Benefits paid	<b>(3,252,237)</b>	(516,124)
Other changes	<b>2,072,255</b>	1,674,618
	<u><b>16,234,758</b></u>	<u>14,891,353</u>
<b>6.3</b> Movement in the fair value of plan assets		
Fair value as at January 01	<b>15,230,668</b>	9,693,391
Employer contributions	<b>2,077,800</b>	4,603,362
Benefits paid	<b>(3,252,237)</b>	(516,124)
Other changes	<b>942,798</b>	1,450,039
	<u><b>14,999,029</b></u>	<u>15,230,668</u>
<b>6.4</b> Expense recognised in income and expenditure account		
Current service cost	<b>2,523,387</b>	2,345,605
Net interest expense	<b>(30,029)</b>	176,852
Other changes	<b>1,159,486</b>	47,727
	<u><b>3,652,844</b></u>	<u>2,570,184</u>
<b>6.5</b> Net recognised liability		
Balance as at January 01	<b>(339,315)</b>	1,693,863
Expenses for the year	<b>3,652,844</b>	2,570,184
Employer contributions	<b>(2,077,800)</b>	(4,603,362)
	<u><b>1,235,729</b></u>	<u>(339,315)</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

## 6.6 Composition of Plan Assets

	2016		2015	
	Rupees	%	Rupees	%
Cash at bank	4,411,998	29.42	1,299,073	8.53
National savings schemes	10,587,031	70.58	13,931,595	91.47
	<u>14,999,029</u>	<u>100.00</u>	<u>15,230,668</u>	<u>100.00</u>

## 6.7 Actuarial assumptions

	2016 Rupees	2015 Rupees
Expected rate of increase in salaries	8.00%	8.25%
Discount rate	8.00%	9.25%
During service mortality table	SLIC (2001-05)-1	SLIC (2001-05)-1

6.8 The actual return on plan assets was Rs. 942,798 (2015: Rs. 1,450,039).

## 7. LOAN AND ADVANCES

	2016 Rupees	2015 Rupees
Advances to suppliers – considered good	<u>4,112</u>	<u>4,128</u>

## 8. OTHER RECEIVABLES

	2016 Rupees	2015 Rupees
Loan to related party - considered good - note 8.1	<u>2,782,048</u>	<u>-</u>

8.1 This represents loan given to Employees Provident Fund for the payment of final settlement of two outgoing employees which is interest free .

## 9. CASH AND BANK BALANCES

	2016 Rupees	2015 Rupees
With banks on:		
- current accounts	11,090,872	22,044,282
- savings account - note 9.1	15,750,216	4,889,477
- term deposits - note 9.2	153,000,000	120,700,000
Cash in hand	16,467	9,451
	<u>179,857,555</u>	<u>147,643,210</u>

9.1 This carry mark up rate of 3.82% (2015: 4.25%) per annum.

9.2 These carry mark up rates ranging from per annum 5.20% to 6.20% (2015: 6.20% to 8.50% per annum) maturing latest by December 25, 2017 (2015: December 4, 2016).

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

## 10. DEFERRED TAXATION

	2016 Rupees	2015 Rupees
10.1 Credit balance arising in respect of accelerated tax depreciation allowances	<u>667,224</u>	<u>654,295</u>
10.2 Deferred tax liabilities at January 1	654,295	1,208,497
(Credited)/charged to income and expenditure account	12,929	(554,202)
Deferred tax liabilities at December 31	<u>667,224</u>	<u>654,295</u>

## 11. TRADE AND OTHER PAYABLES

Creditors	173,468	354,982
Accrued liabilities - note 11.1	16,945,461	16,824,273
Subscription received in advance	18,791,000	21,090,000
Workers' Welfare Fund	279,748	279,748
Members' contribution for flood relief activities	250,546	250,546
Security deposit from tenant	1,098,000	750,000
Other liabilities	75,216	59,228
	<u>37,613,439</u>	<u>39,608,777</u>

11.1 This includes amount accrued in respect of lease renewal fees of land as explained in note 3.2 and payment of related ground rent to Deputy District Officer amounting to Rs.6.2 million (2015: Rs. 6.1 million).

## 12. MEMBERS CONTRIBUTIONS

	2016 Rupees	2015 Rupees
Membership subscription and entrance fee	45,631,334	42,308,334
Members contributions for sub-committee	31,135,049	29,903,728
Building fund contributions	-	4,170,833
	<u>76,766,383</u>	<u>76,382,895</u>

## 13. OTHER RECEIPTS

Fees for certification	8,209,800	7,521,800
Fee for VISA recommendation	8,528,600	6,546,000
Others	689,582	547,700
	<u>17,427,982</u>	<u>14,615,500</u>



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

	2016 Rupees	2015 Rupees
<b>14. SALARIES, ALLOWANCES AND OTHER BENEFITS</b>		
Salaries and allowances	45,035,337	44,129,695
Contributions to provident fund and E.O.B.I.	197,630	310,524
Medical expenses	1,195,915	914,580
Staff gratuity	3,652,844	2,570,185
	<u>50,081,726</u>	<u>47,924,984</u>
<b>15. OTHER EXPENDITURE</b>		
Travelling	1,189,546	982,903
Postage, telegram and telephone [net of recoveries Rs. Nil; (2015: Rs. 75,000)]	768,424	693,570
Vehicle running and maintenance	250,697	590,610
Insurance	1,124,290	941,642
Training	95,000	314,504
Loss on disposal of fixed assets	27,128	-
Municipal taxes and ground rent	370,247	437,798
Subscriptions	257,248	508,998
Donation	250,000	250,000
Auditors' remuneration - note 15.1	167,000	150,000
Security	914,953	863,393
Software	54,191	216,982
Provision for doubtful debts	779,600	804,211
General [net of recoveries Rs. Nil; (2015: Rs. 4,060)]	1,260,686	967,966
	<u>7,509,010</u>	<u>7,722,577</u>
<b>15.1 Auditors' Remuneration</b>		
Audit fee	137,000	125,000
Audit of staff retirement fund	10,000	10,000
Out of pocket expenses	20,000	15,000
	<u>167,000</u>	<u>150,000</u>
<b>16. TAXATION</b>		
For the year		
- Current	4,705,821	4,299,808
- Deferred	12,929	(554,202)
	<u>4,718,750</u>	<u>3,745,606</u>

Applicable tax rate for the year is 31% (2015: 32%).

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

<b>17. CASH GENERATED FROM OPERATIONS</b>	<b>2016 Rupees</b>	<b>2015 Rupees</b>
Surplus before taxation	29,684,905	18,979,105
Adjustments for non-cash charges and other items		
Depreciation	3,494,275	4,050,235
Amortisation	253,765	285,098
Return on Bank deposits	(8,629,033)	(10,317,612)
(Gain) / loss on sale of fixed assets	27,128	(11,775)
Provision for staff gratuity	3,652,844	2,570,185
	<u>(1,201,021)</u>	<u>(3,423,869)</u>
Surplus before working capital changes	28,483,884	15,555,236
<b>EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES</b>		
(Increase) / decrease in current assets		
Receivables	4,346,306	(3,239,118)
Loan and advances	16	300,000
Other Receivables	(2,782,048)	-
Short term prepayments and other receivables	(26,430)	52,864
	<u>1,537,844</u>	<u>(2,886,254)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	(1,995,338)	10,130,842
	<u>28,026,390</u>	<u>22,799,824</u>
<b>18. CASH AND CASH EQUIVALENTS</b>		

Items shown in note 9 'cash and bank balances' include following for the purpose of cash and cash equivalents:

	<b>2016 Rupees</b>	<b>2015 Rupees</b>
With banks on:		
- current accounts	11,090,872	22,044,282
- savings account	15,750,216	4,889,477
Cash in hand	16,467	9,451
	<u>26,857,555</u>	<u>26,943,210</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

## 19. REMUNERATION OF CHIEF EXECUTIVE / SECRETARY GENERAL

	2016 Rupees	2015 Rupees
Managerial remuneration	9,481,860	8,465,952
House rent	4,266,852	3,809,688
Bonus - note 19.1	4,409,068	3,936,668
Retirement benefits	1,224,741	1,093,475
Conveyance	836,280	814,800
Leave benefits	612,371	546,760
Utilities	948,180	846,588
Medical	392,618	109,642
	<u>22,171,970</u>	<u>19,623,573</u>
Number of person	<u>1</u>	<u>1</u>

19.1 Out of bonus recognized in financial statements for 2015, amount paid in 2016 was Rs. 3,936,668 (paid in 2015 relating to 2014: Rs. 3,453,217).

## 20. FINANCIAL INSTRUMENTS

	2016 Rupees	2015 Rupees
Financial assets measured at amortised cost less impairment	<u>188,018,051</u>	<u>158,161,587</u>
Financial liabilities measured at amortised cost	<u>18,822,439</u>	<u>18,518,777</u>

## 21. TRANSACTIONS WITH RELATED PARTIES

Relationship	Nature of transaction	2016 Rupees	2015 Rupees
i)	<b>Key management</b>		
	<b>Compensation (other than Secretary General as above)</b>		
	- Salaries and other short-term employee benefits	14,797,043	12,540,327
	- Post retirement benefits	976,074	887,340
ii)	<b>Staff retirement funds:</b>		
	Contribution during the year		
	- Provident Fund	147,820	498,728
	- Gratuity Fund	2,077,800	4,603,362
	Loan disbursed during the year		
	- Provident Fund	2,907,895	-
	- Gratuity Fund	3,252,237	-
	Repayment of loan made during the year		
	- Provident Fund	125,847	-
	- Gratuity Fund	3,252,237	-

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

## 22. PROVIDENT FUND RELATED DISCLOSURE

The following information is based on un-audited financial statements of the Fund as at December 31, 2016 and December 31, 2015:

	2016 Rupees	2015 Rupees
Size of the fund - Total assets	3,713,037	5,875,448
Fair value of investments	5,575,478	5,627,180
Percentage of investments made	150%	96%

The cost of above investments amounted to Rs. 5,300,000 (2015: Rs. 5,300,000).

The 100% fair value of investment comprise of the Government Securities.

22.1 The investment out of provident fund have been made in accordance with the provision of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

## 23. NUMBER OF EMPLOYEES

	2016	2015
Number of employees including contractual employees at the end of year	23	22

## 24. COMPETITION COMMISSION OF PAKISTAN

During the year Competition Commission of Pakistan (CCP) issued a show cause notice dated 13 October 2016 to Pharma Bureau (PB), sub-committee of the Overseas Investors Chamber of Commerce and Industry. The said show cause notice was in relation to increased prices of various medicines and related matters and PB was called upon to show cause as to why an order and/or penalty may not be passed/imposed under relevant sections of the Competition Act 2010. On 14 November 2016 PB replied to CCP on show cause through which PB was called for hearing on 17 November 2016 but due to time constraints hearing will continue in next year.

Based on the opinion of the Chamber's legal advisors, the management is hopeful that the ultimate outcome of this notice will be in favour of the Chamber and there is no likelihood of any unfavourable outcome.

## 25. DATE OF AUTHORISATION FOR ISSUE

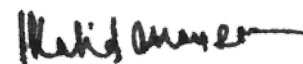
These financial statements were authorised for issue on January 09, 2017 by the Managing Committee of the Chamber.



**Shahab Rizvi**  
President



**M. Abdul Aleem**  
CE/Secretary General



**Khalid Mansoor**  
Vice President

January 9, 2017

## NOTICE OF THE 157TH ANNUAL GENERAL MEETING

Notice is hereby given that the 157th Annual General Meeting of the members of the Overseas Investors Chamber of Commerce and Industry will be held on Tuesday January 31, 2017 at 3.30 pm at the Chamber's registered office, Chamber of Commerce Building, Talpur Road, Karachi, to transact the following business:

1. To confirm the minutes of 156th Annual General Meeting.
  2. To receive, consider and adopt the Accounts for the year ended December 31, 2016, the report of the Auditors' thereon and the report of the Managing Committee.
  3. To appoint Auditors of the Chamber and fix their remuneration. The retiring Auditors A. F. Ferguson & Co., being eligible, have offered themselves for reappointment for the year 2017.
  4. To consider, and if found fit, approve the following Resolution which would be moved as an Ordinary Resolution by the Managing Committee, as per statement under Section 160(1)(b) of the Companies Ordinance 1984:  
"Resolved that under the powers given to Members of the Chamber under Article 10 (a) of the Chamber's Articles of Association, the under-mentioned revised Annual Subscription shall be payable by Members of the Chamber with effect from January 1, 2018"
- |                           |             |
|---------------------------|-------------|
| Up to 100 employees       | Rs. 135,000 |
| From 101 to 300 employees | Rs. 270,000 |
| Over 300 employees        | Rs. 400,000 |
5. To receive the report of the scrutineers of the ballot for the election of Vice President and 8 (eight) members of the Managing Committee and announce the results of the election for the 2017 term.
  6. Any other business with the permission of the Chair.

By order of the Committee.



**M. Abdul Aleem**  
Secretary General

### Notes:

- A member entitled to attend the General Meeting is entitled to appoint proxy instead of him / her. A proxy should be a member of the Chamber who is attending the meeting.
- The instrument appointing a proxy (attached) should be signed by the member or by his / her attorney duly authorized in writing.
- The proxies shall be deposited at the registered office of the Chamber not less than 48 hours before the time of the meeting.

### Statement under section 160(1)(b) of the Companies Ordinance 1984.

In view of the fact that the expenses of the Chamber are met mainly from the annual subscription received from member companies, there is a need to maintain a link between income of the Chamber and the yearly increase in expenses on account the various activities of the Chamber, and administration costs, which are annually adjusted to account for inflation.

As the last increase in subscription was done in 2015, we propose an increase after three years with effect from January 1, 2018.



**M. Abdul Aleem**  
Secretary General

## EIGHT MEETINGS OF THE MANAGING COMMITTEE WERE HELD FROM FEBRUARY 2016 TO JANUARY 2017 ON THE FOLLOWING DATES:

FEBRUARY 10, 2016

MARCH 21, 2016

MAY 3, 2016

JULY 19, 2016

OCTOBER 13, 2016

NOVEMBER 15, 2016

DECEMBER 23, 2016

JANUARY 9, 2017

### ATTENDANCE OF THE MANAGING COMMITTEE

S.No	Names	Total
1.	Shahab Rizvi	8
2.	Khalid Mansoor	5
3.	Aftab Husain	7
4.	Bruno Olierhoek	5
5.	Dr. Daniel Ritz (Co-opted in September, 2016)	0
6.	Helmut Von Struve	3
7.	Kazim Hasnain	5
8.	Kimihide Ando	4
9.	Marek Andrzej Minikiewicz	7
10.	Nadeem Lodhi	4
11.	Nauman Ansari	5
12.	Omar Y. Sheikh (Resigned in July, 2016)	2
13.	Sami Ahmed	6
14.	Zehra Naqvi	7
15.	M. Abdul Aleem	8

# LIST OF OICCI MEMBERS

As on December 31, 2016

1	3M Pakistan (Private) Limited	50	Eli Lilly Pakistan (Private) Limited
2	ABB Power & Automation (Private) Limited	51	Engro Corporation Limited
3	Abbott Laboratories (Pakistan) Limited	52	Engro Polymer & Chemicals Limited
4	Abudawood Trading Company Pakistan (Private) Limited	53	Engro Vopak Terminal Limited
5	AIG - New Hampshire Insurance Co. Ltd.	54	Eni Pakistan Limited
6	Aisha Steel Mills Limited	55	Euronet Pakistan (Private) Limited
7	Akzo Nobel Pakistan Limited	56	Exide Pakistan Limited
8	Al Baraka Bank (Pakistan) Limited	57	Fauji Oil Terminal & Distribution Company Limited
9	Allianz Efu Health Insurance Limited	58	Faysal Bank Limited
10	Arabian Sea Enterprises Limited	59	GE International Operations Company Inc.
11	Archroma Pakistan Limited	60	Getz Pharma (Private) Limited
12	Archroma Textiles Chemicals Pakistan (Pvt) Limited	61	Gillette Pakistan Limited
13	Arysta Lifescience Pakistan (Private) Limited	62	GlaxoSmithKline Pakistan Limited
14	Asia Petroleum Limited	63	Global Securities Pakistan Limited
15	Asian Consumer Care Pakistan (Pvt) Limited	64	Greif Flexibles Pakistan (Pvt) Ltd
16	Atlas Honda Limited	65	Grid Solutions Pakistan (Pvt.) Limited
17	Atlas Power Limited	66	Habib Metro Pakistan (Pvt) Limited
18	Attock Cement Pakistan Limited	67	Habib Metropolitan Bank Limited
19	Attock Petroleum Limited	68	Hascombe Business Solutions (Private) Limited
20	Attock Refinery Limited	69	Heinz Pakistan (Pvt) Ltd
21	Avery Scales (Private) Limited	70	Hewlett Packard Pakistan (Pvt) Limited
22	B. Braun Pakistan (Private) Limited	71	Hinopak Motors Limited
23	Bank Alfalah Limited	72	HP Pakistan (Private) Limited
24	Barrett Hodgson Pakistan (Private) Limited	73	Huntsman Textile Effects Pakistan (Private) Limited
25	Basf Pakistan (Private) Limited	74	IBL-Unisys (Pvt) Limited
26	Bata Pakistan Limited	75	IBM
27	Bayer Pakistan (Private) Limited	76	ICI Pakistan Limited
28	Beltexco Limited	77	ICI Pakistan Powergen Limited
29	Berger Paints Pakistan Limited	78	Iffco Pakistan (Private) Limited
30	BIPPL Securities Limited	79	Indus Motor Company Limited
31	BMA Capital Management Limited	80	Industrial Promotion Services (Pakistan) Limited
32	BSN Medical (Private) Limited	81	International Power Global Developments Limited
33	Burj Bank Limited	82	ITOCHU Corporation
34	Byco Petroleum Pakistan Limited	83	J&P Coats Pakistan (Private) Limited
35	Chevron Pakistan Lubricant (Pvt) Limited	84	J. P. Morgan Pakistan (Private) Limited
36	Chiesi Pharmaceuticals (Private) Limited	85	James Finlay Limited
37	Chubb Insurance Pakistan Limited	86	Johnson & Johnson Pakistan (Private) Limited
38	Citibank N. A.	87	Johnson & Phillips (Pakistan) Limited
39	Clariant Chemical Pakistan (Pvt) Ltd	88	Jubilee Life Insurance Company Limited
40	Coca-cola Beverages Pakistan Limited	89	Kansai Paint (Private) Limited
41	Continental Biscuits Limited	90	Karachi International Container Terminal Limited
42	Dadex Eternit Limited	91	K-Electric Limited
43	Dawood Hercules Corporation Limited	92	Kirthar Pakistan B.V.
44	Deutsche Bank Ag	93	Kot Addu Power Company Limited
45	DHA Cogen Limited	94	KSB Pumps Company Limited
46	DHL Global Forwarding Pakistan (Private) Limited	95	Kuwait Petroleum Corporation
47	DHLPakistan (Pvt) Ltd	96	Lahore Cables & Engineering (Private) Limited
48	Dubai Islamic Bank Pakistan Limited	97	Linde Pakistan Limited
49	Dupont Pakistan Operations (Private) Limited	98	Lotte Chemical Pakistan Limited

99	Lundbeck Pakistan (Private) Limited	148	Pharmatec Pakistan (Private) Limited
100	Mackinnon, Mackenzie & Company Of Pakistan (Private) Ltd	149	Philip Morris (Pakistan) Limited
101	Mapak Edible Oils (Private) Limited	150	Philips Pakistan Limited
102	Marubeni Corporation	151	Phoenix Armour (Private) Limited
103	Meezan Bank Limited	152	Premier Oil Pakistan Holding B.V.
104	Merck (Private) Limited	153	Procter & Gamble Pakistan (Private) Limited
105	Metro-Habib Cash & Carry Pakistan (Pvt) Ltd	154	Qasim International Container Terminal Pakistan Limited
106	Microsoft Corporation	155	Raffhan Maize Products Company Limited
107	Mitsubishi Corporation	156	Reckitt Benckiser Pakistan Limited
108	Mitsui & Company Limited	157	Reuters Limited
109	MOL Pakistan Oil And Gas Co. B.V.	158	Roche Pakistan Limited
110	Mondelez Pakistan Limited	159	Rousch (Pakistan) Power Limited
111	Muller & Phipps Pakistan (Private) Limited	160	S. C. Johnson & Son Of Pakistan (Private) Limited
112	Nalco Pakistan (Private) Limited	161	Sanofi Aventis Pakistan Limited
113	NBP Fullerton Asset Management Limited	162	Saudi Pak Industrial & Agricultural Investment Co. Ltd
114	NCR Corporation	163	Schneider Electric Pakistan (Private) Limited
115	Nestle Pakistan Limited	164	Serioplast Pakistan (Pvt) Ltd
116	NIB Bank Limited	165	Servier Research & Pharmaceuticals Pakistan (Private) Ltd
117	Nippon Paint Pakistan (Pvt) Ltd	166	SGS Pakistan (Private) Limited
118	Novartis Pharma (Pakistan) Limited	167	Sheikhoo Sugar Mills Limited
119	Novo Nordisk Pharma (Private) Limited.	168	Shell Pakistan Limited
120	OBS Healthcare (Private) Limited	169	Sicpa Inks Pakistan (Pvt) Limited
121	Orix Leasing Pakistan Limited	170	Siemens Healthcare (Private) Limited
122	Orkila Pakistan (Private) Limited	171	Siemens Pakistan Engineering Company Limited
123	Otsuka Pakistan Limited	172	SPGPrints Pakistan (Private) Limited
124	Oxford University Press	173	Standard Chartered Bank (Pakistan) Limited
125	Pair Investment Company Limited	174	Sumitomo Corporation Asia & Oceania Pte Limited
126	Pak Brunei Investment Company Limited	175	Syngenta Pakistan Limited
127	Pak China Investment Company Limited	176	Telenor Pakistan (Private) Limited
128	Pak Oman Investment Company Limited	177	Teradata Global Consulting Pakistan (Private) Limited
129	Pak- Qatar Family Takaful Limited	178	Teradata Pakistan (Private) Limited
130	Pak-Arab Pipeline Company Limited	179	Tethyan Copper Company Pakistan (Private) Limited
131	Pak-Arab Refinery Limited	180	Tetra Pak Pakistan Limited
132	Pakistan Cables Limited	181	The Attock Oil Company Limited
133	Pakistan Gum & Chemicals Limited	182	The Bank of Tokyo-Mitsubishi Ufj Limited
134	Pakistan Gum Industries (Private) Limited	183	The Coca-Cola Export Corporation
135	Pakistan International Container Terminal Limited	184	The General Tyre and Rubber Company of Pakistan Limited
136	Pakistan Mobile Communications Limited	185	The Hub Power Company Limited
137	Pakistan Petroleum Limited	186	Total Parco Pakistn Limited
138	Pakistan Refinery Limited	187	TPL Holdings (Private) Limited
139	Pakistan Telecommunication Company Limited	188	TRG (Private) Limited
140	Pakistan Tobacco Company Limited	189	Tri-pack Films Limited
141	Pak-Kuwait Takaful Company Limited	190	Uch Power (Private) Limited
142	Pak-Libya Holding Company (Pvt) Limited	191	Unilever Pakistan Limited
143	Pak-Qatar General Takaful Limited	192	United Bank Limited
144	Parazelsus Pakistan (Private) Limited	193	United Energy Pakistan Limited
145	Paxar Pakistan (Private) Limited	194	WMGS Services Limited (Liaison Office)
146	Pepsi-Cola International (Private) Limited	195	Wyeth Pakistan Limited
147	Pfizer Pakistan Limited		





**Overseas Investors Chamber of Commerce and Industry**

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