



engro polymer & chemicals

creating new streams

Sustainability Report 2012

setting sails

thirst to thrive

tides of responsibility

high spirits and high tides

strengthening shores

scope

Engro Polymer & Chemicals Ltd. (EPCL) is proud to welcome you to its 2012 Sustainability Report. The theme of this report is water, keeping in view our initiatives in CSR during the year, the design of our Annual Report 2012, as well as the fact that 2013 is the United Nation's International Year of Water Cooperation. Each heading in the report symbolizes one of the core values essential to Engro. The report highlights the Company's strategies and performance, incorporating ethical, social, innovational and environmental development practices into its operations and services. The standards are a reflection of those set by the Global Reporting Initiative (GRI). The Sustainability Report shows the steps that EPCL has taken towards building a more sustainable Company, and focuses on the five core values, emphasizing their importance to our stakeholders. These values include Ethics & Integrity, Health, Safety & Environment, Innovation and Risk Taking, Our People and Community & Society.

We would like to appreciate the effort that everyone has put into the compilation of this Sustainability Report, especially the contributions of our valued team members and colleagues.

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This report is also available on our website:
www.engropolymer.com



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mission

Our mission is to achieve innovative growth which creates value for our stakeholders, customers and employees.

Our commitment is to maintain the highest standards of ethics, safety and environmental responsibility.

core values



health, safety & environment



community & society



our people



innovation & risk taking



ethics & integrity

CEO's message



It is definitely an honor to present to you the fourth Sustainability Report of Engro Polymer and Chemicals Limited. The theme of this report is 'water' keeping in view our CSR initiatives as well as the declaration of the United Nations that the year 2013 is the International Year of Water Cooperation. The Company has embraced and propagated the theme, and for this reason both our Annual and Sustainability Report 2012 follow it. Water plays an important role in our lives. It is the predominant source of life, and throughout 2012, the Company focused on water conservation projects alongside introducing initiatives to improve the irrigation system in Galiat, Abbottabad.

2012 has been a year of safe business operations, stable production and market development. I am pleased to announce that the Company achieved its safety targets, and that operational excellence has led to an increase in production at all of our Plants.

PVC and VCM production increased by 21% and 49% respectively, due to both the reliability and efficiency of operations. This resulted in the sales growth of domestic PVC by 5% and stable sales of Caustic Soda in 2012, leading to a 21% increase in revenues after which the Company posted a profit after tax of Rs. 77 Million.

EPCL continually strives to expand its CSR initiatives. During the year, extraordinary measures were taken to improve conditions of underprivileged people and less developed areas in Pakistan. In extension of the rehabilitation efforts from the previous year, EPCL set up two

Hydro Power Units in Kalam during June 2012. The initiative has been successful in providing electricity and around 2300 people have benefited from the project to date. The hydropower scheme was further extended into the regions of Kalam and Jalband to assist rural development. The Company also introduced the Demand Based Irrigation Scheme in Galiat, Abbottabad which has helped farmers increase their crop yield significantly. In terms of education, the organization launched The Engro-Hunar Scholarship Program and selected eight students from the underprivileged areas of Gagar Phatak near Port Qasim for scholarships at Hunar Foundation DMS Institute.

I would like to appreciate and thank our shareholders, customers, business partners and employees for their continual support and belief in us and look forward to further strengthen this partnership in 2013.



Khalid Siraj Subhani
President & CEO
Engro Polymer & Chemicals Ltd.

sustainability strategy & focus

EPCL incorporates its core values in the daily functioning of the Company. They give the business a strategic direction and contribute to the success of the Company. Our employees move and grow from one role into another carrying those values along with them.

Our organization's sustainability report for the year 2012, focuses on the theme of "CORE VALUES" and how these values are absorbed within operations. They are in line with the triple bottom line also known as people, planet, profit which captures a wide spectrum of values and is also the criterion for measuring organizational as well as societal achievements.

The Company invests in innovative ideas that result in improved solutions and services, improved Health, Environment and Occupational safety (HSE) systems so the Company's operations benefit the society that it operates in.

ethics and integrity

Our Company maintains honesty and transparency in all its business affairs and urges its employees to sustain ethical standards within the work place.

Our organization's governance framework is in keeping with the model of code of Corporate Governance as well as the industry's top practitioners. In order to assist the board of directors in observing standard business challenges, Board Audit Committee (BAC) and HR & Remuneration Committee (HRC) have been set up.

Refer to chapter 01, GRI- Society performance for further detail regarding Ethics & Integrity.

For further details related to Ethics & Integrity, GRI-Society performance, refer to chapter 01.

health, safety and environment

The Company always prioritizes Health, Safety and Environment as one of its fundamental core values and ensures the safety of its people as well as the environment. The Company trains its employees by organizing educational programs regarding operational safety standards for its employees. In order to ensure that occupational and non-occupational HSE standards are maintained, a fraction of the employee's objective is based on upholding HSE values within their respective areas.

Our management was devoted to sustaining safe business processes by following the world-class safety systems such as DuPont PSM (personal safety management) & PSRM (process safety and risk management). The Company was also awarded a rating of 3.2 by the DuPont external auditors. The management makes sure that high HSE standards are upheld in all aspects related to policies, procedures and trainings.

Refer to chapter 02, for further details regarding the year 2012 HSE performance & GRI-Labor practices, decent work performance indicators and product safety and environmental indicators.

For further details of Year 2011 HSE performance & GRI-Labor practices & decent work performance indicators, Product safety and environmental indicators, refer to chapter 02.

innovation & risk taking

EPCL empowers its employees to take an active role in their own development by taking on challenges. The Company always seeks to strengthen their services by designing innovative solutions that involves risk-taking.

In 2007, EPCL initiated its recent expansion and back integration project. In 2010, EPCL was the only fully integrated chemical complex in Pakistan. The Company not only markets Caustic Soda, Hypochlorite and other related products, it is also the only manufacturer of PVC in Pakistan and is listed on all three of the countries stock exchanges.

The year 2012 marked another milestone for EPCL; the Company established a full load, sustainable VCM plant operation. The first VCM exports took place in Dec, 2011 and production increased by 49% the same year.

Refer chapter 03, for further details of the financial performance, business review & GRI Economic Indicators for the year 2012.

our people

With 450 employees by the end of 2012, EPCL considers human resources as its most valued asset. As a responsible employer, the Company endeavors to guarantee the highest occupational health and safety at work. The Company also provides excellent career support services, compensation benefits, employee training and skill development to motivate and promote the development of its employees. Moreover, EPCL encourages open dialogue, has

various policies in place regarding fair treatment and offers work-life balance seminars.

EPCL's Employee Engagement Survey 2011, provided an insight into the key factors that affect employee engagement. These factors include, leadership, communication and information exchange, quality and customer focus, performance management system, training and development etc.

Refer to chapter 04 for further details regarding Human Resource related activities, GRI-Labor practices, decent work performance and Human Rights Indicators for the year 2011.

community and society

EPCL has established various programs to foster community development by means of social economic programs that focus on improving lives of those in surrounding communities. The key stakeholders, management, employees and partners provide benefits by participating and committing their investments within society, keeping in line with the corporate investment rules.

Moreover, EPCL acts as a responsible corporate citizen by making an effort to assist the under-privileged members of their society via social welfare programs and assisting community during times of crisis and disasters.

The Company's Corporate Social Responsibility Policy and Strategy centers on the environment, water conservation, education and awareness for improving surrounding communities is a reflection of the Company's core values.

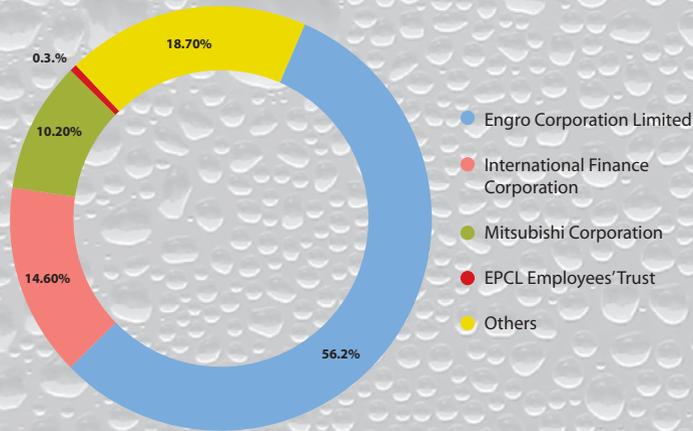
In 2012, the budget allocated for CSR activities was Rs. 4.07M and this money was spent on efforts to improve the environment & water conservation, flood rehabilitation activities in the upper and lower Swat regions. Specifically, EPCL set up hydropower units at various villages that helped produce electricity, which aided development and brought about a change in these villages.

The Company invested heavily in the 'Go Green Drive' as well as their water conservation programs such as the installation of Demand Based Irrigation Schemes in Galiat, KPK. These water conservation programs helped to promote the usage of PVC pipes that conserve water. As a result of these programs certain areas that had great crop potential now have access to water. Consequently, their storage issues were also combated as a result of these programs and there was a noticeable increase in crop yield consuming minimal water.

Refer to Chapter 05, for further details of CSR activities & GRI- Society Performance Indicators for the year 2011.

Engro Polymer & Chemicals Limited (EPCL) was established in 1997 and is the only fully integrated Chlor-Vinyl Chemical Complex in Pakistan. It is involved in the manufacturing, marketing, and distribution of PVC and Chlor-Vinyl products.

EPCL shareholding (%)



The Company initially manufactured PVC based on imported Vinyl Chloride Monomer (VCM). Then to enhance the product range, the Expansion & Back Integration Project was initiated in the year 2007 with an investment of US \$260 million.

High quality Ethylene base Vinyl Chloride Monomer (VCM) and Ethylene Dichloride (EDC) are now being produced at the largest Chlor-Vinyl Complex, which uses state-of-the-art technology and is backed by Cryogenic Ethylene and VCM storage at EVTL. This technological innovation has increased productivity; self-reliance and assisted EPCL to acquire a larger customer base – both locally and internationally. Additionally, a dedicated distribution fleet has been designed to ensure that all valued customers across the country receive timely supplies of the highest quality products.

The PVC industry has enhanced Pakistan's economic growth by reducing dependence on imports and earning from exports. Moreover, the local salt industry has accelerated the progress of the under-developed areas in Thar, Sindh.

Expansion has also offered a significant number of direct as well as indirect jobs associated with the chemical and PVC industry.

Products	Manufacturing Capacity
PVC Resin	150,000 T
Caustic Soda	106,000 T
Sodium Hypochlorite	20,000 T
Ethylene Dichloride	230,000 T
Vinyl Chloride Monomer	220,000 T
Hydrogen	36,000,000 Nm ³
HCL	59,000 T

Table 1.1: Products & Manufacturing Capacity 2012

Plant Inputs		Plant Outputs	
Gas	127 million Nm ³ /Annum	PVC	146 KT/Annum
Water	4 million M ³ /Annum	Caustic Soda	107 KT/Annum
Steam	359 KT/Annum	Sodium Hypochlorite	21 KT/Annum
Salt	160 KT/Annum	VCM	146 KT/Annum
Ethylene	74 KT/Annum	EDC	110 KT/Annum

Table 1.2: Product an Plant manufacturing capacities 2012 (Plant Inputs & Plant Outputs)

Key Highlights 2012	
Net Revenue (Rs.)	20,446 M
Gross Profit (Rs.)	3,453 M
CSR Spend (Rs.)	4,07 M
Loss Work Injury (LWI)	0
Man Hours	3.39 M
Man Hours since last LWI	10.6 M

Table 1.3: Key Highlights 2012

accreditation

An accreditation is a standard through which an organization establishes practices that are consistent with international guidelines. EPCL strives to achieve the reputation of a responsible corporate citizen as well as an efficient organization; competing to strengthen its position as a market leader in the area of production and employee engagement by aligning its operations with international standards. Detailed information about the Company's effort to maintain international standards is outlined below.

dupont alignment

DuPont's Process Safety system has been acknowledged as one of the top safety management systems worldwide. In 2011, EPCL attained a DuPont rating of 3.2 in the Personnel Safety Management Systems (PSM) audit, and above 3.0 in Process Safety and Risk Management (PSRM) in 2010.

This system thoroughly outlines every aspect of the safety guidelines relating to the safety of process, safe work procedures, risk management, quality assurance, guidance on safety and manufacturing and transportation of highly hazardous chemicals in accordance to OSHA and EPA regulations.

ems-ISO 14001 certification

The Company acquired ISO 14001 Certification via United Registrar of Systems Ltd. (URS), which is endorsed by United Kingdom Accreditation Services (UKAS). Accordingly, the Company has amplified its focus on Health, Safety and Environmental policies.

qms-ISO 9001:2008 certification

The Company was able to acquire the ISO 9001-2000 Certification in 1999 which meant increased customer satisfaction via documented systems and procedures, raising the bar of standards fulfilling challenging objectives by training personnel. In the year 2010 and subsequently in 2012, the Company was able to obtain ISO 9001:2008 Certification for PVC Manufacturing and Marketing. The Surveillance Audit was of extreme implication and no NCR was reported during the audit.

gri certification

GRI is a network-based association which pioneered the world's most commonly used sustainability reporting framework. It focuses on the continuous advancement and worldwide use of sustainability reporting, and the Company is the first organization in Pakistan to qualify for the Global Reporting Initiative (GRI). This

certification aids EPCL in contextualizing the reporting framework according to a standardized pattern and plan, as well as reporting and evaluating sustainability reports in an improved manner. In 2009 and 2010 the evaluation was done by a third party and the Company secured an A+. Subsequently in 2011 and 2012 the evaluation was carried out on a self-evaluation basis and the Company secured an A+.

credibility

Through decades of serving its valuable customers, EPCL has maintained its position as a dependable employer and corporate citizen – not once compromising on guaranteeing a delivery of excellence in all areas of its mandate. It has attained a considerable level of credibility in terms of the previously mentioned areas and continues to strive for excellence.

best corporate report awards 2012

EPCL has been nominated for this award for 3 consecutive years. In 2011 the Company achieved second position, whereas in 2012 it achieved fourth position at the ICAP-ICMAP Best Corporate Award ceremonies for reporting on the Company's sustainability and financial results of the past. The Assessment Committee for the Annual Report was directed by Chairman FCA and FCMA and was judged based on a satisfactory establishment of clearly stated corporate goals.

The decisive factor for the award was the transparent disclosure of information concerning stakeholders, financials, Directors' Report and corporate governance.

un global compact

The Company formally signed the UNGC in 2010 to partake in the initiative. This meant that EPCL had officially committed itself to follow the ten values stated in the Compact. EPCL entered this contract in order to achieve the highly esteemed worldwide standard of sustainable and socially responsible policies under the umbrella of the UNGC Global Compact. The Company partook in the UNGC Master Training Program as one of the principal participants amidst the chosen 20 candidates for the US ESCAPE PROGRAM held in March 2011. Moreover, the Company reported its First Communication on Progress in 2012 from the time when it had become a signatory of the UNGC.

EPCL makes an effort to work within a principle-based structure with the UNGC that unites the hard work of other UN agencies, civil societies and local labor groups to oppose human rights abuses, deterioration of the environment and corporate dishonesty.

setting sails

We provide all the support to weather the storm and provide a smooth sail.

For any corporation with a reputation to uphold, an ethical perspective is the first and foremost priority: a well-crafted, clean-cut path with the sole purpose of ensuring transparency and accountability every productive step of the way, along with fair practices for employees and customers and dissemination of information amongst the employees, stakeholders, external bodies and the public.

EPCL is an organization that has set an example in practicing a sense of Ethics and Integrity in all of its operations since its establishment. It ensures transparency and accountability from the point of inception of a product to its after sale and focuses on the development of its employees into responsible adults. It is one of the few Companies, which has no financial ambiguity with a rigorous auditing and reporting framework aids in keeping the system transparent and clear.

A Board Audit Committee (BAC) and HR & Remuneration Committee have also been established to assist EPCL Board of Directors in monitoring and analyzing critical business risks.

governance

Driven by the highest governance standards of integrity and transparency and zeal to accomplish business goals and optimize individual performance, EPCL has aligned its governance framework to the industry's best practices. The Board of Directors, senior management and principal Board Committees place significant emphasis on internal controls and ensure every employee is a part of the governance system and is required to adhere to clearly laid out policies and procedures.

Governance affects the way we direct our Company and safeguard the interests of the stakeholders. The Company's overriding mission is to develop a flexible, broad-scoped structure for corporate governance founded on the principles of efficient managerial oversight and accountability in all matters.

It understands the essentiality of conducting its business in an atmosphere that is open and transparent with the goal of improving working relationships and enhancing trust in the operation of its affairs. Unless there are compelling reasons to the contrary, the Company provides all relevant information to its employees, stakeholders, external bodies and the public.

EPCL separately discloses all its related party transactions on a quarterly basis as per requirements of financial reporting framework applicable in Pakistan. The interests of stakeholders are also safeguarded through the annual independent audit

and half yearly review conducted by external auditors who are appointed by shareholders themselves. The management has also established an independent audit function for the continuous improvement of the Company's overall internal control environment. The internal audit department monitors the effective implementation of the control activities applied across the Company through the audit plan which is prior approved by the Board Audit Committee.

We at EPCL are firmly committed to the following policies:

- ▶ Insider Trading
- ▶ Statement of Best Practices
- ▶ Statement of Business Ethics
- ▶ Conflict of Interest
- ▶ Directorships in Non-Affiliated Organizations
- ▶ Health, Safety, Environment
- ▶ Statement of Internal Control
- ▶ Competition Policy
- ▶ Transactions with Related Parties
- ▶ Human Resources Management
- ▶ Gifts & Business Entertainment
- ▶ Whistleblower - Speak Out

corporate audit function

The Internal Audit function carries out reviews on the financial, operational and compliance controls, and reports findings to the Board Audit Committee, Chief Executive and the concerned divisional management.

The Office of Internal Audit provides assurance to the Audit Committee concerning the adequacy of disclosure, transparency of data, internal controls, and risk management. The emphasis is on preventive, creative investigation and auditing that conforms to international standards and good Corporate Governance. The ultimate purpose is to facilitate continuous development and a greater awareness of the need for preventive measures within the organisation. The Board Audit Committee receives reports on the system of internal controls from internal and external auditors and reviews the process for monitoring the effectiveness of controls.

board of directors

aliuddin ansari | chairman

Muhammad Aliuddin Ansari is the President & Chief Executive Officer of Engro Corporation since May 2012. He is a graduate of Business Administration with a specialization in Finance & Investments. Ali started his career as an Investment Manager at Bank of America in London which later became Worldinvest after a management buyout. He worked as CEO Pakistan and later as COO Emerging Europe for Credit Lyonnais Securities Asia (CLSA). He has also worked as CEO AKD Securities and was instrumental in launching Online Trading, Venture Capital and Private Equity investments in Pakistan. In 2006 he partnered with an Oil & Gas company to form Dewan Drilling, Pakistan's first independent Drilling company which he led as its CEO before joining Engro.

Ali is a member of the Board of Directors of Engro Corporation Limited, Engro Fertilizers Limited, Engro Eximp (Private) Limited, Engro Eximp AgriProducts (Private) Limited, Sindh Engro Coal Mining Company Limited, Dawood Hercules Corporation Limited, Dewan Drilling Limited, Dewan Petroleum (Private) Limited, Pakistan Chemical & Energy Sector Skill Development Company and Pakistan Business Council. He has chaired a number of SECP committees and also served on the Boards of the Karachi Stock Exchange, NCCPL, Lucky Cement and Al Meezan Investment Management amongst others. He joined the Board in 2012.

khalid s. subhani | president & chief executive

Khalid S. Subhani is the President and Chief Executive Officer of Engro Polymer & Chemicals Limited, and Senior Vice President for Engro Corporation Limited.

He is a Director on the Boards of Engro Corporation Limited, Engro Fertilizers Limited, Engro EXIMP (Private) Limited, The Hub Power Company Limited, Laraib Energy Limited and Pakistan Japan Business Forum. He is Chairman on the Board of Engro Polymer Trading (Pvt) Ltd. He has also served as Chairman on the Board of Avanceon in the past.

Mr. Subhani began his career in the Manufacturing Division at Exxon Chemical Pakistan Limited in 1983 and has held a variety of leadership roles within the Company, including long term assignment with Esso Chemical Canada. He has served as Manager for New Projects, General Manager for Operations, Vice President for Manufacturing, Senior Vice President for Manufacturing and New Ventures and as President & Chief Executive Officer for Engro Fertilizers Limited.

He is a member of the Pakistan Engineering Council, Business Advisory Council of the Society for Human Resource Management (SHRM) Forum Pakistan, Faculty Selection Board of Institute of Business Administration - Sukkur, and Standing Committee on Environment of Federation of Pakistan Chambers of Commerce & Industry. He has also been a member of Federal Government's Committee on Dawood Engineering College rejuvenation and American Institute of Chemical Engineers.

He graduated from NED University of Engineering and Technology, Pakistan with a degree in Chemical Engineering and has completed programs on advance management from MIT and Hass School of Business Management, University of Berkeley, USA.

kimihide ando | director

Kimihide Ando was posted as General Manager for Pakistan, Mitsubishi Corporation in April 2010. This is his second assignment to Pakistan, the 1st of which was during 1998 – 2003. He has a Bachelor of Liberal Arts degree from the International Christian University, Tokyo and joined Mitsubishi Corporation, Japan in 1982. He has spent most of his career in the Chemical Group. During his tenure, other than Pakistan he was assigned to Egypt, Iraq, Saudi Arabia, Malaysia and Indonesia, and has diverse experience in Marketing, Chemicals, HRD and Manufacturing. He is also Director of Tri-Pack Films Limited. Moreover, he is Vice Chairman of PJBFB (Pakistan Japan Business Forum) and is also a President of OICCI (Overseas Investors Chamber of Commerce and Industry) and Trustee of FDSK (the Foundation for Diffusion of Scientific Knowledge). He joined the Board in 2010.

shahzada dawood | director

Shahzada Dawood serves as a Director on the Boards of Dawood Hercules Corporation Ltd, Engro Corporation Ltd, DH Fertilizers Ltd, Dawood Corporation (Pvt) Ltd, Engro Foods Ltd, Engro Powergen Ltd, Engro Powergen Qadirpur Ltd, Engro Vopak Terminal Ltd, Pebbles (Pvt) Ltd, Patek (Pvt) Ltd, Sirius (Pvt) Ltd and Tenaga Generasi Ltd. He also serves as a Director of Dawood Lawrencepur Ltd and Engro Fertilizers Ltd. He is a Trustee of The Dawood Foundation, which is one of the largest public charitable trusts in Pakistan, supporting education and health initiatives. He serves as a Member of the Board of Governors of the National Management Foundation, the sponsoring body of Lahore University of Management Sciences (LUMS). Mr. Dawood is an M.Sc. in Global Textile Marketing from Philadelphia University, USA, an LLB from Buckingham University, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance.

waqar ahmed malik | director

Waqar had a distinguished career spanning over 27 years in the chemical industry with the ICI plc group, UK and later with Akzo Nobel in Pakistan and the UK. In the last 15 years he has held senior leadership positions with these groups, which included Chief Executive of ICI Pakistan Limited, Chief Executive and Chairman Pakistan PTA Limited (now Lotte Pakistan Limited).

His other current engagements are Chairman of Sui Southern Gas Corporation and Director of IGI Insurance Limited. He has also served as Director on the Board of State Bank of Pakistan, Oil & Gas Development Company Limited, President of the Overseas Investors Chamber of Commerce & Industry and Management Association of Pakistan.

An Alumnus of Harvard Business School and INSEAD, Waqar is a Fellow of the Institute of Chartered Accountants in England & Wales.

He joined the Board in 2007.

israr ahmad | director

Israr Ahmad holds a Masters Degree in Economics and is a Chartered Accountant from the Institute of Chartered Accountants in England & Wales. He has a diversified experience of working in senior management positions in multinational and large Pakistani Organizations, having served as Finance Director, Supply Chain Director and Head of Business Unit at Reckitt Benckiser (previously Reckitt & Colman), Managing Director, Haleeb Foods Limited, (previously CDL Foods Limited), as well as having been the Financial Advisor at Indus Motor Company Limited. He is on the Boards of Cyan Limited (formerly Central Insurance Company Limited) and Dawood Hercules Corporation Limited (formerly Dawood Hercules Chemicals Limited), where he was the Chief Executive till recently. He joined the Board in 2006.

afnan ahsan | director

Afnan Ahsan is the Chief Executive Officer of Engro Foods Limited since 2011.

Mr. Ahsan has an extensive career of 20+ years in leading multinationals like Coca-Cola, Pepsi Cola and Nestle. He brings with him a wealth of experience and learning in Business Management across several geographies namely South Africa, Canada, South East Asia and Pakistan. His expertise includes Mergers & Acquisitions, Marketing, Sales, Food & Beverages, Manufacturing and Supply Chain Management. He holds an MBA in Finance & Marketing from Arkansas State University, USA.

Prior to joining Engro Foods, Mr. Ahsan was working with Nestle as Senior VP, & Business Executive Manager in Philippines leading their Beverages Business. During his career with Nestle he has also been involved in the water & ice cream businesses. He joined the Board in 2012.

takashi yoshida | director

Mr. Takashi Yoshida has been with Mitsubishi Corporation for 28 years and has held several positions during this time. He is currently the General Manager for Mitsubishi Corporation's Chlor Alkali Unit and has a degree in Economics from the Keio University Japan. He Joined the Board in 2010.

shabbir hashmi | director

Shabbir Hashmi has more than 30 years of project finance and private equity experience. At Actis Capital, one of the largest private equity investors in the emerging market, he had led the Pakistan operations. Prior to Actis, he was responsible for a large regional portfolio of CDC Group Plc for Pakistan and Bangladesh. He also had a long stint with USAID and later briefly with the World Bank in Pakistan, specializing in planning and development of energy sector of the country. Apart from holding more than 24 board directorships as a nominee of CDC/Actis in the past, he is currently serving as an independent director on several companies from manufacturing to financial services. He is also on the board of governors of The HelpCare Society which is operating K-12 schools in Lahore for underprivileged children. He is an engineer from Dawood College of Engineering & Technology, Pakistan and holds an MBA from J.F. Kennedy University, USA.

naz khan | director

Naz Khan is the Chief Financial Officer at Engro Corporation Limited. Prior to her current position, she also worked as Chief Executive Officer of KASB Funds Limited. Her association with Pakistan's capital markets spans over 19 years during which she has been actively involved in primary as well as secondary markets for both debt and equity securities. She has also held key positions of Executive Director, Head of Money Market and Fixed Income, Head of Investment Advisory Division and Co-Head of Investment Banking Division at KASB Securities Limited, where she led major capital market transactions on the debt and equity side. Ms. Khan has also worked as a consultant for the Asian Development Bank on Mortgage Backed Securities.

Principle Committees	Scope
▶ Principle Board Committees	
<ul style="list-style-type: none"> ▶ Board Audit Committee ▶ HR & Remuneration Committee 	<p>EPCL's Board of Directors have set up a Board Audit Committee (BAC) that comprises of four non-executive directors as members and the Corporate Audit Manager as the Secretary. The Committee is required to meet on a regular basis, at least once in each quarter, prior to the appraisal of interim results of the company. Special meetings are also held at the request of any member of the committee, management or external or internal auditors.</p> <p>The Board Audit Committee is one of the most critical governing bodies. It ensures adequacy of the financial reporting process, maintains the integrity of internal audits and control systems, assesses the effectiveness of risk management strategies as well as monitors compliance with SECP regulations.</p> <p>Refer to LA3 indicator of our people section.</p>
▶ Principle Operation Committees	
<ul style="list-style-type: none"> ▶ Management Committee ▶ Corporate HSE Committee ▶ Committee for Organization & Employee Development ▶ Salary & Compensation Committee ▶ Business Control Groups ▶ Unit Control Groups ▶ Inquiry Committee 	<p>Refer to innovation & risk taking section.</p> <p>Refer to LA6 indicator of HSE section.</p> <p>Refer to LA3 indicator of our people section.</p> <p>Refer to LA3 indicator of our people section.</p> <p>An integral component of the system of management control at EPCL is the Business Control Group (BCG) which is subdivided into 14 Unit Control Groups (UCG). The objective of BCG is to strengthen employee knowledge of processes and policies as well as to create an online dialogue on the same. The BCG consists of the management team and meets bi-annually to review the concerns raised by the UCGs.</p> <p>Every employee at EPCL participates in UCG meetings which are held by each UCG group on a quarterly basis. The concerns raised by UCG are then sent to Corporate Audit Department. The principal focus of the UCG is to highlight any control and ethical issues which are then resolved at the BCG.</p> <p>In order to ensure an environment where individuals, regardless of gender, ethnicity or other factors are provided equal opportunities and an environment conducive to employee efficiency, the Inquiry Committee has been formulated to ensure that no harassment or derogatory act towards an employee is carried out. It also guarantees a work environment which is professional and transparent.</p>

society performance indicators

aspect: corruption

SO2: Percentage and total number of business units analyzed for risks related to corruption

Response – 100%.

EPCL has a risk based control program in place governed by the Board Audit Committee.

The code of conduct, which is in compliance with the CCG, examines the following Company policies:

- ▶ Business ethics, business practices, conflict of interest, insider trading policy, competitive policy, whistle-blower policy, gifts and business entertainment policy, directorship in non-affiliated commercial, industrial and financial organization and statement of internal control
- ▶ System of internal audit
- ▶ Risk evaluation exercise (done on a yearly basis as per COSO guidelines)
- ▶ Self-assessment & compliance monitoring programs

SO3: Percentage of employees trained in organization's anti-corruption policies and procedures

Response – 100%.

In 2012, all employees were trained companywide on ethics and business control. These policies are certified by employees on a yearly basis and are part of the orientation package as well. Unit Control and Business Control groups are also in place.

SO4: Actions taken in response to incidents of corruption

Response – None.

aspect: public policy

SO5: Public policy positions and participation in public policy development and lobbying

The Company participates through proper government ministries and forums, e.g. Ministry of Industry, Commerce, OICCI and others.

SO6: Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country

Response – None.

aspect: anti-competitive behavior

SO7: Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes: None

Note: EPCL's competitive policy is in place. Also, the Company complies 100% with Competition Act 2010.

aspect: compliance

SO8: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

Response – None.

product safety indicators

aspect: marketing communications

PR6: Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship

Market communication programs and materials are reviewed by the Marketing and Corporate Communication teams, and comply with all laws and regulations as well as the Company's ethics policy. This includes product marketing information on product packaging, newsletters' literature, product advertisements, billboards, news releases, etc.

PR7: Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotions, and sponsorships, by types of outcomes

Response – None.

aspect: customer privacy

PR8: Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

Response – None.

aspect: compliance

PR9: Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

Response – None.



engropolymer & chemicals

thirst to thrive

We surf the tides and battle the storm with great commitment.



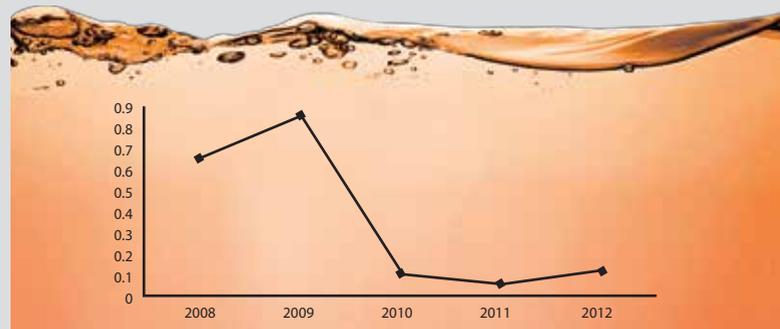
health, safety & environment

EPCL has always prioritized the health and safety of its employees and guaranteed the sustainability of the direct environment. The organization passionately commits resources to the education and training of its employees on all facets of HSE.

In 2012, the Company's management held a strong commitment towards safe business operations and was devoted to achieving excellence in safety by employing world class safety systems such as Dupont, PSM (Personal Safety Management), and PSRM (Process Safety and Risk Management). The Company has already attained a rating of 3.2 by the Dupont Safety Management System in 2011.

This year, there was a higher level of involvement in ensuring safety throughout the Company in order to successfully fulfill the enactment of the Behavioural Safety Management System'. The dedicated and concentrated approach to safety has resulted in a safe & healthy work setting and has also promoted employees to assume safety as natural behavior, therefore ensuring their own well-being and that of their families and co-workers.

Total Recordable Incident Rate (TRIR) 2008-2012



Graph: 2.1-Total Recordable Injury Rate (TRIR) 2008-2012

labor practice & decent work performance indicators

aspect: occupational health & safety

LA6: Percentage of total workforce represented in formal joint management-worker health & safety committees that help monitor and advise on occupational health and safety programs

Response – 100% compliance to HSE Policy & programs. Different forums exist in the organization for manufacturing and non-manufacturing operations. They are as follows:

- ▶ **corporate health, safety & environment committee**
It is crucial to repeatedly evaluate the organization's provisions for health & safety in the work place and to make every effort possible to improve it. In order to accomplish this objective, the Company has formed various committees that examine different factors relating to health, safety and the environment. The Corporate Health, Safety and Environment Committee plays a major role in the organization's health, safety & environment. It is headed by the Company president and all executives are members. The committee's mandate includes direction setting, policy making, as well as the development and monitoring of future road maps in HSE.
- ▶ **manufacturing hse committee:**
The HSE Committee evaluates HSE performances on a monthly basis. HSE policy compliance & adherence to HSE procedures are reviewed. Leading & lagging indicators are monitored as well. There are two types of leading indicators, Process safety and Personnel safety indicators. Areas where strengths are demonstrated are shared along with the areas where more focus is required. A thorough review – comprising of safe operating index, recommendation status, management safety audit compliance and emergency response drills recommendation status is conducted.
- ▶ **sub-hse forum**
The Sub-HSE forum reviews the safety & operability of any modifications done at the Plant. There are different types of forums to address the personnel safety management and process safety management. An occupational health and industrial hygiene forum also exists.
- ▶ **d-level forum**
The D-Level forum is at the shop floor level, and involves all employees and contractors. The mandate of the forum is to discuss HSE issues and previous incidents, sharing OHIH procedures. The focus is on discussing one's own area safety issues. Minutes of the meeting are issued and the best "D" level committee is rewarded on an annual basis.
- ▶ **b-level forum**
The B-Level forum comprises of the departmental manager, unit manager and other members. It is a senior level forum which addresses issues that are not in the domain of "D" level forum.

▶ **non-manufacturing hse committee**

EPCL reached several safety milestones in 2012, including a zero recordable injury rate and the winning of the “President’s Award for Best Safety Performance 2012- Non Manufacturing” by Engro Corp. This was the second consecutive year for this award to be won by the Company.

EPCL was also awarded the WWF Green Office certification. Green Office is an environmental initiative by WWF which encourages organizations to be eco-friendly and aims to reduce the office’s ecological footprint.

The Non-Manufacturing Health Safety & Environment Committee (NMHSE) at EPCL exceeded its target in achieving a non-manufacturing FAFR (Fleet Accident Frequency Rate) of 1.41, against a targeted objective of 1.82 during 2012. It also achieved its target of zero spillage in Caustic Soda & EDC deliveries & transfers.

Additionally, another milestone achieved was the attainment of ‘ISO-9001:2008’ certification for the Company in 2012.

The dedication to safety also resulted in the implementation of the Driving Safety Policy and a ‘Safe Driving’ certification for all Sales, Admin & Logistics drivers through CNT (Consult and Train).

The focused approach to safety at the Company will continue through 2013 to ensure the safety of our team and enabling us to be one of the best and safest places to work.

▶ **psm contractor committees**

PSM Contractor Committees function for both operating and non-operating areas and representatives from contractors play a vital role in these meetings. The committee performs under the chairmanship of the Maintenance manager.

LA7: Rates of injury, occupational diseases, lost days and absenteeism, and number of work related fatalities

For the year 2012, Total Recordable Incident Rate (TRIR) is 0.12; No occupational disease; work related fatalities, absenteeism reported during the reporting period. Safety and Health Statistics for the year 2011-2012 are as stated below:

HSE Statistics	2011	2012
NEQS violation	1	1
Near Miss	802	881
Operational Upset	38	8
VCM Leaks	19 (minor)	27 (13 minor, 14 medium)
Avg Unsafe Situations/Audit Hrs.	7.56	8.272

Table: 2.1 - Safety & Health statistics 2011-2012

LA8: Education, training, counseling prevention & risk-control programs in place to assist workforce members, their families or community regarding serious diseases.

EPCL is a dependable and accountable employer and ensures safety for employees, their families and the community within which EPCL subsists. Moreover, efforts are made to ensure a favorable working environment for those groups mentioned above. Furthermore, training and counseling is made available to these groups in an effort to create an environment that will render more productive employees and a continually successful organization.

EPCL employs extensive preventative measures and urges its employees to participate. By holding occupational health and the provision of medication in high regard, the Company extends the best conceivable protection for the safety and health of its employees.

There are certain risk control, safety and industrial hygiene, as well as other related programs in place. Some of them are outlined below:

▶ **psm/psrm programs**

In accordance with the highly sensitive mode of operations at the Company, our safety policies are aligned with DuPont’s Personnel Safety Management (PSM) and Process Safety & Risk Management (PSRM) Safety System. The general safety procedures concerning construction, commissioning, startup and the operation of the perilous process units are delivered under the DuPont system framework.

PSRM entails several standards relating to the Process Safety Information, Safe Work Practices, Ensuring Mechanical Integrity, Safe Handling, Manufacturing, Storing and Transporting of reactive chemicals in accordance with OSHA and EPA regulations.

▶ **occupational health & industrial hygiene program**

EPCL is devoted to set up a structure that prevents injuries to its workforce and stakeholders during operations. It lays a great emphasis on occupational health and industrial hygiene while working towards the fulfilment of this objective. Occupational Health encompasses health protection, health promotion and the ability to proactively forecast the possibility of occupational discomfort via monitoring and analysis, in order to endeavor for its prevention.

Health protection is attained by exercising industrial hygiene and is also acknowledged as the art and science of recognizing the risks to health in a workplace. Moreover, it is the process of assessing these risks and ultimately recommending controls for minimizing harmful exposure of the workers.

▶ **emergency response program**

The operational processes at EPCL require information regarding safety and emergency responses in order to ensure a safe working environment for their employees as well as the immediate environment within which it operates. A detailed package regarding all chemicals consumed at the Company and the essential retorts in case of an emergency is distributed to all neighboring organizations. These precautionary measures ensure the least possible loss of

property and most importantly lives. The organization advocates for safety and to ensure the security of surrounding companies hence the Company has associated itself with the neighboring organizations.

In accordance with PSRM Guidelines, the Organization has categorized conceivable emergencies according to their enormity, probability and consequence. In simpler terms, the broader the geographical bearing of the emergency, the larger the reaction and consequently, risk of the emergency. A Level 1 Emergency is announced in the circumstance that the bearing of the accident is set apart from the geographical boundaries of the plant. A Level 2 Emergency is announced in the circumstance where the accident surpasses the geographical boundaries of the plant and presents a direct threat to the external environment.

To guarantee a fast reaction and be able to contain any potential emergency aptly, the Organization has a purpose built Emergency Control Center (ECC).

LA9: Health and safety topics covered in formal agreements with trade unions
 There is no trade union therefore no agreements exist

Note: Our service contracts and agreements cover HSE specific clauses.

product safety performance indicators
 aspect: customer health and safety

PR1: Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures

The manufacturing division handles the impact of the production process on health and safety carefully and painstakingly. Further, MSDS are provided for all customers.

PR2: Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes

Response – None.

aspect: product and service labeling

PR3: Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements

For PVC, customers already have MSDS for the grade that they particularly use. COA is arranged on a need basis for customers on specific lots that are shipped to them. In case of Caustic Soda, an analysis report is provided with the product. Safety guidelines are also given to ensure and educate the customer on how to safely

dispose of the product through MSDS. Customers are also given caustic safe decanting training as well as handling posters. In addition, MSDS are also presented on the website.

PR4: Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by types of outcomes

Response – None.

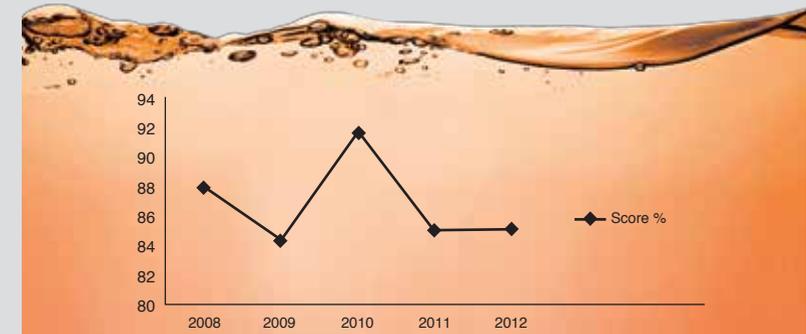
PR5: Practices related to customer satisfaction, including results of surveys measuring customer satisfaction

Customer Satisfaction Surveys are conducted yearly in order to acquire constructive feedback.

Product specifics, delivery schedules and technical support are other areas in which customer needs are assured in order to provide optimal satisfaction. The Customer Complaint Report (CCR) System ensures that all customer complaints are voiced and it is monitored regularly to confirm that these grievances are taken care of. Revised methodology for the surveys involves third party validation, in-person interviews with customers and more. A third party carried out the most recent survey, in order to obtain feedback for the year 2010.

EPCL fervently believes in defending the environment from the unfavorable consequences of development and human actions. It prioritizes the environment as one of its fundamental values and makes every effort in its reach to ensure a comfortable and healthy planet for our generation as well as future generations. A growth in business development subsequently escalates the level of industrial growth, which has unfavorable effects on the environment. Through its several projects and programs warrants, the company alleviates the threats of environmental degradation.

Environmental Performance Scores



Graph: 2.2-Environmental Performance Scores 2011-2012

Note: The Environmental Performance Scores monitors the parameters of effluent quality, emissions quantity, natural resources and GHG emissions on the basis of performance.

environmental performance indicators

aspect: material

EN1: Materials Used by Weight or Volume

The material used by weight and volume for the year 2012 is as follows:

Material	Quantity	Unit
Natural Gas	127411653.1	M ³
Steam	360410.38	Ton
Water	3454747.5	M ³
Salt	169168	Ton
Ethylene	69384.45	Ton

Table: 2.2-Material used by weight and volume

EN2: Percentage of Materials Used that are Recycled Input Materials

Response – Nil.

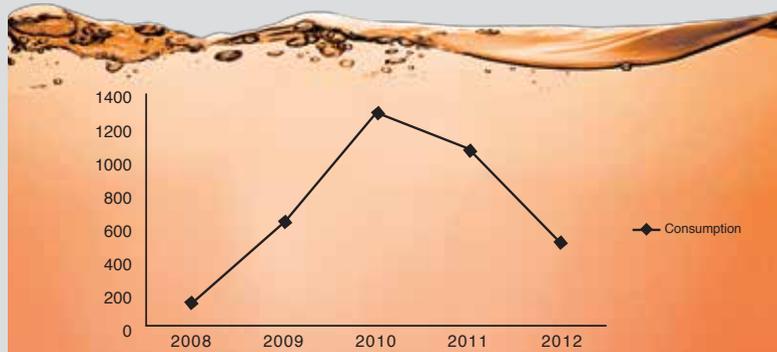
aspect: energy

EN3: Direct Energy Consumption by Primary Energy Source

For 2012, the Gas Consumption= 127,411,653.08 m³/Annum of Natural gas as fuel
The Gas consumption m³/Tons of PVC from 2007 to 2012 are as follows:

PVC production for 2012 = 145766.7
Gas consumption m³/ton of PVC= 515.2 m³/ton
Gas consumption (M³/T PVC)

Gas Consumption (M³/T PVC)



Graph: 2.3-Gas Consumption data 2008-2012

Note: The major difference in operation can be observed within the year of 2009-2010. The Power Plant in question was commissioned after 2008, during the Back Integration Project.

EN4: Indirect Energy Consumption by Primary Source

EPCL does not consume & purchase any indirect energy.

EN5: Energy Saved Due to Conservation and Efficiency Improvements

Given below is the Energy Conservation for the years 2011-2012:

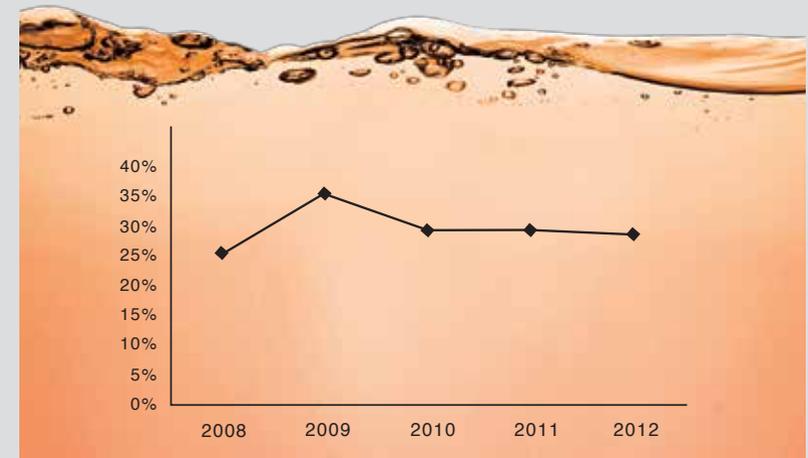
Reduction of load of CT-II from 5 pumps to a 4 pump operation saves 600 Kwh/hour power. New steam trap installed which will save approximately 1 ton of steam, saving 22464 MMBTU/year.

Table – Energy Conservation Comparison

Elimination of STG Bypass Condenser	2010	2011	2012
Energy Saved (MWhr/Annum)	3200	3033	5184

Table: 2.3-Energy Conservation Comparison

Gas Turbine Efficiency (%)



Graph: 2.4-Gas Turbine Efficiency for the year 2008-2012

EN6: Initiatives to Provide Energy Efficient or Renewable Energy-Based Products and Services, and Reductions in Energy Requirements as a Result of these Initiatives

Response – None.

EN7: Initiatives to Reduce Indirect Energy Consumption and Reductions Achieved

Initiatives to reduce the indirect energy consumption include reductions achieved through carefully selecting energy-efficient materials, substituting phone, video conferences for travel.

Note: Reduction has not been calculated in numerals for the year, 2012.

aspect: water

EN8: Total Water Withdrawal by Source

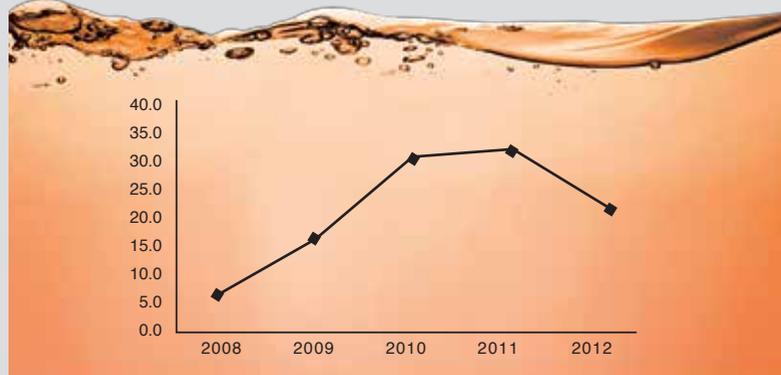
The Water withdrawal from Kinjhar Lake for the year 2012 is 3454747.68 m3/annum.

The water withdrawal in m3/Tons of PVC from 2011 to 2012 is as follows:

PVC production in 2012 = 145766.7 tons

Water Withdrawal = 23.7 m3/tons of PVC

Water Consumption for the year 2008-2012:

Water Consumption (M³/T PVC)


Graph: 2.5-Water consumption for the year 2008 - 2012

Note: The increase in water consumption for the year 2012 was due to the increase in production.

EN9: Water Sources Significantly Affected by Withdrawal of Water

Response – Kinjhar lake.

EN10: Percentage and Total Volume of Water Recycled and Reused

Response – Nil.

aspect: biodiversity

EN11: Location and Size of Land Owned, Leased, Managed in, or Adjacent to, Protected Areas and Areas of High Biodiversity Value outside Protected Areas

Response – EPCL planted 5 acres of mangrove plantation (refer EN12 for details).

EN12: Description of Significant Impacts of Activities, Products, and Services on Biodiversity in Protected Areas and Areas of High Biodiversity Value outside Protected Areas

Response – Mangrove Rehabilitation Program, Port Qasim Karachi.

EPCL has planted mangroves along the shorelines of the Arabian Sea. The initiative was taken in 2005 with the help of WWF Pakistan and 100,000 saplings have been planted.

The Company is using plant effluent for the plantation of mangroves. The water is considered healthy for mangrove plantation. Presently more than 100,000 mangroves are thriving on the designated site along the coast.

EN13: Habitats Protected or Restored

Response – Mangrove in Port Qasim Area (Refer EN12 for details).

EN14: Strategies, Current Actions, and Future Plans for Managing Impacts on Biodiversity

Response – Refer SO1 & EN12 for details.

EN15: Number of IUCN Red List Species and National Conservation List Species with Habitats in Areas Affected by Operations, by level of Extinction Risk

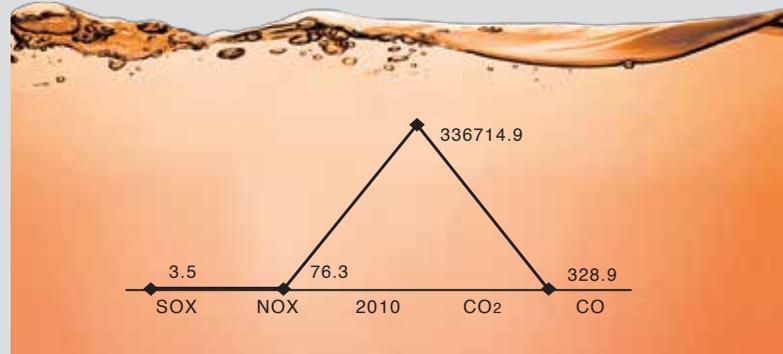
Response – None.

aspect: emissions, effluents & waste

EN16: Total Direct and Indirect Greenhouse Gas Emissions by Weight

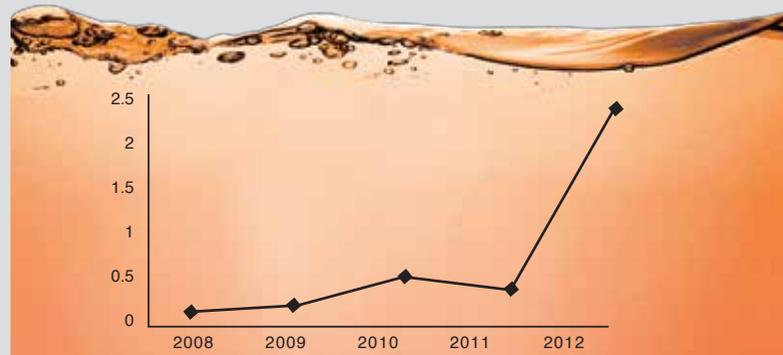
Response – The GHG Emissions for the year 2012 is 336714.9 T/Annum of CO₂.

GHG Emissions (T/KT PVC)



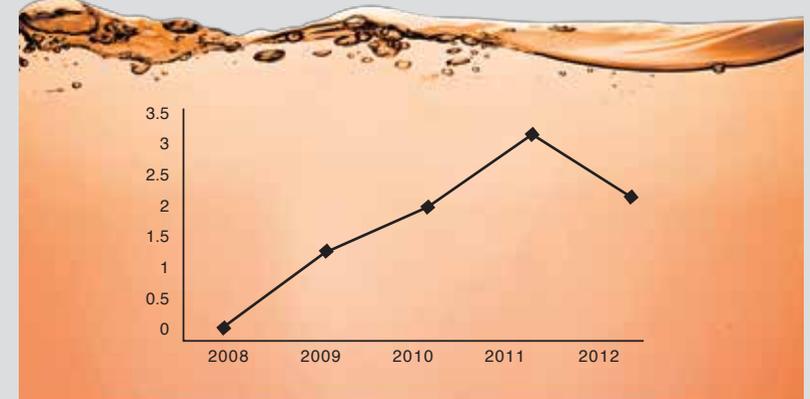
Graph: 2.6-GHG Emissions for the year 2012

CO (T/KT PVC)



Graph: 2.7-CO Emissions profile from the year 2008 to 2012

CO₂ (T/T PVC)



Graph: 2.8-CO₂ Emissions profile from the year 2008 to 2012

Note: The CO₂ for the year 2012 increased due to the increase in production of caustic soda in 2012 which as a result increased the consumption of the gas hence the rise in emission of CO₂.

Note: Since we moved to SGS from PRD for emission monitoring from the stacks, significant change was observed in the results which resulted in increase of CO in emission.

EN17: Other Relevant Indirect Greenhouse Gas Emissions by Weight

Response – None.

EN18: Initiatives to Reduce Greenhouse Gas Emissions and Reductions Achieved

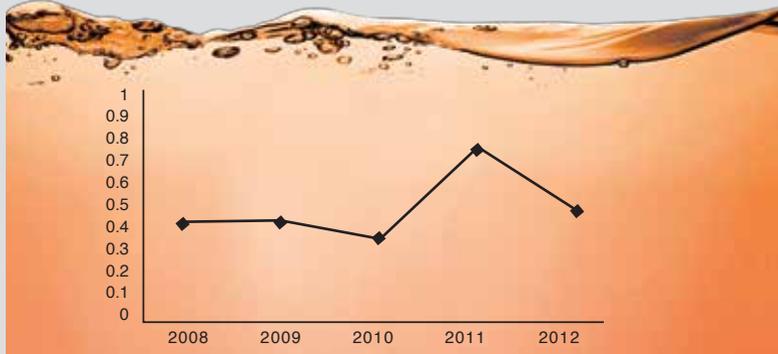
Projects include Hydrogen firing at VCM Plant furnace.

Refer Indicator S01-Go Green Drive.

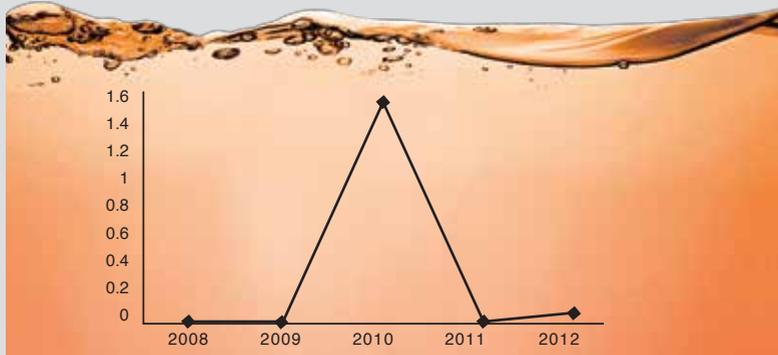
EN19: Emissions of Ozone-depleting Substances by Weight

Response – None.

EN20: NO_x, SO_x and Other Significant Air Emissions by Type and Weight
 The NO_x and SO_x emission for the year 2012 are as follows:

NO_x (T/KT PVC)

 Graph 2.9-NO_x Emissions profile from the year 2008 to 2012

Note: The NO_x for the year 2012 increased due to the increase in production of caustic soda in 2012 which as a result increased the consumption of the gas hence the rise in emission of NO_x.

SO_x (T/KT PVC)

 Graph 2.10-SO_x Emissions profile from the year 2008 to 2012

EN21: Total Water Discharge by Quality and Destination

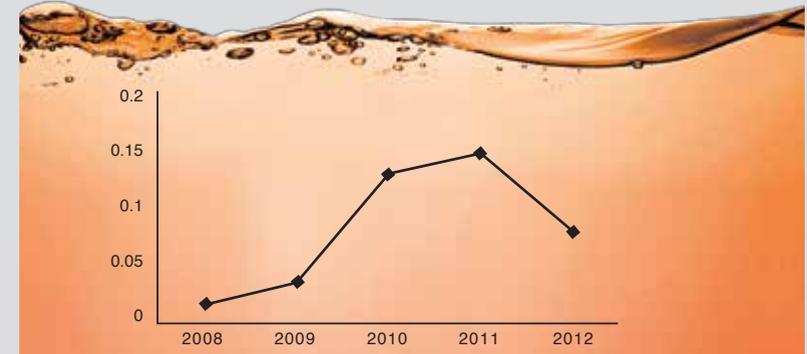
One of the primary causes of environmental degradation is the unprocessed industrial waste water that pollutes the main arteries of the state and/or the ocean. The Company is dedicated in its quest of environmental sustainability and has devoted considerable resources to ensure the disposal of water in a manner that is safe for the environment. The main venture for reinstating water consumption is achieved by installing the Aerobic Bacteria based system of water treatment. This ensures that the water is treated inside the Plant before it is disposed of.

It holds that in the approaching years, when all of its environment related projects are in their concluding stage or have already been accomplished, there will be no margin for environmental damage. This will include the eradication of the NEQS excursion. Moreover, there will be no need for the Non-Conformity Report (NCR) related to the environment and its services as a result of environmental mishaps.
 Total Wastewater Discharge Effluents = 1752000 m³/annum.

Total Water Discharge	2010	2011	2012
Wastewater Discharge (m ³) NEQS)	1,603,080	1,752,200	1,752,000

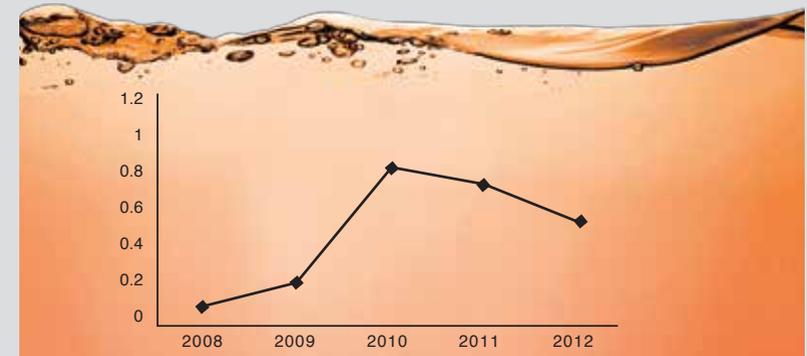
Table 2.4-Wastewater discharge from the year 2010 to 2012

The water discharge effluents for the year 2008 to 2012 are as follows:

Bio-chemical Oxygen Demand (BOD) (T/KT PVC)


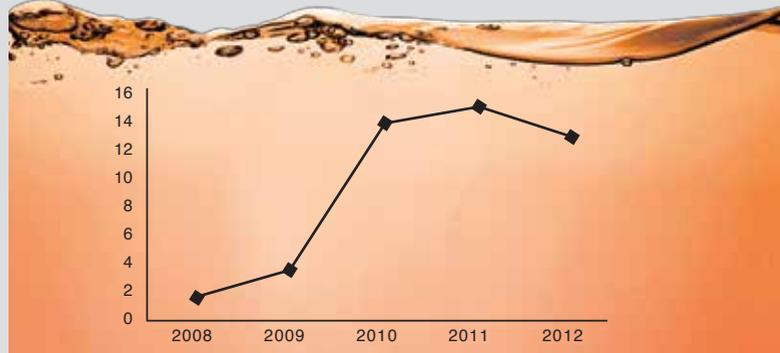
Graph 2.11-Bio Chemical Oxygen Demand Emissions profile from the year 2008 to 2012

Note: The Bio-chemical oxygen demand for the year 2011 increased due to four more plants operating as compared to previous years.

Chemical Oxygen Demand (COD) (T/KT PVC)


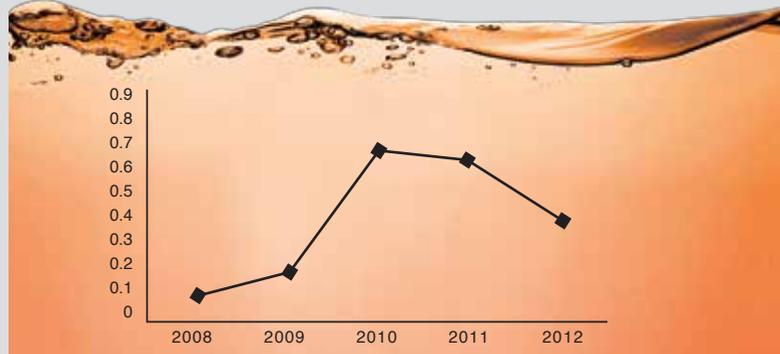
Graph 2.12-Chemical Oxygen Demand Emissions profile from the year 2008 to 2012

Total Dissolved Solid (T/KT PVC)



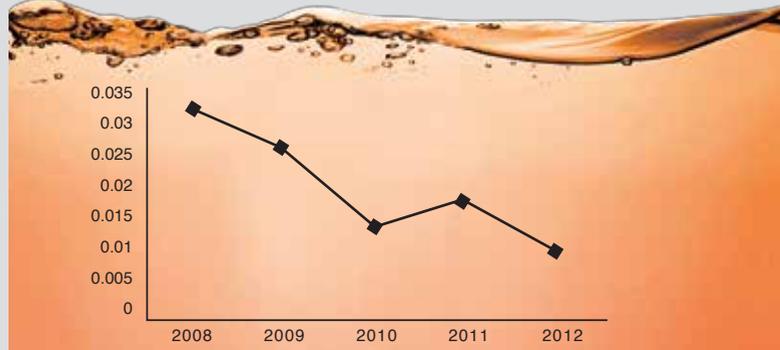
Graph 2.13-Total Dissolved Solid Emissions profile from the year 2008 to 2012
Note: The Total Dissolved Solid for the year 2012 increased due to four more plants operating as compared to previous years.

Suspended Solid Emissions (T/KT PVC)



Graph 2.14-Suspended solid Emissions profile from the year 2008 to 2012
Note: The Suspended Solid for the year 2012 increased due to four more plants operating as compared to previous years.

VCM in Effluent (Kg/KT PVC)



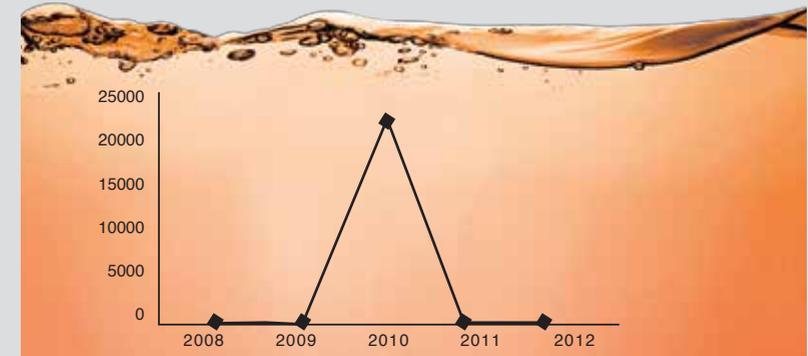
Graph 2.15-VCM in Effluent from the year 2008 to 2012

EN22: Total Weight of Waste by Type & Disposal Method

The hazardous and non-hazardous wastes for the year 2012 were 27.3 T / KT PVC and 35.74 T / KT PVC respectively.

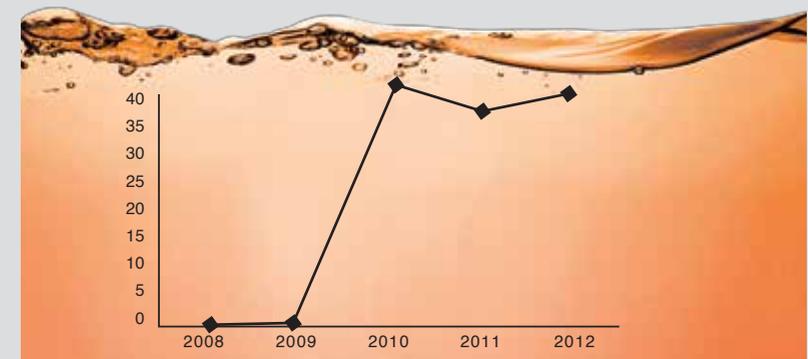
The hazardous and non-hazardous wastes for the year 2008 – 2012 are as follows:

Hazardous Waste (T/KT PVC)



Graph 2.16-Hazardous Waste Emissions profile from the year 2008 to 2012

Non Hazardous Waste (T/KT PVC)



Graph 2.17-Non Hazardous Waste from the year 2008 to 2012

EN23: Total Number and Volume of Significant Spills

Description	2010	2011	2012
Number of Spills	21	14	19
Volume of Spills (litres)	1101	600	609.6

Table 2.5-Total Number and Volume of significant spills from the year 2010 to 2012

EN24: Weight of Transported, Imported, Exported, or Treated Waste Deemed Hazardous Under the Terms of the Basel Convention Annex I, II, III and VIII, and Percentage of Transported Waste Shipped Internationally

Response – Refer EN-29 for details.

EN25: Identity, Size, Protected Status and Biodiversity Value of Water Bodies and Related Habitats Significantly affected by the Reporting Organization's Discharges of Water

Response – None.

aspect: product & services

EN26: Initiatives to Mitigate Environmental Impacts of Products and Services, and Extent of Impact

Refer to SO1 (Go Green Drive) for further details.

environment conservation

The Company's efforts to preserve the environment involve waste effluent handling, namely solid and liquid waste disposal, incinerator revamping, CFC replacement and Hydrogen firing.

environment impact assessment

EPCL has formed a system to distinguish the environmental aspects of its activities. The practice to detect substantial environmental effects includes normal operating conditions, shutdown and start up situations and a conceivable state of emergency. The Company has a thorough Environmental Management System (EMS) set up to control the eco-friendly setting. This system is endorsed and frequently audited by ISO14001-2004.

energy conservation

The energy that is expended by the Company is produced from its own Combined Cycle Power Plants that are powered by natural gas. Moreover, Hydrogen gain as by-product of the Chlor-Alkali Plant is used as an alternative for energy.

EN27: Percentage of Products Sold and their Packaging Materials that are Reclaimed by Category

Response – None.

EN28: Monetary Value of Significant Fines and Total Number of Non-monetary Sanctions for Non-compliance with Environmental Laws and Regulations

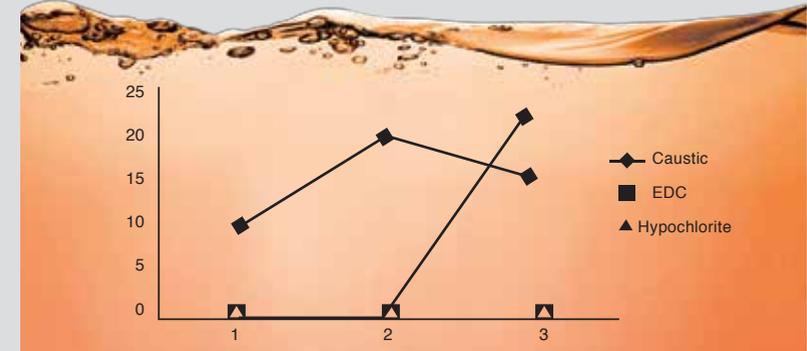
Response – None.

aspect: transport

EN29: Significant Environmental Impacts of Transporting Products and Other Goods and Materials Used for the Organization's Operations, and Transporting Members of the Workforce

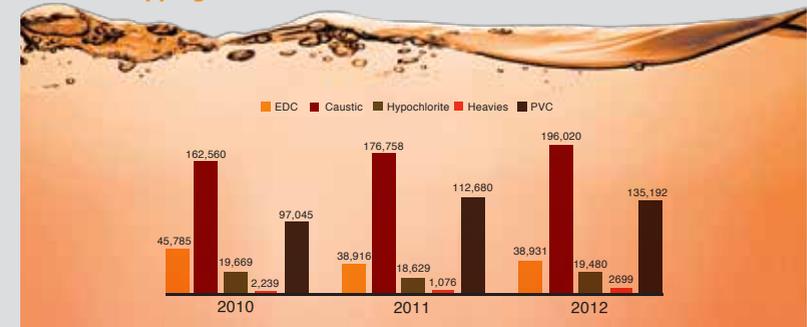
AT EPCL the products are handled through logistic support, not only for deliverance to customers but also for transfer within warehouses. By maintaining the quality of product and logistics, EPCL is striving for safe deliverance.

Loss of Containment (LMT)



Graph 2.18-Loss of containment data from the year 2008 to 2012
Note : There were no EDC and Hypochlorite Spills during these years.

Material Shipping (T)



Graph 2.19-Material Shipping from the year 2010-2012

EN30: Total Environmental Protection Expenditures and Investments by Type

EPCL's total spending towards the implementation of the environmental initiatives amounts to US\$ 4.4 million during the Back Integration project in 2009. Other investments include:

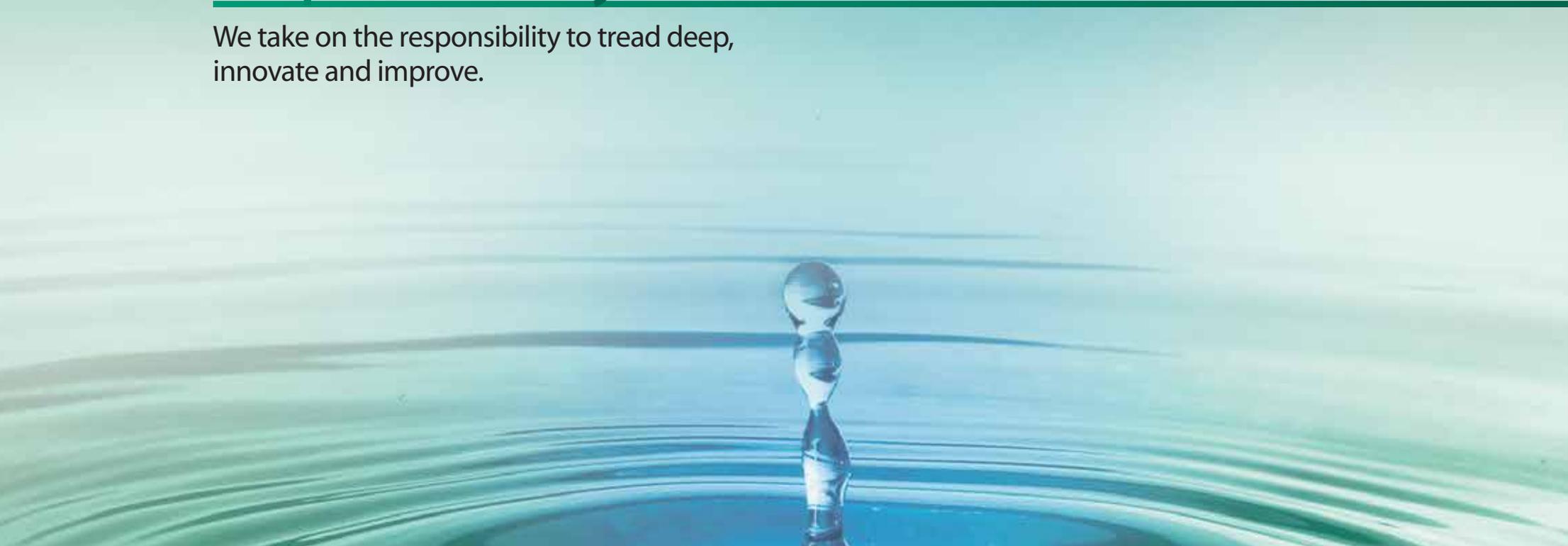
Expenditure & Investment	2011	2012
External services for environmental management and certification ISO 14001	Rs. 0.09 M	Rs. 0.09 M
Fine for non compliance with environment regulation	None	None
Disposal of hazardous waste	>Rs.1M	>Rs.1M
Disposal of non hazardous waste	Rs. 1,578,400	Rs. 2,325,8700
Environmental monitoring cost	Rs. 0.322M	Rs. 0.469 M

Table 2.6-Expenditure & Investment from the year 2011 to 2012



tides of responsibility

We take on the responsibility to tread deep,
innovate and improve.



introduction

The concept of employee idea generation and calculated risk has always been widely encouraged. The organization strongly believes in empowering employees and promotes the exploration of new dimensions of operations, including taking risks and learning from the outcome. It is an accepted notion that not all risks will result in success, however it is the effort that leads up to the execution that births innovation and new avenues that EPCL can explore.

Established in 1997, Engro Polymer & Chemicals Ltd. is the only fully integrated Chlor-Vinyl chemical complex in Pakistan. The Company embarked on a large scale project, the Expansion & Back Integration project, in 2007 with the aim of expanding the existing product range offered under the umbrella of EPCL. This was concluded successfully in 2010 with the introduction of new facilities catapulting the Company towards new heights and thus setting new bars of excellence.

The Company currently has the capacity to produce 150 kilo tons of PVC and 106 kilo tons of Caustic Soda per year as well as 20 kilo ton of Sodium Hypochlorite every year. In the domestic market PVC resin is mainly used to manufacture PVC pipes, shoes, cable compounds, packaging materials etc. Caustic Soda is largely used in textile industry for processing, soap industry as a raw material, as well as several other industries for water treatment. Sodium Hypochlorite is used extensively as a bleaching agent and disinfectant for water treatment.

The Company has recently expanded its array of products with domestic sales of Hydrochloric Acid and Hydrogen, which are high value by-products produced at the production facility.

With stable production at all plants since the second half of 2011, the Company is now working towards high return projects within the existing production facilities that would help reap further economic value. Additionally, the Management of the Company is continuing to focus on ensuring stable operations of existing plant facilities and optimizing performance across all facets of the business.

management committee (MC)

The Management Committee analyzes and aims to fulfill long term strategic goals as well as oversees capital and expense budgets and evaluates possible expansion plans. Moreover, one of the Management Committee's primary objectives is to channel the risk management process effectively through internal administration. The MC reviews innovative albeit risky projects and scrutinizes the intricacies involved and encourages such endeavors.

business analysis

The year 2012 saw a significant improvement in manufacturing operations. The Company produced 146 kilo tons of PVC and VCM which respectively constitutes a 21% and 49% increase in production over the last year. Caustic Soda production during the year was 107 kilo dry metric tons. The continuous focus of the management to ensure safe and stable operations has shown material improvements and the management's sharp focus in this area continues.

Focused sales and market development strategies backed by stable production resulted in achieving a healthy growth in sales volumes over prior years. The

estimated PVC market share of the Company during 2012 increased from around 70% to approximately 79%. EPCL has a market share of approximately 35% in the Caustic Soda domestic market. The Company has a strong customer base within and outside Pakistan which is more than sufficient to sell all of its production. During the year the Company availed export opportunities to acquire good margins and exported 6 kilo dry metric tons of Caustic Soda.

Whilst the pipe sector continued to be the largest consumer of PVC, other sectors like shoes, electric cable, packaging sectors etc. also showed growth during the year. PVC demand in Pakistan continues to be derived from the agriculture, construction and infrastructure development sectors. Primary focus of the Company is to sell PVC in the domestic market while the surplus production is exported.

During 2012, PVC margins remained dampened due to lower demand and cost push pressures. Economic slowdown in major PVC consuming countries like China, India and the Euro Zone resulted in lower international PVC prices, whereas, international Ethylene prices continued to be on the high side because of globally high crude oil prices in the wake of geo-political tensions and supply side constrains.

PVC's excellent economic cost to performance ratio continues to make it a choice for many industries globally in a number of applications, mainly pipes, which is evident from rising global capacities to meet demand growth.

Stable VCM production led to high production volumes due to which the Company exported 13 kilo ton of VCM during the year.

In Q4 2012, the Company entered into an arrangement and initiated sale of Hydrogen to a company located at Port Qasim which will add value to the margins of the Company. Going forward the management of the Company plans to continue to maintain its focus on safe and stable plant operations coupled with improving operational efficiencies across all aspects of the business. The objective will be to reap optimal economic benefits of the integrated operations.

Products	Applications
PVC Grades	
AU 67 S	Soft sheet, garden hose
AU 72	Artificial leather, wire coating, garden hose, geo-membrane
AU 67 R	Pipe, soft sheet, window profiles etc.
AU 60	Rigid sheet, pipe fittings
Caustic Soda	Dyeing and mercerizing in textile, FFA removal from edible oil & ghee, soap
Sodium Hypochlorite	Water treatment, detergents, denim bleaching, paper bleaching
Hydrogen	Linde commercially sells this product to the industry
HCL	Pickling, oil well acidizing, water treatment, cleaning, food processing, medicine.

Table 3.1-Product & Application Description

It is envisioned that the demand for PVC will rise at a steady rate whilst the demand for Caustic Soda will remain stable in 2013, though the energy crisis is expected to influence them.

Product	PVC (K tons)	Caustic Soda (K tons)	Sodium Hypochlorite (K tons)	VCM (K tons)	EDC (K tons)
Production Volume	122	100	19	98	104
Sales Volume	113 (Domestic) 11 (exported)	87 (Rest used in-house to produce Hypo-Chlorite)	19	3 (Exported)	15 (Exported)

Table 3.2 – Production & Sales Volume for 2012

sustainability of PVC use

Market Development & Sustainability of PVC industry in Pakistan

PVC downstream industrial development in Pakistan is a key for the growth of Engro Polymer & Chemicals Ltd. To create this growth, the Market Development department was constituted in 2012. Activities were started across Pakistan to promote various PVC products. These included the promotion of PVC pipes & fittings in the Government of Pakistan departments dealing with bulk water supply, sanitation & agriculture.

Market Development pushed the use of PVC pipes as a more reliable solution to water supply & sewerage in mega building projects and bulk water supply bodies. Throughout the year, the Market Development team engaged top officials & decision makers at various WASAs and water boards in Punjab & Sind. This resulted in the installation of PVC pipes for the first time in WASA schemes in Lahore.

The Market Development team also ventured to introduce new PVC based products in Pakistan. A major milestone was achieved when local PVC medical grade films were successfully introduced at one of the largest foreign pharmaceutical company in Pakistan for blister packaging of medicines. This film was previously imported by all major multinational pharmaceutical companies in Pakistan. While this product could be produced locally by ATS, many other MNC's & local pharma groups are now trying out this local product.

The team also promoted local panaflexes with printers & dealers and with MNCs such as Unilever & P&G. This resulted in increased volumes for the local manufacturer who projects a growth of 128% in 2013 sales volumes.

Another sustainable activity was the conversion of Jaffer Brothers, a local "High Efficiency Irrigation System" provider to use locally manufactured PVC pipes rather than imported ones. This approach resulted in maximizing sale of local pipes used in irrigation systems through an established market of Jaffer Brothers, which plans to cover over 2000 acres of irrigation land with HEIS in 2013.

Market Development has also been focusing on promotion of innovative products such as PVC doors & windows with leading architects & construction companies. These are long lasting products that can withstand corrosion and are easy to install. With success stories around the globe, Pakistani construction industry is also warming up to these innovations and soon these will be found installed in homes & offices across the country.

economic performance indicators

aspect: economic performance

EC1: Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments

Engro Polymer and Chemicals Limited Consolidated Statement of Value Addition For the year ended December 31, 2012

	2012		2011	
	Rs. in '000	%	Rs. in '000	%
Wealth Generated				
Gross Sales and Other Income	24,343,438		20,201,791	
Materials and Services Purchased	(17,025,571)		(14,376,559)	
	<u>7,317,867</u>	100%	<u>5,825,232</u>	100%
Wealth Distributed				
Employees	1,022,453	14%	856,759	15%
Salaries, wages and other benefits				
Society	2,296	0%	7,096	0%
Donations and other CSR activities				
Providers of Finance	1,659,061	23%	1,758,750	30%
Finance costs				
Government	3,377,611	46%	2,746,423	47%
Income tax, Sales Tax, Duties, WWF and WPPF				
Retained within business	1,256,446	17%	456,204	8%
Retained earnings, Depreciation and amortization				
	<u>7,317,867</u>	100%	<u>5,825,232</u>	100%

EC2: Financial implications and other risks and opportunities for the organization's activities due to climate change

The management is engaged in identifying the risks and opportunities related to climate change and the emphasis is given on streamlining our processes to reduce carbon emissions, effluent discharge and utilization/consumption of natural resources below the acceptable levels. A certain amount of the budget has also been allocated to HSE, however, financial implications are not currently measured.

EC3: Coverage of the organization's defined benefit plan obligation

Detained benefit plans: Pension Fund and Gratuity Fund (met through a fund held and maintained separately from the resources of the organization)

other benefits: Provident Fund

On the basis of actuarial valuation reports, adequate coverage of the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them.

Equal contribution is made by both the Company and employees to the Provident Fund at 10% of basic salary. (Audit Plan: Compliance with IAS 19)

EC4: Significant financial assistance has been received from the government

EPCL has been fairly self-sufficient in the current year and no significant financial assistance has been received. The imposition of custom duties on imports by the government has given an edge to the domestic manufacturers.

EC5: Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operations

Local minimum wage – Rs. 8000/month with effect from May 1st 2012

The organization has both permanent and contractual employees

Local minimum wage is observed across all locations of operations

Entry level wages apply at all locations; it is around 150% of the local minimum wage. Ratios calculated are exclusive of bonuses, overtime, retirement benefits and others.

EC6: Policies, Practices and proportions of spending on locally-based suppliers

Due to the nature of our business which is dependent on imports of input products, the percentage would not give a true and fair view of our preference for local vendors in other areas. For all goods and services that can be easily procured locally as per our acceptable standards, we prefer local vendors. The situation varies from case to case.

EC7: Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation

Engro Polymer & Chemicals Limited believes in equal opportunity employment. The hiring criterion is as per procedure at all locations of operations. All employees are selected on the basis of merit without any biases or prejudice.

(Refer to People section GRI indicators of Human Resource and Labor Practice and Decent Work Performance for further details.)

EC8: Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement

Refer to Chapter Community & Society and GRI-Society Indicator – SO1 for details.

EC9: Understanding and describing significant indirect economic impacts, including the extent of impacts

Refer to Chapter Community & Society and GRI-Society Indicator – SO1 for details.

high spirits and high tides

We value our talent pool and strive
to strengthen our internal community.



OUR PEOPLE

EPCL regards its human resources as its most valuable asset. It is not the brand identity that sustains the organization but the people who comprise it. They form the organization, promote its growth and stimulate its success. The organization maintains its workforce as one of the principal factors that contribute to its success. Towards the end of 2012, the Company had roughly 450 employees. As a responsible employer, the Company appreciates its work force and does not cut costs at the expense of a safe and healthy work environment. Moreover, numerous policies have been implemented to promote a fair functioning atmosphere that promotes freedom of speech and opinion.

The company empowers its human resources to perform in a driven, professional and competent manner. In order to reach that goal, it presents benefits in the form of compensation that can compete with any other organization operating at a similar level. It believes in maintaining a steady balance among personal and professional lives of individuals and thus provides its employees with a chance to acquire knowledge and expand their skill sets and ensure personal as well as professional growth.

Variations in the external environment have encouraged the Human Resources at the company to accept flexibility and have advanced into becoming more systematic and open to dialogue within the workforce. The organization is an equal opportunity employer and gives people the opportunity to grow and evolve within the company.

labor practices & decent work
performance indicators

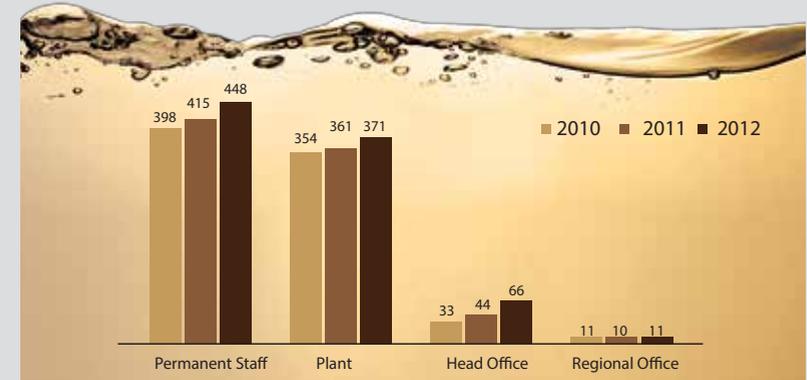
aspect: employment

LA1: Total workforce by employment type, employment contract, and region

recruitment strategy

EPCL functions within the framework of a proactive recruitment approach to guarantee appropriate hiring, by keeping both ongoing as well as future business goals in mind. During 2012 EPCL hired 101 new employees. The deployment of individuals in different functions of the company is presented below:

Total Employees (2010-2012)

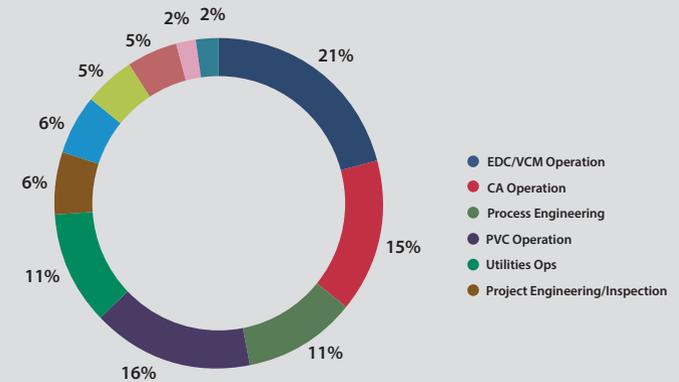


Graph 4.1-Recruitment for the year 2010 and 2012

LA2: Total number and rate of employee turnover by department

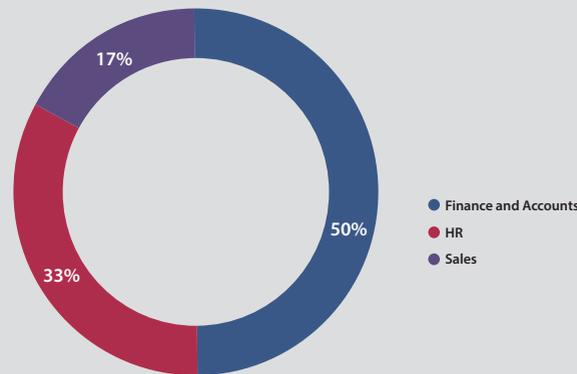
Displayed below is a representation of the employee turnover rate displayed in terms of manufacturing and non-manufacturing divisions.

Attrition-2012 (Manufacturing)



Graph 4.2: Attrition-2012 (Manufacturing)

Attrition-2012 (Non-Manufacturing)



Graph 4.3: Attrition-2012 (Non-Manufacturing)

LA3: Benefits provided to full-time employees that are not provided to temporary or part-time employees by major operations

hr & remuneration committee (hrrc)

The HR & Remuneration Committee is responsible for reviewing and recommending all elements of the Compensation system, as well as the organization and employee development policies relating to senior executives including members of the Management Committee. It reviews the key human resource initiatives and the organizational structure of the Company. The President attends HRRRC meetings by invitation, and the Committee met 4 times during 2012.

committee for organization and employee development

The Committee for Organization and Employee Development (COED) aims to:

- ▶ Assess and approve salary actions and promotions for all employees and special raises for certain individuals
- ▶ Review merit and promotion increments
- ▶ Evaluate all compensation and HR related policy issues
- ▶ Assess and grant organizational chart for any variations in the structure, position capping, etc.
- ▶ Examine top talent and oversee sequential planning exercise

salary & compensation committee (SCC)

The Salary and Compensation Committee's duties consist of reviewing and granting salary actions (salary program already approved by COED and salary guidelines issued by HR) of Tier III and Tier IV employees.

compensation & benefits

EPCL awards its employees with rewards and benefits based on their level of deliverance, and consider it as an essential part of the business planning and management process. The following compensation and other benefits are provided by the Company:

Compensation related benefits

- ▶ HOAP
- ▶ Car Earn out
- ▶ Variable Pay Plan
- ▶ Compensation Car Monetization
- ▶ Service Incentive Plan
- ▶ Fuel Entitlement
- ▶ Utilities Allowance

Other benefits

- ▶ Medical and Dental Benefits
- ▶ Retirement Benefits
- ▶ Disturbance Allowance
- ▶ Housing Rent Advance
- ▶ Health and Life Insurance
- ▶ Investment Loan Plan
- ▶ Club Membership

Note: The benefits are compared to those received by full-time employees. Contractual employees are not covered in the reporting period.

LA4: Percentage of employees covered by collective bargaining agreements

Response – None.

LA5: Minimum notice period regarding operational changes, including whether it is specified in collective agreements

No trade union is present, therefore no agreement exists.

Note: Minimum number of weeks' notice – 04 for employees and contract positions however, if their services are found unsatisfactory by the company; it is the sole discretion of the company to terminate them with immediate effect. For services contract it varies but at least a month's notice is obligatory to be given prior to any termination.

aspect: training and education

LA10: Average hours of training per year per employee by employee category

technical skills training

Keeping in view the importance of training, the Manufacturing Division restructured the Training Department and the best plant resources were engaged to cover the training and development of all departments in the division. The year 2012 saw many improvements in the Training Department, it both developed and executed road maps which will continue in the coming years.

EDC /VCM plant technology, which is both unique and critical, started with the restructuring of the technical training program and SOP development. While medium and long term plans were being developed, in-house resources were utilized on an

immediate basis for enhancing the technical skills of key personnel. Various programs such as BELT (Basic Entry Level Training) were conducted. A full day training for the VCM plant was planned and execution started.

The assessment of training requirements was initiated by the development of Training Need Analysis (TNA) to benchmark technical/professional skills of the Manufacturing Division followed by Management of Personnel Change (MOPC) audit.

For Operations, being the key stakeholder amongst the Manufacturing, a skill certification system has been set up. In addition to this, for other Manufacturing departments, the Training Department has set in place technical and mechanical skills programs to help support safe operation at the Plants.

PEP sessions were planned and conducted for the development of managers and group leaders.

For entry level employees, such as Graduate Trainee Engineers & Trade Apprentices, a structured program was developed and a vigorous tracking mechanism was put in place which is stewarded by the Manufacturing Training Committee, headed by the Vice President Manufacturing on a monthly basis.

In order to make trainings effective and attractive, the Reward & Recognition Program was restructured. It now includes "Trainee of the Month and "Best Trainer" awards. The best employees among the Manufacturing division are rewarded on the basis of R&R program scoring.

The training department not only worked for its own employees, but also for the development of new talent. It arranged industrial visits for engineering university students in order to provide support to the institutes for the students study program.

Last but not least, feedback regarding the programs is received frequently, which helps judge the quality and nature of trainings. Training plans, effectiveness and overall achieved outcomes are discussed in monthly and quarterly meetings of Department Training Committees and Unit Managers Forum respectively.

managerial skills trainings

EPCL believes in providing opportunities to its workforce to better understand the volatility of the business environment. In regards to training and instruction, 2012 was a significant year for EPCL. Many soft-skill workshops and trainings were developed and executed in-house, keeping in view employee needs.

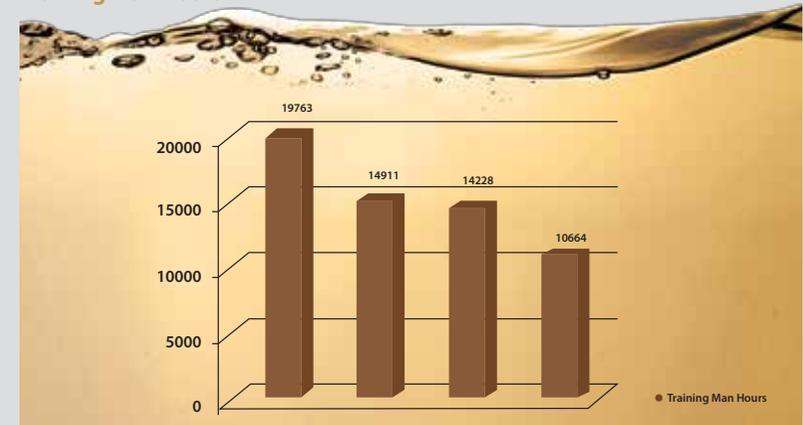
Amongst these, PAC Skills trainings were carried out with the aim of clarifying the performance management system. They were designed based on focus areas found in the 2011 Employee Engagement Survey. The Leadership Competency Model training was developed to familiarize employees with the core competencies required for success within the company. In addition workshops on Improving Personal Effectiveness were planned and conducted, and due to their success, will be expanded to include an array of relevant topics for participants in 2013. Lastly, the Diversity Workshop was rolled-out for Top Management and focused on harassment as well as the whistleblower policy keeping to date with the increasing number of women in the organization.

Much external training such as Finance for Non-Finance Managers and 7 Habits continued to be popular amongst employees in 2012.

The major in-house initiatives in training & development were designed to support employee development by targeting their specific needs and clarifying systems/processes essential to the organization. In 2012, one of the HR Dimensions in the Employee Engagement Index i.e. 'Training & Development' improved by 160% as compared to the industry norm.

For the year 2012, training hours dedicated towards both EPCL and contract employees are as stated below:

Training Man Hours



Graph 4.4-Training Man-Hours

Functional Training Man-Hours:

Non-Manufacturing training man-hours: approximately 23 hours per employee

Manufacturing training man-hours: approximately 16 hours per employee

LA11: Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career

training & advancements

EPCL believes in training their employees. Through training and development the workforce acquires the necessary knowledge and skills to perform their operations effectively. The Company ensures suitable training as it has dedicated a separate department for arranging in-house as well as outsourced trainings, seminars, orientations and conferences. Expert trainers have been hired to teach basic elements of effective training which include classroom trainings, field trainings, qualification testing, and use of lab skills etc.

A variety of soft-skill programs were planned for employees, both in-house and in the external public forum. These included courses on leadership, teambuilding, motivation, personal growth, stress management, problem solving, decision making, and others depending on organizational training requirements.

Going forward, a training framework has been developed to be executed and implemented in 2013.

LA12: Percentage of employees receiving regular performance and career development

100% employees received regular performance and career development.

performance assessment

A performance appraisal program is managed for all permanent employees of Engro Polymer & Chemicals Limited, who receive regular performance and career development reviews through quarterly appraisals, mid-year reviews and year-end appraisals.

career growth - talent review session

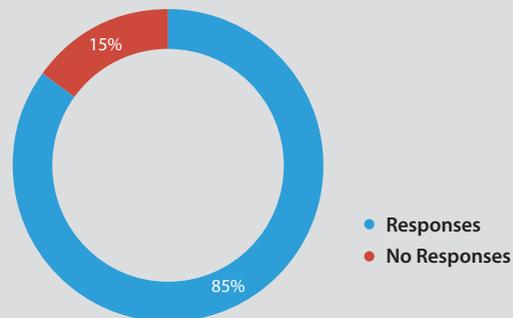
EPCL conducts a companywide talent review session every year. The talent of all employees is reviewed, upon which succession planning is conducted for employees of each department. The session focuses on the leadership competency model, performance management and change management throughout the organization. The leadership competency model is based upon reward management, assessment, selection/reassignment, learning and development, talent management and performance management of the employees. It enables the individual to find, adapt, and utilize the best practices as well as innovations and technologies from across the globe; thereby building global competitiveness in the organization.

employee engagement survey

In December 2012, the Employee Engagement Survey was conducted after a year's gap in order to gauge changes in employee engagement levels after the major initiatives undertaken by the top management during the year. The survey results provided an analysis and insights on factors affecting employee engagement levels within EPCL. All permanent employees were invited to participate, and the survey was organized by EPCL HR. The survey yielded an 85% response rate and the overall EEI in 2012 was 41%, an increase of 9 index points from 2011 (or 28% improvement). Employee engagement was measured taking into account HR Dimensions (causative factors of engagement), Drives (internal psychological states of engagement), and Outcomes (the external manifestation of engagement).

The graph below depicts the Engagement Survey responses, displaying the percentage of employees that completed the survey.

Engagement Survey Responses (%)



Graph 4.5-Engagement Survey Responses (%)

Human rights performance indicators

aspect: diversity and equal opportunity

LA13: Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity (as at end 2012)

Board of Directors:	9 males & 1 female
Age-Group:	34-65 years
Management Committee:	All males
Age-Group:	43-58 years

LA14: Ratio of basic salary of men to women by employee category

Response – No distinction based on gender.

Aspect: investment and procurement practices

HR1: Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening

None - Current contracts do not contain clauses related to human rights violation, however they need to be included. In the future, we will add clauses in our service contracts to ensure the prevention of discrimination on the basis of sex, color, religion, age, etc.

HR2: Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken

Response – None.

Note: All contractors are expressly advised to comply with labor laws.

HR3: Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

Response – All employees underwent ethics training: 100%.

Note: EPCL's orientation program covers Company corporate policies such as ethics. All employees get trained at the time they are inducted in the Company.

HR4: Total number of incidents of discrimination and actions taken

Response – No incident reported so far dealing according to the law.

HR5: Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights

Freedom of association is a legal requirement. The rights of a worker to form a collective bargaining agent (CBA) is also recognized, including for those who are working in contractual positions.

All employees of EPCL have the entitlement, by law, to associate in order to protect their right.

Aspect: child labor

HR6: Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor

All contracts clearly include particular clauses prohibiting the usage of child labor in and all endeavors undertaken by EPCL.

Aspect: forced and compulsory labor

HR7: Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor

Response – No such operation identified as yet.

Aspect: security practices

HR8: Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations

Currently, security personnel are not trained in this particular aspect; however the section pertaining to human rights will be included in future training programs. Security personnel will be trained through separate training sessions.

Aspect: indigenous rights

HR9: Total number of incidents of violations involving rights of indigenous people and actions taken

Response – None.

The canons of The Global Compact Initiative recommend the instilling of policies which urge corporations to foster a corporate culture within which the areas of human rights, labor standards, environment, and anti-corruption measures are respected. In December 2010, EPCL became a signatory with the United Nations Global Compact and subsequently ratified the principles of the UNGC following a course, "Training the Trainers", which aimed to enlighten the organization on the guiding principles of the UNGC.

UN global compact principles		relevant gri 3 indicators
Human Rights		
Principle 1	The organisation should support and respect the protection of internationally proclaimed human rights within its sphere of influence.	EC5, LA6-9, LA13-14, HR1-9, SO5, PR1-2, PR8
Principle 2	The organisations should make sure they are not complicit in human rights abuses.	HR9, SO5
Labor Standards		
Principle 3	Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.	LA5, HR5, SO5
Principle 4	Elimination of all forms of forced and compulsory labor.	HR1-3, HR7, SO5
Principle 5	The effective abolition of child labor.	HR1-3, HR6, SO5
Principle 6	The elimination of discrimination in respect of employment and occupation.	EC7, LA2, LA13-14, HR1-4, SO5
Environment		
Principle 7	Business should support a precautionary approach to environmental challenges.	EC2, EN18, EN30, SO5
Principle 8	Undertake initiatives to promote greater environmental responsibility.	EN1-30, SO5, PR3-4
Principle 9	Encourage the development and diffusion of environment friendly technologies.	EN2, EN5-7, EN10, EN18, EN26-27, EN30, SO5
Anti-Corruption		
Principle 10	Business should work against corruption in all its forms, including extortion and bribery.	SO2-SO6



engro polymer & chemicals

strengthening shores

We believe that it is our responsibility
to give back to the community.

Engro Polymer & Chemicals Limited's Corporate Social Responsibility strategy focuses on the environment, and more specifically water conservation and community involvement which are directly in line with the core values. EPCL aims to build its image as a leader in environmental conservation and sustainable business development, which operates responsibly and supports the communities in which it operates.

The Company strongly encourages individuals to make a positive economic impact that will result in the betterment of society's conditions. These programs are a vital component of the Corporation's operational mandate and help fulfill its duty as a corporate citizen.

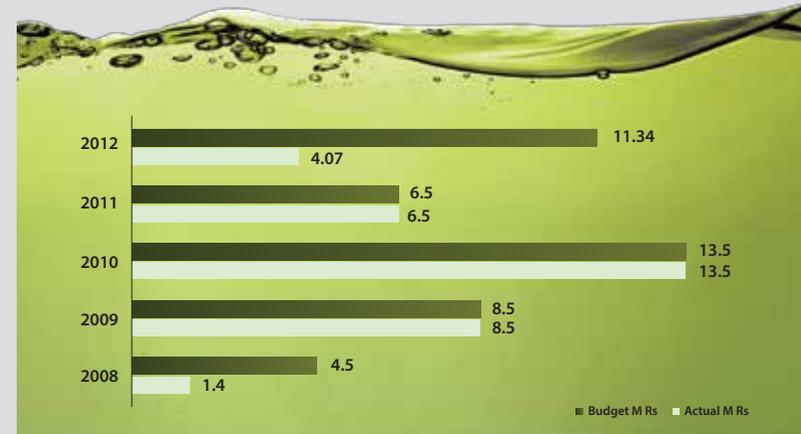
The underlying intent of the independent as well as collaborated efforts by the Company's stakeholders is ultimately to improve the conditions of the underprivileged sectors of communities neighboring its operations, society as a whole and areas affected by natural disasters. In continuation of the rehabilitation efforts of the previous year, EPCL set up two Hydro Power Units in Kalam during June 2012. The initiative has been successful in providing electricity and about 2300 people have benefited from this project up to date. The hydropower scheme was further extended to the regions of Kalam and Jalband to assist rural development.

The Company also introduced the Demand Based Irrigation System in Galiat, Abottabad in June 2012. DBIS is an efficient measure to conserve water and protect our natural resources. This enabled local farmers to increase their crop yield significantly and hundreds of families directly as well as indirectly benefited from this venture.

Additionally, EPCL shows continuous advocacy for education which is demonstrated by the Engro-Hunar scholarship program. Eight students from the under-privileged areas of Ghagar Phatak, Port Qasim have been granted scholarships to attend the Hunar Foundation DMS. The Company is also a significant sponsor of various NGOs, hospitals and institutes. The Corporation's mixed broad leaf Nursery was established on one and half acres of land in the first half of 2012, in Palak Village, to support the plantations of the following year.

EPCL continually strives to expand its existing CSR projects and dives into new projects, aiming to create an impact on more communities. The 2013 agenda entails the maintenance of the Forestation Project, infrastructure schemes in Gagar Phatak and the EPCL Plant vicinity, various water conservation projects, vocational education programs, and donations to different organization working towards the greater good.

Financial Commitment (2008-2012)



Graph 5.1-Total Recordable Injury Rate (TRIR) 2008-2012

Society performance indicators

Aspect: community

SO1: Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting

The scope of CSR investments in 2012 are as follows:

Hydro-power units ground breaking

The EPCL hydropower scheme was inaugurated in the region of Kalam and Jalband to provide electricity which benefited the locals. The project was executed with the assistance of representatives of Pakistan's Army, notable locals, Nazims and beneficiaries'.

Two Hydro Power Units were installed in Kalam (Jal Band and Kas Kalam) which were inaugurated in June 2012. The project is serving electricity needs of residents. Almost 2,300 people have benefited from the project.

demand based irrigation system (dbis)

The Demand Based Irrigation System was inaugurated in Galiat, Abbotabad in June 2012. This project helps local farmers increase their crop yield and benefit from it both directly and indirectly.

The project aims to facilitate irrigation and supplies clean drinking water to the community thus eliminating water scarcity by controlling the threat of ground water. Significant participation by local notables, farmers, community heads, and CBO, World Vision and WWF representatives was seen. The locals of the village and its surrounding areas found DBIS an efficient measure to conserve water and protect the natural resources for an economically stable community.

livelihood

The Company, in collaboration with Engro Foundation, Hunar Foundation and HANDS launched the Engro-Hunar Scholarship Program and selected eight students from the underprivileged areas of Gagar Phatak, Port Qasim, for scholarships at the Hunar Foundation DMS Institute. These students are doing 12-month certification courses in welding, plumbing, refrigeration and air conditioning, as well as mechanical fittings and will have a chance to sit for the City & Guilds UK certification, which is the most widely recognized certification for technical training. The Company has invested Rs. 2M in this project.

socioeconomic uplift donations

EPCL has financially assisted several highly-regarded organizations that are major players in the health, education and social uplift fields to reach out to several impoverished communities.

education sponsorship

EPCL is a significant and recurrent donor at various NGOs, hospitals and institutes namely The Aga Khan University Hospital, Kidney Centre, Flood Victims, HOPE and more.

epcl nursery at palak village

EPCL's mixed broad-leaves nursery was established on one and half acres of land in the first half of 2012 in Palak Village. The nursery raised will support plantations in 2013. The Company supervises the plantation and ensures that the beating up of the plantation is timed accurately in order to realize high survival outcomes.

Areas planted by EPCL			
Year	Area (in acres)	Location	Success%
2009	120	Galiat	96.64%
	120	Changa Manga	93.32%
2010	120	Arwar Village	92.62%
	120	Changa Manga	95.99%
2011	60	Palak Village	90.45%
2012	1.5	Palak Village	80.24%

Table 5.1-Total Recordable Injury Rate (TRIR) 2008-2012

independent assurance statement to the management of engro polymer & chemicals limited

The Engro Polymer & Chemicals Limited (EPCL) Sustainability Report 2012 (the Report) has been prepared by the management of EPCL, which is responsible for the

collection and presentation of the information it contains. Our responsibility, in accordance with management's instructions, is to carry out the following assurance activities:

Assurance Scope	Level of Assurance	Assurance Criteria
EPCL's application of the principles of Inclusivity, Materiality & Responsiveness as Described in the Report	Reasonable Assurance	The best practice standards of Inclusiveness, Materiality and Responsiveness reporting
Progress against objectives	Limited Assurance	Objectives set in 2011 Sustainability Report
Reliability of performance data for 2012	Not included	Completeness and accuracy of selected reported performance data
EPCL's self-declared GRI 3 Application level	Reasonable Assurance	G3 Sustainability Reporting Guidelines and application level requirements

observation from our work

Our observations and areas for improvement will be raised in report of EPCL's management, These observations do not affect our conclusion on the Report set out below.

progress against objectives

EPCL reports clearly and accurately on its annual sustainability progress. It is worthwhile for EPCL to consider presenting the overall progress against sustainability objectives and targets in future reports.

health and safety

EPCL had processes in place to improve the management and reporting of safety performance. We saw examples of programmes targeting areas of high risk such as distribution incidents, lost time injury and occupational illness. EPCL's HSE performance reporting against GRI indicators is exceptional in its clarity.

stakeholders engagement

EPCL should continue its methodical approach towards engaging stakeholders and obtaining stakeholder input on sustainability efforts and future reports. Also, if EPCL could report in its sustainability performance in relation to its peers in the industry, it would provide stakeholders with more contexts and the ability to compare EPCL's performance against other similar organizations.

environmental data

This year, EPCL has included a section on Total Environmental Protection Expenditures and investments by Type, this is a welcome addition. Others Environmental data is clearly and accurately presented. The Non Hazardous waste and spills performance is not showing a decline and this might require tightening of targets in some areas.

conclusion

Based on our work described in this assurance letter, nothing has come to our attention

that causes us to believe that the subject matter disclosed in the Engro Polymer & Chemicals Sustainability Report 2012 does not give a fair picture of EPCL's sustainable development performance. We also believe that the 2012 Sustainability Report provides a reasonable and balanced representation of information concerning report content, quality, boundary setting and material indicators.

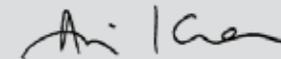
disclaimer

The opinions expressed in this external assurance statement and commentary are intended to extend understanding of EPCL's non-financial performance and should not be used or relied upon to form any judgments, or take any decisions, of a financial nature.

our assurance team

Our assurance team has been drawn from our global environment and sustainability network, which undertakes engagements similar to this with a number of significant local and international businesses. The work has been led and reviewed by a Lead Sustainability Assurance Practitioner.

On behalf of United Registrar of Systems,



Ali Khan, Chief Executive, URS Pakistan.
Karachi, June 2013





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