

 engro polymer & chemicals

16th Floor, The Harbour Front Building,
HC-3, Marine Drive, Block 4,
Clifton, Karachi-75600

PABX: +92-21-35294361-7
Fax: +92-21-35293886-87
UAN: 111 411 411

www.engropolymer.com



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engro polymer & chemicals

on the shores
of prosperity

piers of integrity | building safe harbors | venturing into risky waters | on board with the crew | strengthening communities

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scope

Engro Polymer & Chemicals Ltd. (EPCL) is proud to welcome you to its 2013 sustainability report. Continuing its commitment to proper utilization and sustainable management of water, the theme of this year's report is also based on water. The cover shows a powerful wave building up, depicting the vast growth and potential the Company has portrayed in the past year.

Each heading in the report symbolizes one of the core values essential to Engro. The report focuses on the Company's strategies, performance and productivity. It highlights how EPCL incorporates ethical, social, innovational and environmental development practices into its operations and services.

The reporting period for this sustainability report is January 1, 2013 to December 31, 2013. The standards are based on the Global Reporting Initiative (GRI) Framework and UN Global Compact (UNGC) dimen-

sions that serve as a blueprint for creating sustainable corporate and social value. It discusses in detail, all operations material to the business. Additionally, it includes the company's future plans, objectives and beliefs.

This report is a proof of our strong belief in transparency and our growing commitment to our stakeholders.

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 Fifth Sustainability Report of Engro Polymer & Chemicals Limited. EPCL has shown its commitment to the cause of water conservation by keeping the theme as 'water' for two consecutive years. This theme propagates a new angle of our business and throughout the year it will be followed in various communications such as the annual report, annual calendars and various corporate functions. Our definition of 'Sustainability' starts with the betterment of the communities and environment we live and function in.

2013 has clearly been the year of growth, expansions and safe business operations. We portrayed the highest ever safe man hours without Lost Work Injury (13.6 Million). Our Total Recordable Injury Rate / Process Safety Total Recordable Incident Rate also remained within the corporate plan. Significant progress was also achieved in the area of Occupational Health and Industrial Hygiene.

On the production front, VCM and Caustic production exceeded the Corporate Plan while PVC production was 94% of the plan, mainly due to process upsets at the start of the year. However, the Hot Water Charging project on PVC improved the plant capacity from August onwards, thus helping in reducing the production losses. Overall, relatively stable operations resulted in the highest ever production levels on all products except PVC in the history of the company.

I am pleased to inform you that EPCL launched Hydrochloric acid (HCl) and against all odds, captured significant market share of the south market. Caustic sales exceeded the targets. It was ensured that raw materials were procured as per the requirement of the production plan and surplus VCM was exported at competitive rates. Market Development activities were revitalized and many new projects took place.

Long term loans of Rs. 1.96 billion for financing new projects and balance sheet restructuring were arranged for. The foreign exchange risk management strategy was realigned to overcome

potential adverse impacts on profitability. On the taxation front, refund target of Rs. 400 million was exceeded and new exemptions/tax credits were obtained conserving cash outflow of around Rs. 300 million.

Lean Six Sigma was successfully launched with the help of the renowned international company, Motorola Solutions. The aim was to improve and augment efficiency of processes. SAP software was implemented, which has automated most of the processes, thus significantly reducing computing errors.

2013 was a busy year in CSR activities. The budget was doubled compared to last year. Apart from participating in volunteer and mentorship programs, the organization sponsored 24 youths from Ghagar Phatak (a community near Port Qasim) for City & Guilds Standard Technical Training at Hunar Foundation, so as to enable them to increase their employability and chances to succeed in life. EPCL also signed a MOU in December 2013 with the Citizens Foundation to set up a school in the same community.

Going forward, we plan to strengthen our commitment to our stakeholders and focus on triple bottom line approach. The Management will continue to focus on safe business operations and growth. I would like to thank our shareholders, customers, employees and business partners for standing by us in times of need and putting your trust in us. I look forward to our valuable business partnership in 2014.



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

sustainability strategy & focus

Our sustainability strategy is centered on our triple bottom line approach, which is people, planet and profit. Our focus goes beyond profit to encompass the people who are directly or indirectly connected to us and the planet we live on.

While crafting our core sustainability strategy, we make sure to integrate the investments made in our business, our stakeholders and the planet. We do so driven by our core values, which give the business a strategic direction and contribute to safe and responsible business operations.

We are committed to taking a wider view of what constitutes sustainability and ensuring that each step we take is in line with our core values. We strive to deliver profits to our shareholders, but we will do so while ensuring that we are able to invest in the needs of our broader stakeholder community as well as the planet we live on.

The Company invests in innovative ideas that result in improved solutions and services. Health safety and environment is our main focus and there is no compromise in this area.

ethics and integrity

Our Company upholds honesty and transparency in all its business operations and urges its employees to maintain ethical standards within the work environment. Our organization's governance framework is in accordance with the model of code of Corporate Governance as well as the industry's top practices. To assist the Board of Directors in observing standard business challenges, Board Audit Committee (BAC) and HR & Remuneration Committee (HRC) have been established.

health, safety and environment

The Company always prioritizes Health, Safety and Environment as its main, fundamental values and ensures the safety and wellbeing of its employees as well as the environment.

The Company comprehensively trains its employees through various educational programs that educate them on operational safety standards. In order to ensure that occupational and non-occupational HSE standards are upheld, a fraction of the employee's objective is based on upholding HSE values within their respective realms.

Our management has been 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.

innovation & risk taking

EPCL empowers its employees to initiate an active participation in their own development by taking on challenges. The Company always strives to strengthen its services by devising innovative solutions that involve risk-taking.

In 2007, EPCL underwent 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, Sodium 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.

EPCL establishes a full load, sustainable VCM plant operation in 2012.

The year 2013 marked another milestone in the history of EPCL, HCl was produced and launched into the market. EPCL was able to gain 53% market share in the face of intense competition and by the end of the year became the market leader.

Many innovational projects were undertaken during this year including Hot Water Charging, Fast Track project and e-procurement, each of which came with a percentage of risk that the Company was willing to take on in order to see an improvement in its processes. All the projects were a major success and the results achieved surpassed the expected.

our people

With over 450 employees by the end of year 2013, EPCL considers human resources as its most valuable asset. As a responsible and mindful 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 trainings and skill development to motivate and enhance the development of its employees.

Furthermore, EPCL encourages an open dialogue, has numerous policies regarding fair treatment in practice, and offers work-life balance seminars. EPCL's Employee Engagement Survey 2013 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 amongst others.

Based on the results of the Employee Engagement Survey, the Company is able to target the problem areas. Throughout the year initiatives are taken to improve the index and engagement levels of the employees.

community and society

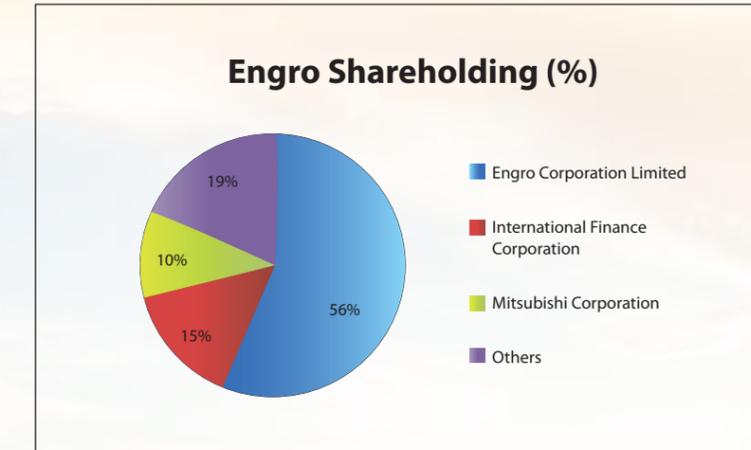
EPCL has founded numerous programs to assist community development through social economic programs that focus on improving lives of the individuals in the surrounding communities. The key stakeholders, management, employees and partners provide benefits by participating and committing their investments within society, in accordance with the corporate investment rules. Furthermore, 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 revolves around the environment, water conservation, education and awareness for enhancing surrounding communities and is a reflection of the Company's core values.

In 2013, the budget allocated for CSR activities was 7.0 million and this was majorly spent on Hunar scholarships and plumber trainings. The development of the community is based on education of the youth and EPCL has taken up this initiative to work on their schooling and employability. This is the best way to give back to the society we operate in. This youth is the future of Pakistan and they should get equal opportunity to participate and compete for the best in life. EPCL strives to provide them with the tools to prepare for this challenge

introduction

Engro Polymer & Chemicals Limited (EPCL) was established in 1997 and is the only fully integrated Chlor-Vinyl Chemical Complex in Pakistan after officially declaring commercial production of the VCM plant in 2010. It is involved in the manufacturing, marketing, and distribution of PVC and Chlor-Vinyl allied products.



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 Pakistan's finest and 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.

The Company's latest venture is the production of HCl, which was launched on the 1st of March 2013. It has captured the south market in a very short span of time.

Table 1: products & manufacturing capacity 2013

Products	Production Capacity
PVC Resin	156,000 T
Caustic Soda	106,000 T
Sodium Hypochlorite	20,000 T
Ethylene Dichloride	230,000 T
Vinyl Chloride Monomer	204,000 T
Hydrogen	32,000,000 Nm ³
HCl	60,000 T

Table 2: product and plant manufacturing quantities 2013 (Plant Inputs & Plant Outputs)

Plant Inputs		Plant Outputs	
Gas	135 million Nm ³ /Annum	PVC	146 KT/Annum
Water	5 million M ³ /Annum	Caustic Soda	115 KT/Annum
Steam	375 KT/Annum	Sodium Hypochlorite	22 KT/Annum
Salt	173 KT/Annum	VCM	170 KT/Annum
Ethylene	84 KT/Annum	EDC	117 KT/Annum

accreditation & credibility

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 certification

DuPont's Process Safety system has been acknowledged as one of the top safety management systems worldwide. In 2011, the Company attained a DuPont rating of 3.2 in the Personnel Safety Management (PSM) systems audit and above 3 rating in Process Safety and Risk Management (PSRM).

This scheme covers the personnel as well as process safety management systems. It thoroughly outlines every aspect of safety systems and procedures, safe work procedures, risk management and driving safety of highly hazardous chemicals in a way that is in accordance with Occupational Safety & Health Administration (OSHA) standards.

In 2013, the Company took a major step with the implementation of the Occupational Health & Industrial Hygiene program, based on Dupont's best practices.

ems-iso 14001 certification

The Company is ISO 14001 certified. Accordingly, the organization has amplified its focus on health, safety and environmental policies.

qms-iso 9001-2000 certification

The Company has been ISO 9001-2000 certified since 1999, which meant increased customer satisfaction via documented systems and procedures. In 2013, the Company was able to get ISO 9001-2008 re-certification on revised standards for PVC Manufacturing and Marketing. During the surveillance audit, no major non-conformity was reported.

gri certification

Global Reporting Initiative (GRI) is a network-based organization pioneering in the sustainability field. It promotes the use of sustainability reporting through a GRI framework and is devoted to its continuous advancement and use worldwide. This certification will aid the Company to put the reporting framework in a standardized pattern and to plan, report and assess 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 2012 & 2013 the evaluation was carried out on self-evaluation

basis and the Company secured an A+.

green office certification

The Administration Building at the Plant has been certified by WWF as a Green Office. The audit was carried out in December 2013 and 3 indicators were audited: paper reduction, energy conservation and waste reduction, which were all found to be satisfactory by WWF. The Head Office has been WWF Green Office certified since 2012.

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

For three consecutive years from 2009 to 2011, EPCL was nominated for the 'Best Corporate Report' award. The Company secured second position for its 2009 and 2010 reports and was awarded fourth position for its 2011 report by the Joint Evaluation Committee of ICAP-ICMAP. In 2012, EPCL won fifth position for its sustainability report. These awards represent the Company's commitment and transparency in financial and sustainability reporting for the benefit of all stakeholders of the Company. The evaluation committee's criterion was based on the transparent disclosure of information regarding financial statements, directors' report and corporate governance.

SAP & siemens award

In the beginning of 2013, HR team launched SAP for which the Company received a SAP & Siemens Award for 'running more efficiently with SAP'. The module was implemented to streamline data, reduce processing time and eliminate computation errors.

UN global compact

The Company signed the United Nations Global Compact (UNGC) in 2010. This initiative meant that it is committed to following the ten values stated in the Compact. The organization entered the contract to achieve highly-regarded worldwide standards of sustainable and socially responsible policies. Moreover, the Company reported its first communication on progress in 2012 from the time when it had become a signatory of the UNGC, and this was renewed in 2013.

The Company works within the principle-based structure of the UNGC that unites the hard work of other UN agencies, civil societies and local labor groups opposing human rights abuse, deterioration of the environment as well as corporate dishonesty.

key highlights & achievements

- Highest ever profitability **Rs. 707 million**
- Safe man-hours **13.6 million** and Total Recordable Injury Rate (TRIR) **0.12**
- Began commercial sales of **Hydrochloric Acid**
- **Highest ever production** levels on all products except PVC
- Launch of **Lean Six Sigma** with Motorola Solutions - 25 Green Belt projects initiated
- Hot Water Charging project on PVC improved PVC-1 plant capacity by **6,000 MT**
- **Signing of MOU with TCF** to set up school in Ghagar Phatak by 2015
- **SAP and Siemens Award** for 'Running More Efficiently with SAP'
- **WWF Green Office certification** for Plant, Port Qasim

piers of integrity



ethics & integrity

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 Board Compensation Committee (BCC) Committee have also been established to assist EPCL Board of Directors in monitoring and analyzing critical business risks.

governance

Our governance structure determines the way we direct our company and safeguard the interests of our stakeholders. Our primary objective is to develop an encompassing and flexible structure for corporate governance founded on the principles of efficient managerial oversight coupled with maintaining thorough overall accountability. Driven by the highest governance standards of integrity and transparency and fervor to accomplish business goals and optimize individual performance, we have aligned our corporate 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 that each employee is a part of our governance system and is required to adhere to our clearly laid out policies and procedures.

We understand the significance of conducting business in an upright and honest atmosphere with the goal of improving long term working relationships and establishing trust in our operation of affairs. We provide all relevant information to our employees, stakeholders, external bodies and the general public promoting transparency and well informed decision making.

Interests of our stakeholders are safeguarded through the annual independent audit and half yearly review conducted by external auditors appointed by shareholders themselves. Furthermore, we separately disclose all our related party transactions on a quarterly basis as per the requirements of the financial reporting framework applicable in Pakistan.

In our pursuit to achieve utmost excellence we 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

ethics & integrity

corporate audit function

Our Independent Audit Function continuously strives to add value by improving our organization's operations. It functions with the objective of bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. With commitment to integrity and accountability, our Office of Internal Audit provides value to Board Audit Committee and senior management as an objective source of independent advice. Thorough and comprehensive business and support process reviews are conducted by our Audit Function to provide reasonable assurance to the Board Audit Committee concerning the efficiency/effectiveness of operations (including safeguarding of assets), the reliability of financial and management reporting and compliance with laws and regulations. The ultimate purpose is to facilitate continuous development and implementation of preventive rather than detective controls and procedures within our organization.

board of directors



MUHAMMAD ALIUDDIN ANSARI
Chairman

Muhammad Aliuddin Ansari is the President & Chief Executive 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, 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, Hub Power Company Ltd. and Al Meezan Investment Management amongst others. He joined the Engro Corporation Board in 2009.

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KHALID SIRAJ SUBHANI
President & Chief Executive

Khalid Siraj Subhani is the President and Chief Executive for 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, Engro Polymer & Chemicals Limited, The Hub Power Company Limited, Laraib Energy Limited, and Pakistan Japan Business Forum. He is Chairman of the Board of Engro Polymer Trading (Private) Limited. He has also served as Chairman of the Board of Avanceon in the past.

Khalid 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, Academic Council of Institute of Business Administration – Sukkur, Faculty Selection Board of Institute of Business Administration - Sukkur, and Standing Committee on Environment of Federation of Pakistan Chambers of Commerce & Industry. Recently, he was elected a member of the Management Committee of

Overseas Investors Chamber of Commerce & Industry (OICCI).

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



SHAHZADA DAWOOD
Director

Shahzada Dawood serves as a Director on the Boards of Dawood Hercules Corporation Limited, Engro Corporation Limited, DH Fertilizers Limited, Engro Foods Limited, Engro Power Gen Qadirpur Limited, Engro Vopak Terminal Limited, Engro Polymer & Chemicals Limited, Engro Eximp Limited, Agri Products, Tenaga Generasi Limited and Dawood Lawrencepur Limited.

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).

He is a 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.

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TAKASHI YOSHIDA
Director

Takashi Yoshida has been associated 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.



KIMIHide ANDO
Director

Kimihide Ando was posted as General Manager for Mitsubishi Corporation, Pakistan in April 2010. This is his second assignment to Pakistan, the first of which was during 1998 – 2003.

He has a Bachelor's degree in Liberal Arts 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 joined the Board of Engro Polymer & Chemicals Limited in 2010.

He is also Director of Tri-Pack Films Limited. Moreover he is Vice Chairman of PJBF (Pakistan Japan Business Forum) and is also the President of OICCI (Overseas Investors Chamber of Commerce and Industry) and Trustee of FDSK

(Foundation for Diffusion of Scientific Knowledge).



ABDUL SAMAD KHAN
Director

Abdul Samad Khan is the Chief Executive Officer of Engro EXIMP (Private) Limited and Engro EXIMP Agri-Products Limited.

He has held the position of CEO since 2009 and has been actively involved in driving initiatives in commodity trading for Engro.

He is a Director on the Boards of Engro EXIMP Private Limited, Engro EXIMP Agri-Products Limited and Engro Polymer & Chemicals Limited. He is also a Senior Vice President for Engro Corporation. Samad began his career at Engro in 1988.

He has worked in various functions with the Company, including Sales and Marketing of fertilizers to rural customers at regional and national levels.

He has been involved in international trade for the last nine years, focusing mainly on Fertilizer trade and driving growth initiatives in Agriculture commodities. Samad has an MBA from the Institute of Business Administration at Karachi.

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NAZ KHAN
Director

Naz Khan is the Chief Financial Officer of 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.

Naz has also worked as a consultant for the Asian Development Bank on Mortgage Backed Securities. She is a graduate from Mount Holyoke College, MA, USA.



WAQAR AHMED MALIK
Director

Waqar has had a distinguished career spanning over 27 years in the chemical industry with the ICI Plc Group, UK and later with AkzoNobel, Netherlands. His management and work experience spans over three continents, Asia Europe and the Americas in strategy, corporate finance and management. In the last 15 years he has held senior

leadership positions including Chief Executive of ICI Pakistan Limited, Chief Executive and Chairman Pakistan PTA Limited (now Lotte Pakistan Limited).

His other current engagements are Non-Executive Director of IGI Insurance Limited and trustee i-Care Foundation. He has also served as Non-Executive Director on the Board of State Bank of Pakistan, Non-Executive Director of Oil & Gas Development Company Limited, President of the Overseas Investors Chamber of Commerce & Industry and President of 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.



SHABBIR HASHMI

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.

ethics & integrity

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.



ISAR AHMED

Isar Ahmed holds a Masters Degree in Economics and is a Chartered Accountant from the Institute of Chartered Accountants in England & Wales.

Isar 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 Engro Polymer & Chemicals Limited, 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.

*Isar Ahmed resigned from the Board effective January 17, 2014.

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Principle Committees	Scope
▶ Principle Board Committees	
▶ Board Audit Committee	EPCL's Board of Directors (BOD) have set up a Board Audit Committee (BAC) that comprises of four non-executive directors (members) and the Corporate Audit Manager who acts as the Secretary. The Committee is required to meet at least quarterly prior to the appraisal of interim/annual results of the Company. Special meetings may also be held upon the request of BAC, management, external or internal Auditors. BAC is one of the key governing bodies. It ensures adequacy of the financial reporting process, maintains the integrity of internal audits and control systems, continuously assesses the efficacy of policies & procedures and risk management strategies as well as monitors compliance with SECP regulations.
▶ Board Compensation Committee	Refer to the G4-LA2 indicator of Our People section
▶ Principle Operations Committees	
▶ Management Committee	Refer to Innovation and risk taking part
▶ Corporate HSE Committee	Refer to G4-LA5 indicator of HSE section
▶ Committee for Organization & Employee Development	Refer to G4-LA2 indicator of Our People section
▶ Salary & Compensation Committee	Refer to G4-LA3 indicator of Our People section
▶ Control Group Forum	Controls Group Forum (CGF) is an integral part of the system of management controls at EPCL. The objective of CGF is to allow the business and support units to highlight ethical issues and weaknesses within the controls and procedures at EPCL and devise solutions through continuous dialogue. Furthermore, employee knowledge is constantly enhanced through the process and the forum facilitates development of a proactive rather than a reactive control mechanism.
▶ Unit Control Groups	All departments at EPCL have been grouped into 10 Unit Control Groups (UCG). All employees within each UCG meet in the presence of Internal Audit on a quarterly basis. Audit acts as a custodian of UCG observations and is responsible for follow-up and closure. Observations that require input from the senior management for resolution are taken to the Business Control Group (BCG) whose meetings are conducted by Audit on a semiannual basis.
▶ Inquiry Committee	An Inquiry Committee has been established to maintain an environment conducive to employee efficiency where all individuals are provided equal opportunities, regardless of gender, ethnicity or other unique factors. In pursuit of the objective, the Committee ensures that no harassment or derogatory act is carried out towards any employee of the Company.

ethics & integrity

society performance indicators

Aspect: corruption

G4-SO3: Total number and percentage of operations assessed for risks related to corruption and the significant risks identified

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
- Irregularity reports shared with Board Audit Committee

G4-SO4: Communication and training on anti-corruption policies and procedures

Response – 100%.

In 2013, 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.

G4-SO5: Confirmed incidents of corruption and actions taken

One instance was reported in Q2 2014. A Whistleblower Complaint was received from a third party civil works contractor against the Company's contract employee allegedly demanding kickbacks. The complaint was thoroughly probed by our Corporate Audit department that indeed unveiled the allegations to be true. The Company immediately took action and dismissed the contractual employee from his job. In addition thereto, further controls were instituted in the process to ensure that such incidences do not occur in future.

Aspect: public policy

G4-SO6: Total value of political contributions by country and recipient/beneficiary

Response-None

The company has no association with any political parties or politicians etc, therefore this is not applicable.

Aspect: anti-competitive behavior

G4-SO7: Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes:

Response- None

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

ethics & integrity

Aspect: compliance

G4-SO8: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

Response – None.

There were no non-compliance issues reported during the year.

product safety indicators

Aspect: marketing communications

G4-PR6: Sale of banned or disputed products

The Company does not sell any banned or disputed products.

G4-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.

No incidents of non-compliance were reported.

Aspect: customer privacy

G4-PR8: Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

Response – None.

There were no complaints reported regarding breaches of customer privacy or losses of customer data.

Aspect: Compliance

G4-PR9: Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

Response – None.

building safe harbors



health, safety & environment

Health, safety & environment is one of the most important core value of Engro Polymer & Chemicals Limited. EPCL has a strategic direction setting & road map on HSE matters & always worked on the sustainability of environment. The organization has a strong commitment towards training & development of its employees on all HSE aspects.

The Company is committed to conduct its business in a manner that protects the health and safety of everyone involved in its operations including employees, contractors, and the community in which it operates.

Engro Polymer does not discriminate between the HSE performance of employees & contractors. As per the HSE policy, the Company gives equal importance to its contractors and HSE performance is gauged in a combined fashion reflecting both employees & contractors.

Company's health and safety is aligned with DuPont's best practices and it aims to comply with Occupational Safety and Health Administration (OSHA) standards.

In the year 2013, Total Recordable Injury Rate (TRIR) of overall company remained as 0.12 with 2 recordable injuries. The performance here is consistent. However a mega HSE campaign with the name of "ZERO MAKES YOU HERO" targeting behavioral safety was launched during the year. The GOAL ZERO is the main theme of that campaign, means zero safety incidents, zero environmental risks & zero health issues due to our operations.

The Company has a fleet of vehicles to transport its products to different destinations in the country and a comprehensive Fleet safety program is in place. The performance of fleet safety is gauged through FAFR (Fleet Accident Frequency Rate). In 2013, our logistics operational fleet showed remarkable performance and attained an FAFR of 1.11 against a target of 1.35. There was no injury in our corporate services & logistic operations during the year & TRIR remained Zero.

The Company has made significant progress in implementing the Occupational health & Industrial Hygiene program. Extensive training & refreshers have been done to align with the DuPont best practices on health & hygiene management. Second party audit on OHIH implementation done by EFERT Team and Company attained an internal assessment of 2.76 against the DuPont rating

criteria. A third party assessment on OHIH was also conducted by an expert Dr. Tahir Barlas which helped to enhance the overall awareness on the subject. Company is ready for an external assessment by DuPont on OHIH.

The Company is certified ISO-14001 (Environment Management System) & ISO-9001 (Quality Management System) and during external audit, no non-compliance reported during the year.

Going forward, the external assessment by DuPont on Occupational Health & Industrial hygiene management will be conducted across the Company. Manufacturing operations would be in the phase of implementing elevated standards on process safety & risk management (PSRM) & will be audited by DuPont. New heights will be explored to enhance the process safety of manufacturing operations to reduce and eliminate all type of process safety accidents at site.

The Company head office is already certified by WWF as a Green Office. WWF Green Office assessment for Plant has also been done & will increase the domain of green offices implementation at manufacturing site. A significant initiative on energy conservation is under progress throughout the company, the purpose of which is to find ways & means to conserve energy, reduce the environmental footprint & reduce waste generation. On elevating housekeeping standards at site, company has embarked upon implementing the 5S program in phases. Few sections have already initiated the 5S program.

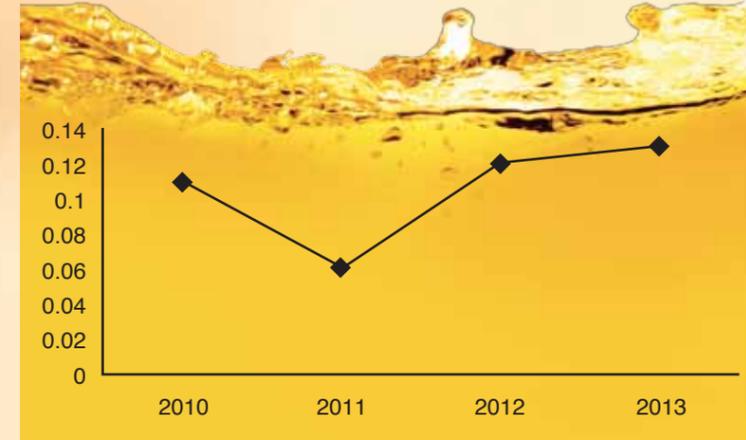
Another major milestone is British Safety Council (BSC) Five Star Program implementation and audit to achieve level 3.0 compliance.

Company will be embarking on to Integrated Management System (IMS) to integrate the QMS & EMS. We will also embark on attaining OSHAS-18001 (Occupational Safety & Health Assessment Series) certification, as the basic platform to launch this is available in the form of DuPont best practices.

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

health, safety & environment

Total Recordable Injury Rate (TRIR) 2010-2013



Graph 2.1 - Total Recordable Injury Rate (TRIR) 2010-2013

Labor practice & decent work practice indicators

G4-LA5: 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**
 A high level HSE committee headed by Company president is in place & HSE stewardship is done on quarterly basis. In order to accomplish HSE objectives, the Company has formed various committees that examine different factors relating to health, safety and the environment. The Corporate Health, Safety and Environment Committee mandate is to look beyond and set the future direction of company on HSE matters, policy making & adopting best practices.

- 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 safety committee, 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 non-manufacturing function continued the best safety performance & achieved best ever FAFR (1.11 v/s a target of 1.35) in 2013 with no injury in the entire year. Occupational health & industrial hygiene was implemented in all non-manufacturing functions. Personnel safety management internal audit was also conducted. Head office operations re-certified to Green Office by WWF. Green Office is an environmental initiative by WWF which encourages

health, safety & environment

organizations to be eco-friendly and aims to reduce the offices ecological footprint.

There is a fleet of vehicles more than 50 in number & logistics driving safety program is in place. Hazardous liquid transportation standards are applied & benchmarked with international best practices.

G4-LA6: Type of injury and Rates of injury, occupational diseases, lost days and absenteeism, and number of work related fatalities

For the year 2013, Total Recordable Injury Rate (TRIR) is 0.12; No occupational disease; work related fatalities, absenteeism reported during the reporting period. Safety and Health Statistics for the years from 2011 to 2013 are as stated below:

HSE Statistics	2011	2012	2013
NEQS Violation	1	1	0
Near Miss	802	881	869
Operational Upset	38	8	33
VCM Leaks	19 (minor)	27 (13 minor, 14 medium)	48 (15minor,33 medium)
Avg Unsafe Situations/Audit Hrs.	7.56	8.272	8.449

G4-LA7: Workers with high incidence or high risk of diseases related to their occupation

The following chemical and physical hazards at the plant have potential to produce various adverse health effects (acute injuries or chronic illnesses) in employees working in close proximity with them:

Ethylene Dichloride (EDC), VCM, Chlorine, HCl, Chlor alkali, Caustic Soda (Sodium Hydro Oxide), High Noise etc.

Other than engineering controls, the controls given below have also been applied to prevent any untoward health effects:

Procedural Control: Daily various gas monitoring in the area to keep concentration within internationally recommended limits, Pre-employment & pre-placement health assessment, periodic health assessment and medical surveillance to pick any change at early initial stage, Personal Exposure Monitoring of exposed employees.

Detailed Noise survey: Noise leveling & mapping and personal exposure monitoring have been executed to prevent high Noise hazards.

In case of any emergency or illness, a qualified health team with all emergency equipment and medications, ambulance and a well-equipped medical emergency center has been provided.

We do have protocols for case management and rehabilitation and also for accommodation of affected employees (if any) according to their health capacity.

G4-LA8: 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

G4-PR1: Percentage of significant product and service categories for which health and safety impacts are assessed for improvement

Material Safety Data Sheet are provided for all customers.

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G4-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**

G4-PR3: Type of product and service information required by organizations procedures for products and service information and labeling, and percentage of significant products and service categories subject to such information requirements

For PVC, customers already have MSDS for 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, HCl and Hypo, 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 products through MSDS. Customers are also given safe decanting of chemicals training as well as handling posters. In addition, MSDS of all the products are also presented on the website.

G4-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.

G4-PR5: Results of surveys measuring customer satisfaction

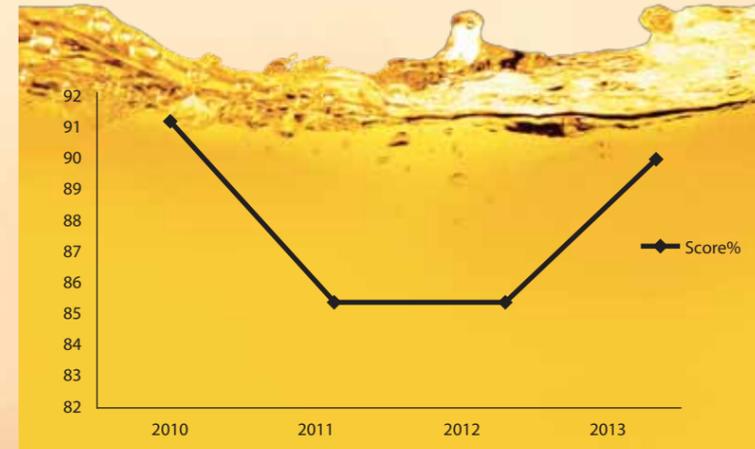
Customer Satisfaction Surveys are conducted yearly in order to acquire constructive feedback.

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.

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 2010-2013

Note: The Environmental Performance Scores monitors the parameters of effluent quality, emissions quantity, natural resources and GHG emissions on the basis of performance. No NEQS excursions were reported in 2013.

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Environmental performance indicators

Aspect: **material**

G4-EN1: Materials Used by Weight or Volume

The material used by weight and volume for the year 2013 is as follows:

Material used by weight and volume for the year 2013		
Material	Qty	Unit
Natural Gas**	135257320	m ³
Steam**	375358	Ton
Gas		
Water**	5010508	m ³
Salt	173345	Ton
Ethylene	40653.9	Ton

** Note: Above mentioned figures, are the total consumption of raw materials used to produce PVC and other by-products.

G4-EN2: Percentage of Materials Used that are Recycled Input Materials

Response – Nil.

Aspect: **energy**

G4-EN3: Direct Energy Consumption by Primary Energy Source

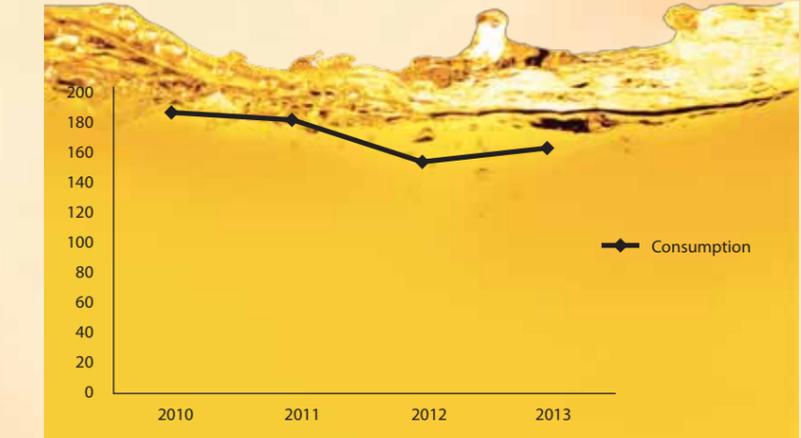
For 2013, the gas consumption= 22945470** m³/Annum of Natural gas as fuel
The Gas consumption m³/Tons of PVC from 2010 to 2013 are as follows:

PVC production for 2013 = 145513 Tons

Gas consumption m³/ton of PVC= 157.68 m³/ton

** Note: Above mentioned figures, are the total consumption of fuel used to produce PVC only.

Gas Consumption (M³/T PVC)



Graph 2.3 - Gas Consumption (M³/T PVC)

G4-EN4: Indirect Energy Consumption by Primary Source

EPCL does not consume and purchase any indirect energy.

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G4-EN6: Energy Saved Due to Conservation and Efficiency Improvements

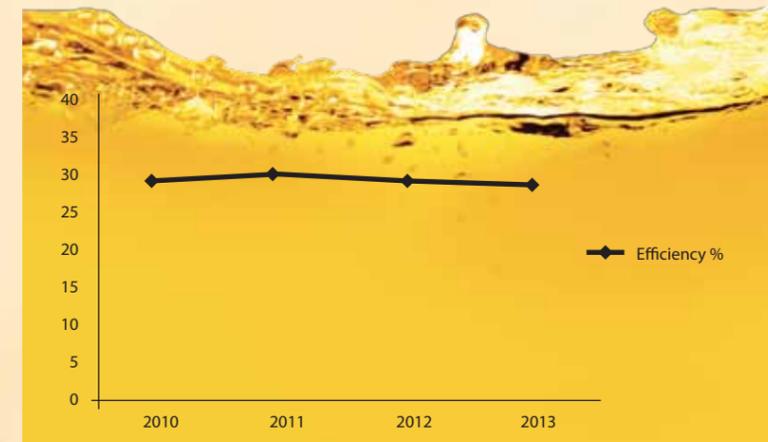
Given below is the Energy Conservation for the year of 2013:

Steam Optimization project was initiated at EDC VCM plant which is 0.00336 MWh per annum

Elimination of STG Bypass Condenser	2010	2011	2012	2013
Energy Saved (MWhr/Annum)	3200	3033	5184	0.00336

Table Energy Conservation Comparison
Energy Conservation Comparison 2010-2013:

Gas Turbine Efficiency %



Graph 2.4 - Gas Turbine Efficiency %

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, 2013.

G4-EN7: Initiatives to Provide Energy Efficient or Renewable Energy-Based Products and Services, and Reductions in Energy Requirements as a Result of these Initiatives

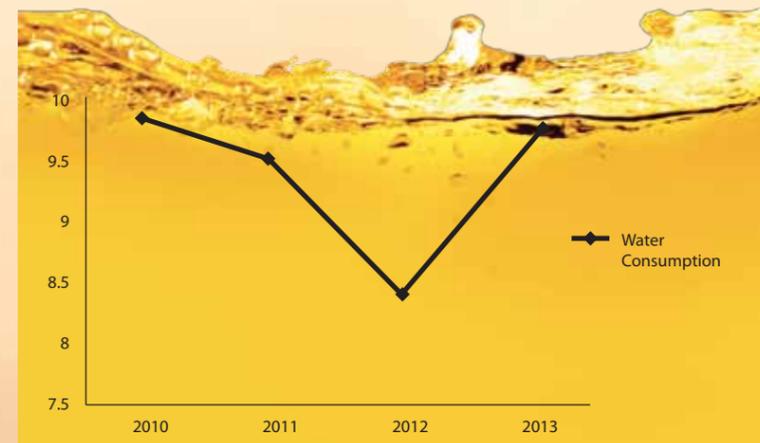
Response – None.

aspect: **water**

G4-EN8: Total Water Withdrawal by Source

Total Water Withdrawal: 5010508 m³
The Water withdrawal from Kinjhar Lake for the year 2013 is 1418633** m³/annum. The water withdrawal in m³/Tons of PVC in 2013 is as follows:
PVC production in 2013 = 145513 tons
Water Withdrawal = 9.74 m³/tons of PVC
Water Consumption for the year 2010-2013

Water Consumption (M³/T PVC)



Graph 2.5 - Water Consumption (M³/T PVC)

** Note: Above mentioned figures, are the total consumption of water used to produce PVC only

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G4-EN9: Water sources significantly affected by withdrawal of water

Response – Kinjhar lake.

G4-EN10: Percentage and total volume of water recycled and reused

Response – Nil.

Aspect: **biodiversity**

G4-EN11: Operational sites 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.

G4-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.

G4-EN13: Habitats protected or restored

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

G4-EN14: Number of IUCN Red List Species and National Conservation List Species with Habitats in Areas Affected by Operations, by level of Extinction Risk

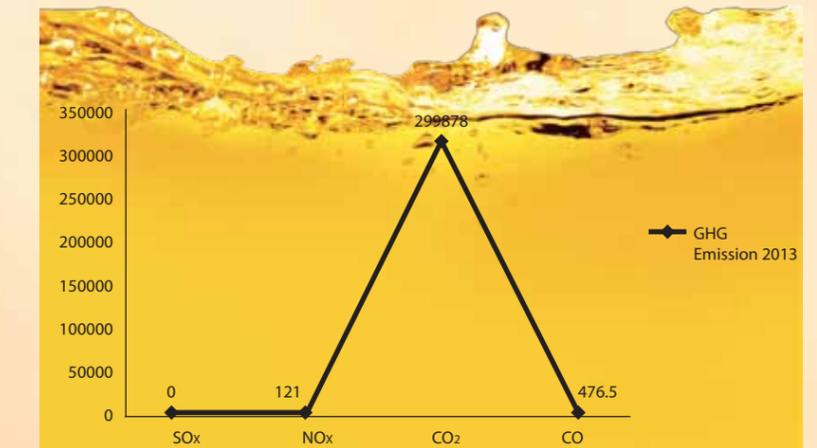
Response – None

Aspect: **emissions, effluents & waste**

G4-EN15/16: Total direct and indirect greenhouse gas emissions by weight

Response – The GHG Emissions for the year 2013 is 299878 T/Annum of CO₂.

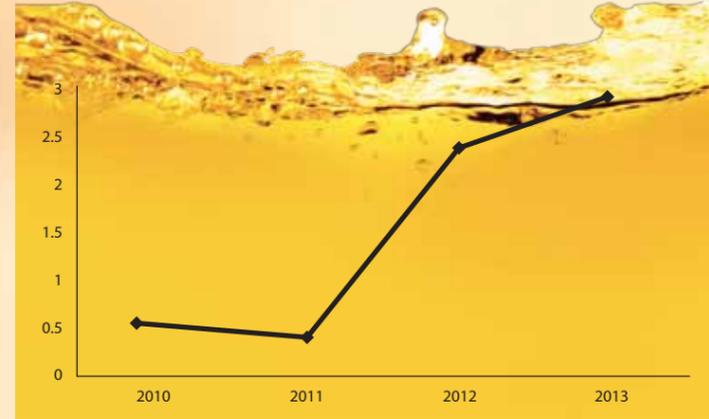
GHG emission 2013



Graph 2.6 - GHG emission 2013

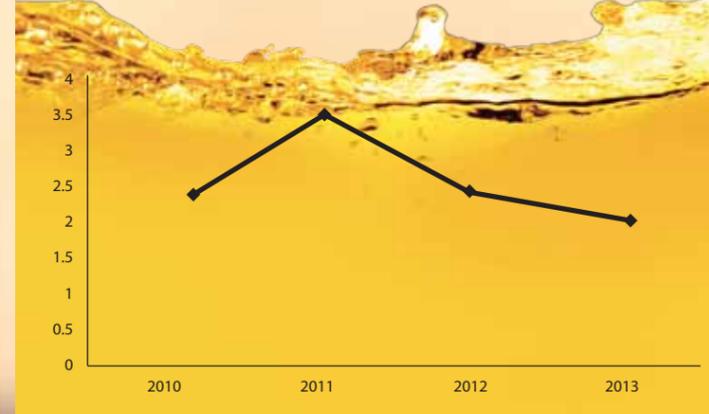
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CO emissions (T/KT PVC)



Graph 2.7 - CO emissions (T/KT PVC)

CO2 emissions (T/KT PVC)



Graph 2.8 - CO emissions (T/KT PVC)

** Note: Above mentioned figures, are the emission from combustion of total fuel used to produce PVC only

G4-EN17: Other relevant indirect greenhouse gas emissions by weight

Response – None.

G4-EN19: Initiatives to reduce greenhouse gas emissions and reductions achieved

Projects include Hydrogen firing at VCM Plant furnace.

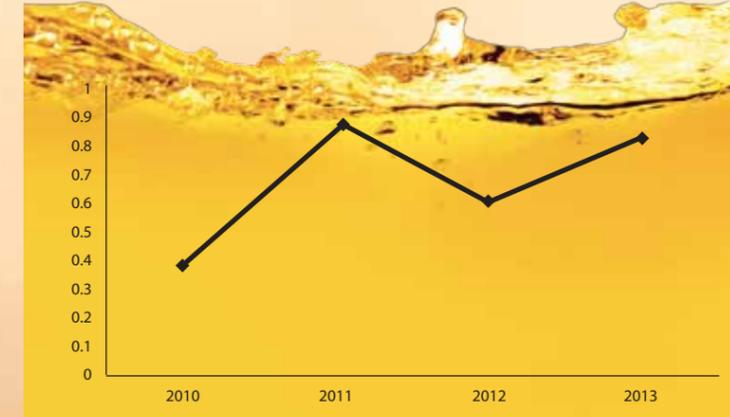
G4-EN20: Emissions of ozone-depleting substances by weight

Response – None.

G4-EN21: NOx, SOx and other significant air emissions by type and weight

The NOx and SOx emission for the year 2013 are as follows:

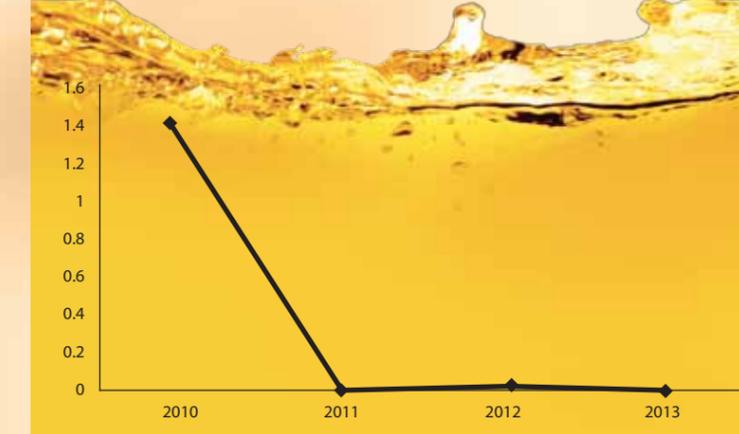
NOx emissions (T/KT PVC)



Graph 2.9 - NOx emissions (T/KT PVC)

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SOx emissions (T/KT PVC)



Graph 3.0 - SOx emissions (T/KT PVC)

** Note: Above mentioned figures, are the emission from combustion of total fuel used to produce PVC only

NOTE: Variation of NOx is to a change in Natural Gas quality. As per the test results Nitrogen in natural gas has increased which has resulted in high NOx.

G4-EN22: Total water discharge by quality and destination

One of the primary causes of environmental degradation is the unprocessed industrial wastage 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.

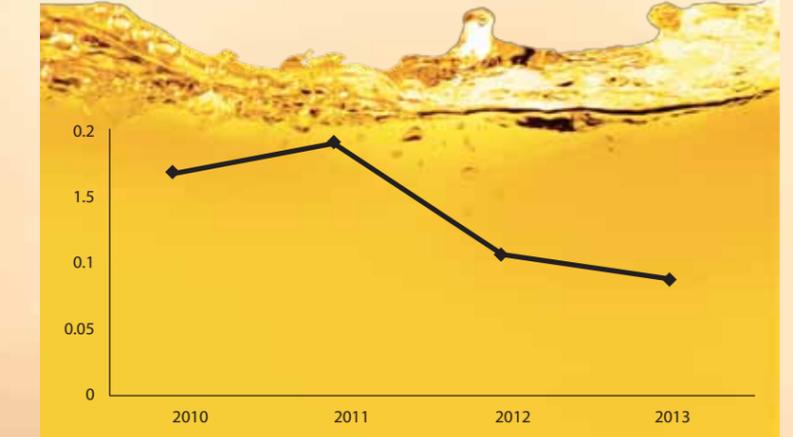
It holds that in the approaching years, when all of its environment related projects are in their concluding stage or have already been accomplished, there will be no margin for environmental damage. This will include the eradication of the NEQS excursion. Moreover, there will be no need for the Non-Conformity 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	2013
Wastewater discharge (M ³ NEQS)	1,603,080	1,752,200	1,752,000	1,752,000

The water discharge effluents for the year 2010 to 2013 are as follows:

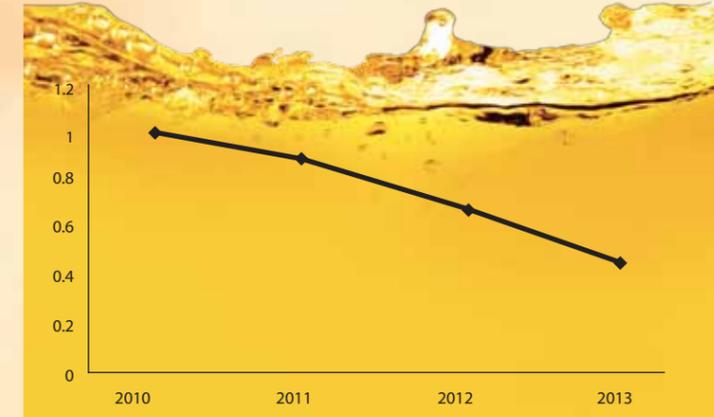
Bio-chemical Oxygen Demand (BOD) (T/KT PVC)



Graph 3.1 - Bio-chemical Oxygen Demand (BOD) (T/KT PVC)

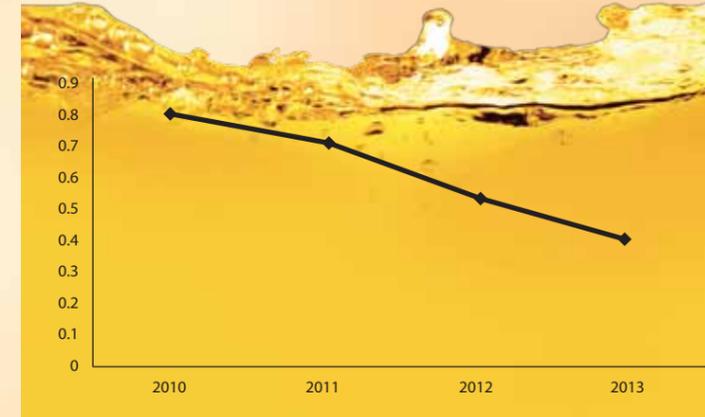
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Chemical Oxygen Demand (COD) (T/KT PVC)



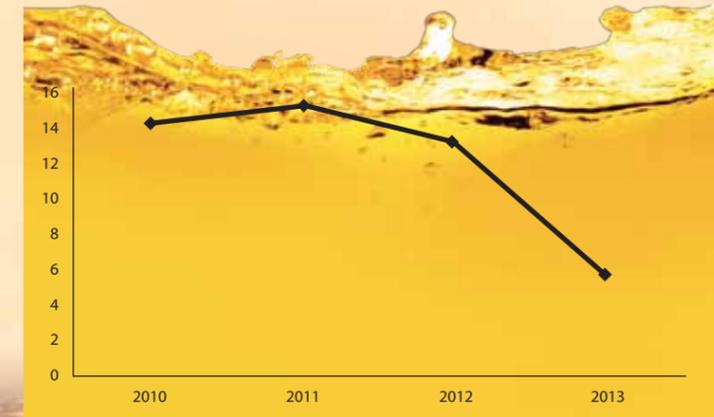
Graph 3.2 - Chemical Oxygen Demand (COD) (T/KT PVC)

Suspended Solid Emissions (T/KT PVC)



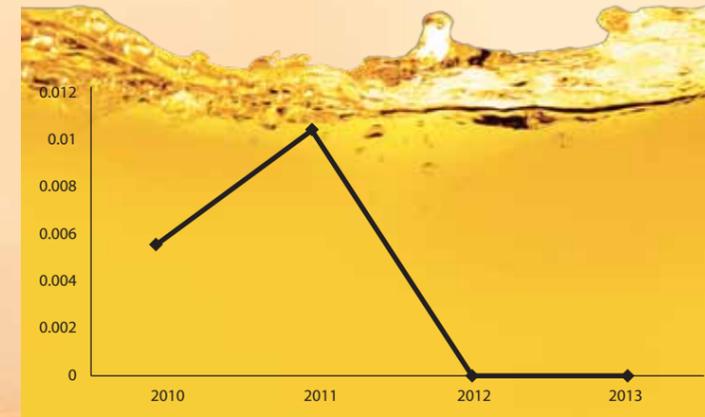
Graph 3.4 - Suspended Solid Emissions (T/KT PVC)

Total Dissolved Solid (T/KT PVC)



Graph 3.3 - Total Dissolved Solid (T/KT PVC)

VCM in Effluent (KG/KT PVC)



Graph 3.5 - VCM in Effluent (KG/KT PVC)

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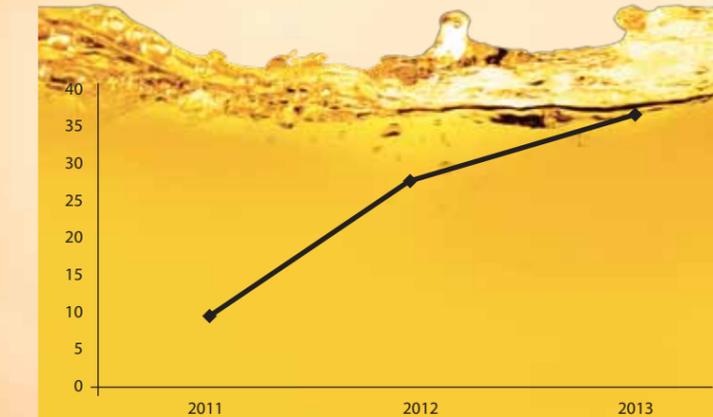
Note: No NEQS excursions were reported in 2013. Plant sustainability was improved which has resulted in prominent impact on all parameters.

G4-EN23: Total weight of waste by type & disposal method

The hazardous and non-hazardous wastes for the year 2013 were 36.17 T / KT PVC and 19.34 T / KT PVC respectively.

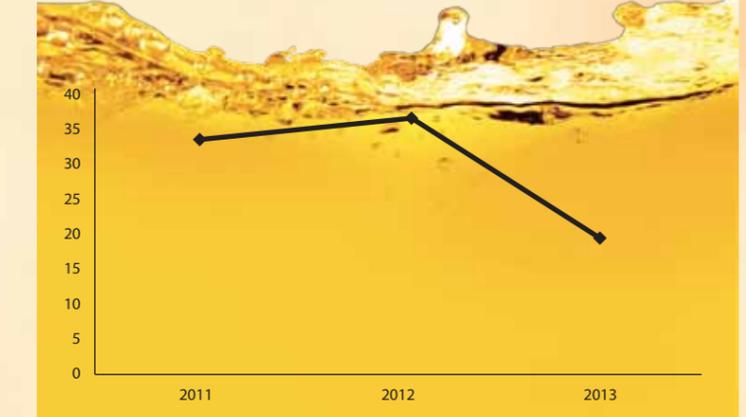
The hazardous and non-hazardous wastes for the year 2010 – 2013 are as follows:

Hazardous Waste (T/KT PVC)



Graph 3.6 - Hazardous Waste (T/KT PVC)

Non-Hazardous Waste (T/KT PVC)



Graph 3.7 - Non-Hazardous Waste (T/KT PVC)

G4-EN24: Total number and volume of significant spills

Description	2010	2011	2012	2013
Number of spills	21	14	19	18
Volume of spills (litres)	1101	600	609.6	485.5

G4-EN25: 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 to EN-30 for details.

G4-EN26: 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.

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Aspect: **product & services**

G4-EN27: Initiatives to mitigate environmental impacts of products and services, and extent of impact

Environment conservation

The Company's efforts to preserve the environment involve waste effluent handling, namely solid and liquid waste disposal, incinerator revamping, DCS control, 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. Another major milestone with respect to improvement in Environmental Performance is British Safety Council (BSC) Five Star Program implementation and audit to achieve Level 3.0 compliance.

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.

G4-EN28: Percentage of products sold and their packaging materials that are reclaimed by category

Response – None.

G4-EN29: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

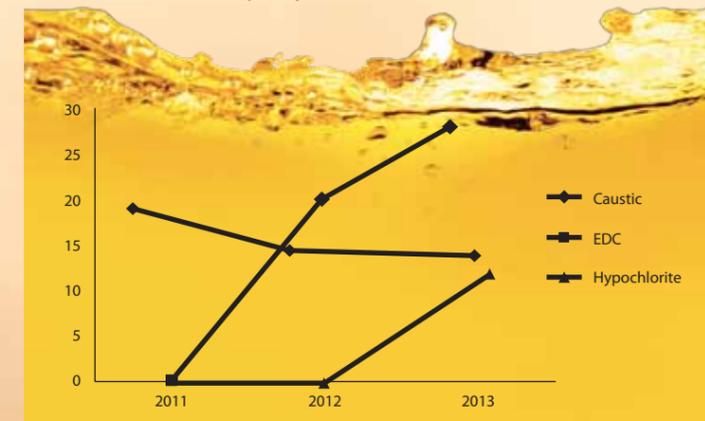
Response – None.

Aspect: **transport**

G4-EN30: 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)

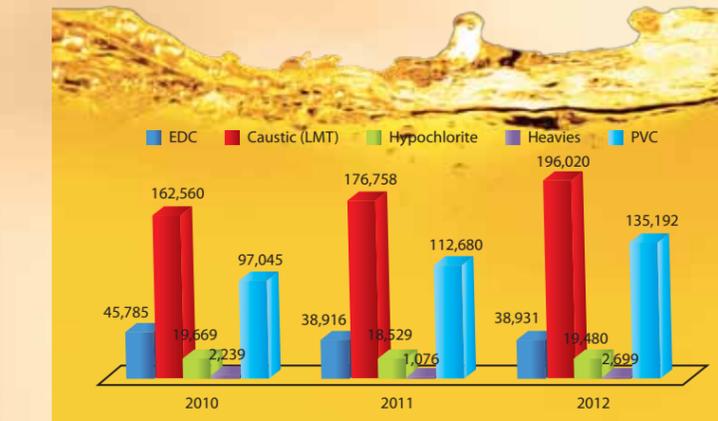


Graph 3.8 - Loss of Containment (LMT)

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Graph 2.15 – Material Shipping from the year 2010-2013

Material Shipping (T)



Graph 3.9 - Material Shipping (T)

G4-EN31: Total environmental protection expenditures and investments by type

Ongoing investments are being made by the Company to continuously improve, sustain and protect environment. Investments made in 2013 include:

Expenditure & Investment	2011	2012	2013
External services for environmental management and certification ISO 14001	Rs. 0.09 M	Rs. 0.09 M	Rs. 0.1 M
Fine for non-compliance with environment regulation	None	None	None
Disposal of hazardous waste	>Rs. 1M	>Rs. 1 M	>Rs. 1 M
Disposal of non-hazardous waste	Rs. 1,578,400	Rs. 2,325,8700	Rs. 1,3225345
Environmental monitoring cost	Rs. 0.322M	Rs. 0.469 M	Rs. 0.9 M

venturing into risky waters



innovation & risk taking

introduction:

The concept of employee idea generation and calculated risk has always been widely encouraged at EPCL. 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 156 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.

On the production front, many innovational projects were undertaken in 2013, including de-bottlenecking project.

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.

Hydrochloric Acid was launched on Mar 1, 2013, whereby EPCL was able to gain a 53% market share in the first month against intense competition from both competitors. EPCL served the pickling, oil well acidizing, water treatment and food processing industries. EPCL sold 18 KT HCl, served 70% of the market and became the leader in price by end 2013.

The company faced a setback in the form of low PVC production during the year, which were overcome by the following ground breaking projects

hot water charging at PVC-1 plant

EPCL expanded its current PVC capacity of 150 kilo ton per annum. by 6 kilo ton per annum. to convert excess VCM plant capacity to PVC. PVC has higher margins than exporting VCM. The Company used the Hot Water Charging (HWC) technology which reduces production time at the PVC plant hence increases production. Furthermore, as PVC domestic market is growing this project will help the Company satisfy domestic market demand in the future.

The USD based project IRR for additional 6 kilo ton per annum. of PVC sales as compared to VCM exports is 41%. The Project was successfully commissioned on August 10, 2013, & since then working fine.

PVC-2 debottlenecking through chiller units

As the VCM plant operations have stabilized & VCM production is exceeded the PVC plant capacity. Presently the name plate capacity of the VCM plant is 200 kilo ton per annum. whereas the PVC plant name plate capacity is 150 kilo ton per annum. Surplus VCM production which cannot be converted to PVC and stored is exported to India or Far East Asia. However, as VCM is a lower value add product and requires high freight it is preferred that the Company maximizes PVC production and earns higher margins on PVC as compared to VCM.

innovation & risk taking

\$/t	PVC		VCM
	Domestic	Exports	Exports
Price	1,074	950	825
Ethylene/EDC Cost	533	533	531
Conversion Cost	220	220	119
Freight and Export Charges	-	39	132
Margin	321	128	43
*Average from 2013 to 2025			

It is economically feasible to convert surplus VCM to sell PVC, ideally in the domestic market (even PVC exports are more feasible than VCM exports). Moreover, as excess VCM is converted to PVC which is readily storable, this project will give the Company operational and storage flexibility as compared to VCM and sell PVC at the most economical time and optimize storage costs.

As PVC domestic market is expected to grow at 5% per annum. it is expected that domestic PVC demand will exceed EPCL PVC capacity by 2015 which could result in import of PVC scrap and resin which would adversely impact the business.

After hot water charging Project, EPCL PVC capacity is 156 Kilo tons/annum. For further gain of 15 Kilo tons/annum PVC production, it was proposed to install a chilling facility at PVC-2 plant that could ensure winterized operation of PVC-II all year round. The chilling facility would substitute cooling water for cooling of reactors. For this INEOS Vinyl (PVC Licensor) was engaged to provide design for this project & detailed budgeting, timelines and project payback was presented in 2nd Quarter '13 BOD. Approval from BOD was granted based on annual increase in PVC-II Production by 15,000 tons and an IRR of 28%. This project will help the Company in satisfying domestic market demand.

Currently the Project is in execution phase & outlook of its commissioning is May 31, 2014

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 committee acts as the screen for innovative concepts and ideas before recommending them for presentation to the Board of Directors for approvals.

business analysis

The year 2013 saw a significant improvement in overall company operations. The Company produced 115 kilo dry tons of Caustic Soda, 145 kilo tons of PVC, 170 kilo tons of VCM. The company attained higher ever production levels for Caustic Soda and VCM in any calendar year. 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.

innovation & risk taking

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 2013 rose to approximately 81%. 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 sell around 4 kilo tons of PVC and 21 kilo tons of VCM, in the regional market.

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 2013, PVC margins remained better than 2012. Recovery in global GDP growth led to higher PVC prices, thereby boosting the margin. However, international Ethylene prices continue to remain on 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.

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.

Table 3.1- EPCL products and applications

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
Hydrochloric Acid	Pickling, oil well acidizing, water treatment, cleaning, food processing, medicine.

It is envisioned that the demand for PVC will rise at a steady rate whilst the demand for Caustic Soda will remain stable in 2014, though the energy crisis is expected to present a challenge.

Table 3.2 – Production & Sales Volume for 2013

Product	PVC (Ktons)	Caustic Soda (KTons)	Sodium Hypo (KTons)	VCM (KTons)	EDC (KTons)	HCl	Hydrogen
Production Volume	146	115	22	170	117	46	3.1 M Nm3
Sales Volume	139 (domestic)	100 (domestic)	21	21	-	19	1.7 M Nm3
	4 (exports)	rest-in-house use					

innovation & risk taking

sustainability of pvc use:

Market Development & Sustainability of PVC industry in Pakistan

2013 has been a year of change for sustainability of PVC industry in Pakistan. Activities through the year promoted PVC and used in existing segments as well as development of new application areas.

2013 saw a significant increase in local PVC Panaflex sales, who are the biggest consumers of PVC resin in Pakistan. Sales were record high at 3750MT of Panaflex compared to 1400MT in 2012. The main push came through efforts to convert leading printers to use locally made Panaflex in place of imported Chinese product.

The first ever PVC SPIRA Pipe in 20" & 30" diameter was made & installed. This unique, large diameter pipe can be made upto 10 feet in diameter & can be produced at site which saves time and money. The project was executed at Daharki where the pipe was made on site. The 30" diameter man-ways were also made by using the same pipe and the project was completed within 10 days, including the manufacturing of pipe.

A leading sanitary fitting manufacturer was encouraged to set up their first PVC pipe factory. This factory will also have the capacity to produce PVC fittings upto 10" for the first time in the country. This factory will consume about 6000MT of PVC per year when running at full capacity.

Another existing customer were facilitated to put up large diameter pipe machine facility inside their existing plant. They successfully extruded 24" diameter pipe from this new line. Now we have 5 companies across Pakistan who can make pipes upto 24" diameter.

PVC pipes were introduced successfully for water supply & sewerage lines at

one of the biggest real estate projects in Karachi. The project is spread across 1200 acres and is an integrated community comprising of modern houses & apartments with amenities such as a cricket stadium, schools, hospital & own transportation.

A 16" diameter & 13.5km pipe line put up at Faqirwali, Bahawal Nagar was commissioned after 3 years of installation. This was achieved through troubleshooting & support by our Technical Services to PHED Punjab. It will be a good showcase for us to sell more PVC pipes in Government schemes across Pakistan.

The team also managed to have PVC pipes installed in six Public Health Engineering Department (PHED) & Water & Sanitation Agency (WASA) projects across Punjab & KPK.

Activities were undertaken to promote PVC pipes in sugar industry for effluent disposal lines. Breakthrough was achieved at one sugar mills in Punjab who ordered a 6 km pipe from a EPCL customer. There are more than 80 sugar mills in Pakistan & every plant needs an effluent disposal line.

The team again played a pivotal role to design & assist a Punjab based PVC pipe manufacturer, to double their production capacity. The new modifications helped them increase their consumption from 225MT to 450MT per month in November-December. They intend to cross 500MT in 2014. The same customer is also investing in setting up a garden hose factory in 2014.

Efforts to develop & promote locally made rigid sheets for medical films & blister packs paid dividends this year. The local manufacturer of these product lines and their blister pack passed all audits at a multinational pharmaceutical who went on to place their first commercial order. They also exported their product to Spain & Sri Lanka. Other leading pharmaceutical companies also gave SATISFACTORY ratings to this manufacturer.

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Another breakthrough was achieved by getting KWSB to approve Sodium Hypochlorite as a safer alternate for water treatment compared to existing Chlorine gas. Karachi Water Sewerage Board (KWSB), is responsible for production, transmission and distribution of potable water to the citizens of Karachi, while also managing the sewerage systems within the city. They plan to start using it from July 2014.

Successful trial runs were conducted to manufacture adhesive tape made from EPCL PVC resin. This is the first time the production for this product is being locally attempted. The market exists for 4500MT adhesive tape in Pakistan.

Moreover, to ensure quality of PVC pipes in the local industry and thwart scrap & filler usage, two mobile testing units were launched which will offer free of charge quality tests to large project owners in order to build their trust. Another fully operational lab was established at PHED office Lahore. Through continual activities for quality elevation of PVC pipes, Market Development worked closely with NESPAK to develop PVC pipe specs which is now standard guiding document for all NESPAK projects.

Through ongoing Market Development activities, the pace is being set for a prosperous and innovative future for PVC industry in Pakistan.

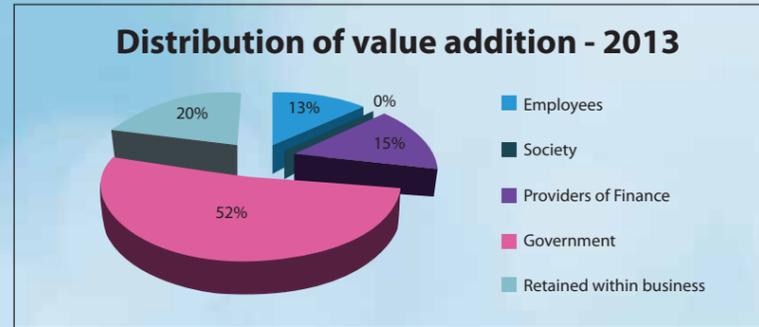
economic performance indicators

Aspect: economic performance

G4-EC1: Direct economic value generated (revenues) and Economic value distributed (operating costs, employee wages and benefits, payments to providers of capital, payments to government (by country), community investments)

Engro Polymer and Chemicals Limited Consolidated Statement of Value Added For the year ended December 31, 2013				
	2013		2012	
	Rs. in '000	%	Rs. in '000	%
Wealth Generated				
Gross Sales and Other Income	28,495,524		24,262,306	
Materials and Services Purchased	(19,237,308)		(17,025,571)	
	<u>9,258,216</u>		<u>7,236,735</u>	100%
Wealth Distributed				
Employees	1,202,284	13%	1,022,453	14%
Salaries, wages and other benefits				
Society	4,719	0%	2,296	0%
Donations and other CSR activities				
Providers of Finance	1,369,849	15%	1,659,061	23%
Finance costs				
Government	4,781,299	52%	3,296,479	46%
Income tax, Sales Tax, Duties, WWF and WPPF				
Retained within business	1,900,065	20%	1,256,446	17%
Retained earnings, Depreciation and amortization				
	<u>9,258,216</u>	100%	<u>7,236,735</u>	100%

innovation & risk taking



Graph 1.1: Distribution of value addition - 2013

G4-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.

G4-EC3: Coverage of the organization's defined benefit plan obligation

Pension fund has been made redundant from 30th September, 2013.

Defined benefit plan was discontinued and defined contribution was introduced from October 1st, 2013.

salient features

- The Engro Corporation Ltd. MPT Employees' Defined Contribution Gratuity Fund", DC Gratuity Fund is a Defined Contribution fund.
- The company will contribute 8.33% of employee's basic salary each month towards the fund balance. There will be no contribution from the employee and hence no deduction from the employee's pay.
- The DC Gratuity fund has a vesting criteria of **5 years** of total service in the Company. There is no age factor in the vesting condition of DC Gratuity Fund.
- Employees will be eligible to obtain the DC Gratuity balance on separation/retirement from the company, except for termination, after completing 5 years of service with the company.

Other benefits: Provident Fund

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)

G4-EC4: Significant financial assistance has been received from the government

EPCL has been self-sufficient in the current year and no financial assistance has been received. Customs concessions on basic raw materials has given an edge to the domestic PVC market.

innovation & risk taking

G4-EC5: Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operations

Local minimum wage – Rs.10,000/month with effect from July 2013

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 140% of the local minimum wage. Ratios calculated are exclusive of bonuses, overtime, retirement benefits and others.

G4-EC6: Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation

We consider our senior management to be classification level 28 (manager) and above, and the 'local' area is considered to be Karachi.

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.

G4-EC9: Proportion of spending on local suppliers at significant locations of operations

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.

onboard with the crew



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 2013, the Company had roughly 450 members on board its team. EPCL is a responsible employer, 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.

The Company strongly believes in diversity and a large number of initiatives were taken throughout the year to encourage and boost this concept. The top management closely monitors the diversity levels and demands special attention to be given to the enhancement of this principle.

Labor practices & decent work performance indicators

Aspect: employment

G4-10: Total workforce by employment type, employment contract, and region

Recruitment Strategy

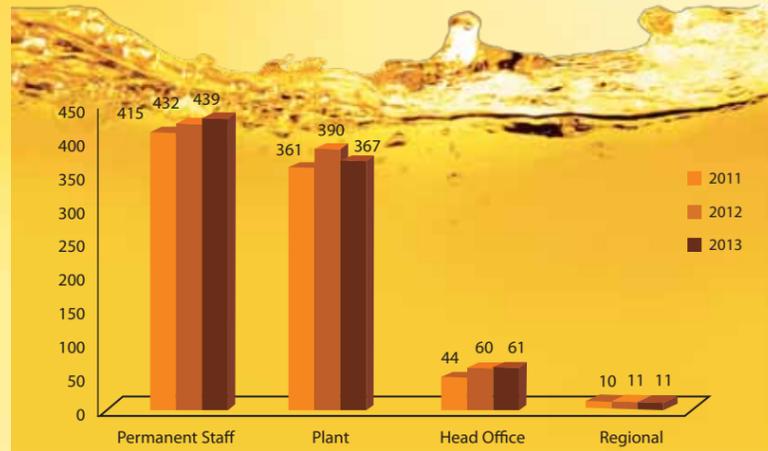
The HR Strategy is maintaining strong pipeline of trainees primarily with the induction of Trade Apprentice & Trainee Assistant Engineers to maintain a high attrition at junior management level especially within the Operations Department and induction of Graduate Trainee Engineer to maintain high attrition at middle management level especially within Technical Department due to their high demand in the Middle-East sector.

This year EPCL will be hiring Management Trainees in different areas of Non-Manufacturing in order to create an available pool of identified candidates who can otherwise be used as back-up on need basis.

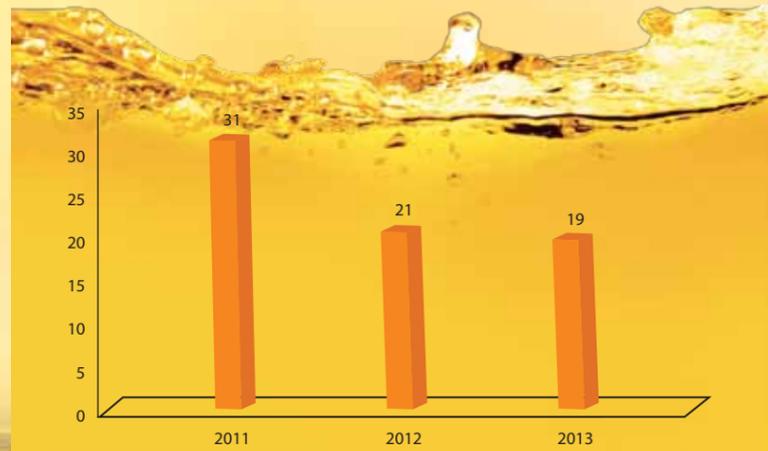
Implementation of SAP Success Factor was carried out to centralize and automate various HR processes which were otherwise done in a conventional manner.

One other objective is to maintain healthy attrition whilst maintaining Top Talent Ratio and improve cultural diversity at the same time. The deployment of individuals in different functions of the company is presented below:

our people



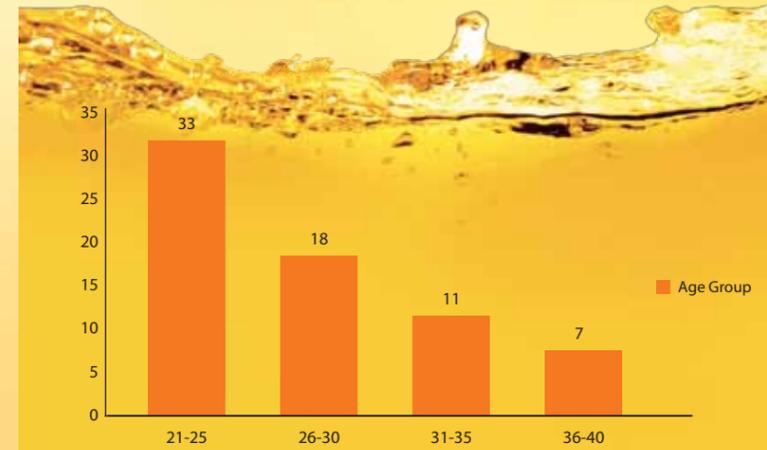
Graph 4.1: Total Employees in the years 2011- 2013



Graph 4.2: Total contractual employees 2011-2013

G4-LA1: Total number and rate of employee hires and employee turnover by age group, gender and region

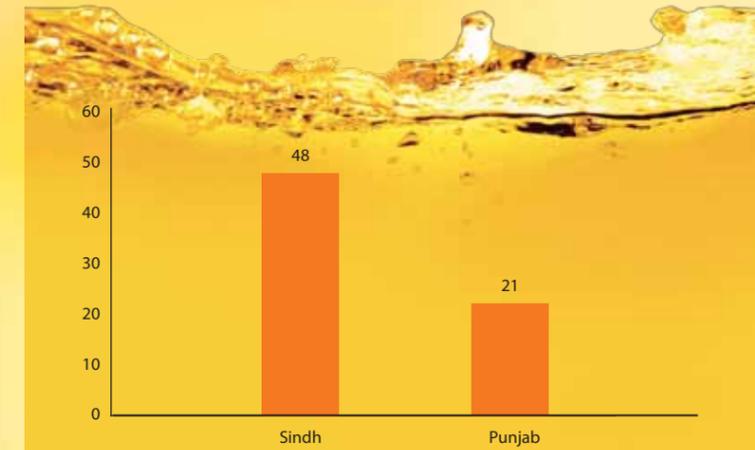
New Hires 2013, Age Group Wise



Graph 4.3: New Hires 2013, Age Group Wise

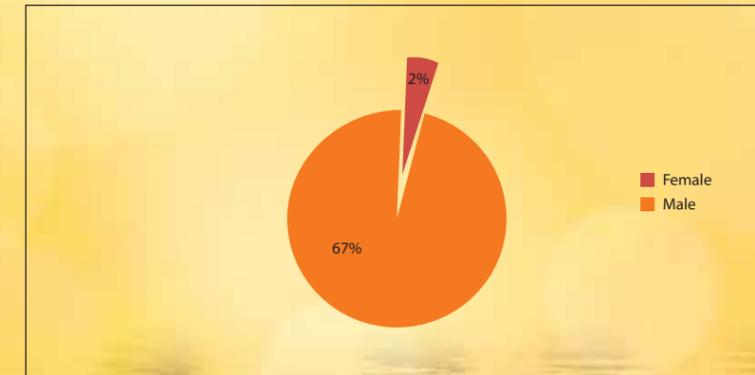
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New Hires 2013, Region Wise



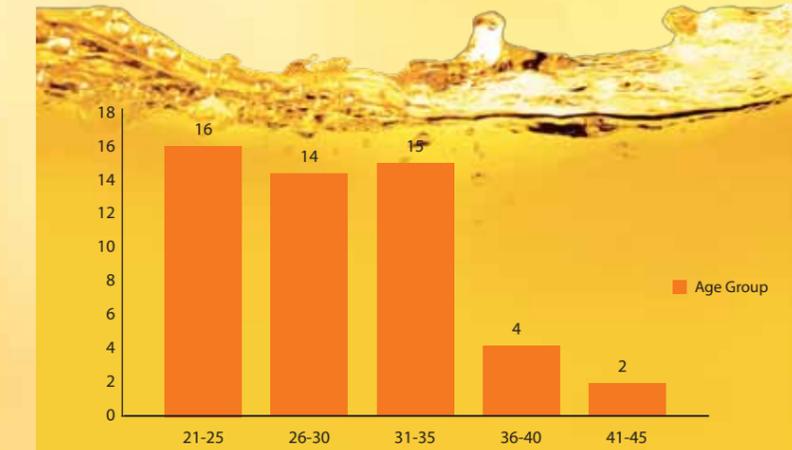
Graph 4.4: New Hires 2013, Region Wise

New Hires 2013, by Gender



Graph 4.5: New Hires 2013, Region Wise

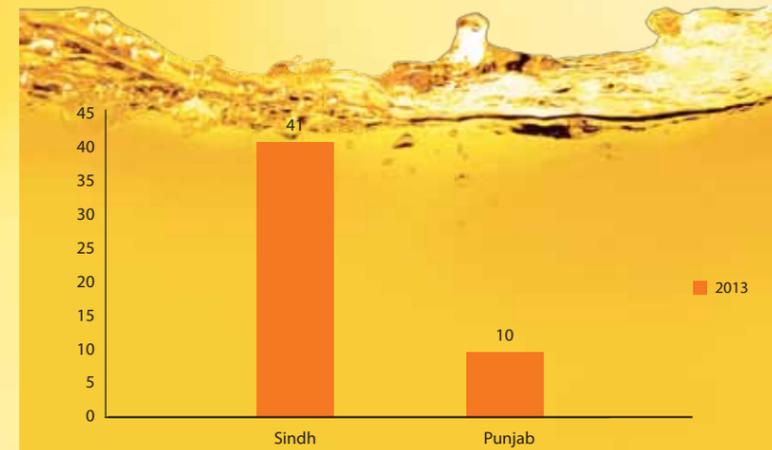
Attrition 2013, Age Group Wise



Graph 4.6: Attrition 2013, Age Group Wise

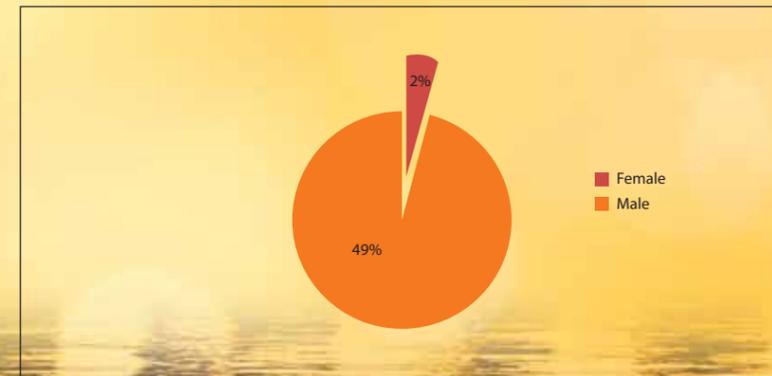
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Attrition 2013, Region Wise



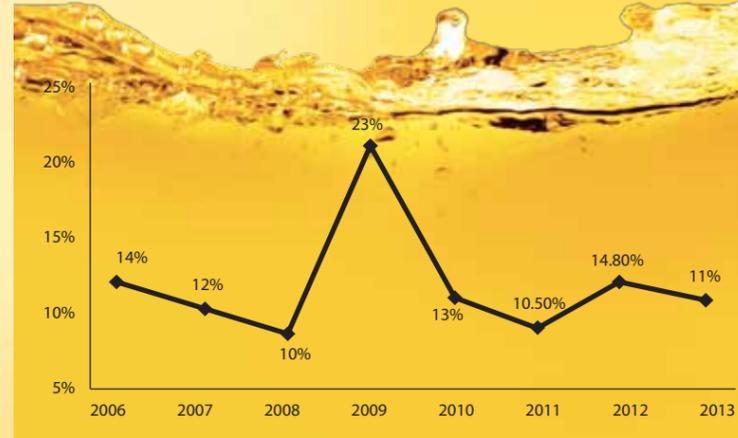
Graph 4.7: Attrition 2013, Region Wise

Attrition 2013, by Gender



Graph 4.8: Attrition 2013, by Gender

Attrition trend for the past 8 years:



Graph 4.9: Attrition trend for the past 8 years:

G4-LA2: Benefits provided to full-time employees that are not provided to temporary or part-time employees by major operations

Board Compensation Committee:

The Board Compensation Committee (BCC) 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 BCC meetings by invitation, and the Committee met 4 times during 2013.

our people

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 considers 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.

our people

G4-11: Percentage of employees covered by collective bargaining agreements

Response – None.

G4-LA4: 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

G4-LA9: Average hours of training per year per employee by employee category

Technical Skills Training

Year 2013 was declared as the 'Year of training' and extensive efforts were seen in the form of improved level and quality of trainings at all levels. The journey began in 2012 when Training department was restructured and vision was set to establish state of the art Technical Training and Skills Development Programs. The commitment towards training has been observed to reach its height in 2013 and will continue to do so in the years to come.

In order to manage effective trainings throughout the year, Training Calendars were developed at the beginning of the year based on Training Need Analysis

(TNA) conducted in 2012. Its compliance was monitored and reflected in Key Performing Indicators for effectiveness. In order to improve the quality of training, the concept of reward and recognition Program and Spot Awards was run whereby 'Trainee of the Month/Quarter/year and Best Trainers for the quarter/year are prized for their efforts. The best employees among the Manufacturing division are rewarded on the basis of R&R program scoring.

To further enhance and sustain the level of training, trainer's qualification program was instigated whereby criteria was developed to identify qualified trainers. The criteria also identified personnel that required further skill development to become qualified trainers.

One of the most valuable contribution made this year was the debut of the Job Qualification Program for employees (Trade Apprentice, Tier IV employees) to help them develop their related job skills and to ensure a safe and efficient operation.

The program also gives an opportunity for employees to learn the various processes/equipment of different Units that can lead to possible job advancement.

A total of 142 Job Qualification Program workbooks have been developed for Operations, Maintenance, Technical & I&E based on a defined syllabus along with online tests. The program has been running successfully for Trade Apprentice in 2013 and will be launched for all Tier IV employees in 2014.

our people

Efforts were also put in to boost skill level of DCS operators by obtaining simulation software with training models of "Distillation" and "Furnace". This software will enable them to acquire hands on training of critical operations that will help them gain confidence.

To enhance the skill level of the VCM team, outsourced experts were invited to evaluate the knowledge and skill and provide insight on improving it. For critical posts related to the Plant such as DCS Boardman, critical mass TNA questionnaire was designed. Training leaflets on critical process issues were designed, that served as an informative and effective tool.

From fabrication of cut-out models of valves, pumps and motors to developing of mechanical training-tool-bench and tubing-fitting training-board; a phenomenal response was seen from employees. It was these efforts which supported training department in laying the foundation for a training skill lab.

As an initiative to build-up networking, representatives from Engro Zarkhez and Engro Vopak were invited to attend various trainings at Engro Polymer as a step towards our vision of achieving excellence and a world class training center.

In addition, as the foundation was laid in 2012, programs like Managers PEP Sessions, Operations skill certification system in alignment with PSRM standards, industrial visits for engineering universities, Training Need Analysis Program, entry level employees such as Graduate Trainee Engineers & Trade Apprentices structured program have been and will continue to run successfully. Monthly and quarterly meetings of Department Training Committees and Unit Managers Forum have continued to play their role in strategizing training plans and performance effectiveness for overall desired outcomes.

In year 2013, many landmarks and milestones have been achieved to increase

training ranks at EPCL. However, this is just the beginning with much more to come in the form of PVC technical program skill enhancement as the key focus area in 2014, contractor's training, customer's trainings, etc.

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, 2013 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 continued to be carried out with the aim of clarifying the performance management system to the junior, middle and top management. They were designed based on focus areas found in the 2011 Employee Engagement Survey. This year, PAC Foundation was launched for the assistant officers and assistant engineers as well.

The biggest step in trainings was the launch of Lean Six Sigma, and EPCL became the first Engro subsidiary to have launched this program. All employees were made to go through Lean Six Sigma orientation sessions, enabling them to understand the basics of the methodology as well as participate in workout and Kaizen projects in the coming months. Lean Six Sigma is a set of tools and strategies developed by Motorola Solutions and Six Sigma is a registered trademark of Motorola Inc. This year 25 employees were chosen to go through 6 days of Lean Six Sigma training designed by Motorola Solutions. It is an honor that the originator of this concept was our training/coaching partner, and an international trainer facilitated this 6 day course.

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 2014.

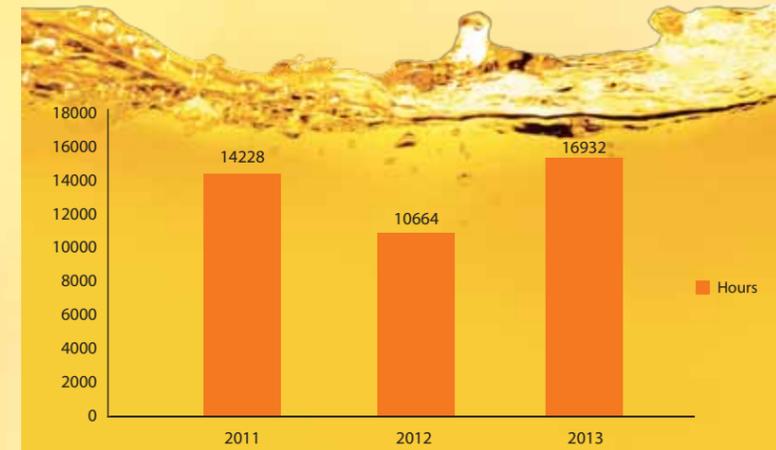
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External training such as 'Finance for Non-Finance Managers', 'Problem Solving and Decision Making' and '7 Habits of Highly Effective People' continued to be popular amongst employees in 2013.

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. One of the HR Dimensions in the Employee Engagement Index i.e. 'Training & Development' improved from 47% in 2012 to 58% in 2013.

For the year 2013, training hours dedicated towards both EPCL and contract employees are as stated below:

Training Man Hours



Graph 5.0: Training Man Hours

Training Man-Hours:

Non-Manufacturing training man-hours: approximately 24.8 hours per employee
 Manufacturing training man-hours: approximately 40.7 hours per employee

By gender:

- Males Non-Manufacturing: 24.8
- Females Non-Manufacturing: 19.2
- Males Manufacturing: 40.7
- Females Manufacturing: 38.4

G4-LA10: Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

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.

100% employees received regular performance and career development.

G4-LA11: Percentage of employees receiving regular performance and career development reviews, by gender and by employment category

our people

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

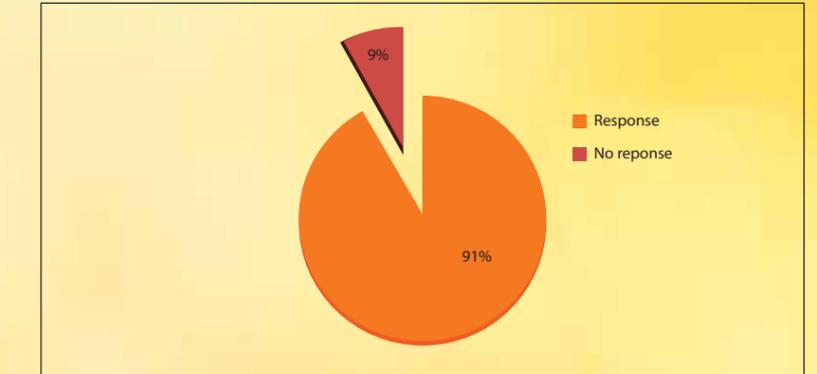
EPCL conducts a companywide talent review session every year. The talent of all employees is reviewed, upon which succession planning is conducted for employees of each department. The session focuses on the leadership competency model, performance management and change management throughout the organization. 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 2013, the Employee Engagement Survey was conducted 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 response rate increased from 85% in 2012 to 91% in 2013. The overall EEI in 2013 was 46, an increase of 44% from 2011 which is a massive leap. 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).

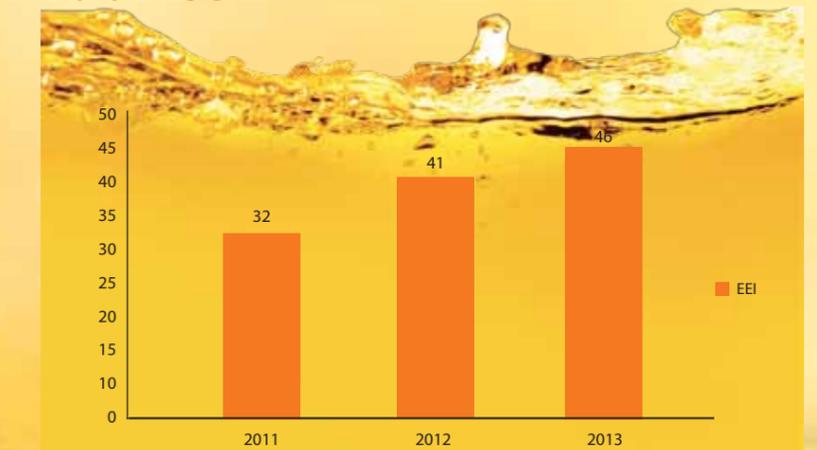
The graph below depicts the Engagement Survey responses, displaying the percentage of employees that completed the survey.

Engagement Survey Responses (%)



Graph 5.1: Engagement Survey Responses (%)

Employee Engagement Index



Graph 5.2: Employee Engagement Index

our people

Human rights performance indicators

Aspect: diversity and equal opportunity

G4-LA12: 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

G4-LA13: Ratio of basic salary of men to women by employee category

Response – No distinction based on gender.

Aspect: investment and procurement practices

G4-HR1: Total number and percentage of significant investment agreements that include human rights clauses or that underwent 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.

G4-HR2: Total hours of employee training on human rights policies or 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's corporate policies such as

ethics. All employees get trained at the time they are inducted in the Company.

G4-HR3: Total number of incidents of discrimination and corrective actions taken

Response – No incident reported so far.

G4-HR4: Operations identified in which the right to exercise freedom of association and collective bargaining may be violated or 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 rights.

Aspect: child labor

G4-HR5: Operations or Suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the abolition of child labor

All contracts clearly include particular clauses to ensure compliance with the Labor Laws. It is clearly communicated to everyone to follow all labor law requirements.

Aspect: forced and compulsory labor

G4-HR6: Operations and suppliers identified as having a significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of all forms of forced or compulsory labor

Response – No such operation identified as yet.

our people

Aspect: security practices

G4-HR7: Percentage of security personnel trained in the organization's HR policies or procedures 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

G4-HR8: 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 4 indicators
Human Rights		
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	G4-EC5, G4-LA5-9, G4-LA12-13, G4-PR1-2, G4-PR8
Principle 2	Businesses should make sure they are not complicit in human rights abuses.	G4-HR8
Labor Standards		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	G4-LA4, G4-HR4
Principle 4	Elimination of all forms of forced and compulsory labor.	G4-HR1, G4-HR2, G4-HR6
Principle 5	The effective abolition of child labor.	G4-HR1, G4-HR2, G4-HR5
Principle 6	The elimination of description in respect of employment and occupation.	G4-EC6, G4-LA1, G4LA12, G4-LA13, G4-HR1, G4-HR2, G4-HR3
Environment		
Principle 7	Business should support a precautionary approach to environmental challenges.	G4-EC2, G4-EN19, G4-EN21
Principle 8	Undertake initiatives to promote greater environmental responsibility.	G4-EN1-31, G4-PR3, G4-PR4
Principle 9	Encourage the development and diffusion of environment friendly technologies.	G4-EN2, G4-EN6, G4-EN7, G4-EN10, G4-EN19, G4-EN27, G4-EN28, G4-EN31
Anti-Corruption		
Principle 10	Business should work against corruption in all its forms, including extortion and bribery.	G4- SO3, G4- SO4, G4- SO5, G4- SO6

strengthening communities

community and society

corporate social responsibility

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.

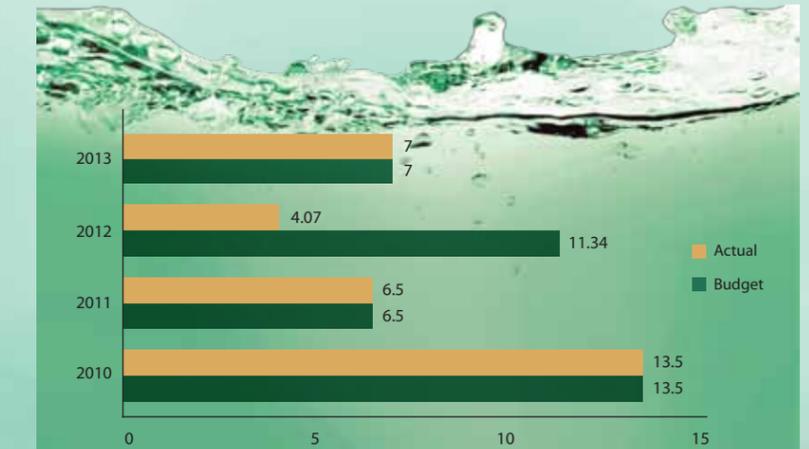
In 2013, EPCL's focus shifted to education of the masses. The Company realizes that the only true way of building the community is to eradicate illiteracy and unemployment. Many initiatives were taken to develop the culture of schooling, especially in the surrounding area of operations. Work has also been done on improving the employability of the local population.

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.

Additionally, EPCL's continuous advocacy for education and skills development is demonstrated by the Engro-Hunar scholarship program. Students from the under-privileged areas of Ghagar Phatak, Port Qasim have been granted scholarships to attend Hunar Foundation DMS which imparts technical-vocational skills under City & Guilds international standards. The first batch of Ghagar Phatak students achieved 100% pass rate in City & Guilds Level 2 qualifications. Following this, EPCL has revised its Trade Apprenticeship induction policy to accommodate City & Guilds graduates into the TA program. 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 2014 agenda entails the continuation and increasing the scope of Hunar Scholarships, infrastructure schemes in Gagar Phatak and the EPCL Plant vicinity which includes the TCF school building, various water conservation projects, vocational education programs including plumber trainings for increased number of students, and donations to different organization working towards the greater good.



Graph 5.1: CSR Financial Commitment from 2008 to 2013

community and society

society performance indicators

Aspect: Community

G4-SO1: Percentage of operations with implemented local community engagement, impact assessment and development programs

In 2013, Engro Polymer & Chemicals Limited shifted their CSR operations to Engro Foundation, which is the singular front for all CSR activities of Engro companies. This will facilitate working at a larger scale than in the past and will have a more significant impact on society.

An employee volunteer program by the name of Envision was launched in 2013. The Karachi chapter volunteered in many activities including career counseling /mentorship of children at The Citizens Foundation and by giving entrepreneurship advice to the young through Injaz Pakistan, an initiative of the Aman Foundation. Volunteers spent precious time helping people with mental illnesses through Karwan-e-Hayat and were also an integral part of the Fatmid Blood Drive.

An initiative was launched in 2013 to train plumbers on the installation of PVC pipes. This was done with the aim to elevate their technical skills and provide them with insights from a leading plumber consultant of Pakistan. A total of 1,000 plumbers from Karachi, Lahore, Gujrat, Peshawar, Rawalpindi and Faisalabad were trained during the year and this is only the beginning, the Company plans to expand this initiative in the coming years.

Education and skill learning are rudimentary requirements for underprivileged people of local communities. Keeping this in view, the organization sponsored

24 youth from Ghagar Phatak, a community near Port Qasim, for City & Guilds standard technical training at Hunar Foundation. The first batch, which started on January 1st 2013, has just graduated. This skill enhancement program will significantly increase employability of youth from this community in the nearby industrial area of Port Qasim.

Rural Development and Donations

The Company signed a MOU with The Citizens Foundation in December 2013 to set up a school in Ghaghar Phatak. Construction will begin in 2014 and the school will be operational by April 2015.

Envision Port Qasim chapter was equally active and carried out sessions on home safety for women and children of Ghagar Pathak and a project on the rehabilitation of a water treatment plant in Haji Jungi Khan. Aside from this, a pilot project was conducted whereby 5 solar lights were set up in the local community park of Haj Jungi Khan and Mosque of Haji Ibrahim Goth, keeping in view the importance of energy conservation.

Treatment of Effluents and Chemical Discharge

Our plant uses chemically active substances and leakages can be a source of environmental threat. As a responsible corporate citizen, we want to ensure that that our presence is not a reason for environmental degradation, in this regard we have installed a state of the art incineration plant and evaporation pond which enables safe handling of emissions and effluents. Environmental performance and parameters are voluntarily reported to Environment Protection Agency (EPA), Sindh on a monthly basis in spite of the regulatory requirement of only quarterly reporting.

community and society

Environmental Protection

We remain a champion of the cause of preserving and enhancing mangrove coverage in the coastal zones of Pakistan. In this endeavor, the Company is engaged in the 'Mangroves for the Future' (MFF) program launched by the International Union of Conservation of Nature (IUCN). The main theme is the conservation of coastal ecosystems. Under the program, a proposal was submitted by EPCL related to forming a mutual assistance forum and sharing of best environmental practices amongst stakeholders to reduce the environmental pollution impact due to industrial discharge in the Port Qasim area ecosystem. The project will be funded by the IUCN subject to approval from the MFF secretariat of IUCN Thailand.

Our Company's head office has been certified by WWF as a Green Office. The aim alongside conservation of energy is to reduce waste generation and ultimately reduce environmental footprint. In 2013, the WWF Green Office assessment was successfully carried out at the Plant as well.

G4-SO2: Operations with significant actual and potential negative impacts on local communities

Response-None

G4-SO10: Significant and potential negative impact on society in the supply chain and actions taken

Response-None

G4-SO11- Number of grievances about impact on society field, addresses resolved through formal grievance mechanisms

Response-None



Sustainability Report Assurance Statement

Engro Polymer & Chemicals Limited (EPCL) commissioned United Registrar of Systems (URS) to provide independent assurance over the sustainability content of their 2013 Sustainability Report (the Report)

scope of assurance

Our engagement was designed to provide the readers of The Report with limited assurance on whether the information in The Report is in all material respects fairly presented in accordance with the reporting criteria described below.

reporting criteria and basis of assurance

EPCL applies the Sustainability Reporting Guidelines of the Global Reporting Initiative (G4 Core), supported by internally developed guidelines. It is important to view the performance data in the context of this explanatory information. We believe that these criteria are suitable in view of the purpose of our assurance engagement.

We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 and the URS Assurance Protocol. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement under consideration of materiality to express our conclusion with limited assurance.

management's responsibility

The Managing Board of EPCL is responsible for the preparation of the Sustainability Report in accordance with the criteria stated in the Sustainability Reporting Guidelines G4 Core of the Global Reporting Initiative (GRI). This responsibility includes the selection and application of appropriate methods to prepare the Sustainability Report and the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances.

practitioner's responsibility

Our responsibility is to express a conclusion based on our work performed as to whether any matters have come to our attention that cause us to believe that the Sustainability Report for the fiscal year 2013 has not been prepared, in all material respects, in accordance with the above mentioned criteria of the Sustainability Reporting Guidelines Vol. 4 of the GRI. We also have been engaged to make recommendations for the further development of sustainability management and sustainability reporting based on the results of our assurance engagement.

assurance methodology

We have performed the procedures deemed necessary to obtain the evidence that is sufficient and appropriate to provide a basis for our conclusions. Both quantitative and qualitative data were substantiated through examination of relevant files and documents supplied by the report's authors. Visits to the site, projects and other stakeholders did not form part of the assurance scope.

our independence

URS was not responsible for preparing any part of the Report. We confirm that we are not aware of any other engagement or issue that could impair our objectivity in relation to this assurance engagement.

conclusion

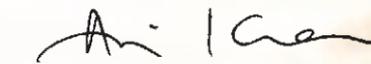
Based on the procedures performed, as described above, the information in The Report does not, in all material respects, appear to be unfairly presented in accordance with the criteria described in 'Basis of Assurance'.

Furthermore, nothing has come to our attention that causes us to believe that, in all material respects, the selected quantitative sustainability information of the Sustainability Report has not been prepared in accordance with the abovementioned criteria of the Sustainability Reporting Guidelines Vol. G4 of the Global Reporting Initiative (GRI).

recommendations

Without qualifying our conclusion above, we make the following recommendations for the further development of sustainability management and sustainability reporting at EPCL;

- Development of over-arching framework of corporate sustainability objectives with clear identification of key performance indicators.
- Better representation of the governance and management framework for sustainability initiatives in line with overall business management processes.
- The company can consider formal representation of principles of materiality, relevance and inclusivity by reporting on stakeholder engagement process and feedback obtained through stakeholder groups.
- Organization can also consider reporting on their key sustainability related initiatives in terms of impact made to material needs of the key stakeholders and how their initiatives have improved the sustainability there of



Ali Khan
CEO
United Registrar of Systems
Dated: March 20, 2014