Behtar Zindagi

ENGRO se!



Sustainability Report 2005

ENGRO®

About Our First Sustainability Report

Since inception, Engro has recognized that our long-term success depends on positive relationships with our key stakeholders. Our honest commitment to these relationships - based on trust and equity – captures what sustainability means to Engro. Since 1969, our annual reports have mentioned governance and philanthropy as management priorities.

Today, Engro is known as a successful and conscientious company because of our visible emphasis on ethical standards, and for giving back to the community. We work continuously to soften our environmental footprint and we believe in sharing the success that has come from living our values for forty years.

We aspire to be a national company with globally benchmarked success. With this Sustainability Report, a first among national companies, Engro takes another step towards its aim of becoming a Pakistani role model of corporate citizenship, seen to be living its values of integrity, social responsiveness and sustainable profits.

Engro recognizes the value of sharing our Corporate Social Responsibility (CSR) endeavors in a standardized, material and comparable format. This is why this report attempts to describe our triple bottom line of "People, Planet, Profits" in line with guidelines issued by the Global Reporting Initiative (GRI).

Being Engro, we will not stop here. Over the months to come we are committed to widening the process of stakeholder dialogue that was begun in 2004, institute more tangible and transparent CSR tracking mechanisms, and articulate a participatory CSR vision within which to ground Engro's Sustainability Strategy.

With this report we promise to ensure that our stakeholders gain a clearer insight into our time-honoured values, our cutting-edge manufacturing & business processes and our ever-expanding products. We believe that by better understanding who we are, our stakeholders will be in a much better position to enrich us, and allow us to contribute even more to our shared goal of Behtar Zindagi.

Our theme for this report is one that we believe permeates all aspects of our work

Behtar Zindagi-Engro Se

A better life for all who come into contact with Engro



Deeply ingrained into our activities and reflected between lines in this report, you will find our efforts to impact the economic and social lives of the communities and individuals we interact with.

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Acknowledgements

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Chairman's Message

On behalf of the Engro Board of Directors, I take this opportunity to share with you the Board's commitment to Corporate Social Responsibility. To us, CSR is the vehicle that drives our Company in creating value, prosperity and respect for you; our shareholders, our team members and most importantly the Society in which we live.

In today's world, it is the duty of every corporate entity to act as a positive and proactive benefactor of the Society in which it is a citizen. This concept of 'corporate citizenship', whereby a corporation and all its members engage with Society by minimising harm and maximising benefits, is something that Engro takes pride in excelling. For Engro, CSR runs deep within its organisational strata. It is ingrained in all those who are a part of Engro, and it has now forged itself into the very identity of the Company.

It is Engro's mission to become a diversified company with international presence. The CSR strategy we have adopted, the measures that we have implemented and the progress we have achieved indicate the milestones towards the successful realization of this objective. Guided by globally recognized environmental, social and economic parameters; and sensitive to the needs of its social environment, our specific CSR initiatives contribute directly to the sustainable development of Society and towards harmonizing our environmental footprint.

We share this report with you to highlight Engro's endeavours towards accomplishing optimal 'triple bottom line' performance. Your input will be invaluable in supporting Engro as we begin our journey towards living this broader perspective, as well as in gaining the prayers of the lives that we enriched and their blessings which pave the way to propel us further.



Hussain Dawood



CEO's Message

Engro is driven by the motivation to lead. Our decision to be the first national company to publish a sustainability report reflects our commitment to openness and accountability just as it does our pursuit of innovative leadership.

This report shares with you a perspective that is new to corporate disclosure in Pakistan, in line with the Global Reporting Initiative guidelines. For the first time Engro looks at itself through the eyes of 21 stakeholder groups and moves towards consolidating a CSR vision that will determine how our business impacts our product chain and our communities towards a Behtar Zindagi. A better quality life for all we touch.

In 2005, we signed the United Nations Global Compact, reaffirming our commitment to sustainable development. We achieved certification for the SA 8000:2001 social accountability standard and the OHSAS 18001:1999 occupational safety standard in addition to ISO 14001:1996 and ISO 9001:2000.

Health Safety and Environment is already an Engro hallmark. We are among the few meeting the National Environmental Quality Standards (NEQS) and by 2007 will complete alignment with the DuPont safety systems.

Engro's social investments primarily in health and education continue benefiting thousands at the grassroots. Our diverse interventions in health sector ranging from snakebite treatment centre, expanded dialysis facilities & eye camps to investments in an oncology unit and a futuristic telemedicine project have provided quality care to the less fortunate. Adopting more government schools and reaching out to the earthquake-stricken communities is yet another feature of our social investment strategy.

On the business side, fertilizer sales crossed 1.5 million tons this year - revenue growing by 43 percent to Rs. 18.3 billion. Engro produced a record 912,000 tons of urea, up 5 percent from last year; and 157,000 tons of Zarkhez, up 30 percent from last year. Expanding our business horizons we have launched Engro Foods nationwide. We are poised to set up a 200 megawatt permeate gas power plant and are developing plans for expansion in fertilizer business.

Engro's business growth over the past two decades has proportionately widened our ability to share the fruits of our success. Do take a moment to share your feedback on this report with us. My colleagues and I invite you to play a more active role in our ongoing journey towards a **Behtar Zindagi**.

Asad Umar

Energy for Growth

a vision for sustainability



40 Years of Pioneering Spirit

1965	Incorporated as Esso Pakistan Fertilizer Company Limited
1968	Urea plant commissioned at Daharki with 173,000 tons-per-year capacity
1978	Name changed to Exxon Chemical Pakistan Limited
1990	Urea plant capacity expanded to 268,000 tons-per-year
1991	Engro Chemical Pakistan Limited created by employee buyout of Exxon
1993	Urea plant capacity expanded to 600,000 tons-per-year
1995	Urea plant capacity expanded to 750,000 tons-per-year
	Engro Vopak Terminal Limited formed as joint venture with Royal Vopak
1997	Engro Asahi Polymer & Chemical Limited joint venture with Asahi Glass and Mitsubishi
1998	Urea plant capacity expanded to 850,000 tons-per-year
2002	NPK fertilizer plant inaugurated at Port Qasim with 100,000 tons-per-year capacity
	Nitrogen:Phosphate:Potassium (NPK) fertilizer launched under the brand name of “Zarkhez”
2003	Mono-Ammonium Phosphate (MAP) launched under the brand name of “Zorawar”
2003	Innovative Automation & Engineering Limited industrial automation company acquired
2005	Engro Foods Limited formed
	Dairy processing plant initiated in Sukkur with 200,000 litres-per-day capacity
	Zinc-Sulphate, a micro-nutrient, launched under the brand name of “Zingro”
	Boron, a micro-nutrient, launched under the brand name of “Zoron”

About Engro–Pioneering Spirit and Value Creation

Our name comes from "ENergy for GROwth" As the nation's first fertilizer brand, Engro helped modernize the traditional farming practices. Our evolving product mix continues to boost the farm yields, directly impacting the quality of life not only for farmers and their families, but for all. Creating value where others see little potential is the pioneering legacy that drives Engro to this day. A ground-breaking business decision to harness Sindh's abundant natural gas reserves for producing urea has evolved over the years into the multidimensional company that is Engro today.

In 1965, Esso's USD 42 million urea plant in Daharki, then Pakistan's largest private sector foreign investment, became the country's first chemical fertilizer plant. In 1991, following Exxon's exit from its global fertilizer business, the company's Pakistan operations were acquired through the country's first ever employee-led buyout. Since then, Engro has had even greater motivation to put its pioneering values to work, seeking to conserve resources, optimize technology and innovate solutions that not only increase profitability, but also ensure a lighter environmental footprint and a more sensitive social impact. Innovatively optimizing our resources, Engro re-located fertilizer-manufacturing plants from the UK and US to our Daharki plant site – an international first.

With production up four-fold since 1968, Engro's ongoing investment in people, process solutions and resource conservation initiatives has reduced energy use per ton of urea by a third. Not only does this save Rs.2 billion annually, it stretches non-renewable energy sources and mitigates the impact of waste on our neighbourhood. Our pioneering spirit continues in our social investments, exemplified by the only snake-bite treatment facility in the region and the first telemedicine intervention in the country.



Urea reactor being moved to plant site, Daharki

We continue to expand investments in industry that can directly boost our nation's inherent agro-economic strength. Engro Vopak, Pakistan's first chemical jetty terminal optimizes raw material handling. PVC resins manufactured by Engro Asahi are the building blocks for water conservation systems. Engro Foods capitalizes on the nation's status among the world's top three milk producing countries. Engro Innovative delivers industrial automation solutions. Engro Energy Limited has commenced work towards setting up a 200 megawatt power plant using permeate gas from the Qadirpur field.

Engro today is much more than Pakistan's leading agro-nutrient provider. We look back to an eventful history and a proud heritage, with our eyes on an exciting future leading growth in the food, energy, fertilizer and automation sectors. Engro has long believed in its social commitments. Our diversification mission is firmly rooted in our corporate citizenship goals. As CSR emerges into a mainstream management consideration, we find ourselves at an advantage. Engro understands that our tradition of corporate philanthropy is but one element of social responsibility's wider aim. Our distinct social investment strategies have begun evolving into our CSR vision, in sync with Engro's business goals.

Preventing Overdosage

Our commitment to the farmer permeates our marketing philosophy. Conscious of its possible environmental threat, and aware that farmers apply it via back-pack tanks, Engro markets Zoron in eight small packets, each carrying half the globally recognized toxic level.



Balanced Fertilization As A Sustainability Concept

Starting with Engro as Pakistan's first urea fertilizer brand, the company has consistently tuned its product offering in response to soil needs. Over and above its traditional urea and phosphate products, Engro also supplies six crop-specific blends of nitrogen-phosphate-potassium (NPK) fertilizer branded Zarkhez, which support 14 cash-crops. A mono ammonium phosphate (MAP) branded Zorawar offers a better yield in high pH soils. Zinc and Boron, branded Zingro and Zoron respectively, maintain soil fertility by providing micro-nutrients. According to the National Fertilizer Development Centre, intensive cultivation depletes soil fertility because it drains it of essential plant nutrients. As cropping increases in step with world population, the drain on our soil will reach unsustainable levels. Thus, Engro feels our challenge is to increase land-use efficiency by continually improving farm management practices, particularly balanced fertilization.

Fertilizers are essential to sustain agriculture. Without fertilizers much of Pakistan's food would not be produced. Engro's philosophy responds to this need through its Complete Crop Nutrient Supplier vision, ensuring farmers a full technical service backup, helping ensure better product quality, better yields, better profits, better food and thus a better life. The Behtar Zindagi concept was born out of this philosophy.

Zarkhez Color Coded Crop Specific NPK Blends

Color	Applicable Crops
Pink	Sugarcane, Vegetables, Chillies
Green	Maize & Potatoes
Grey	Mangoes, Apples, Bananas, Grapes
Blue	Citrus and other Fruits
Yellow	Wheat, Cotton, Rice
Beige	Tobacco

Extension Agri-services

Activities	2002	2003	2004	2005
Crop Seminars	40	45	54	42
Agricultural Workshops		55	63	62
Farmer Meetings	621	655	705	773
Farm Visits	2,680	14,210	15,111	22,034
Soil and Water Samples	8,446	8,712	6,300	8,526
Crop and Product Demonstrations	276	435	420	415
Field Days	97	125	168	159
Experiments	20	44	63	20
Dealer Training Programs	16	29	40	29
Training Programs for Government and Sugar Mills	12	29	10	25



An agiriculture workshop in progress

Fertilizer And Sustainable Development

We understand that fertilizers reduce the cost of food as a percentage of income, increasing disposable income and boosting living standards. Engro runs a comprehensive and integrated agriculture extension services program throughout the year to improve farm yields and profitability through a series of technical services activities.

Implementing balanced fertilization strategies ensures better harvests and higher nutritive value for consumers. This approach is sustainable and boosts agro-economies across the globe.

Pakistan's hot and arid zones create a general deficiency of nutrients in the soil. An inherent lack of parent minerals in the soil, and a gradual depletion over consecutive crop cycles erodes soil fertility unless replenished externally.

Field Day in Progress on Demonstration Plot



"Before the advent of fertilizer, deficiency diseases in farm animals and humans were widespread, such as bone weaknesses, vitamin deficiencies and deficiencies of Cu and Co. Improved nutrition diminished the infective capacity of viruses and bacteria. Increase in life expectancy can be attributed, in part at least, to more and better food, which in turn stems from fertilizers".

Z.A. Cheema,
University of Agriculture, Faisalabad



National Rural Support Programme managers being trained on profitable farming

Nutrient	Benefits to plants	Benefits to People	Engro's Solution
Nitrogen	Increases plant growth and yield by synthesizing proteins, being structural and functional part of the plant body.	Supplies proteins which are essential for growth & development	Zarkhez (NPK) crop specific Blends, Zorawar (MAP), NitroPhos, DAP and Urea
Phosphates	Provides energy for growth at all stages. Improves protein quality and increases vitamin and phosphate content.	Structural element of proteins necessary for growth and energy generation; Important for healthy bones & teeth.	Zarkhez (NPK) crop specific Blends, Zorawar (MAP), NitroPhos and DAP
Potassium	Transports nutrients and carbohydrates within plant body. Makes efficient use of water by plants. Key nutrient to improve quality of produce.	Reduces cholesterol, helps blood pressure and ionic balance in heart fluids; Protects against colon, breast & prostate cancer.	Zarkhez (NPK) crop specific Blends
Zinc	Contributes to vegetative growth, flowering and overall plant efficiency.	Metabolic regulator; aids cell membrane function, calcium uptake; Helps mental alertness, memory and hemoglobin levels.	Zingro (Zinc Sulfate)
Boron	Prevents flower shedding, aids fruit formation and quality.	Stimulates enzymes, immune system, DNA synthesis; Protects against fungal infections.	Zoron (Boron)

Source: Web based research by Dr. Nasim ul Hassan Shah, Technical Services Advisor, Engro

the Brands Showcase



N



NP



NPK



Zn



B

Business Drivers and Development



Established in 1995,
Engro-Vopak Terminal Limited,
our joint venture with Royal Vopak
Netherlands, handled 885,000 tons of
chemicals and liquefied petroleum gas
in 2005, contributing to the efficiency
and advancement of the chemical
industry in Pakistan.

Engro has diversified in
the knowledge-based service sector with
the buyout of Innovative Automation
Limited in 2003 now known as
Engro Innovative Automation Ltd.,
an industrial process control
solutions provider.





Commissioned in 1997,
Engro-Asahi Polymer & Chemical Limited,
our joint venture with Mitsubishi and Asahi Glass
of Japan has a Polyvinyl Chloride (PVC) resin
production capacity of 100,000 tons per year.
It's products are being used for water
conservation, including micro irrigation systems,
canal lining and on farm water course lining
besides other industry uses.

In 2005, we invested
Rs. 1 billion to establish
Engro Foods Limited,
a wholly owned subsidiary, to launch its
own brand of UHT milk, cream and other
dairy products.





Since 2001,
Engro's NPK (Zarkhez) Fertilizer Plant
helps provide balanced nutrition to the
nation's agriculture output.

Although we have restricted the domain of our first Sustainability Report to our core fertilizer business, in future reports you will hear more about the activities of our other businesses. For future we intend to develop better tracking procedures for CSR.

OUR VISION

To be the premier Pakistani enterprise with a global reach, passionately pursuing value creation for all stakeholders

CORE VALUES

"Safety, Health & Environment

We will manage and utilize resources and operations in such a way that the safety and health of our people, our neighbours, our customers and our visitors is ensured. We believe our safety, health and environmental responsibilities extend beyond protection and enhancement of our own facilities, and we are concerned about the distribution, use and after-use disposal of our products."

"Leadership

We value leaders of high integrity, energy and enthusiasm who have the necessary managerial, professional and people skills to inspire a group or an organization to set high goals and achieve them willingly. We believe that leadership skills need to be strengthened at all levels within our organization and that managerial and professional competence is a necessary foundation."

"External & Community Involvement

We believe that society must have industrial organizations that it can trust. Trust and confidence are earned by our performance, by open and direct communication, and by active involvement in the communities in which we live and conduct our business."

"Candid & Open Communications

We value communications that are courteous, candid and open and that enable each of us to do our jobs more effectively by providing information that contributes to the quality of our judgment and decision making. Effective communication should also provide the means for gaining understanding of the company's overall objectives and plans and of the thinking behind them."

"Teamwork and Partnership

We believe that high-performing teams containing appropriate diversity can achieve what individuals alone cannot. Consciously using the diversity of style, approach and skills afforded by teams is a strength we must continue building into our organization."

"Diversity & International Focus

We value differences in gender, race, nationality, culture, personality and style because diverse approaches and structures are more likely to meet the needs of customers and achieve our business goals."

"Innovation

Success requires us to continually strive to produce breakthrough ideas that result in improved solutions and services to customers. We encourage challenges to the status quo and seek organizational environments in which ideas are generated, nurtured and developed."

"Individual Growth & Development

We strongly believe in the dignity and value of people. We must consistently treat each other with respect and strive to create an organizational environment in which individuals are encouraged and empowered to contribute, grow and develop themselves and help to develop each other."

"Quality & Continuous Improvement

We believe that quality and a relentless commitment to continuous improvement are essential to our ongoing success. To this end, we define quality as understanding the customer's expectations, agreeing on performance and value, and providing products and services that meet expectations 100 percent of the time."

"Ethics & Integrity

We do care how results are achieved and will demonstrate honest and ethical behaviour in all our activities. Choosing the course of highest integrity is our intent and we will establish and maintain the highest professional and personal standards. A well-founded reputation for scrupulous dealing is itself a priceless asset."

"Enjoyment & Fun

We believe that excitement, satisfaction and recognition are essential elements of a healthy, creative and high-performing work environment. Having fun in our work should be a normal experience for everyone."

"Enthusiastic Pursuit of Profit

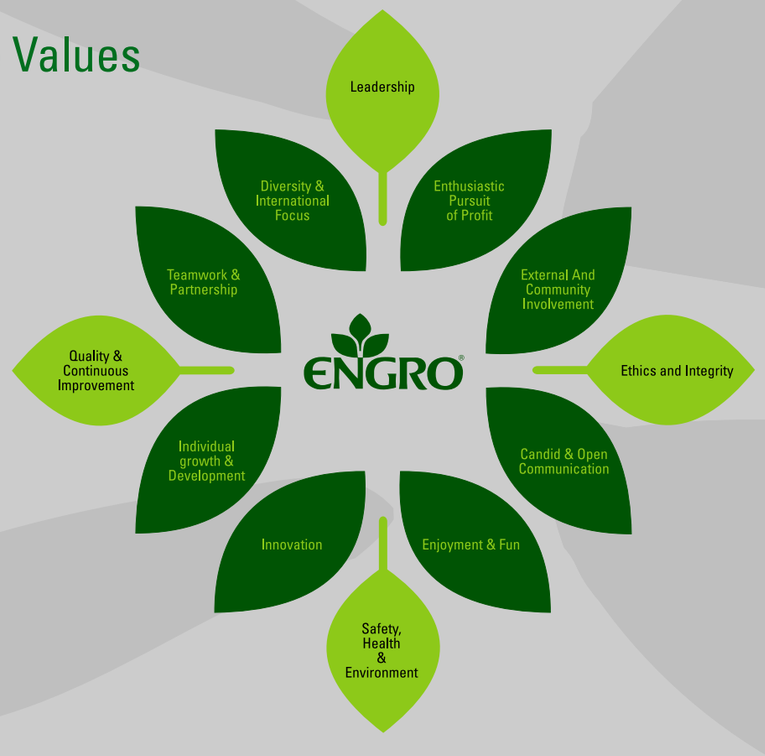
Successfully discharging our responsibilities to our shareholders to enhance the long-term profitability and growth of our company provides the best basis for our career security and meaningful personal growth. We can best accomplish this by consistently meeting the expectations of our customers and providing them with value."

Living our values

exemplary corporate governance

• Core Values and Mission • Structure and Governance
• Codes and Policies • Role of Board of Directors • Risk Management

Core Values



CORE VALUES AND MISSION

At Engro, our policies steer us to reach our sustainability goals. All Engro team members hold themselves to twelve core values as a guide to their everyday business conduct. Our core values revolve around "Ethics & Integrity" and "Safety, Health & Environment" which keep reminding us to choose the course of highest integrity in all that we do.

Our two-fold mission guides us to proactively help farmers maximize farm produce by using our superior plant nutrients and unmatched technical services. Simultaneously, we are building chemical, technological, infrastructural and agricultural businesses to augment national wealth.

STRUCTURE AND GOVERNANCE

Governance, sustainability and value creation are intertwined in Engro's business model. As a company striving to be sustainable, Engro constantly redefines the roles and responsibilities of our Board and Management, and reassesses the ever-evolving relationships with our stakeholders. As in our business processes, we strive to benchmark our corporate governance to international standards. Engro's governance structure responds to prevailing the best practice demands, taking bold initiatives to strengthen our tradition of accountability and our commitment to sustainability. Three committees form the core of corporate stewardship at Engro, translating our economic, environmental and social bottom-lines into reality. The Management Committee ensures that we live up to our sustainability values, oversees risk management and governance standards. The Health Safety and Environment Committee routes, implements and monitors HSE best practices. The Compensation, Organization & Employee Development (COED) Committee develops and institutes mechanisms to attract quality personnel at competitive remuneration, train them and implement human capital management systems to motivate and retain employees.

CODES AND POLICIES

Engro's policies link financial performance to our extended responsibility as a corporate citizen. Engro places particular emphasis on our Core Values, Code of Business Ethics and Sustainability Programs and Procedures.

ROLE OF BOARD OF DIRECTORS

Engro's ten-member Board of Directors brings together some of the nation's top business leaders with employee and shareholder representatives. Non-executive directors receive individually tailored orientation programs. The board's core principles ensure independence and integrity of directions; demonstrable leadership; frequent consultation; performance evaluation and succession planning. The Board's Compensation and Audit Committees directly engage with our conduct of business, while updating and monitoring the policies.

RISK MANAGEMENT

Engro understands that we are as sustainable as our ability to withstand challenge. Our approach to risk management comprises prudent analysis with social sensitivity towards our financial and plant-related risks. Our Management Committee works with the Board to implement a comprehensive risk management system that allows for a critical assessment of diverse interventions, ranging from business strategy to social investments.

The two comittees of the Board have responsibility for sustainability issues in the respective areas they oversee:

BOARD COMPENSATION COMMITTEE:

This committee ensures best practices in human resources and that one of our most important stakeholders, our employees, believe that Engro is fair and adds value to them via competitive compensation and growth avenues. Specifically, it is responsible for:

(i) executive compensation;
(ii) managem ent development and succession;
(iii) broadly applicable compensation and benefit programs.

BOARD AUDIT COMMITTEE:

Asists the Board in fulfilling its responsibilities for

(i) integrity of the company's financial statements;
(ii) complaince with legal requirements;
(iii) independent auditor's qualification and independence; and
(iv) performance of the company's internal audit function and independent auditors.

"Let there be no uncertainty in our minds that we practice and support integrity in the conduct of our business affairs and that we are totally committed to these policies."

-Asad Umar



10th Extraordinary General Meeting in progress

mitigating Risk

health, safety and environment focus









- HSE Management System
- HSE Work Plans
- Occupational Health
- Safety
- Injuries and Accidens
- Safety Management Systems
- Major Release Prevention and Mitigation Program
- Non-Manufacturing Safety
- Environmental Performance
- Air Emissions
- Waste Management
- Land
- Energy Conservation and Monitoring Program
- Environmental Awareness and Mon
- Future Environmental Plan and Challenges
- Environmental Footprint: GRI Key Performance Indices

At Engro, implementing stringent HSE management systems is among our primary core values. Our operations testify that effective HSE practices reduce business risks, cut costs and improve efficiency all-round. Our plant processes operate at high temperatures and pressures, using or generating hazardous chemicals. As such, we consistently upgrade safety features, targeting zero injuries and accidents via globally proven safety systems.

The Health, Safety and Environment (HSE) Policy has been the driving force in all these areas. Their performance and programs are overseen at the board level and are implemented by the HSE Committee headed by our CEO. Systems to monitor compliance against regulatory standards and selected international benchmarks are continuously reviewed and upgraded – a precautionary approach guides our activities in this sphere.

Engro's living this policy empowers us to sustainably excel while scaling new heights of production capacity. This report is part of meeting our obligation to share our HSE performance with the stakeholders transparently.

HSE MANAGEMENT SYSTEM

Our HSE Management System is aimed at systematic management and continuous improvement. Our procedures meet requirements of the ISO-14001:1996 and OHSAS-18001:1999. Since 2003 we are engaged in aligning our HSE practices with the DuPont Safety System. We have established HSE committees for non-manufacturing and marketing functions as well to ensure equal commitment to HSE throughout the organization.

SAFETY

With safety among our foremost priorities, Engro's policies are designed to identify risks at the earliest possible stage and to take measures to reduce the chance of incidents. Engro is recognized as a pioneer of safety management in Pakistan and the company is regularly invited to share its practices with the other companies.

Engro Chemical Pakistan is a company truly committed to all aspects of safety as a business need. The Dupont Safety Resource Business has great regard for organizations that have the highest standards in safety and operational excellence. We are pleased to be a part of the process that works towards these goals and believe that, due to the management's commitment, they will be achieved.

Asma Kazmi
Business Development Manager
Dupont Safety Resource Business-Pakistan

OCCUPATIONAL HEALTH

Engro's Occupational Health (OH) program now being rolled out in phases comprises components for Industrial Hygiene (IH) and Occupational Medicine (OM). This initiative strengthens our resolve to reduce health risks of employees and the community around us. Regular medical check-ups monitor employee health and track measures taken for their protection from occupational risk. We have actively worked to replace carcinogenic chemicals from our operations. For example, asbestos gaskets have been replaced with graphite, chromate with a phosphatic treatment in our cooling towers. Eliminox has replaced hydrazine as an oxygen scavenger in our boiler feed-water. Any new chemical compounds can only be introduced at the plant site after they undergo a health risk and environmental impact review, followed by due documentation for handling and disposal

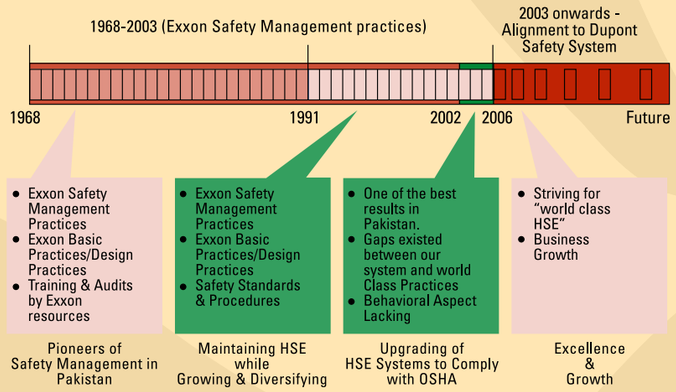
HSE WORK PLANS

We have developed a five-year HSE strategy, which is annually realigned in response to interim reviews. Within the organization, the HSE department has an advisory, supporting and auditing role. It spearheads upgrading and implementation of our policies, plans, human resource capacity building, audits and compliance assurance.

INJURIES AND ACCIDENTS

Throughout 2005, Engro suffered no lost-work injury, achieving 11.5 million person-hours without a lost workday injury for employees and 15.5 million person-hours without lost work injury for contract workers. Accident prevention among contractors remains an important area of attention.

SAFETY SYSTEMS HISTORY



SAFETY MANAGEMENT SYSTEMS

Engro's two-fold risk management approach addresses personnel and process safety. The systems being upgraded in line with DuPont Safety Guidelines include:

1. Personnel Safety Management aims at accident prevention by focusing on changing behaviors to continually minimize unsafe acts. At Engro, Supervisors and Managers are responsible and accountable for safety. Site safety audits enable regular interaction between management and shop-floor personnel.

2. Process Safety & Risk Management preempts catastrophic release of hazardous chemicals, with the system designed to account for three safety aspects – Technology, Facilities and Personnel – through evergreen documentation of equipment, drawings and procedures. Implementation of this system ensures that:
   - Regular Process hazards analyses are used for remediation as a top priority
   - New construction must pass safety checks
   - Each employee operating a process is safety trained
   - Engro's Contractor Safety program ensures that contractors are qualified and have accountability for the site safety management.

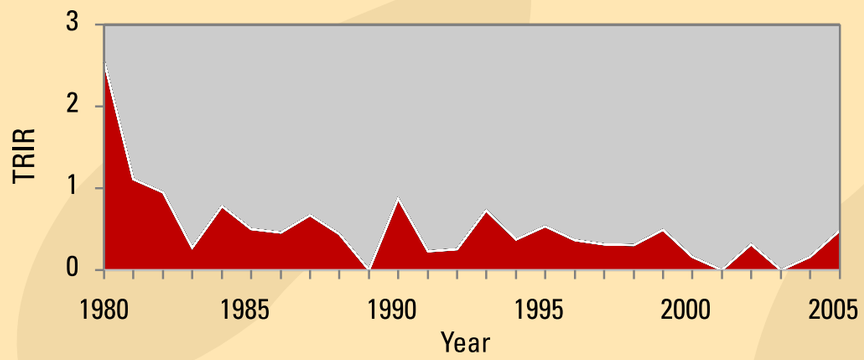
MAJOR RELEASE PREVENTION AND MITIGATION PROGRAM

Engro's twin strategy for Emergency Response and Planning ensures that systems and procedures conform to world class safety requirements and that business is conducted in a socially responsible manner.

A comprehensive emergency handling program in line with DuPont Safety Guidelines, including emergency squad training, certification and hands-on training through simulated emergency drills defines personnel roles and enhances preparedness for unplanned releases, emergencies or fire fighting. Engro trains doctors in the surrounding community on hazardous chemical safety data, antidotes and appropriate emergency response techniques.


Welding of furnace tubes in progress

25 YEARS PROFILE OF EMPLOYEES
Total Recordable Incident Rate: TRIR



NON-MANUFACTURING SAFETY

The Agribusiness and Corporate Services HSE committees are led by their respective divisional heads. Objective of the committee is to ensure safe work practices and operations. Top management closely monitors the implementation of HSE policy to avert risks. Training programs are provided to all employees to enable them to recognize unsafe situations. Off-the-job safety amongst employees and their families is also equally considered and proper timely reporting for all the incidents is ensured, analyzed and circulated for the benefit of others.

Engro proactively tracks and controls CO_2 emissions of its vehicles through planned maintenance program. A proper certificate from the competent authority or authorized workshop is obtained and formal log for the vehicles is maintained.

Any incident, either on or off-the-job, resulting or likely to result in fatality, injury leading to lost workday, restricted work, medical treatment or damage to Company assets is reported and proper investigations are done to avoid recurrence.

Marketing Division achieved 17.8 million kilometers of safe driving over a period of 25 years without suffering an Lost Work Injury (LWI). All this have been achieved under the unpredictable driving conditions in the country. Head Office completed 18.5 years without an on-the-job Lost Work Injury in the non-manufacturing functions. This covers over 6.12 Million person hours of safe operations.

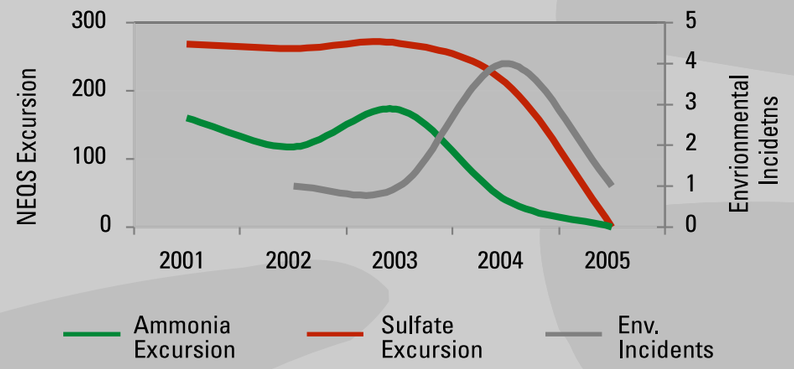
ENVIRONMENTAL PERFORMANCE

Engro has invested Rs.390 million on environmental projects between 1991 and 2005. At Engro, we log all internal and external complaints related to noise, ammonia and other emissions, as part of our environmental management system and regularly conduct ammonia, noise, dust and illumination surveys.

The Rs.89 million Environment Improvement Project (EIP) in 2001, addressed ammonia odor and NEQS compliance, leading to a fewer complaints. Engro is among the handful of Pakistan's companies that voluntarily disclose NEQS compliance to the Sindh Environmental Protection Agency.
Since 2004, we have outlined our "Environmental Footprint," quantifying air, land and water pollutants. We use non-renewable sources in the most socially responsible way, reusing and recycling as much as possible, thereby significantly reducing our environmental footprint.

Engro believes that producing fertilizers from natural gas is a more effective utilization of fossil fuels because of fertilizer's sustainable contribution to the nation's soil. Conscious that our processes contribute to global warming by emitting green house gases, we have adopted strategies over the last fifteen years, to reduce energy consumption by 31.6 percent per ton of urea produced.

ENVIRONMENTAL INCIDENTS AND EXCURSIONS



AIR EMISSIONS

In the spirit of continuous improvement, we have tuned our furnace and boilers to keep gaseous emissions within NEQS limits. Urea dust emissions have been reduced through Vibro-Priller technology.

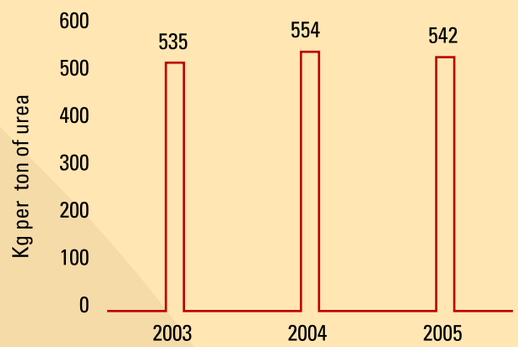
Since 2005, Engro has phased out Freon-12, in line with the nation's commitment to the Montreal Protocol (1972) on ozone depleting chemicals. Vehicle emissions are documented as the first step to improvement.



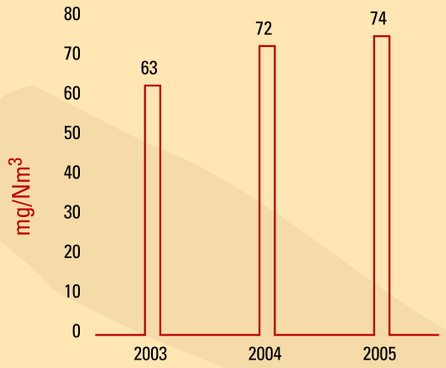
Control Room: Plant site, Daharki



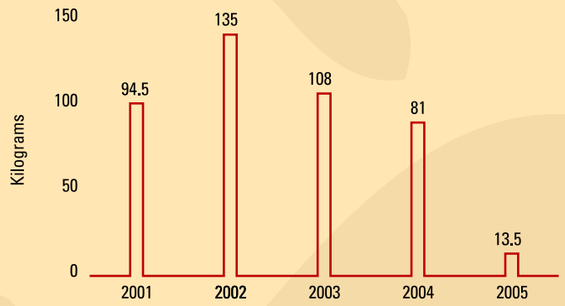
CO_2 EMISSIONS



PARTICULATE MATTER
(Prill Tower: NEQS Limit - 500 mg/Nm^3)



FREON - 12



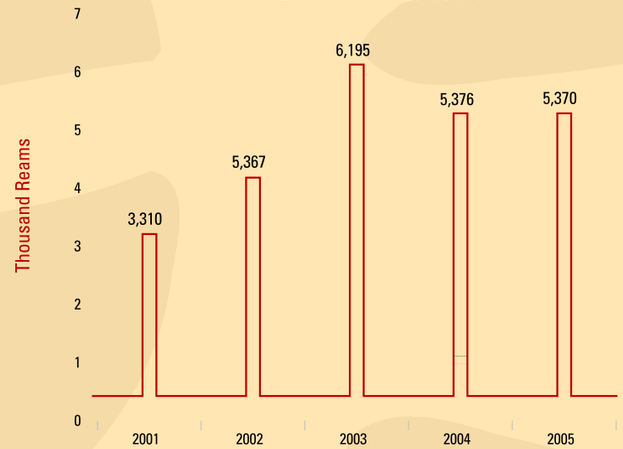
WASTE MANAGEMENT

The urea manufacturing process creates little solid waste. Engro has a long-standing practice of disposing hazardous catalysts or chemicals in an environmentally responsible way. We currently store spent catalyst and insulations in closed drums at a designated waste chemical yard. We re-sell used industrial oil to the industries that can use this grade of oil. We are continually exploring economically and environmental friendly recycling options for the spent catalyst. Recently, a waste management company acquired our spent glass wool for reuse.

STREAM IDENTIFICATION: EFFLUENT TO CANAL

	NEQS Limits	Engro Actual	Deviation from NEQS
Effluent Flow (cubic meters / day)		2,137	
Temperature	< 3 °C difference	2.22	None
pH	6 to 9	8.8	None
Ammonia	40 mg/l	12	None
COD	150 mg/l	10	None
TSS	200 mg/l	12	None

PAPER CONSUMPTION



EFFLUENT DISCHARGE - NATURAL RESOURCE CONSERVATION

Our Daharki plant uses 2,300 gallons per minute (GPM) of canal water, out of which 300-400 GPM of NEQS-compliant effluent is returned to the canal. Engro will spend Rs. 6 million to replace the fresh water used for horticulture at our plant site and housing facilities with treated wastewater.

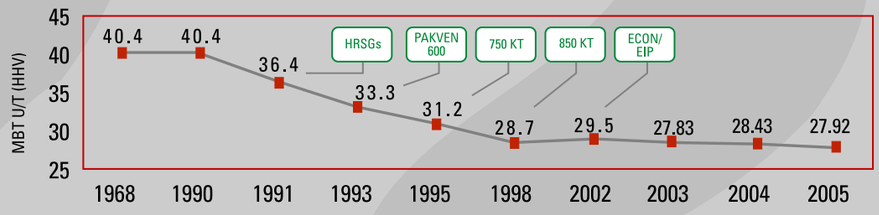
In 2000, Engro spent Rs. 10 million to treat and recycle domestic sewage from the plant's housing for horticulture. Now 200 gallons per minute of domestic effluents water is treated and used in the housing colonies for horticulture purpose. The result is an odor free environment and water conservation.

LAND

We continue to plant more and more trees in and around our plant site and housing areas. Over 1,200 trees were planted in 2005. Most of our unutilized land at the plant site is being progressively converted into green space. A recent World Wide Fund for Nature (WWF) survey found that our Daharki site is home to 49 species of birds. Over 20,000 migratory birds transit through our ponds on their annual journey through the Indus Flyway.


Migratory birds at plant site, Daharki

ENERGY CONSERVATION PROFILE



HRSGs	Heat Recovery Steam Generation	750 KT	Expansion to 750 KT production per annum
PAKVEN 600	Expension from 268 to 600 KT production per annum	850 KT	Expansion to 850 KT production per annum
ENCON/ EIP	Energy conservation and improvement project		

The highlight of our flora and fauna survey was that Engro's effluent ponds attract 20,000 migratory water-birds. A total of 49 bird species were recorded. The ponds form wetlands that are an important winter-bird staging ground on Central Asian Flyway Route 4 through Kazakastan-Pakistan-India. If the integrity of this waste-pond cum water-bird habitat is maintained, the area can be used for research and environmental awareness. An observatory may be developed to study the birds.

A total of 42 plant species including trees, shrubs, herbs, ornamental plants and grasses were also recorded. A majority of them are exotic species that have been introduced while thirteen species are of indigenous plants.

Jehangir Durranee
WWF-Karachi, Pakistan

ENERGY CONSERVATION

Natural gas is the main energy source for power and steam generation. Energy conservation is among our strategic drivers for de-bottlenecking and other projects and translates into a steady increase in the production capacity.

When fossil fuels are combusted in power generation, heating systems produce carbon dioxide which is the main contributor to green house gases, causing global warming.

Over the last 15 years, we have been able to reduce our energy consumption by about 31.6 percent per ton of urea. This is particularly outstanding for a vintage plant like ours, as plants constructed before the 1990s were exceptionally energy inefficient. Our commitment to overall efficiency has led us out of the box towards the creative energy conservation methods.

The energy improvement profile below highlights significant projects Engro has undertaken on the continuous improvement path. In addition to the above improvements, we have made to the plant, we consistently improve the ratio of natural gas that we use to produce urea to the amount of gas used to generate power for plant operations. This positive trend on our feed: fuel ratio enables us to consistently produce more urea with the same amount of gas supplied to us from the Mari Gas Field.



ENVIRONMENTAL AWARENESS & MONITORING PROGRAM

Our special focus on educating the community on environmental issues means continuously enhancing awareness among employees through trainings, circulating information and public awareness events. For example, paper conservation competitions, public environmental message exchanges and slogan competitions promote and further ingrain this philosophy.

FUTURE ENVIRONMENTAL PLAN & CHALLENGES

Salient environmental targets for 2006 include:

1 Finalizing our proposal to convert energy source of street lights to solar power
2 Reducing Green House Gases emissions through energy conservation projects
3 Implementing environment friendly disposal of spent insulation
4 Finalizing our carbon trading proposal -the first Clean Developing Mechanism Project in the country
5 Finalizing our Water Conservation Study
6 Sustaining 100 percent NEQS Compliance

HEALTH, SAFETY AND ENVIRONMENT POLICY

To be recognized as a world class performer in the field of Health, Safety & Environment Management.

Engro will:

- Conduct its business in a manner that protects the health and safety of employees, contractors, others involved in our operations and the community in which we operate.
- Continuously improve environmental performance to achieve sustainable development.
- Strengthen its business by making Health, Safety & Environment (HSE) considerations an integral part of all business activities.
- Comply with all laws & regulations.
- Practice, transparent public reporting of the HSE performance.
- Ensure that HSE is a major responsibility of appropriately trained, empowered & accountable employees & management.
- Promote a culture of learning & practicing HSE management among employees and contractors.
- Encourage off the Job HSE awareness among employees and families.

Asad Umar
President
Engro Chemical Pakistan Limitd
January 01 2006

ENGRO CHEMICAL PAKISTAN LIMITED

ENVIRONMENTAL FOOTPRINT Performance Indicators	Engro Performance - 2005
Health and Safety	
LA5 - Practices on recording and notification of occupational accidents and diseases	Engro's Health, Safety and Environmental Management System stipulates specific and timely reporting requirements of all events. Major and High-Potential incidents require immediate notification to the senior management.
LA6 - Description of formal joint health and safety committees	The following committees are working towards continuously improving health, safety and environmental performance: Corporate HSE Committees, Agribusiness HSE Committee, Numerous Safe Operation Committees, Departmental Safety Committee (B Level), Shop Floor Safety Committee (D Level)
LA7 - Standard injury, lost day and absentee rates and number of work-related fatalities	Zero Fatalities during the year Lost Workday Injury Performance Manufacturing Site Daharki Employees: 11.5 million person-hours (9 years) Contract Workers: 15.5 million person-hours (7 years) Manufacturing Site Zarkhez Plant Employees: 0.397 million person-hours Contract Workers: 0.744 million person-hours One LWI recorded for a contract worker Agribusiness Division Employees: 25 Years Driving : 17.8 million kilometers Corporate Services Employees : 18.5 years 6.12 million person-hours
LA8 - Description of policies and programs on HIV/AIDS	No specific policies or programs in place for HIV/AIDS.

ENVIRONMENTAL FOOTPRINT Performance Indicators	Engro Performance - 2005
Environment	
EN1 - Total materials use other than water, by type	The following materials are principally used: • Natural gas in production of urea • Urea, potash and phosphorus for NPK production • Polypropylene bags as packaging material
EN2 - Percentage of materials used that are wastes (processed or unprocessed) from sources external to the reporting organization	Engro does not use any processed or unprocessed waste from external sources
EN3 - Direct energy use segmented by primary source	Total energy use: 27.92M Btu/ton of urea
EN4 - Indirect energy source	The company does not estimate indirect energy use, such as energy consumed in transporting products to the consumers.
EN5 - Total water use	2005 total water use: 1,317 Million US Gallons for usage at plant and housing colonies.
EN6 - Location and size of land owned, leased or managed in biodiversity-rich habitats	No data collected on the biodiversity on the land at its locations. WWF was engaged to conduct a flora & fauna survey at Daharki plant site.
EN7 - Description of the major impacts on biodiversity associated with the activities and/or products and services in the terrestrial, freshwater and marine environments	No data collected data on the biodiversity on the land at its site.
EN8 - Green House Gas Emission	Carbon Dioxide (CO_2) 494,146 MeT
EN9 - Use and emissions of ozone depleting substances	Freon gases in refrigerators/air conditioners 0.82 MeT. Use being discontinued as per policy
EN10 - NOX, SOX and other air emissions by type	Nitrogen Oxides (NOX) = 93 mg/NM3 Carbon Monoxide (CO) = 1154 mg/NM3

GRI PERFORMANCE TABLE

ENVIRONMENTAL FOOTPRINT Performance Indicators	Engro Performance - 2005
EN11 - Total amount of waste by type and destination	Asbestos Sheets: None - recycled by supplier Spent Catalyst: 725 MeT stored at plant site Chromate Sludge: 10,000 MeT plant site Anthracite: 70 MeT re-used by local industry Alumina Balls: 41 MeT stored at plant site Spent Resin: 25 MeT stored at plant site Lime Sludge: 168 MeT landfill site at plant Used oil: 498 drums re-used by local industry
EN12 - Significant discharges to water by type	Discharge to irrigation canal: 180.5 Million US Gallons
EN13 - Significant spills of chemicals, oils and fuels	One spillage incident involving 75 liters of gearbox oil
EN14 - Significant environmental impacts of products	Our crop nutrient fertilizers are applied directly to the agricultural land to replenish nutrients removed from the soil at harvest.
EN15 - Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed	Fertilizer products provide nutrients to the soil and are used up by crops leaving no residual waste.
EN16 - Incidents of and fines for non-compliance with all applicable international declarations, conventions and treaties, and local regulations associated with the environmental issues	None
EN35 - Total environmental expenditure by type	Rs.390 million since 1991: - air emission impact mitigation - effluent discharge treatment - solid waste dumping

Clean environment at Engro's Daharki plant attracts migratory birds at evaporation ponds

Reaching Out

perceptive social investments



- Being an Employer of Choice
- Respecting Human Rights
- Promoting Culture of Honesty
- Philanthropy at Engro
- Towards a Social Investment Strategy
- Social Investment Plans - 2006
- GRI Social Performance Table

Being respected as a trusted friend by our host communities motivates Engro. Of course, robust business success makes social performance achievable. That is the key to our sustainability. Engro is the first national company to engage in wider participatory dialogue for strengthening trust between our stakeholders and us. We know that this trust attracts and helps retain a superior workforce and earn us all-round respect, among our primary assets.

BEING AN EMPLOYER OF CHOICE

A key priority for Engro is to provide the employees, an attractive, fair and safe working environment, free from discrimination. Our labor practices ensure that we remain an employer of choice for top-class professionals. Our work culture continues to attract the best human resource available.



Muhammad Boota Khan, retired in 1994 after completing 25 years of service, flanked by GM Human Resource & GM Marketing during his visit to the plant site

RESPECTING HUMAN RIGHTS

Engro's policies reflect its abiding respect for fundamental human rights. This has been reaffirmed through our certification to the SA8000 social accountability standard in 2005.

Our Core Values are augmented by policies for:

- Equal Opportunity
- Nondiscrimination and Gender Equity
- Freedom of Association
- Child Labor and Forced Labor
- Occupational Safety

PROMOTING A CULTURE OF HONESTY

Engro cares about how results are achieved. Our Business Ethics Policy requires employees to choose the course of the highest integrity and sign their renewed commitment to it every year. Engro will never offer, pay, solicit or accept bribes in any form, directly or indirectly. Engro's Quadrennial Business Practices Report (QBPR) documents handling of each irregularity, and is reviewed by the Board for directing future policy.

We believe Engro's core values of fun and enjoyment must spread beyond the company. Not only does it allow for a healthy and constructive engagement with the local communities who would otherwise fall outside our social programs, spons oring sports allows us to help channel energies and talent towards constructive activities.

Sponsoring regional sporting events and helping improve local sports infrastructure, is another way Engro contributes to a Behtar Zindagi.

In recent years, Engro has become more aware of the need to contribute to the developing grassroots infrastructure as a way to accelerating social development and equity. Within the mission of providing a better life to our local communities, Engro continues to offer financial assistance to projects that promise significant and widespread impact.



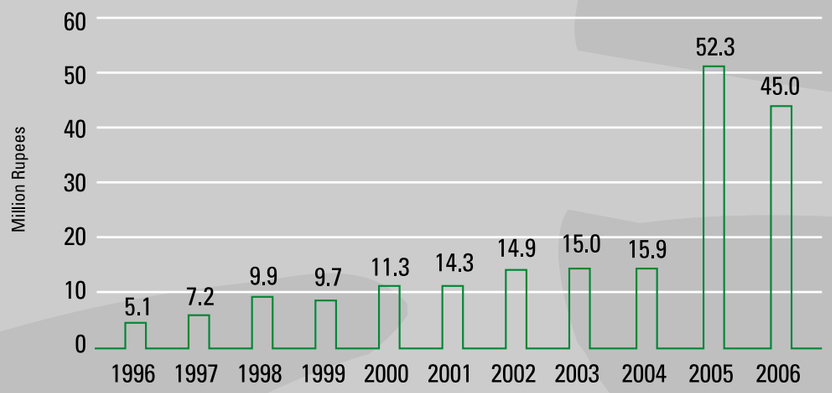
Employees enjoying party at Karachi beach

PHILANTHROPY AT ENGRO

Engro's commitment to philanthropy is as old as the company itself. We have been engaged in social service projects for 40 years, helping improve living standards of the communities around us. Yet, only in 2004 did we embark upon a deliberate stakeholder engagement plan through independently facilitated dialogue. From our stakeholders we have learnt that Engro's contributions towards Health, Education, Sports and Infrastructure are appreciated by the intended beneficiaries and must continue. However, we need to build a more internally consistent social investment strategy that flows from our core values, just like we have for other key aspects of the business. We acknowledge that Pakistan's health indicators are well below par. Quality healthcare is often beyond reach or unaffordable for most rural Pakistanis, local doctors are neither well trained nor adequately equipped to respond to their community's needs. Poor nutrition and harsh living conditions take particular toll on women and children. For years, Engro has responded to alleviate some of this burden not only around Daharki but all across the country.

The other social concern for Engro surrounds education, vital to our nation's prosperity. We have progressively worked to assume more and more responsibility for schooling children in our vicinity by improving school buildings and infrastructure, by directly enhancing the quality of instruction through teacher training and through contributing scholarships and incentives for technical education at some of the country's leading institutions.

SOCIAL INVESTMENTS



Board guidelines call for spending up to 1 percent of pre-tax profits for the social uplift projects. In 2005, however, we spent 2.25 percent to supplement national efforts for the earthquake victims. Our allocation for 2006 stands at 1.40 percent of pre-tax profits, a major portion of which is reserved for the development of permanent houses for the earthquake survivors

TOWARDS A SOCIAL INVESTMENT STRATEGY

Engro's social interventions have traditionally been driven by the internal consensus. At the beginning of each year, employees start to identify the public service projects and recommend them to the Public Affairs Department, which then evaluates the proposals and places them before the Management Committee. Our Public Affairs Department also runs a continuous dialogue with various stakeholders round the year to find suitable partnerships. If a project is considered worthwhile and consonant with Engro's corporate philosophy, it is approved by the Board of Directors and allocations are set aside in the budget. As we listen to our stakeholders, Engro is convinced that our community investments must go beyond cheque-writing.

Over the months to come Engro will firm up a social investment strategy and submit it to the Board for approval. This strategy would then give focus and direction to our social investments and guarantee a wider and more sustainable impact.

A patient being treated at Engro snakebite centre



ENGRO'S PHILOSOPHY

Engro's social projects are principally in Healthcare, Education, Infrastructure Development, Conservation, and Local Events Sponsorships.

Engro's commitment to local programs reflects our belief that healthy communities translate into strong and efficient operations. Engro actively supports local causes that improve the overall quality of life in all our host communities with donations, expertise, materials and time. Engro is working to ensure that our community programs are based on ongoing needs assessments. To us this would be the finest manifestation of Behtar Zindagi.

CORPORATE CITIZENSHIP

Social Responsibility is assuming increasing importance in Engro's work. We believe in working with all stakeholders to improve their quality of life in a way that contributes to our joint development. We strive to gain the trust of our stakeholders by acting responsibly. Growing from a single product manufacturer to a diversified corporate entity, we owe much to Daharki, the city that hosts our flagship plant. Our special relationship with this corner of Sindh is strengthened by locating the bulk of Engro's social service projects in and around Daharki.

SHARING OUR SUCCESS

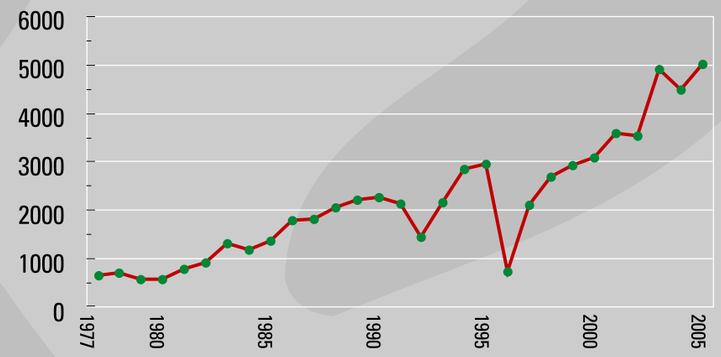
Engro's social investments continue to impact the lives of our host communities. In 2005, Engro's philanthropic contributions exceeding 52 million Rupees directly benefited over 130,000 individuals at the grassroots. The focus remains on health, education and infrastructure development ranging from expanded dialysis facilities and eye camps to investments in an oncology unit and a futuristic telemedicine project, adopting more government schools and reaching out to earthquake-stricken communities in the north.

HEALTH PROGRAMS

FREE SNAKEBITE TREATMENT

One of Engro's first community health interventions was this program, which since 1977 has saved approximately 63,000 lives. The snakebite clinic located at Engro Housing Colony Daharki is the only one in a radius of 400 km. Open 24 hours throughout the year, in 2005 it handled 5,000 cases.

SNAKEBITE CASES TREATED AT ECPL CLINIC DAHARKI



Life-saving Serum: only public-access facility in a 400 kilometer radius

When Bhagia arrived at the Engro Snakebite Clinic after traveling 6 hours from Jacobabad, his son had no pulse. As the anxious father looked on, a lone paramedic swiftly administered the scarce life-saving anti-venom serum. Soon young Mahiwal began to show signs of recovery and was able to return home safely.

ONCOLOGY UNIT AT AGA KHAN UNIVERSITY HOSPITAL, KARACHI

Engro is among prominent contributors to the new Oncology unit at the Aga Khan University Hospital, Karachi, commissioned in 2005. The Ibn Zuhr Building houses two radiotherapy linear accelerators, a laboratory, transfusion unit, pharmacy, and 24 chemotherapy stations.

RENAL DIALYSIS CENTERS

The first of the centers was established in Daharki in 2001, and has handled 2,400 cases since then. Responding to demand, a second centre was established in Mirpur Mathelo in 2004 at a cost of Rs 3.5 million.

ENGRO THALASSAEMIA CENTER

Established in 2001 at a cost of Rs. 3.7 million in Sukkur, this centre has cared for more than 319,800 cases so far executing over 23,000 blood transfusions, 253,000 laboratory tests and 21,777 tuberculosis treatment regimes.

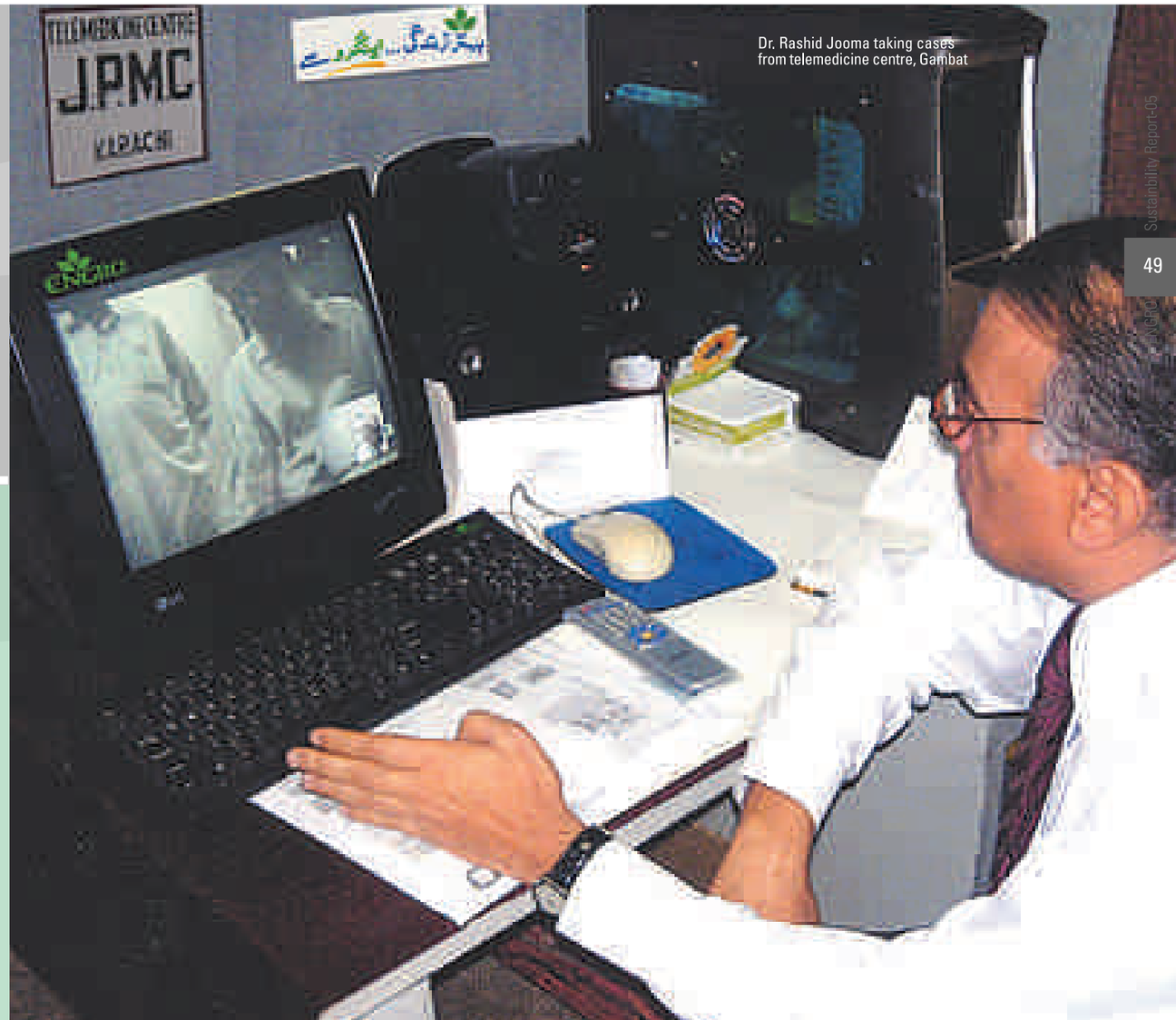
ENGRO THALASSAEMIA CENTER AND SUKKUR BLOOD & DRUGS DONATING SOCIETY (SBDDS)

Engro has supported Sukkur Blood & Drugs Donating Society for several years to establish a Thalassaemia centre at Sukkur. The center arranges blood donation camps and offers free blood transfusion and management facilities to children with thalassaemia, hemophilia, leukemia, and other blood disorders. We have recorded 319,881 cases over the last two years, out of which 81% have been treated free. The facility will get converted into a full scale charitable hospital in 2006 with Rs.1 Million additional funding by Engro.

Dr. Muhammad Naeem,
President SBDDS, Secretary Board of Governors,
Sukkur Hospital

TELE-MEDICINE PARTNERSHIP

Beginning 2005, the partnership between Engro, Telemedicine Association of Pakistan and Jinnah Postgraduate Medical Centre in Karachi utilizes the latest technology to provide tertiary healthcare and referral services for ruralcommunities around Telemedicine spokes in Gambat and Shikarpur. The Rs. 3 million project links rural spokes via video-conferencing systems to specialist doctors in Karachi who can access X-rays, ECGs and vital signs for real time consultation. Each spoke is capable of handling up to 10 cases per day.



Dr. Rashid Jooma taking cases from telemedicine centre, Gambat

TELEMEDICINE SUCCESS STORY: A CASE REPORT

Two years ago when Rajab Ali Mahar was blessed with a son, he looked forward to the day little Hidayatullah would grow up to help him on the farm. But the child's head was swelling up and the village doctor referred them to the district hospital in Gambat, where he was diagnosed with Hydrocephalus. Rajab had neither the contacts nor the money to pay for the treatment, which was available in Karachi. But fortunately Engro's telemedicine spoke at Gambat Hospital is linked to Jinnah Postgraduate Medical Center (JPMC), Karachi, where neurosurgeons were able to access Hidayalullah's medical records in real time, confirm diagnosis and schedule surgery immediately. Hidayatullah was tele-referred to JPMC where a ventriculoperitoneal shunt was inserted. The child made an uncomplicated recovery. None of this cost Rajab Ali any money. Rajab Ali could again see his dreams coming true.

Prof. Rashid Jooma
Head of Neurosurgery, JPMC, Karachi.



Dr. Anwar Soomro examines a patient at Engro Eye Care Centre



EYE CARE CENTRE

Established in 1999 at a cost of Rs. 5 million, Engro's Eye Care Center in Daharki has so far treated more than 45,000 patients, performing over 4,000 surgeries and intraocular lens implants.

EDUCATION PROGRAMS AND TECHNICAL PARTNERSHIPS

Engro works with the Ali Institute of Education, Lahore and The Citizens Foundation to improve and monitor education quality and gender participation.

TCF ENGRO CAMPUS

Constructed in 2002 at a cost of Rs. 20 million, the TCF Engro campus is a professionally managed educational institution run by The Citizens Foundation. With a current enrollment of 475, it has a capacity for 750 students.



A view of Riverine (Kacha) School

KATCHA SCHOOLS

Starting as an experiment in the riverine communities along the River Indus in Ghotki district with 2 schools in 2001, the program now has 11 schools with permanent buildings, 18 trained full-time teachers and over 850 students. Three of the schools have been started in collaboration with USAID.

SCHOOL ADOPTION PROGRAM

Under the Sindh Government's Public Private Partnership Program, 6 government schools in Ghotki were adopted by Engro in 2005, two of them supported through USAID funds (benefiting over 1,850 students).

TRAINING AND RESOURCE CENTRE

Training and Resource Centre is the only teacher training facility in the district, which has trained more than 2,500 primary school teachers from all over Ghotki since 1999.

"To the children of the Katcha Primary Schools in Ghotki District and elswhere, Engro is not just a fertilizer producer.

It is a friend that gives them the hope to fulfill their dreams of the future."

Pervez Ghias

CEO Indus Motors & Member Engro Board of Directors

SAHARA WELFARE SOCIETY - AN EMPLOYEE VOLUNTEERING INITIATIVE

The Sahara Welfare Society began with employee donations that are now matched with Engro funds. It has constructed a purpose-built school and clinic, which accommodates 200 children and serves 40 patients daily. Sahara offers adult literacy and Arts & Crafts classes for local women, empowering them through skills and economic opportunity. From a humble one-room initiative, Sahara has become a well-recognized voluntary organization of District Ghotki.

COMMUNITY INFRASTRUCTURE DEVELOPMENT

Engro has traditionally supported community infrastructure projects in its vicinity with financial support. This is changing now, with the company taking a more direct role in planning and implementing community projects.

EARTHQUAKE RELIEF

After our monetary contributions, in response to the emerging needs of relief and rehabilitation, Engro is teaming up with The Citizen's Foundation to reconstruct village Battal in the Mansehra district providing over 100 seismic-resistant houses. Employees of the company will volunteer in the construction and rehabilitations efforts on site.

In addition to the above, we have also supported the following by allowing grants or material support: The Kidney Centre, Eye Ward & Emergency Operation Theatre at Jinnah Postgraduate Medical Centre, Polio Eradication Campaign, District Government Ghotki, National Institute of Cardiovascular Diseases, Bone Marrow Unit at National Institute of Child Health, Sindh Institute of Urology & Transplant, Fatimid Foundation, Karawan-e-Hayat, Al-Mehrab Tibbi Imdad, Lady Dufferin Hospital, Hussaini Blood Bank, Post-cyclone medical camps in Badin, Scholarships at Lahore University of Management Sciences, Mehran University of Engineering & Technology, Indus Valley School of Art & Architecture, SOS Village Multan, The Reformers School Karachi, Behbud Leather-craft Training Institute, Government schools for Handicapped children, Sukkur and Nawabshah, The Book Group, Government Schools in Daharki, Scholarships to top-performing children of Engro Dealers, Construction of Sports stadium at Daharki and Mohatta Palace.

ENGRO AND THE OCTOBER 2005 EARTHQUAKE

Engro pledged 39 million rupees in 2005 targeted at immediate relief with President's Earthquake Relief Fund, The Citizens Foundation, Edhi Foundation, Islamic Relief and Radio Pakistan.
As a team, Engro employees volunteered at the Pakistan Air Force Faisal Base relief camp in Karachi.

A STRATEGY FOR SOCIAL SUSTAINABILITY

From our dialogue with stakeholders, Engro now knows that random acts of philanthropy must now be mainstreamed into a company specific social investment strategy and that we must plan our social interventions responsively. As a good neighbor Engro's key target for next year is to articulate clear targets for social investment driven by findings from the next round of our stakeholder dialogue. Our well-defined philanthropy focus comprising primary education and technical skill development, health care through technology, and community infrastructure development will hence become more sustainable.

In addition, a key objective of our social strategies would be to mainstream systems based on Responsible Business pillars that ensure that we are able to implement the 10 principles of the UN Global Compact through embedded organizational processes.

SOCIAL INVESTMENT PLANS - 2006

HEALTH

- Add four new telemedicine spokes, with a capacity to handle a minimum of 500 patients
- Allocate resources to treat 5,000 snakebite cases
- Run awareness, screening & prevention program for 'Hepatitis B' for approximately 1,000 persons
- Resource the Sukkur Thalassemia Centre to provide 3,000 free blood transfusions, 60,000 free laboratory tests, 5,000 out-patient and 1,500 in-patient interventions.
- Allocate resources for free consultation and basic medication at the Sahara Clinic for a further 10,000 patients

EDUCATION

- Adopt 4 new schools in Ghotki district, with about 2,300 students
- Enhance enrolment of Katcha Schools
- Enhance enrolment at TCF Engro campus to 525
- Extend training to a further 150 teachers at the Training & Resource Center
- Establish library at Institute of Business Administration, Sukkur
- Resource a national university to enhance their Chemical Engineering program

INFRA STRUCTURE

- Build 100 new earthquake-proof houses in Village Battal, District Mansehra
- Resource 40 Engro employees to volunteer for reconstruction activity at Village Battal, District Mansehra 14
- Upgrade the public sewerage system for Jhung village adjacent to the Daharki Plant.

Social Investments 2006

(Thousand Rupees)

	Health	Education	Others	Total
Daharki	4,300	2,350	2,625	9,275
Karachi	2,550	5,100	985	8,635
Marketing Locations	1,325	655	125	2,105
Earthquake			25,000	25,000
Total	8,175	8,105	28,735	45,015



Color day at Sahara School



Employees donating blood

SOCIAL PERFORMANCE INDICATORS	Engro Performance - 2005
Employment LA1 - Breakdown of workforce by employment type	Engro had 925 permanent employees working on a full time basis along with numerous persons working for contractors to whom specific tasks have been contracted out
LA2 - Net employment creation and average turnover	59 new jobs have been created since 2000 out of which 5 were added in 2005. Total employee turnover was 17 percent.
LA12 - Employee benefits beyond those legally mandated	Engro supplements benefits mandated by the government, including medical, life and disability coverage, retirement benefits, etc, with subsidized housing at plant site.
Labor/Management Relations LA3 - Percentage of employees represented by independent trade union organizations	All non-management employees, other than marketing, are represented by trade unions who are their collective bargaining agents. However, same benefits are offered to marketing non-management employees as negotiated and settled with Karachi CBA. 52 percent of our total workforce is represented by unions. Engro informs employees of changes in the workplace through employee meetings and direct correspondence. It uses e-mail, intranet and printed communications to provide key information and to foster a dialogue about changes in operations.
LA4 - Policy and procedures involving information, consultation and negotiation with employees over changes in the reporting organization's operations	
Training and Education LA9 - Average hours of training per year per employee by category of employee	Employees received an average of 5 days of training in 2005. Plant training was spread over 21,712 person-hours. The main type of trainings included safety, technical and core management skills development.

SOCIAL PERFORMANCE INDICATORS	Engro Performance - 2005
Diversity and Opportunity LA10 - Description of equal opportunity policies or programs and monitoring systems	Engro is an equal opportunity employer. We have not separately identified affirmative action initiatives. Our HR policies support diversity and forbid harassment.
LA11 - Composition of senior management and corporate governance bodies (including the Board of Directors), including female/male ratio and other indicators of diversity	5 directors of the 10-member board are non-executive; Board Audit Committee and Board Compensation Committee composition comprise of only non-executive directors except that the CEO is also a member of the BCC. Engro has no women in senior executive positions or on our Board of Directors at present.
Human Rights HR1 - Description of policies, guidelines, corporate structure and procedures to deal with all aspects of human rights relevant to operations	Engro's Core Values are based on a firm recognition of human rights and individual responsibility, which in turn drives our policies and operational guidelines such as the Business Ethics Policy. Again driven by our Core Values or policies for hiring, career advancement, business decisions, procurement, and social contributions etc, are all calibrated to create positive impact and eliminate inequity.
HR2 - Evidence of consideration of human rights impacts as part of investment and procurement decisions	Engro currently does not have a system for monitoring suppliers' and contractors' human rights performance.
HR3 - Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors	Major portion of business at Engro is at national level
HR4 - Description of global policy, procedures or programs preventing all forms of discrimination in operations	
HR5 - Description of freedom of association policy and extent to which this policy is universally applied independent of local laws	We acknowledge and respect a worker's right to freedom of association in policy and practice, as evidenced by our 52 percent union membership and our certification to SA 8000:2001.

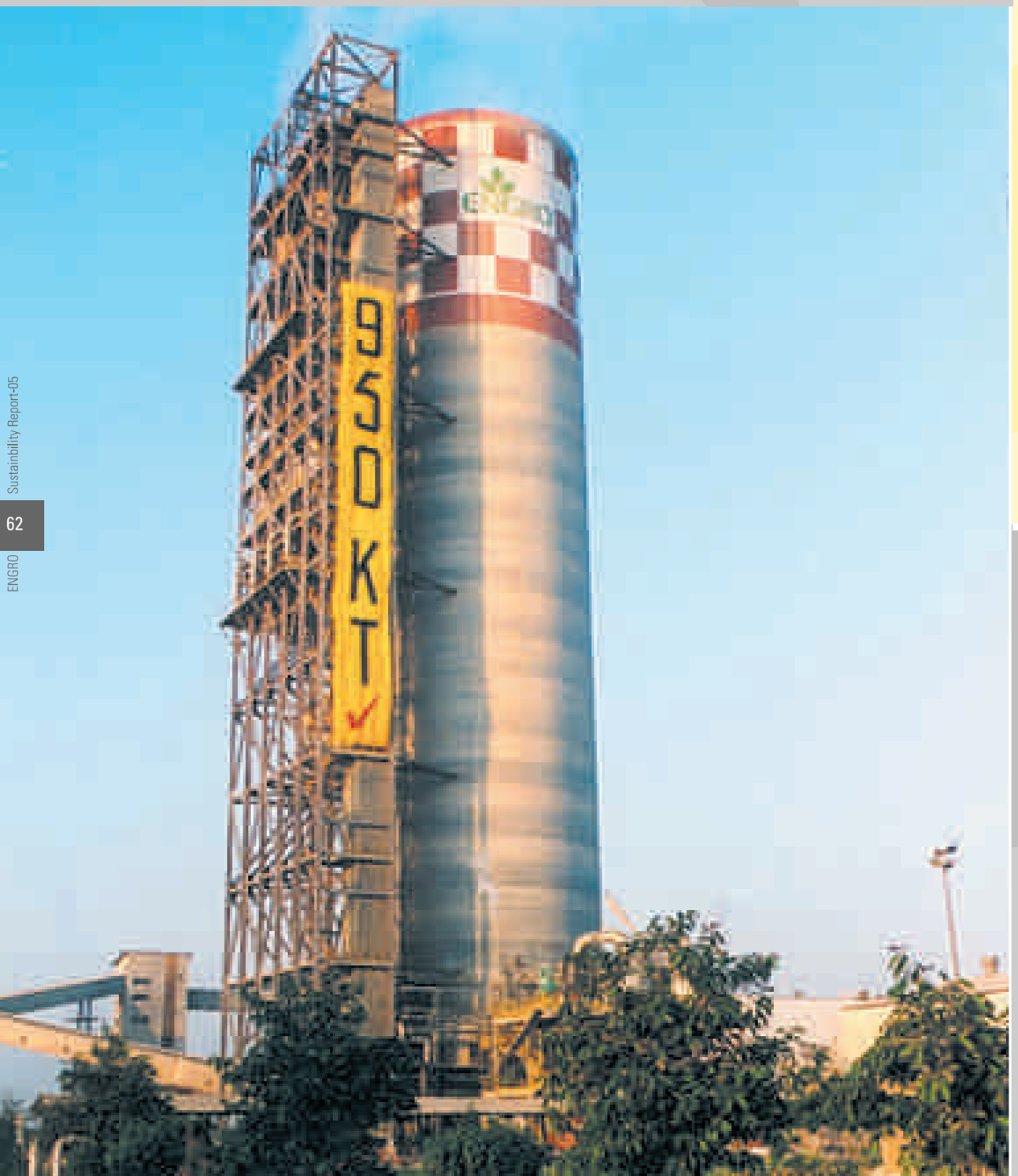
GRI PERFORMANCE TABLE

SOCIAL PERFORMANCE INDICATORS	Engro Performance - 2005
HR6 - Description of policy excluding child labor, as well as description of procedures/programs to address this issue	While there is no specific policy statement forbidding child labor, our hiring practices are clear on complying with the minimum employment age mandated in Pakistan's Labor Law. This verified by our SA8000:2001 certification .
HR7 - Description of policy to prevent forced and compulsory labor as well as description of procedures/ programs to address this issue	Our policy ensures that all employment or contracting relationships between Engro and individuals are based on legal contracts. Also verified by SA-8000:2001 certification.
HR12 - Description of policies, guidelines and procedures to address the needs of indigenous people	Engro has a non-discrimination policy for hiring and treatment of personnel in the workplace. Engro has no operations in an area that is home to distinct indigenous people.
Society and Community	
SO1 - Description of policies and procedures/ programs to manage impacts on communities	Engro's program to inform neighboring communities of emergency measures and alerts is currently being re-structured.
SO2 - Description of the policy, procedures and compliance mechanisms addressing bribery and corruption	The company's Business Ethics policy expressly forbids the giving or taking of bribes. Our Quadrennial Best Practices Review outlines any irregularities that occurred, no matter how minor and shares them with key management and the Board.
SO3 - Description of the policy, procedures and compliance mechanisms for managing political lobbying and contributions	The company's policy on Political Contribution strictly forbids engagement and donations for political activities.
Product Responsibility	
PR1 - Policies for customer health and safety during use of products and services	See Safety, Health and Environmental section.
PR2 - Policies and procedures for product information and labeling	All package labeling conforms to consumer protection and disclosure best practice. Engro assumes responsibility for information placed on the packaging, such as weight, contents, origin and name of manufacturer.
PR3 - Policies and procedures for consumer privacy	Engro's Sales and Purchasing Manuals guarantee confidentiality of consumer/dealer/vendor accounts, quotes and records. Full disclosure is however made to the government under law.



Creating value

economic performance



- Innovation: Pakistan Venture 600
- Financial Performance
- Five-year Financial Highlights
- Profits Drive Responsibility
- Positively Impacting the Economic Lives of

  Our Stakeholders: Examples
- GRI Economic Performance Indicators
- Supporting the Pakistan Cotton Industry

Engro exists to economically strengthen its stakeholders. Our core values motivate us to the Enthusiastic Pursuit of Profit, which drives our financial and economic decisions. This value allows us to generate long-term value for key stakeholders such as our shareholders, customers, employees, business partners, host communities, the government. This value helps transforms our work into the economic well-being of our farmers and ultimately to a progressing Pakistan.

FINANCIAL PERFORMANCE

Engro contributes economically at the local, provincial and national levels by paying our taxes, generating direct and indirect employment and by undertaking select infrastructure projects and identifying business opportunities that create economic growth. Last year we paid over Rs. 4 billion to the government in taxes, duties and development surcharge. Engro's human-resource base is poised to expand further in line with our growth strategy, directly impacting feeder employment for thousands of individuals in our fertilizer, food and agriculture supply chain.

PROFITS DRIVE RESPONSIBILITY

Engro's continued record-breaking business trajectory gives us more to share. The urea plant produced a record 912,000 tons, up 5% from last year. The Zarkhez plant produced a record 157,000 tons, up by 30% from last year. Fertilizer sales crossed 1.5 million tons this year, with revenue growing 43% to a new record 18.3 billion Rupees. We are now poised for an ambitious diversification plan - launching Engro Foods nationwide, establishing an independent power project of 200 MW capacity and setting up an Ammonia-Urea complex.

Pakistan Venture 600 - Globally Unprecedented

With market share declining in the late eighties, Engro's survival depended on expanding production capacity. Yet financial constraints did not allow for investing in a new plant. Thinking out of the box, Engro's engineers chose a solution unique in history. They dismantled and transported mothballed ammonia and urea plants from the USA and the UK, and commissioned them in Daharki. This relocation of 13,000 metric tons of equipment was completed in record time, and at less than a third of the cost of a new plant.

The economic impact of PakVen600 transcends the company's financial bottom-line. The relocation of this Ammonia Urea plant saved the country approximately US$300 million in foreign exchange (cost of new plant vs PakVen 600 actual cost). In addition to such tangible benefits, the confidence we gained from PakVen 600 sparked numerous other innovations that have brought Engro to where it is today.

FINANCIAL OVERVIEW: 5-YEAR TREND

Revenue, Taxes, Compensation & Investment

(Million Rupees)	2005	2004	2003	2002	2001
Net Sales Revenue	18,276	12,798	11,884	10,620	8,006
Profit before tax	3,220	2,315	2,323	1,836	1,191
Profit after Tax	2,319	1,611	1,557	1,133	1,064
Taxes, Duties & Development Surcharge	4,168	3,911	3,457	3,062	2,266
Worker's Funds	215	156	168	113	69
Property, Plant and Equipment	6,351	6,492	6,648	6,865	6,643
Total Compensation to Employees	804	795	749	673	594
Capacity Building					
Capital expenditure	377	520	370	823	435
Long Term Investments	748	-	85	-	-
Dividend & Shares					
Dividend per share Rs.	11.0	8.5	8	7.5	7.5
Sales					
(Thousand Metric tons)					
Engro Urea	890	891	930	846	779
Engro Zarkhez (NPK)	143	114	86	64	24
Purchased Fertilizers	491	250	290	309	181

Credit Rating

Engro has an A1+ short term rating and an AA long term rating Awarded by the Pakistan Credit Rating Agency (PACRA)

Rana Javaid at work

Engro: An Entrepreneur's 'Training Institute'

After completing a diploma in Mechanical Craft, Rana Javaid joined what was then ESSO Eastern as a trade apprentice in 1976 and became a welder in 1977. In 1980 Javaid and his friend formed the company, Jamisto. winning the company's first job for less than Rs. 2,000 in 1980. Today Jamisto has an annual turnover of Rs.70 million and is the biggest contractor for Dharki plant. He is pre-qualified to offer services to Engro Daharki plant, Zarkhez plant, Engro Asahi plant and at Shell, Mari Gas, Fauji Fertilizer and other plants. In 2003, he outbid Siemens and Descon to win the round the year plant maintenance contract at Engro Asahi and Zarkhez plants. Javaid calls Engro his "training institute" and says his proudest achievement is the “Safest Contractor” trophy his company won during Engro's 2004 plant turnaround.

Akhtar at work

The Painter story - Hobby that became a profession

Everyone at the Daharki plant knows Akhtar the painter as “Baba-ji” a familiar sight in his paint-specked clothes. For more than 37-years, Akhtar has travelled every day by train to Daharki from his native Rahim Yar Khan 80 km away. It has been a long journey for Baba-ji who began his career painting the signboards at the plant site and residential colony starting at Rs. 7 per day. His proudest job is the Engro logo on top of the Prill Tower. Baba-ji says he likes the respect he gets at Engro. Now Akhtar makes a decent living, turning down contract work from anyone other than Engro. His only attempt at independent contract work was when he won a contract to paint election banners. But this chance was thwarted when he was asked to pay a bribe to get his money. Since then Akhtar has stuck to his daily tasks at Engro. His work has enabled him to build his own house, educate his children, and open a school for young girls run by his wife.

GRI ECONOMIC PERFORMANCE INDICATORS

The following table of GRI Economic Performance Indicators summarizes the full extent of how our profitability translates into a positive externality for our stakeholders:

- For shareholders and creditors, our net sales and profits translate into dividends and higher credit rating;
- For suppliers, increased profitability results in guaranteed payment schedules and sustainable sales in the future;
- For employees it results in cash and benefit increases;
- For neighbouring communities it ensures further economic and social development through increased employment opportunities and a wider scope of health and education projects; and
- For society at large Engro's economic strength translates into philanthropy, support for academia and a steadily prospering agricultural economy.

GRI PERFORMANCE TABLE

PERFORMANCE INDICATORS	ENGRO 2005 PERFORMANCE
Customers	
EC1. Net sales	PKR 18,276,000,000
EC2. Geographic breakdown of markets	Engro sells in Pakistan only
Suppliers	
EC3. Cost of all goods, materials, and services purchased	PKR 12,730,000,000
EC4. Percentage of contracts that were paid in accordance with agreed terms	100%
Employees	
EC5. Total payroll and benefits, current payments, excluding future commitments	PKR 804,000,000
Providers of Capital	
EC6. Distributions to providers of capital including all forms of debt and borrowings	Dividends: PKR 1,529,000,000 Markup / Interest : PKR 280,000,000
EC7. Increase/decrease in retained earnings at end of period.	ROCE Increased from 18% in 2004 to 23% in 2005

GRI PERFORMANCE TABLE

PERFORMANCE INDICATORS	ENGRO 2005 PERFORMANCE
EC8. Total sum of taxes of all types paid, broken down by type if preferable to Engro;	in Pak Rupees Gas development Surcharge 1,788,610,000 Excise duty - Gas 129,809,000 Income Tax Paid 660,029,000 Sales tax - output 1,540,910,000 Duty on Power Generation 1,899,000 Social security & welfare 1,566,000 Motor Registration 1,119,000 Stamp Duty 3,276,000 Professional Tax 200,000 Custom duties 41,135,000 Total taxes paid 4,168,553,000
EC9. Subsidies received.	Feed gas price for fertilizer manufacturing is lower than fuel gas price. Thus subsidy of PKR 2,629,000,000 (being the difference between feed & fuel gas price) has been received from the government whereas PKR 7,658,000,000 is being given to the farming community based on the price differential between local and the international Urea prices.
E10. Donations to community, civil society, and other groups.	PKR 52,350,862. See Social Investments Section for Details.

Conversion Rate as of 4-April-2006 ww.xe.com:
1 PKR = 0.0166694 USD
1 USD = 59.9900 PKR

Supporting the Pakistani Cotton Industry

The high reject rates for Pakistan cotton have an immense impact on the country's economy. Traditionally, transportation of raw cotton to ginning factories was being done in used white colored Woven Polypropylene (WPP) fertilizer bags. Pakistan's cotton rejection rate increased manifold in 2002 primarily because of raw cotton getting contaminated with white colored WPP thread during transportation. For an agronomic nation this meant wide-spreading negative repercussions. Approached by the government for assistance, we took the risky decision of switching from Engro's white colored bags, which was the brand identity of Engro then, to green-colored bags. Despite the costs and re-launching an established brand for over 34 years, we took a calculated risk in the larger interest of the nation. With such a stark visible difference, contamination was no longer a possibility.

Engaging to Learn

stakeholder involvement



- Primary Stakeholder Groups
- Stakeholder Engagement
- External Consultation
- Stakeholder Mapping
- Third Party-Facilitated Stakeholder Dialogue
- RBI Stakeholder Map with Engagement Details
- Stakeholders Feedback Summary

Engro recognizes that stakeholder engagement is a key performance driver for the company. The company's long-term results are dependent upon having the confidence of its employees, customers, investors, suppliers and communities.

PRIMARY STAKEHOLDER GROUPS

Engro identifies its key stakeholders as those essential to a sustainable, successful business. Major stakeholders include: customers, employees, communities where the company operates, investors, suppliers, regulators and critics. We also identify academia and families of Engro team members as stakeholders, and ensure interaction with them. We have partnered with a recognized independent CSR group to undertake a detailed process of stakeholder identification and engagement beginning June 2004.

STAKEHOLDER ENGAGEMENT

Engro now has a two-pronged approach to stakeholder engagement:
1. external consultation
2. stakeholder mapping

EXTERNAL CONSULTATION

Engro holds dialogue with stakeholders in the following forms:
- Customer and dealer surveys
- Farmer education and advisory services
- Meetings with investors
- Employee consultation
- Meetings with community members, opinion leaders and politicians.

STAKEHOLDER MAPPING

Engro invited the Responsible Business Initiative (RBI) to design and implement a stakeholder mapping and engagement process. A representative group from all key internal and external stakeholders would thereby be able to feed into Engro's social report process. RBI has mapped and independently contacted a total of 300 stakeholders, typically within their own environment, and asked to share their perceptions on the various parameters of Engro's business persona.

RBI's third party engagement methodology is based on current participatory techniques implemented through orientations sessions, brainstorming, semi-structured and structured interviews, focus group discussions, and random feedback.



Meeting in process at Plant Site, Daharki

EXAMPLES OF DIALOGUE WITH KEY STAKEHOLDERS

The following examples illustrate the types of interaction Engro has had with various stakeholder groups and how the information has shaped corporate decisions.

Customers: Engro conducts an extensive interview with key dealers annually. The objective is to gauge their level of satisfaction with the company at every point of contact -sales, order entry, production, and delivery. These interviews provide valuable information on how to better meet customer needs and thereby gain competitive advantage.

Investors: The Company's engagement with investors occurs during quarterly analyst briefings and annual shareholder meetings. Feedback goes on throughout the year and factors significantly into our decision-making.

Communities: Engro's regular meetings with opinion leaders of communities surrounding our plant site in Daharki provide valuable information on the needs of these communities. As a result of this dialogue, we have contributed to community support in the shape of several social and welfare projects.

Employees: Engro regularly holds communication meetings with employees to seek suggestions on improving work and living environment (for Daharki location). Policy changes are often made based on the valuable feedback provided by the employees and their families.

Political engagement: Engro engages elected officials at the federal, provincial and local level and regulatory authorities through meetings to explain industry and company position regarding product supply demand and strategic matters.

Likewise, the commercial application of chemical fertilizers in modern agriculture is often misunderstood. Our corporate introduction section details how fertilizers maintain the soil's health. Engro responds to these misconceptions by communicating with the public through research paper presentations at seminars, publication of articles and media briefing and dialogue with other opinion makers.

The table that follows delineates each of the stakeholder groups identified through Engro's internal brainstorming process in Karachi and Daharki, and the number of individuals that were engaged nationwide. Engro is the first national company to have adopted this "360 approach" to stakeholder dialogue and disclosure. Another first is the fact that Engro nominated a task-team led by a board member to champion the process and also develop a clearer perspective on stakeholder dialogue techniques. This team worked closely with RBI to conduct the management briefing, archrival review, goal-setting, stakeholder mapping, and all the individual and group interviews conducted in Karachi, Daharki, Hyderabad, Jhung, Kasur and Islamabad.



Zingro/Zoron internal launch in progress

Third Party-Facilitated Stakeholder Dialogue

Responsible Business Initiative, a citizen sector CSR organization, provided independent facilitation for stakeholder mapping and dialogue. Beginning with the management team and proceeding all the way through head office and plant employee focus groups, a series of brainstorm sessions identified key stakeholder groups important to Engro. These randomly identified stakeholders were then clustered into 21 distinct categories and given relative weightages based on their primary or secondary impact relative to Engro. This weightage determined the representative number of individuals to be contacted for a semi-structured feedback process in categorized geographical zones.



CEO & board members in dialogue with leading members of Karachi Stock Exchange



Soil sampling is being done at a farm

ILLUSTRATION 4: STAKEHOLDER MAP WITH RBI ENGAGEMENT DETAILS

CATEGORY	DISTRIBUTION	SAMPLE
Directors	including a non-executive director	4
Management	All members of the Management Committee	8
Stockholders	1 from KSE and 5 randomly from institutional & individual stockholders	6
Employees	15 in one focus group each in Karachi and Daharki	30
Families	8-15 in one focus group each in Karachi and Daharki	30
Dealers	8-15 in one focus group each in Karachi, Daharki, Qasur & Hyderabad	40
Farmers	8-15 in one focus group each in Karachi, Daharki, Qasur & Hyderabad	50
Regulators	1 from SECP and 1 from CBR	2
Government	2 Federal, 2 Sindh Government representatives	4
Trade Bodies	1 each from OICCI and KCCI	2
Competitors	1 each from FFC, NFC, DH, Pak-Arab	4
Peers	1 each from Marri Gas, PSO, Unilever, GSK, Shell	6
Citizen-sector	1 each from Sahara, TCF, AKU, PCP and Behbood	5
Bankers	1-2 Banking institutions	6
Academia	1 each from IBA, LUMS	4
Professions	1 each from Accountancy, Legal & Media	3
Community	8-15 in one focus group each in Jhung, Daharki and Karachi	60
Vendors	8-15 in one focus group each in Karachi and Daharki	20
Contractors	8-15 in one focus group each in Daharki	15
Palley-dars	8-15 in one focus group each in Daharki	40
Public	Randomly chosen without pre-determining group	20
TOTAL		360

STAKEHOLDER FEEDBACK SUMMARY

- Management: The corporate values of integrity, innovation and excellence should be emphasized through Engro's social report.
- Employees: Engro needed to increase internal communication in line with its stated core values and claims. Some felt Engro has slipped from being the top choice for aspiring employees to being one of the top as reflected by current benefits and incentives.
- Contractors: Engro's integrity and the company's merit-based approach were highly appreciated. They felt that Engro should further increase integration with the local community.
- Dealers: Engro did not match its competitors' support and incentives. Additionally, the Kasur focus group felt that their ability to sell Engro more aggressively was under-utilized.
- Families: Social & entertainment for families and children very good, but worklife balance not satisfactory
- Farmers: Training and awareness dipping down.
- CBR/SECP: Tax payer and honest, trustworthy
- Community: Invest in Clean Drinking Water, happy with health and education interventions, less personal involvement
- Investor/Banks : forward looking company, trustworthy
- Peers/ competitors: Supportive (technical support etc..)
- NGO : No strategic planning for NGO funding.



Employee Houses at Plant Site, Daharki

Certifications


SGS

Engro Chemical Pakistan Ltd.

OHSAS 18001:1999

Manufacturing of Urea Fertilizer


SGS

Engro Chemical Pakistan Ltd.
(Manufacturing Division)

SA 8000:2001

Manufacturing of urea fertilizer


CERTIFICATE OF APPROVAL

This is to certify that the Environmental Management System of

Engro Chemical Pakistan Limited
Manufacturing Division
Daharki
Pakistan

has been approved by Lloyd's Register Quality Assurance to the following Environmental Management System Standard:

ISO 14001:1996

The Environmental Management System is applicable to:

The environmental management of the activities including and associated with the manufacture of Urea Fertilizer.

Approval Certificate No: EAC 2500018

Original Approval: 10 November 1999
Current Certificate: 10 November 1999
Certificate Expiry: 09 November 2002

Issued for and on behalf of Lloyd's Register


CERTIFICATE OF APPROVAL

This is to certify that the Quality Management System of

Engro Chemical Pakistan Limited
Manufacturing Division
Daharki
Pakistan

has been approved by Lloyd's Register Quality Assurance to the following Quality Management System Standards:

ISO 9002:1994
BS Q 9002:1994
ANSI/ISO/ASQ Q9002-1994

The Quality Management System is applicable to:

Manufacture of Urea Fertilizer.

This certificate is valid only in association with the certificate schedule bearing the same number and which the business applicable to this location are listed.

Approval Certificate No: EAC 2000024

Original Approval: 13 February 2002
Current Certificate: 09 October 2002
Certificate Expiry: 11 October 2005

On behalf of LRQA

Company information

memberships and external recognition



Company Information

Company Name:	Engro Chemical Pakistan Ltd.
Registered Office:	P.N.S.C. Building, Moulvi Tameezuddin Khan Road, Karachi, Pakistan
Phones:	+ 92-21-111 211 211 + 92-21-561 1060 (Ten Lines)
Auditors:	KPMG Taseer Hadi & Co., Chartered Accountants
Legal Status:	Public Listed Company

The company is listed on Karachi, Lahore and Islamabad Stock Exchanges

Memberships

ICCP - International Chamber of Commerce, Pakistan
IFA - International Fertilizer Industry Association
MAP - Management Association of Pakistan
MAP - Marketing Association of Pakistan
NSC - National Safety Council, USA
OICCI - Overseas Investors Chamber of Commerce and Industries
PBC - Pakistan Business Council
WWF - World Wide Fund for Nature

External Recognition

Corporate Excellence Award

for the eighth time in 2005, Management Association of Pakistan

Karachi Stock Exchange Top 25 Companies Award

highest number of awards, received for the 23rd time in 2005

Environmental Award

for 2004 & 2005

Appendix I

Stakeholder Engagement Process

Validation: Responsible initiative



RBI Responsible Business Initiative

STAKEHOLDER ENGAGEMENT PROCESS VALIDATION

Responsible Business Initiative (RBI) was invited to facilitate the stakeholder mapping and dialogue process initiated by Engro Chemical Pakistan Limited, towards the preparation of their first Sustainability Report in line with Global Reporting Initiative (GRI) guidelines. RBI's three-person multidisciplinary team undertook the assignment in Daharki, Hyderabad, Islamabad, Karachi, Kasur, and Lahore, in phases between June 2004 and March 2006, supported by Engro's five-person task team.

RBI's role as independent facilitator comprised four distinct components. First, we conducted introductory sessions with senior management to explain GRI guidelines, clarify reporting modalities, and outline process. Second, we ran orientation and brainstorming meetings with employees and decision-makers from various departments to identify and prioritize groups into a 360-degree stakeholder map. Third, we moderated discussions and interviews with identified stakeholders in a number of locations across the country. And fourth, we mediated an editorial review of data on GRI indicators chosen for disclosure and re-examined stakeholder perspectives for consistency and accuracy.

In planning and conducting the stakeholder dialogue process, we were informed by GRI indicators, RBI's Responsible Business framework and Engro's Behtar Zindagi precept. References included the Securities and Exchange Commission's (SECP) Code of Corporate Governance, International Fertilizer Association (IFA) guidelines and the UN Global Compact principles. Our activities included planning and preparation, desk review of relevant policies, systems and procedures, development and pre-testing of data instruments, focus groups, interviews, joint reviews of proceedings, periodic feedback on ongoing documentation, and draft report review meetings prior to the publication of the report.

This report and its contents are Engro's responsibility, an internal task team being charged with identifying, collecting, collating and presenting all financial and non-financial information to be included in this report as suggested by GRI, and coordinating the agreed participatory dialogue process with identified stakeholder representatives. RBI's role excluded auditing or verifying the accuracy of financial or non-financial data presented in this report or statements made with reference to company policy or practice, nor does facilitating the dialogue and review process constitute an endorsement of the company's policies, business practices or products.

As the facilitator for the engagement process, RBI is able to confirm the accuracy of the stakeholder perspectives presented, and has found no cause to disbelieve the data included in this report. Well aware of the constraints posed by this first exercise of its kind for the company, RBI has communicated to Engro the desirability of a clearly outlined CSR strategy that can over time evolve into an embedded system capable of articulating tangible sustainability objectives and achieve them on an ongoing basis.

Responsible Business Initiative

Responsible Business Initiative
Karachi - Friday 31st March 2006

RESPONSIBLE BUSINESS FRAMEWORK

Stakeholder involvement provides a sound and transparent foundation for a company to build its own unique corporate citizenship model using the following framework:

i. Corporate Governance including compliance to all applicable Laws, Regulations, Executive Orders issued periodically, etc.
ii. Business Principles & Policies, following Industry Best Practices, Benchmarks, Peer Reviews and other yardsticks etc.
iii. Disclosure & Compliance, comprising Voluntary Reports, Third Party Verification or Certification Audits etc.
iv. Stakeholder Involvement commonly achieved through Annual General Meetings, Public Reviews, Feedback Mechanism or more recently, Multi-stakeholder Forums etc.
v. Consumer Focus as evidenced by Labelling Initiatives, Endorsement Programmes or communication such as Consumer Hot-lines etc.
vi. Financial Viability, the most quantifiable and well-understood through Financial Audits, Stock Value & Ratings etc.

Companies build their specific CSR strategies with interventions designed around the four "Programming-Ps", namely Perception, Policy, Practice and Performance.

GLOBAL REPORTING INITIATIVE CEO MESSAGE

Would like to compliment Engro Chemical Pakistan Limited for being the first among Pakistani companies to adopt the GRI Framework and employ an independently moderated stakeholder engagement process in the preparation of their first Sustainability Report. I hope that the company's commitment to transparency will prove beneficial to Engro's stakeholders and that this reporting practice will set an inspiring example for industry in Pakistan.

GRI is pleased to welcome the first Pakistani company to the rapidly growing international community of leading companies and organisations that are using the GRI Guidelines to report their impact on our society, environment, and economy. In line with evolving global values, more and more companies are recognizing the value of measurable social, environmental and economic performance as a driver of competitiveness. I would like to see Engro's pioneering attempt encourage its peers to join the growing number of companies opting for Sustainability values to guide their business vision.

The GRI Guidelines are developed and updated through a dynamic process which responds to changing needs of international business and demands of an aware and responsive consumer and investment community. Recognizing this need, GRI is continuously evolving its reporting frameworks, also with the aim of optimising its relevance for emerging economies.

I look forward to seeing more Pakistani businesses adopt triple bottom-line disclosure over the time to come.

Ernst Ligteringen

CEO

Global Reporting Initiative

THE GLOBAL COMPACT

UNGC'S 10 PRINCIPLES

Below are the principles of the Global Compact, which you will find permeate Engro's values and work.

The policies that drive these activities are detailed in our Corporate Governance section.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labor Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.

GLOSSARY AND ACRONYMS

While the majority of our current stakeholders are bilingual, our primary stakeholders: our customers' main medium of communication is Urdu. Hence most of our farmer education, products and customer-oriented themes and materials are based in Urdu, as well as in local languages. Below you will find several words from the Urdu language that are either product names or marketing themes.

Behtar Zindagi -	Literally 'a better life'; as our theme it means to holistically address and uplift living standards.
CSR	Corporate Social Responsibility
CBA	Collective Bargaining Agent
DAP	Di-ammonium phosphate, a chemical composition of Nitrogen (18%) and Phosphorus (46%) fertilizers
ENCON	Energy conservation project
EIP	Energy improvement project
GRI	Global Reporting Initiative
HRSG	Heat Recovery Steam Generation, an Engro energy conservation project
HSE	Health Safety and Environment
ISE	Islamabad Stock Exchange
KCCI	Karachi Chamber of Commerce & Industry
KSE	Karachi Stock Exchange
KT	Thousand Tons
LSE	Lahore Stock Exchange
MAP	Mono-ammonium phosphate, a chemical composition of Nitrogen (12%) and Phosphorus (52%) fertilizers
NPK	Nitrogen:Phosphate:Potassium -this is the blend of nutrients most required by soil, globally. Different soils and crops require different proportions of nutrients hence Engro has six blends of our NPK fertilizer product, marketed as Zarkhez.
NEQS	National Environmental Quality Standards
OICCI	Overseas Investors Chamber of Commerce & Industry
PAKVEN 600	Pakistan Venture 600, vintage plant relocation project expanding Daharki production facilities from 268,000 to 600,000 tons
Palley-daar	Loading labor
Prills	Particles smaller than granules
RBI	Responsible Business Initiative
SECP	Securities & Exchange Commission of Pakistan
SEPA	Sindh Environmental Protection Agency
Triple Bottom-line	Wide set of economic, environmental and social parameters used primarily to drive and measure an organization's value creation.
Zarai	Agricultural
Zarkhez	Fertile. The brand name of our NPK fertilizer blends.
Zorawar	What brings strength, the brand name of our MAP fertilizer blends

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