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COMMUNICATION ON PROGRESS 2012



Message from the Managing Director

In continuation of our support to the UNGC's Ten Principles which are directly or indirectly embedded in PARCO's culture, I am pleased to report PARCO's Second Communication on Progress.

The Company's Board of Directors, Management and Employees take keen interest in PARCO's CSR initiatives and adherence to UNGC Principles.

Although this is only our second year as a member of UNGC, PARCO's efforts as good corporate citizen have been appreciated by many awards that have been bestowed on our Company. In a recent national competition, PARCO was recognized by the Global Compact Pakistan Local Network and was awarded Global Compact Excellence Award 2010-11 in the multinationals category.

In our Second Communication on Progress (COP) report we are highlighting the specific steps being taken by the Company towards integrating UNGC Ten Principles into our operations and culture. The COP also summarizes the main CSR efforts of PARCO pertaining to education, health, community development, environment protection, women empowerment, sports, and natural calamities etc.



Tariq Rizavi
Managing Director
Pak-Arab Refinery Limited

March 2012



Pak-Arab Refinery Limited (PARCO) – An Introduction

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PAK- ARAB REFINERY LTD (PARCO) is a Joint Venture between the Government of Pakistan and the Emirate of Abu Dhabi, incorporated as a public limited company in 1974. As an integrated energy company, PARCO is the leading player in Pakistan's petroleum industry with major operations in refining, transportation, storage, marketing, oil supply and logistics.

With the largest refinery in Pakistan having a capacity of 100,000 BPD representing about 35% of the country's refining capacity, strategic storage of over one million tons, over 2000 kms of cross country pipeline network including its JV subsidiary Pak-Arab Pipeline Company Limited (PAPCO), a rapidly expanding retail outlets network owned by TOTAL PARCO - a joint venture between PARCO and TOTAL of France, distribution of imported OMV lubricants from Austria, marketing of LPG (Pearl Gas) under Technical Support and Services Agreement with SHV of Holland and sale of locally blended lubricants under Pearl brand - PARCO has emerged as the strategic fuel supplier to the country.



Refining



Pipelines



Storage



Marketing

The performance of the company can be judged by the fact that it has maintained its AAA and A1+ long and short term credit rating by Pakistan Credit Rating Agency (PACRA) for thirteen consecutive years. The company set another first in Pakistan when it obtained three simultaneous international certifications: ISO 9001:2008 (Quality Management System), ISO 14001:2004 (Environmental Management System) and OHSAS 18001:2007 (Occupational Health and Safety Management System). PARCO has also received Environment Excellence Awards for the last six consecutive years and is rated among the top 10 organizations in Pakistan for outstanding achievement in Environment Management.

A Responsible Corporate Citizen

At PARCO, we believe that CSR is not an expense or charity. CSR is strategic, building long term relationships with neighboring communities and stakeholders. Relationships that are mutually beneficial enhance corporate reputation and respect for the Company's business and products, and provide a sustainable competitive advantage. As a good corporate citizen, the company focuses on meeting the expectations of its internal and external stakeholders in a professional and strategic manner.

PARCO not only invests in its employees, makes efforts for customer satisfaction and operates ethically, but also undertakes a wide range of projects to benefit society in areas of education, health, environment, sports, culture, community development, road safety, and natural calamities


Processing and handling hydrocarbons is our business and it comes with its share of hazards. PARCO proactively identifies, minimizes and mitigates situations that have the potential to cause harm to the health and safety of its employees, customers, service providers, communities, public and the environment. The focus and diversity of technical, social and environmental projects of PARCO speak for themselves.

Our cross country pipeline network makes us next-door neighbor to many remote and underprivileged communities. PARCO Schools & Clinics Support Program is aimed at providing basic education and health facilities. The program is an ongoing initiative in which new schools and clinics are identified and existing ones are improved by providing basic infrastructure and other necessities that are beneficial for the surrounding communities. Communities are happy that PARCO is there for help when they need it most.

PARCO has always responded passionately to the nation's distress calls during natural calamities, such as the earthquake or floods. PARCO also supports culture and heritage by patronizing indigenous music, poetry and the arts. As a member of WWF, PARCO helps in conservation of nature, with several initiatives to its credit.

In keeping with the Values of the company and our traditions, PARCO makes philanthropic contributions to institutions that are making significant efforts to help the underprivileged. PARCO, being an active member of the UN Global Compact, has been awarded the "*Living the Global Compact*" Responsible Business Award 2010-11 in the Multinational Companies category. The Global Compact Award not only acknowledges PARCO's commitment towards strategic and sustainable CSR, but also appreciates our efforts in adopting UNGC's universal Ten Principles in our operations. The Ten principles relate to Human Rights, Labor, Environment and Transparency.

From producing environment friendly products to efficient, world class engineering facilities and infrastructure, building a competent team, and major social initiatives, PARCO is doing its utmost in ***Providing Energy with Responsibility.***



HUMAN RIGHTS



PRINCIPLE 1 BUSINESS SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS

Our Commitment At PARCO, we deliver “Energy with Responsibility”. PARCO respects all human beings and considers employees as its greatest asset, striving to support employees, their families, nearby communities and other stakeholders in accordance with Human Rights.

Management Systems

HR Management, Administration

HR Management, HSE, Security

Communities

Actions

Work-Life Balance

Healthy Environment for Employees

Education Facilities

Basic Health Facilities

Protection of Company Assets and Employees

Work Safety

Road Safety

Corporate Citizenship

Results

- PARCO treats its employees humanly, cares for them and helps them when they are in need of help with their jobs, with illness, with personal problems. At PARCO offices, we have a five-day work week enabling employees to spend quality time with their families and pursue other personal interests. We discourage late sittings and encourage our staff to complete work during office hours. The Company also has a program of employee benefits aimed at economic protection of employees and their families in the event of retirement, physical disability or death.

- Employees are entitled to annual, casual and sick leaves for rest and recreation, attending to personal affairs and sickness respectively. PARCO encourages employees to avail their annual leaves every year. All departments are asked to present their annual leaves plan for each departmental member well in advance. This helps employees to take some time off from routine life and come back with fresh and creative outlook. Leave encashment is discouraged for NMPT staff and not allowed to Management Staff.

- PARCO sponsors 5 Non-Management Staff and 2 Management Staff for “Hajj” (Holy Pilgrimage) annually.

- PARCO provides a healthy and green working environment to its employees and has been winning prizes for its Corporate Garden for the last 9 years. We have been ranked 1ST for 6 consecutive years in the Corporate Garden Category in the competition held by the Horticultural Society of Pakistan.



PARCO's Corporate Headquarters

- PARCO has received National Environment Excellence Awards for the last six years in a row.



Environment Excellence Awards won by PARCO

- PARCO helps and guides its employees through appropriate training to make the best use of their talent. The training and development takes place primarily through on-the-job training activities, supplemented by a range of in-house and outside training programs.

- PARCO also provides financial assistance to employees who wish to pursue further studies to increase their competence under its 'Education Refund Plan'.
- PARCO supports education of its employee's children who produce good academic results, and has established a special fund for this purpose.

- The School at PARCO's Mid-Country Refinery (MCR) Housing Complex provides subsidized education to the employees' children till pre-university level. The School also has a board which includes PARCO management and parents of children.



PARCO Mid-Country Refinery School

- PARCO provides 100% free medical cover to its employees, their spouses, dependents (up to 21 years) and reimbursement of 60% medical costs of employees' parents.

- Ibn-e-Sina Hospital at Mid-Country Refinery (MCR) ensures timely medical assistance to the employees and their families posted at the Refinery in Qasba Gujrat which is in a remote area.



PARCO Ibn-E-Sena Hospital

- Medical policies are revised from time to time to suit employees' requirements and provide appropriate health care system.
- Apart from our own employees, PARCO also assists staff of external Service Providers working with PARCO by providing financial assistance for illness or accidents not covered by insurance or hospitalization cover.
- All employees at the age of 45 years and above are required to undergo a comprehensive health check-up once in a year, whereby expenses are covered by PARCO.
- A large community welfare clinic is being constructed at Mid-Country Refinery to provide free medical care to nearby communities and service provider staff which will start its operations by May 2012.
- Filtered potable drinking water is made available to all employees.

- In order to maintain a safe and secure working environment, PARCO employs security services for protection of company assets as well as employees at all PARCO locations.

- A standard operating procedure, with communication and command levels has been established to report security incidents, accidents, natural calamities and other risk situations.

- The newly launched automated Incident Reporting System (IRS) ensures complete tracking, reporting and investigation of incidents, as well as amending policies to avoid future incidents.



Security Personnel performing security check

- PARCO ensures that Personal Protective Equipment (PPE) is provided to all employees. Service Providers are also required to provide PPE's to their staff.



PARCO Engineers at the refinery

- PARCO's Mid-Country Refinery has achieved 9 million man hours compared to 7 million during 2010 without lost time accident (LTA).

- PARCO's Pipeline Division has successfully completed 3 million man hours during 2011 without lost time accident (LTA).



PARCO Management celebrating 3 million man hours without LTA of Pipeline Division.

- All PARCO drivers are provided training to comply with Road Safety Rules, Pakistan Traffic Code, etc.

- PARCO ensures that all its employees and staff of Service Providers practice Road Safety regulations and precautions as responsible citizens. Our HSE department conducts monthly Road Safety trainings.

- Proper road markings and road safety signs are installed within all PARCO facilities and locations for strict compliance.



Safety Sign inside PARCO Facility

While pursuing its business, PARCO ensures, as far as possible that its internal and external stakeholders are assured of basic human rights and facilities. PARCO has implemented proactive CSR Initiatives in Health, Education and Community Development for the underprivileged sections of society.

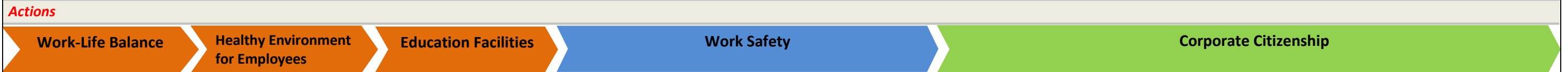
Access to Education/Basic Health

- Our cross country pipeline network makes us next-door neighbor to many remote and underprivileged communities. Since 2007, PARCO conducts an extensive Schools & Clinics Support Program which aims at improving the education and health infrastructure in adjoining communities by supporting Rural Health Clinics, Primary, Middle and Secondary Schools, being run by Government of Pakistan. Up till 2011, PARCO has provided assistance to 62 institutions along its pipeline and refinery across Pakistan. This number has increased from 49 institutions in 2010.
- These institutions have been provided assistance in developing infrastructure, civil works, procurement of equipment, etc to help them sustain their operations to provide basic health and education.
- More than 10,000 children are receiving education in PARCO supported schools. PARCO's assistance to these institutions has raised communities' interest to enroll their children in these refurbished and well-maintained schools diverting them from child labor to primary education, raising the literacy rate.
- PARCO has developed three schools with The Citizens Foundation – a reputable NGO working in the area of imparting quality education – at Karachi and Qasba Gujrat, near PARCO Mid-Country Refinery. Altogether, 584 children are receiving quality education in all the three PARCO-TCF campuses.
- Under the umbrella of schools and clinics support program, PARCO has supported several Basic and Rural Health Centers based in small villages nearby PARCO cross-country pipeline and Stations and Terminals. The clinics are providing basic healthcare to the local communities within their villages. As a result, community members are no longer required to travel for long hours to the cities for basic treatment.

HUMAN RIGHTS



PRINCIPLE 1 Contd.	BUSINESS SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS
Our Commitment	At PARCO, we deliver “Energy with Responsibility”. PARCO respects all human beings and considers employees as its greatest asset, striving to support employees, their families, nearby communities and other stakeholders in accordance with Human Rights.



Results

- Employees posted at outstations work on ROTA System, where they work for 20 days and then enjoy 8 days paid leaves with their families.
- PARCO has a cafeteria for employees where nutritious meals are served at more than 70% subsidy. PARCO employs 2 cooks at each Station and Terminal for cooking meals for staff.



Cafeteria at Mid-Country Refinery

- PARCO provides dowry grant, funeral assistance and education assistance for children of employees.
- PARCO organizes Family Day, annually for all employees and their families where they enjoy fun rides, puppet show, magic show, games, food, etc.



PARCONIANS Family Day



PARCO Dream World (Shikarpur PS-3)



Cricket Stadium

- PARCO holds an annual Inter-Station competition for the Best Housekeeping at PARCO Stations and Terminals.
- At its Mid-Country Refinery, PARCO provides international level facilities for Sports like Cricket (Flood Lit Stadium), Hockey, Football, Volleyball, Swimming, Tennis, etc. Indoor sports are also provided in a Club Complex e.g. Bowling Alley, Gymnasium, Badminton, Table Tennis, Snooker, Squash, etc.



PARCO Corporate Garden

- PARCO has always encouraged young minds to blossom with bright ideas. The Company holds an Article Competition to encourage employees' children in developing creative writing skills. The winners are rewarded with certificate and monetary prizes. The competition is conducted twice a year. During 2010-11, 9 children have won in two competitions, and were rewarded with certificates and cash prize.
- Educational Awards which includes a certificate and cash rewards are given to school going children of the employees, based on good performance in their Secondary Education. This recognition helps motivate children to further enhance their educational performance.



Certificate Distribution Ceremonies of PULSE Article Competition



Yearly Lost Time Accident and Lost Time Incident Rate

Year	LTA MCR	LTA Pipeline	LTIR MCR	LTIR Pipeline
2002	3.0	0.0	1.0	0.0
2003	1.0	0.0	1.0	0.0
2004	0.8	0.0	0.8	0.0
2005	0.6	0.0	0.6	0.0
2006	0.5	0.0	0.5	0.0
2007	0.4	0.0	0.4	0.0
2008	0.4	1.8	0.4	1.8
2009	0.4	1.0	0.4	1.0
2010	0.4	0.5	0.4	0.5
2011	0.36	0.32	0.36	0.32

- PARCO conducts in-house Occupational Health Safety and Environment (OHSE) training programs and achieved 1.5 man days per employee of training during 2011. Contractor trainings are also conducted once a week. A vital part of every contract requires contractors to comply with PARCO's HSE standards.



HSE Trainings and Drills in progress

- Before mobilization, Service Providers' staff undertakes Orientation & Training covering Occupational, Health, Safety & Environment procedures and practices.
- Noise Monitoring is being done on quarterly basis. High noise areas are being identified and sign posting for the compliance has been done.
- Noise monitoring is carried out to check the 8 hours noise dosage of employees exposed to high noise areas and their audiometry is done.
- Dust dose is also checked for employees potentially exposed to any kind of dust.
- Toxic Gas areas are marked with toxic gas signs and no one is allowed to enter the area without proper gas masks.
- The drinking water is checked on a monthly basis to eliminate any bacterial contamination.
- For more details pertaining to work safety, please see Principle 8.

- During the catastrophic floods in Pakistan in 2010, PARCO organized free medical camps and 7,300 flood affectees were treated.
- A Community Welfare Clinic is operating at the Mid-Country Refinery, which provides free medical assistance to the adjoining community. A larger clinic is also being constructed to handle more nearby communities without charging any fees which will start its operations by May 2012.

Support During Natural Calamities

- The 2010 floods caused catastrophic damage to infrastructure across large areas of Pakistan.
- PARCO made a contribution of Rs 40 million to Prime Minister's Flood Relief Fund which included employees' one day salary.
- PARCO also opened a PARCONIANS FLOOD RELIEF account in which the Company contributed Rs 10 million. Besides this, the employees and their relatives also generously contributed more than Rs 3 million.
- In a major ongoing relief program, approximately 35,000 flood affectees have been provided cooked food,
- More than 1,600 dry food packets have been distributed,
- 7,300 flood affectees have been treated at Medical Camps and
- 250 families were provided tented accommodation.
- During winter, the Company distributed 550 quilts at Bubak, Shikarpur and Fazilpur.
- PARCO launched an expanded Rs 60 million rehabilitation program to rebuild homes and institutions destroyed by floods near its Stations, Terminals and Mid-Country Refinery (MCR), of which 97 houses are completed and handed over to the respective owners, while 109 more houses are under way. Approximately 15 flood affected Schools & Clinics were rehabilitated and 19 more are underway.



PARCO Flood Relief Efforts

- During 2011, Pakistan was again faced with yet another natural disaster. The torrential rains hit the interior Sindh very badly, and devastated crops, livestock, peoples' and Government property, displacing people off their houses etc.
- PARCO provided approximately 750 dry ration packets and 130 tented accommodations to the flood affected areas of Bubak, Badin District and Shaheed Benazirabad, Nawabshah District. Approximately 3.3 million have been spent so far and more initiatives are being planned.
- Altogether, since the 2010 and 2011 floods, PARCO has spent more than Rs 31 million in terms of medical camps, distribution of dry ration, cooked food, quilts and tented accommodation, reconstruction of houses, schools and clinics in the flood affected areas of Punjab and Sindh.

HUMAN RIGHTS

PRINCIPLE 2

BUSINESS SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS

Our Commitment

PARCO makes all possible efforts to avoid complicity in Human Rights Abuses and abides by the laws of the country.



Management Systems

HR Management, Operations, Contract Management, Communities etc.

Actions

Ethical Standards and fair dealings with shareholders, staff, customers, suppliers, service providers and other external partners

Equal Opportunity Employer

Women Empowerment

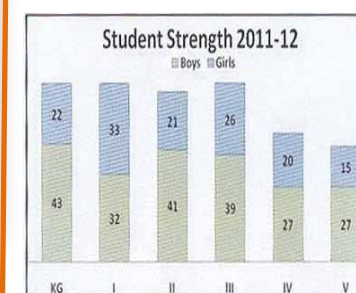
Results

- During recruitment, every employee of PARCO signs a declaration agreeing to the *PARCO's Guiding Principles* which include a complete set of guidelines on fair and ethical dealings with customers, internal and external stakeholders and communities. Violations of these principles are viewed seriously, have resulted in disciplinary action, and in some cases have led to the termination of service. Following are some highlights of *PARCO's Guiding Principles*:
 - We practice a merit-based equal-opportunity policy for recruitment and reject any influence of gender, color, caste, faith, ethnic origin or recommendations by influential persons.*
 - PARCO believes in tempering its policies with human values that can raise the human capital of the Company and the Nation.*
 - PARCO believes that valid profits are made by good businesses through efficient services, productivity of operations, value addition, innovative financing and strategic management of its assets and skills, while contributing to the well being of the Society.*
 - PARCO believes in the value of transparency, openness and self-examination, and consider them as safeguards against potential faults.*
 - We consider our Suppliers and Service Providers as our business partners and deal with them with the same fairness that we reserve for our employees and customers.*
 - As a Company we are acknowledged as a responsible corporate citizen in the community of business and industry of Pakistan.*
 - We strive for zero impact on the environment and contribute significantly to reducing the damage done to nature by man.*
 - We do not tolerate unsafe and hazardous-to-health work practices in transit or the work place.*

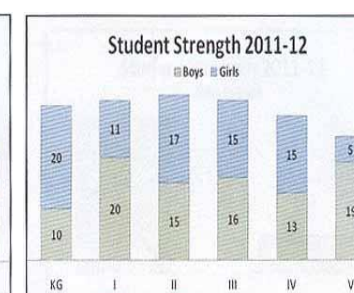
- All appointments in PARCO are based on merit for filling approved vacant positions. Our recruitment process ensures fair and competitive matching of candidates with job specifications. Non-job factors e.g. gender, origin, religion, and external influence are not considered. Under-age employment is strictly forbidden.
- PARCO provides equal opportunity to both male and female employees in all its areas of operations. The company has females working in Engineering, Finance, Projects, IT, Telecom, Marketing, HR, and Medical functions.
- PARCO provides equal career growth opportunity to both male and female employees, some of whom are also heading key departments and sections in the Company.
- Management and Engineering Trainees, upon successful completion of their training, are considered on merit against vacant positions, as permanent employees without discrimination.
- Benefits, facilities and allowances, as specified in the Company's policies are provided to all employees and their dependants without discrimination.



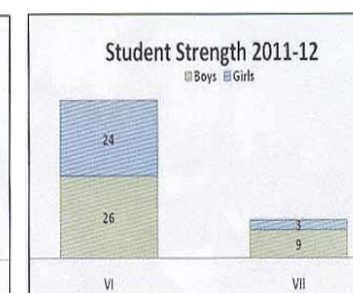
- As a professionally managed organization, we at PARCO ensure that all the stakeholders are provided equal opportunities. Be it customers, employees, communities etc. we ensure equal treatment at all levels.
- The Government of Pakistan promulgated "Protection Against Harassment of Women at the Workplace Act, 2010" with an objective to create a safe working environment for women which is free of harassment, abuse and intimidation so that they can work with dignity. PARCO enforces this Act throughout the company and has placed it on its intranet portal to educate women at workplace about their rights. PARCO formed a committee to deal with harassment complaints takes suggestions and gives recommendations to Management. Employees, including head of departments, are advised to report any acts of harassment by any gender as such harassment is considered misconduct liable of disciplinary action.
- PARCO has supported three schools with The Citizens Foundation – a reputable NGO working in the area of imparting quality education – at Karachi and Qasba Gujrat, near PARCO Mid-Country Refinery. These schools employ all female staff belonging to the nearby communities. The existences of these campuses have generated employment for these local women to earn a decent living.
- Amongst the above mentioned three campuses, the PARCO–TCF Campus II at Qasba Gujrat offers education till Grade V and is operating at full capacity. In 2011-12 session, 176 students have enrolled (47% girls). PARCO will be extending the current facility with an additional academic block to accommodate another 180 students at a cost of Rs 6 million. The project will not only enhance the enrollment of young girls but will also increase the rate of women employment at Qasba Gujrat, as TCF has an all female staff.
- Altogether, PARCO-TCF campuses have 584 children enrolled, of which 42% are girl students receiving quality education.



PARCO-TCF Campus I



PARCO-TCF Campus II



PARCO-TCF Campus III

- PARCO has supported Ten Literacy Centers in Partnership with National Commission for Human Development (NCHD) – an NGO working in rural areas for education and health - in different villages near Mid-Country Refinery. This initiative has helped 250 uneducated women in improving their living standards, hygiene and health. These women were taught to read, write and learn the basics of mathematics within five months. These educated women will be able to understand their children's need for education and will motivate them to pursue further education. The women will also be able to handle their daily chores with a sane mind.
- PARCO's Schools and Clinics Support Program supports 62 institutions with 48 schools and 14 clinics. Out of these 48 schools, approximately 80 percent are situated in the rural areas, with maximum female staff.
- The majority number of patients treated at the Community Welfare Clinic at Mid-Country Refinery are mostly women and children.
- Directly and indirectly, PARCO supports women in many areas inside and outside the Company.



High enrollment of students at PARCO supported schools in rural and urban areas

LABOR			
PRINCIPLE 3	BUSINESS SHOULD UPHOLD FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING		
Our Commitment	PARCO believes in addressing Employee issues practically and providing the right of collective bargaining to all its workers by complete compliance to all Industrial Relations Ordinances and Laws.		

Management Systems

HR Management, Industrial Relations, Operations, CSR

Actions

Freedom of Association

Collective Bargaining Negotiations and Union Charter Signing

Proactive focus and redressal of Employee Grievances to maintain a good Organizational Climate

Results

- PARCO workers are free to form or join a trade union of their choice without fear of intimidation or reprisal.
- The Company complies with Industrial Relations Ordinance 2010. PARCO has one registered trade union comprising of all non-management employees represented by 10 Collective Bargaining Agents (CBA).






- PARCO has a history of good management – employee relations. There has never been a labor strike since PARCO’s inception, and all CBA agreements have been negotiated in a friendly atmosphere.

- The working environment at PARCO is warm and friendly. The Company tries its level best to address all employee grievances. Our system of management is singularly democratic and participative. Organizational Climate Surveys, Focus Groups, MBWA (Management By Walking Around) and Exit Interviews are some of the activities conducted by HR Department to gain feedback, suggestions and complaints from employees and take remedial actions.
- Facilities and benefits provided to unionized staff exceed those required under the Industrial Relations Ordinance and Labor Laws prevalent in Pakistan. Examples are mentioned in Principle 1.
- PARCO holds annual events to recognize long service, reward outstanding employees, etc. Non-Management staff is included without discrimination, and also participate actively in organizing these events. The CBA and other workers are members of the organizing committees of these events including Family Day, Award Ceremony, Corporate and Sports events, etc. PARCO sports teams include staff from all levels and functions.
- The employees at PARCO are satisfied with their work, environment and the benefits received which can be evaluated by the long lasting employee retention at PARCO. During 2011 Long Service Awards – an annual function organized by the Company to recognize employees with long association - the number of employees receiving awards in each category are given below:
 - 7 years: 29 employees
 - 10 years: 130 employees
 - 15 years: 26 employees
 - 20 years: 8 employees
 - 25 years: 3 employees
 - 30 years: 13 employees
 - 35 years: 7 employees






Long Service Awards to acknowledge hard work and dedicated services of PARCO employees

PARCO Cricket Team

LABOR

PRINCIPLE 4 BUSINESS SHOULD SUPPORT THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOR

Our Commitment PARCO completely disallows any form of forced or compulsory labor in all its functions.

Management Systems

Human Resource Management

Business Partners, Operations

Actions

The terms of employment at PARCO provide maximum freedom to employees to voluntarily enter or leave the organization on free will.

Maintaining industry-competitive Compensation and Benefits

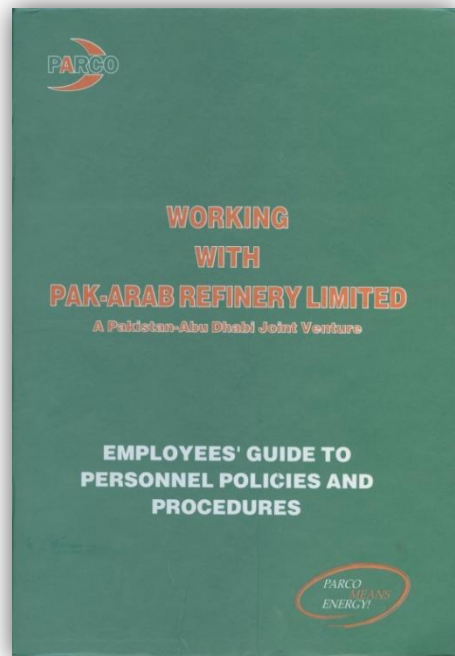
Compliance by checking of Vendors/Suppliers/ Service Providers

Results

- PARCO's employment contracts do not violate human rights or labor laws.
- All employment contracts can be terminated by giving notice of 30 days by either party.
- Exit Interviews and surveys are conducted by Human Resource Department to gain direct feedback from separating employees and take remedial measures for enhancing Employee Satisfaction.
- Separation process, payment of outstanding dues, post retirement benefits, etc. are done expeditiously.
- Upon induction, all employees are provided an employee handbook which includes all the Human Resource policies and procedures pertaining to hiring, training and development, compensation, benefits, leaves, medical benefits and much more.

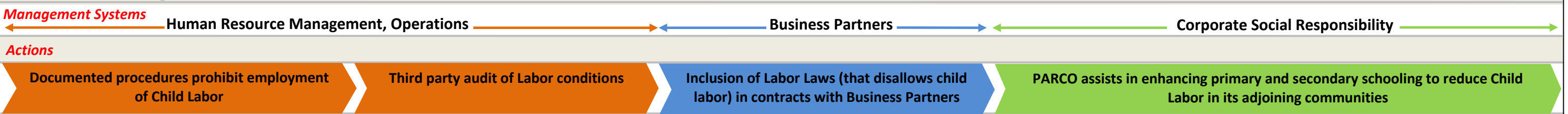
- All ILO conventions ratified by the Government of Pakistan have been implemented.
- Workers are provided excellent benefits like group insurance, pension, gratuity, provident fund, accident compensation, health care and other facilities which are better than the provisions of Labor Laws of Pakistan.
- PARCO hires the services of external independent consultants to conduct surveys and advise industry competitive salaries. The findings are then shared with the HR Review Committee, which includes top management and decisions are taken for compensation increases/adjustments/salary restructuring related to inflation, competition, merit performance, location, etc.
- All workers in PARCO are above the minimum wage fixed by the Government and are paid competitively according to market conditions. PARCO also ensures that all Contractors/Service Providers follow the prevailing minimum wages of the country. Wages are paid on time every month.
- Workers are also given 5% profit of the Company under the Workers' Profit Participation Fund.
- There is no discrimination in wages or benefits on the basis of gender, religion, origin or any other external job factor.

- Vendors/Suppliers/Contractors are checked by PARCO that no forced labor is utilized for PARCO's jobs.
- Suppliers are selected after they confirm the legitimacy of their labor practices and assure that they are not in violation of any law of the land (this includes labor laws, Industrial Relations Ordinance, etc.)
- PARCO conducts open competitive bidding for different jobs to provide equal opportunity to all qualified vendors/suppliers.
- PARCO employees visit suppliers and vendors to visually observe and report if any children are employed or if forced labor is practiced.

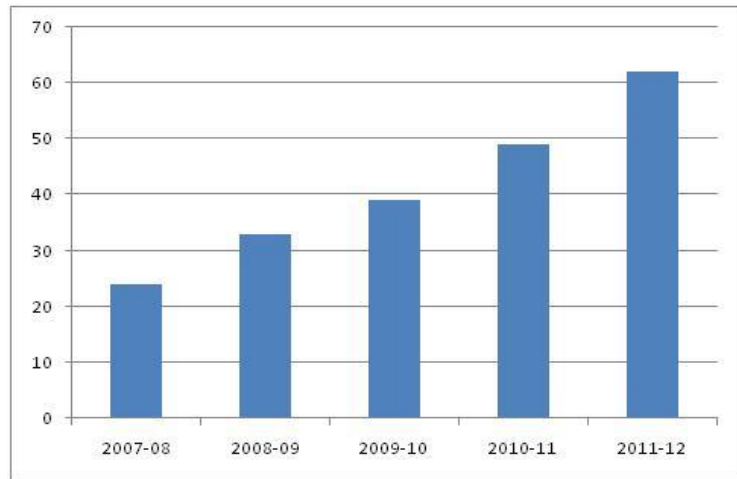


LABOR

PRINCIPLE 5	BUSINESS SHOULD SUPPORT THE EFFECTIVE ABOLITION OF CHILD LABOR
Our Commitment	PARCO forbids engagement of any form of child labor in its operations or by any of its business partners.



<p>Results</p> <ul style="list-style-type: none"> No child labor has ever been employed by PARCO. Despite the fact that under the labor laws of Pakistan the minimum age of hiring is 14 years, PARCO’s minimum age limit for induction is 18 years, which is thoroughly checked by birth certificates, educational transcripts, national identity card, NADRA (National Database and Registration Authority) and other age verification documents, thus ensuring that there is no child labor across the company. 	<ul style="list-style-type: none"> Regular third party audits are conducted by the Labor Directorate and other authorities who ensure elimination of Child Labor and compliance of other requirements of Labor Laws. 	<ul style="list-style-type: none"> By asking Suppliers and Service Providers to adhere to the laws of the country, they are required to comply with all labor laws, meet security and human rights requirements as well as eliminate employment of under-age workers. 	<ul style="list-style-type: none"> Under PARCO’s Schools and Clinics Support Program, the Company supports schools and clinics of rural communities located near PARCO’s Mid-Country Refinery and its Stations & Terminals in the Sindh and Punjab provinces of Pakistan. Compared to 2010 with 49 institutions, during 2011-12 around 62 Government schools and clinics have been provided assistance for developing infrastructure, procurement of equipment, etc., to help them sustain their operations for providing basic facilities to the communities. Out of these 62 institutions, 48 are schools where more than 10,000 children are receiving education. PARCO’s assistance to these institutions has raised the communities` interest to enroll their children in these refurbished and well-maintained schools diverting them from child labor to primary education, raising the literacy rate.
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PARCO supported Schools and Clinics since 2007 till date

- PARCO has partnered with TCF (The Citizens Foundation) – a reputed NGO in Pakistan - and has developed two primary schools in Qasba Gujrat and Karachi. The Company has recently set up the third campus, a secondary school in Qasba Gujrat which commenced classes in April 2011. These campuses are built in under-privileged communities and impart quality education to around 584 children. The total cost of the project was Rs 21 million with an additional cost of Rs. 2.1 million for operational expenses.
- The PARCO–TCF Campus II at Qasba Gujrat offers education till Grade V and is operating at full capacity. In 2010-11 session, 176 students have enrolled (47% girls). PARCO is extending the current facility with an additional academic block to accommodate another 180 students at a cost of Rs 6 million.

Educating Women for a Better Tomorrow

- During 2011, PARCO has supported ten Literacy Centers in Partnership with National Commission for Human Development (NCHD) in different villages near Mid-Country Refinery. National Commission for Human Development is an NGO operating in 134 districts in Pakistan, with the mission to transform lives by improving access to basic education and healthcare in the country’s poorest communities. This initiative has helped 250 uneducated women in improving their living standards, hygiene and health. These women were taught to read, write and learn the basics of mathematics within five months. These educated women will be able to understand their children’s need for education and will motivate them to pursue further education.



Children receiving quality educational environment at PARCO supported schools













PARCO-TCF Primary Campus I (Karachi)









PARCO-TCF Primary Campus II (Qasba Gujrat)



The Newly Established PARCO-TCF Secondary Campus III (Qasba Gujrat)

LABOR						
PRINCIPLE 6	BUSINESS SHOULD SUPPORT THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION.					
Our Commitment	PARCO provides equal employment opportunity and supports diversity of human capital in all its functions.					
<div>Management Systems</div> <div>Human Resource Management</div> <div>Corporate Social Responsibility</div>						
Actions						
Ensuring Equal Employment Opportunities for all	Enforcing Code of Ethics	Workforce Diversity	Merit-driven Appointments and Promotions	Expand PARCO`s interaction with Educational Institutions	Organizing Plant Visits for University Students	Technology Transfer
Results						
<ul style="list-style-type: none">PARCO offers equal opportunities to all qualified applicants, men and women, belonging to all faiths and religion, origin, ethnicity, color, caste or creed.PARCO ensures that no discrimination is made amongst employees and till date, all male and female employees belonging to different religion are employed at all levels including senior management positions.Employees are given holidays in accordance with their religious customs.PARCO gives special employment preference to handicapped applicants and has till date employed 5 such people.See Women Empowerment in Principle 2.	<ul style="list-style-type: none">PARCO ensures that employees abide with the Company`s Code of Ethics. Every employee has to sign, at the time of induction, a declaration agreeing to PARCO`s Principles which include a complete guideline on avoiding discrimination, ensuring fair and ethical dealings with all internal and external stakeholders including communities, customers, suppliers and vendors.	<ul style="list-style-type: none">PARCO employs 1,254 direct employees, including 21 people from minorities. These employees come from all over the country, irrespective of domicile/origin, ethnicity, religion, gender, or any other non-job dimension. Thus there are workers of all ages, from all provinces i.e. from the northern most cities to the southern most area of Karachi.Despite being a petroleum engineering organization, PARCO encourages women for employment at the Mid-Country Refinery, which is located in a remote area, by providing separate accommodation for single women.	<ul style="list-style-type: none">PARCO discourages nepotism and every other form of favoritism. The way up the PARCO ladder is open to everybody. The policy of the Company is to develop and promote employees from within the organization through career and succession planning.Hiring and promotions are done on merit, performance, qualifications and ultimate potential of each employee through professional and transparent HR processes. If any employee exerts external pressure of any sort he/she is automatically disqualified and faces disciplinary action.	<ul style="list-style-type: none">PARCO undertakes regular summer and winter internships for students belonging to business and engineering disciplines where the selection of internees is done on merit. Every year we take 100 internees.PARCO also participates actively in Career Fairs at the leading Engineering and Management educational institutions where counseling and job opportunities at PARCO, etc. are discussed with students. In 2011, more than 1,000 students were provided career counseling. PARCO received over 600 applications for internships.	<ul style="list-style-type: none">Universities show keen interest in visiting PARCO`s facilities and the company organizes plant visits for petroleum, chemical, civil, electrical, electronics, telecommunication, and other engineering and business students belonging to different universities.	<ul style="list-style-type: none">PARCO offers Trainee Program in the fields of management and engineering. The training ranges from 1 to 2 years and provides the candidate learning and exposure to different aspects of a real life working environment. Upon demonstrating satisfactory performance at the end of the training, the Trainee is then inducted as a permanent employee if a suitable vacancy exists.Since 1975, PARCO has trained more than 883 Engineering and Management trainees. Since January 2011 alone, 33 trainees have been inducted in PARCO. This number is increasing and shows that PARCO has not stopped inducting fresh talent even at a time when Pakistan is facing an economic downturn, natural calamities, etc.PARCO has a huge reservoir of highly skilled and experienced human capital and many of our experts are teaching at different universities transferring knowledge and skills to the younger generation. Joint research projects are also undertaken with educational institutions.
 		 	 	 <p>PARCO stall at IBA Career Fair</p>  <p>General Manager-Corporate Affairs, PARCO presenting internship certificate to the best intern 2011</p>	 <p>Students visiting PARCO Plant facilities</p> 	

ENVIRONMENT									
Principle 7		BUSINESS SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES							
Our Commitment		PARCO is committed to comply with the National Environment Quality Standards (NEQS) and ensures minimal impact on the environment.							
Management Systems									
HSE, Operations and Administration									
Actions									
Environment Friendly Supply-Chain		Efficient Effluent Management		Environmental Auditing, Certification and Awards		Environment Friendly Products			
Solid Waste Management									
Results									
<ul style="list-style-type: none">Crude Oil is the basic raw material in any oil refining firm. Environmental stewardship is a prime motivation as we manage transportation of crude from Keamari Port in Karachi to our refinery in Mahmood-Kot, MCR through 864 km pipeline which is approx 400 ft above sea level. The pipeline ensures that each drop of crude oil is transported to MCR without effecting the environment.We have leak detection system, emergency shut down system, intelligent pigging, corrosion protection, microwave towers for communication, SCADA (supervisory control and data acquisition) system to avoid leakages, thefts and intermediate storage tanks at 5 different pumping stations.During the year 2011, approx 3.7 Million Metric Tons of crude oil was transported from Karachi to PARCO's Mid-Country Refinery (MCR) at Mahmood Kot through an 870 km pipeline network, ensuring safe and secure transportation. This efficient supply chain eliminates the movement of oil tankers significantly contributing in reduction of air pollution.Similarly, during 2011, the 817 km WOP (White Oil Pipeline) transported approx 3.6 Million Metric Tons of HSD (High Speed Diesel) from Karachi to Mahmood-Kot. 		<ul style="list-style-type: none">Effluent monitoring is carried out at all Stations and Terminals and the Mid-Country Refinery (MCR). Reports are sent to EPA against SMART Program.Impact on the environment from the refining process is controlled by treating and managing emissions. Low NOx (Nitrous Oxide) burners and Sulfur removal from fuel gases are examples.Effluents are treated in a state of the art effluent treatment plant having capacity of 340m³/hr involving extensive chemical and biological treatment. The waste water from all over the refinery is collected and through skimming, neutralization, dissolved air floatation, aeration, clarification, filtration and drying operations the effluent water is brought with in NEQS limits before being discharged. The treated water is reused for plants after compliance with NEQS (National Environmental Quality Standards) is ensured. All effluents are checked and verified regularly before discharging by third party EPA (Environment Protection Agency) approved Labs to comply with NEQS.All contractors' equipment is checked for compliance to NEQS.Various chemicals in use are stored in a well ventilated warehouse and it is ensured that a minimum level of inventory is kept to minimize the hazard. The chemical warehouse is equipped with deluge valve system to suppress any kind of contamination. Plastic trays and HDPE sheets have been placed under the chemical drums to meet the required level of protection.In compliance of Integrated Management System (IMS) at Corporate Headquarters, environmental sampling and testing of liquid effluent (sewerage and car wash area) and gaseous emissions (generators of CHQ and Commercial buildings) are being carried out against NEQS on an yearly basis from EPA certified laboratory. Liquid effluent parameters include temperature, pH, chemical oxygen demand, biological oxygen demand, total dissolved solids, total suspended solids, oil & grease, phenolic compounds and chlorides while gaseous emissions are being tested for Co, Nox, Sox, H₂S, smoke and noise. Three years' (2009, 2010 & 2011) results remained within permissible limits specified in NEQS.EMS (Environment Management System) Impact Assessment registers have been prepared at every Station, and EMS impact is assessed on regular basis to ensure IMS conformance with ISO and EMS requirements.		<ul style="list-style-type: none">PARCO is a fully IMS CERTIFIED ENERGY Company and amongst the first in Pakistan to simultaneously achieve three international certifications, that is, ISO 9001:2008 (Quality Management System), ISO 14001:2004 (Environmental Management System) and OHSAS 18001:2007 (Occupational Health and Safety Management System).During August 2011, surveillance audit was conducted at Pipeline Division by a certified body for re-validation of the IMS certificates.In September 2011, surveillance audit was conducted by a certified body for re-validation of the IMS certificates at CHQ.In December 2011, IMS certificates of Mid-Country Refinery were re-certified by a third party certification body.During 2010, 13 risk assessments were carried out and 7 in 2011 for various activities at PARCO Corporate Headquarters. The purpose of risk assessment is to define mechanism and responsibilities to identify OHS hazards and assess their risks in respect of normal and ascertained activities performed in the premises of PARCO. It also aims to provide mechanism and responsibilities to identify EMS aspects and assess its impacts.Striving for professional excellence has been a hallmark of PARCO. As the leading energy provider in the country, PARCO has always been mindful of its responsibilities towards its customers, employees, the community and the environment it operates in. Recognizing and appreciating our HSE procedures and business processes, the Employers Federation of Pakistan has awarded PARCO the "Best Practices Award for Occupational Safety and Health" for 2011 at a ceremony held in Karachi, Pakistan.The Award shows the efforts and commitment of HSE and all departments, our comprehensive training programs and high standards of operational safety control and audit which have made this achievement possible. <div></div> <p>In the picture: PARCO representative (extreme left) receiving the "Best Practices Award for Occupational Safety and Health 2011"</p>		<ul style="list-style-type: none">PARCO proactively works to ensure that its products and fuels are environment friendly. Lead free Gasoline complies with the standard having sulfur content less than 150 ppm. With the investment of 132 million USD on a Diesel Hydro Desulfurization unit, Diesel produced by PARCO is now on Euro II specifications i.e. less than 500 ppm. This positions PARCO at the top in Pakistan where the running standard is 5000 ppm of sulfur in diesel. The extracted sulfur is solidified and sold as a by product.		<ul style="list-style-type: none">Solid waste generated at the Mid-Country Refinery is disposed in a manner that protects human health and the environment. It takes an inclusive approach that endeavors to protect surface and ground-water, air, flora and fauna.PARCO's Mid Country Refinery and Stations and Terminals have designated procedures and areas for effective system of waste collection and segregation. Drums marked in yellow and green are placed in each area e.g. plant, maintenance, truck loading, laboratory, office area, etc. Hazardous, non hazardous waste and recyclable materials are segregated at the source.The Solid Waste Management yard is the storage point for waste at MCR. It is a well organized area catering for everything from spent catalyst and chemical drums to used batteries. An internationally operating third party has been contracted for disposing the waste. All types of solid wastes are collected in the waste yard and separated according to their nature. There are five separate yards according to nature of waste.Scrap Yard is situated near the south side boundary wall of the refinery in front of Solid Waste Management Yard. All the waste generated at the stations & terminals and MCR is stored in the Solid Waste Management & Scrap yard. Environment section keeps the record of Solid Waste Management Yard. Hazardous waste yard gate is kept locked and the keys are available with Environmental Engineer. The Non hazardous waste is dumped in the green drums. It is shifted to the non-hazardous waste yard by the contractor. Administration Department keeps the record of all the municipal waste and submits the record to the Environment Engineer on monthly basis.Around 80 tons of hazardous waste was disposed off in 2010-11 by a certified and EPA approved third party. During hazardous waste management, around 2000 Empty metal and plastic drums were sold with safe recycling/ disposal guarantees. The payback of recycled drums contributed significantly in disposal of hazardous waste. <div></div> <p>Managing Solid Waste Yard</p>	

ENVIRONMENT

Principle 7 (Contd.) BUSINESS SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES

Our Commitment PARCO is committed to comply with the National Environment Quality Standards (NEQS) and ensures minimal impact on the environment.

Management Systems HSE, Operations and Administration

Actions

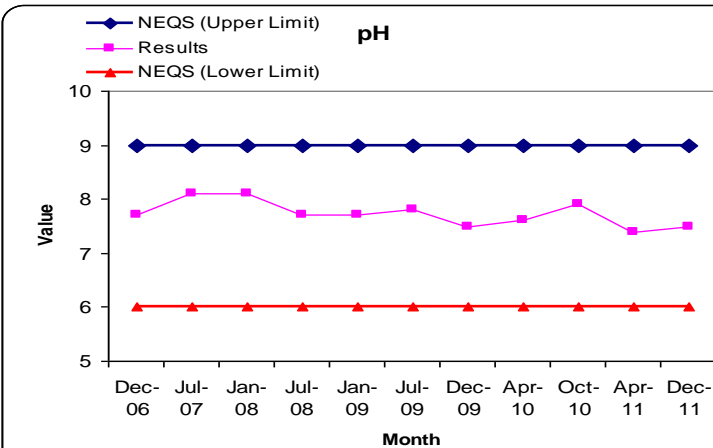
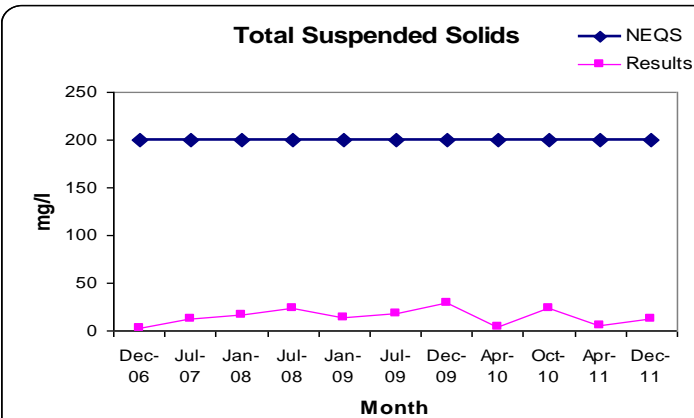
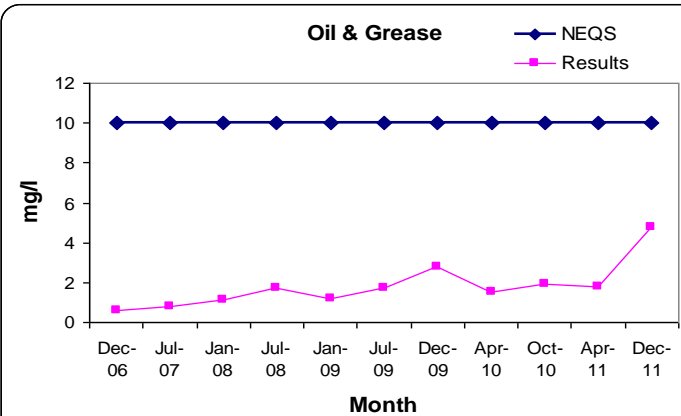
Efficient Effluent Management

Environmental Auditing, Certification and Awards

Air Emissions Monitoring

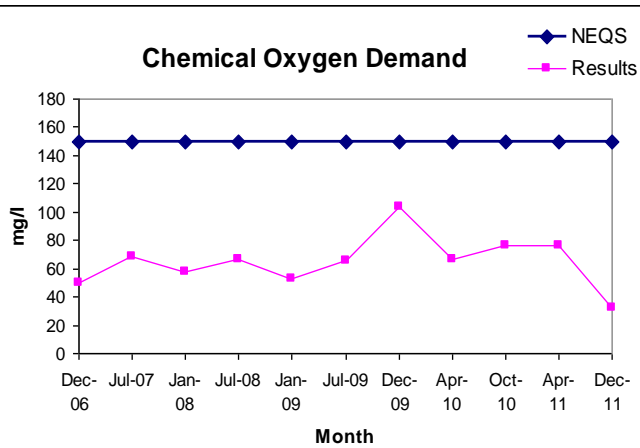
Results

- Regular third party monitoring is done diligently, and the results are well below permissible NEQS limits. Results of some key parameters are shown below.

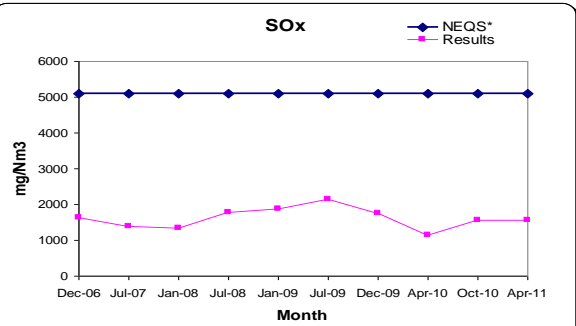
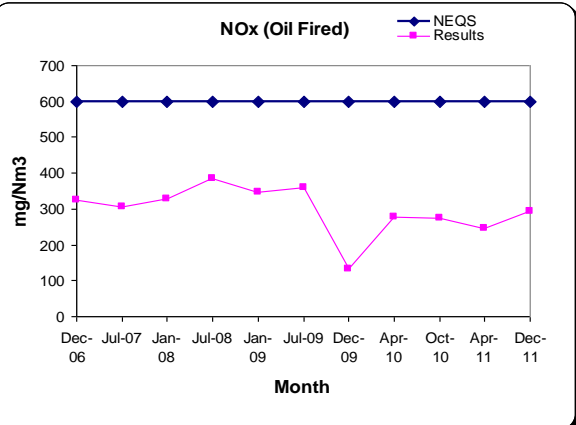
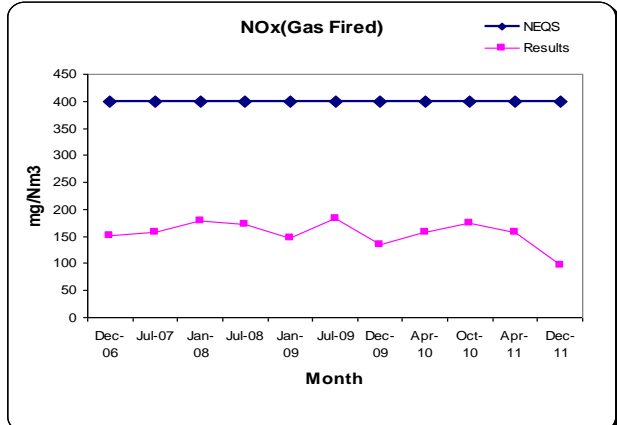
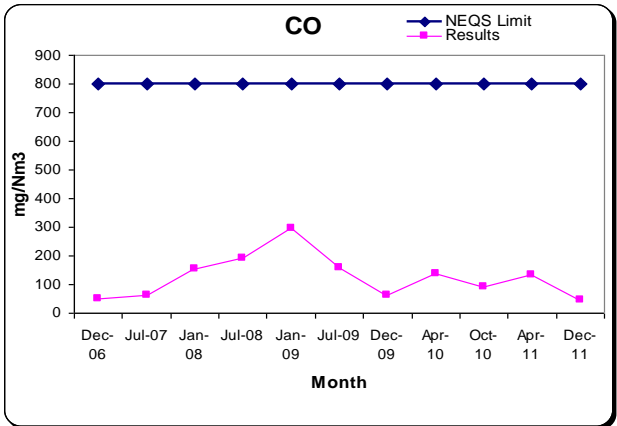


- Audits of housekeeping, gas masks, noise, work permits, closed sampling box etc, Yearly third party vehicle emissions monitoring, bi-annually third party stack emissions and liquid effluent monitoring, bi-annually third party ground water monitoring within the refinery and neighboring areas. Bi-annually third party ambient air monitoring around the PARCO installation within 2 kms of radius, are all ongoing and routine environmental projects.

- Regular HSE Audits of operational areas and office buildings are carried out to ensure safe environment in the office areas. Any discrepancies found during the audit are analyzed for their risks on safety and appropriate recommendations are provided as key performance indicator.



- PARCO takes into account the air emissions monitoring on a regular basis by a third party and the results are well below permissible NEQS limits. Results of some key parameters are shown below.



*The NEQS for SOx is 1700mg/Nm3 based on 1% sulfur contents in fuel. Above NEQS is prorated on the basis of sulfur contents in fuel. Monitoring is carried out by EPA approved 3rd party

ENVIRONMENT

Principle 8 COMPANIES SHOULD TAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY

Our Commitment PARCO and its employees show responsibility in operations and in adjoining communities.



Management Systems

HSE, IMS, Operations, CSR

Actions

Environmental Stewardship

Increasing Health and Safety Awareness and Performance

Environment Certificates and Excellence Awards

Reduction in Pollution

Ground Water Sampling

Initiatives Promoting Greater Environmental Responsibility

Results

- PARCO infuses the core value of preserving the environment, this is not only limited to emissions far below NEQS limits or products on Euro II standards but also to preserve natural habitat by diverting its oil pipeline.
- The 2,000 km of oil pipelines traversing the country, save thousands of gallons of fuel and reduce pollution that would otherwise have been caused by tank lorries traffic.
- The refining complex at PARCO's Mid-Country Refinery is equipped with a state-of-the-art effluent treatment plant, low NOx (Nitrous Oxide) and SOx (Sulphur Oxide) burners and a Sulfur Recovery Unit. Approximately, 16% of the refinery's cost has been utilized in this project.



- Environmental training is conducted twice a month in which PARCO employees and Service Provider's staff participate. All contractors are responsible for complying with our Environmental Policy and legal requirements as part of their contractual obligations. EMS training is also conducted at all stations in which PARCO's and Service Provider's staff attend the training sessions.
- Fire, rescue and emergency drills are conducted regularly at all PARCO locations to ensure preparedness for emergencies. Four batches of Emergency Response Team are being trained every year to ensure availability of trained manpower at all times. First Aid staff is trained by professional Fire and Rescue personnel, refresher courses are ensured periodically.
- To create a general awareness amongst the employees regarding the importance of maintaining a good health; health and safety brochures were launched on subjects like the importance of good posture, quitting smoking, dengue fever, bird/swine flu viruses, office ergonomics, healthy balanced diet, importance of sanitation, how to avoid hepatitis A, B & C, AIDs, etc.

- The National Forum for Environment and Health (NFEH) has awarded PARCO with the Annual Environmental Excellence Award for the sixth consecutive year in 2011. The NFEH is a non-government, non-profit organization which works in collaboration with the United Nations Environmental Program (UNEP) and is supported by the Ministry of Environment, Government of Pakistan.



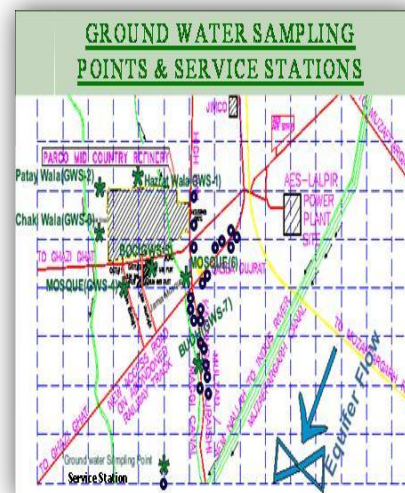
PARCO representative (right) receiving the Environment Excellence Award 2011

- PARCO's Mid-Country Refinery (MCR) has developed a comprehensive ground and soil monitoring plan to ensure that there is no contamination in soil and water and has developed base line data for continuous monitoring. We perform 3rd party (EPA certified) ground water monitoring of the surrounding areas of PARCO Refinery and Corporate Headquarters twice a year, to ensure that the community nearby is using safe underground water. There are 16 different parameters that are tested: pH, Color, TDS, Taste and Odor, Total Hardness, Faecal Coliform, Coliform Organisms, Arsenic, Chloride, Sulphate, Iron, Cyanide, Lead, Selenium and Manganese.

- To avoid noise pollution, a comprehensive noise survey is also carried out regularly at the boundary walls of the MCR in order to make sure that the community surrounded by MCR is not affected by the noise generated due to operations of refinery.

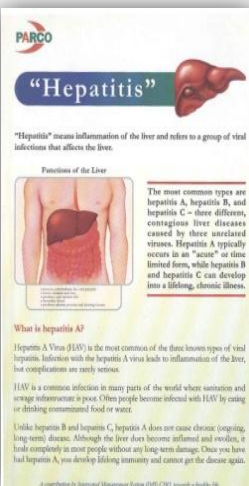
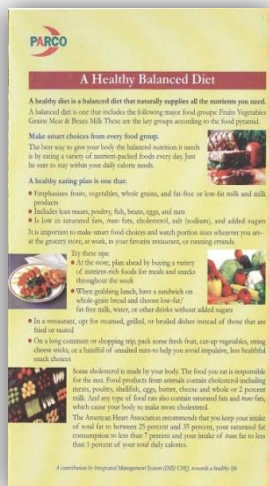
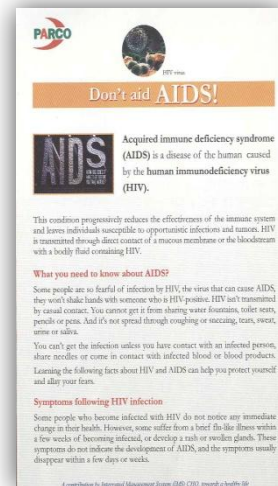
- Ambient air monitoring at 1 Km and 2 Km distance around PARCO's Mid-Country Refinery is also done twice a year by EPA certified third party monitoring NOx, SOx, CO and particulate matter.

- The surrounding area of Mid Country Refinery (MCR) has many fuel service stations and auto workshops which are potential contaminants for ground water. Realizing this environmental aspect, MCR has developed a comprehensive ground and soil monitoring plan, whereby 8 soil samples are collected twice a year to ensure that there is no contamination in soil and water.
- The ground water monitoring of the surroundings of MCR and CHQ is performed against 16 parameters through a third party (EPA certified) consultant, twice a year, to ensure that the community nearby is using safe underground water.



Ground water Sampling

- PARCO has a well documented Business Continuity Plan which covers contingencies related to its core business. Recently the plan has also been reviewed by a foreign crisis practitioner.
- PARCO engineers participated in Barracuda (Marine Oil Spill) drill conducted by Maritime Security Agency, Karachi.
- PARCO engineers have participated in a drill organized by NDMA (National Disaster Management Authority) on National Industrial Disaster Plan conducted at Engro Chemicals Limited, Dherki, Pakistan.
- In designing and aligning its oil pipelines routes, environmental matters were addressed and the requirements of Pakistan Environmental Protection Agency (EPA) fully complied with NEQS. No property on the World Heritage List is impacted.
- Specific measures were also taken to avoid disturbance to wildlife and vegetation. Even in choosing our main pipeline pumps, care was exercised to ensure that pump specifications conformed to the noise level of +/- 85db to remain within environmentally safe limits.
- Oil is removed from the oily water at the Effluent Treatment Plant and recycled with crude in the process. This process minimizes the spoilage of crude as well as its exposure to the environment.
- The Company conducts HSEQ Internal Audits to ensure that defined mechanism and responsibilities for planning, conducting and reporting internal health, safety, environment and quality management systems are being followed.
- A valuable and well known chemical, Methyl DiGlycol is used as an anti-freezing agent in Jet Fuel. About 30,000 liters of this chemical was reused which resulted in saving about Rs 3.5 million.



Management Systems

HSE, Operations, CSR

Actions

Environmental Stewardship

HSE Training Programs

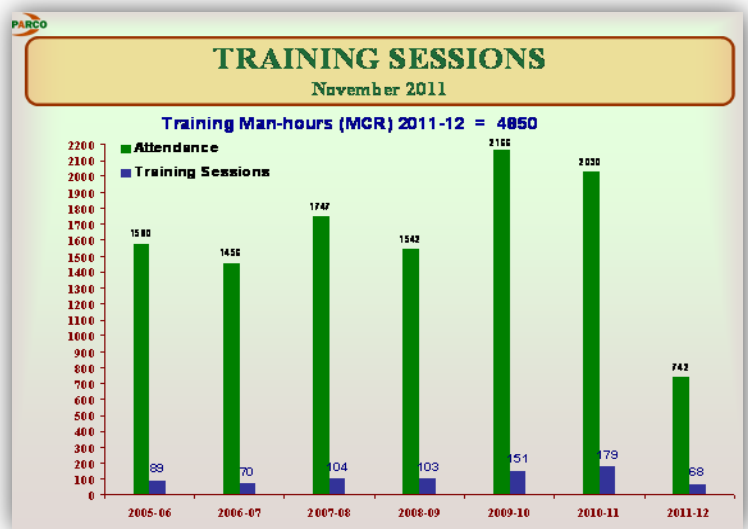
Initiatives Promoting Greater Environmental Responsibility

Results

- Ambient air monitoring at 1 Km and 2 Km distance around our refinery is done twice a year by EPA certified third party. The parameters being monitored are NOx, SOx, CO and particulate matter.
- Comprehensive noise surveys are conducted within all operational areas, Stations & Terminals and the Mid-Country Refinery. Equipment and locations are identified where a detrimental noise level may be present. Ear muffs and ear plugs are made mandatory accordingly. Generator/ turbine housings, fired heaters, compressors and similar potentially high noise equipment are monitored periodically. Even at the boundaries, a noise survey is carried out in order to make sure that communities surrounding our facilities are not affected by any noise generated due to operations.
- PARCO works proactively to prevent occupational health illnesses at all its sites. Noise monitoring, Audiometry, Dust monitoring and illumination surveys are carried out on a regular basis. Noise exposure is measured through a personal noise monitoring program. Noise surveys are conducted three times a year and noise levels are compared.



- At PARCO, we have an in-house Health Safety and Environment (HSE) training programs. PARCO is EMS 14001 certified company and all relevant employees including Top, Middle and Lower Management are fully aware of Environmental Management Systems (EMS) and National Environmental Quality Standards (NEQS). This is ensured by our routine EMS and HSE in house trainings pertaining to Air Emissions Management, Effluent Discharge Management and Solid Waste Management supported by Standard Operating Procedures.
- During 2010-11, PARCO achieved a target of 1.5 man-days i.e. 12 hours per employee of HSE training and is currently en route to its target of 1.75 man-days per employee of HSE training in 2011-12.



- All employees including Top, Middle and Lower Management are fully aware of Environmental Management Systems and National Environmental Quality Standards. This is ensured by our routine EMS and HSE in-house trainings including air emissions management; effluent discharge management and solid waste management are conducted. These are also supported by our Standard Operating Procedures. During last three years HSE training sessions conducted on the Environment had 1028 participants.



- In offices we have a culture of using both side of paper in printers. This recycle paper not only saves cost but also reduces the consumption of paper and ultimately trees that are to be cut to prepare pulp. Since 2009, there has been 6% average reduction in paper usage.
- PARCO has a comprehensive system of contractor management that ensures compliance with PARCO procedures for Health, Safety & Environment. Training and awareness including emergency response is given to all contractor workforces weekly and before the commencement of work.
- Contractor's HSE performance is monitored and feedback is shared.
- PARCO ensures every contractor has first aid and medical facilities for its workers. Medical fitness certificates are necessary for highly hazardous work.
- PARCO conducts Emergency Evacuation Drill twice a year. The purpose is to assess the preparedness of the employees and available system for emergency situations that may result due to activities, processes, equipments or locations of the Corporate Headquarters.



ENVIRONMENT

Principle 9 COMPANIES SHOULD ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES

Our Commitment PARCO makes all efforts to minimize the impact of its operations on environment by utilizing technologies that are environment friendly.



Management Systems

HSE, Operations

Actions

Diesel Hydro-Desulphurization Plant (DHDS) to produce Euro II Spec.

Effluent Treatment Plant

Automated Incident Reporting System

Air Dispersion Modeling

Results

- With commissioning of the DHDS plant at its Mid-Country Refinery, PARCO has the capability of producing High Speed Diesel conforming EURO II standards and is the only refinery in Pakistan to have achieved this capability. This product is helping EURO II compliant automobiles to perform better by being fuel efficient and giving low emissions. All impacts on the community, flora and fauna identified in the Environmental Impact Assessment study for the DHDS project had mitigation strategies which were implemented with meticulous care.
- During 2011, the DHDS plant at PARCO has processed approximately 196,000 metric tons of High Speed Diesel on EURO II specifications.
- PARCO's steps towards incorporating environmentally friendly technologies were appreciated by the international jury of "Living the Global Compact" Responsible Business Award 2010-11. PARCO being an active member of the UN Global Compact, has been recognized with this award in the Multinational Companies category, by the UNGC Pakistan Local Network. The international jury appreciated PARCO's efforts in making important and substantial investments in sustainability for its products, especially the dramatic reduction of sulphur by a factor of 14. The award nominees passed through a rigorous and documented process of successive stages of short-listing by multi-disciplinary local and foreign experts, who assessed performance in each of the four major categories of the GC, namely Human Rights, the Environment, Labor and Transparency.



PARCO representative (right) receiving the Living the Global Compact Responsible Business Award 2010-11

- PARCO's Effluent Treatment Plant has a capacity of 340m³/hr. Waste water from the refinery is collected and through skimming, neutralization, dissolved air floatation, aeration, clarification, filtration and drying operations, the effluent water is brought within NEQs limits before discharge into local drainage or reuse for plants.

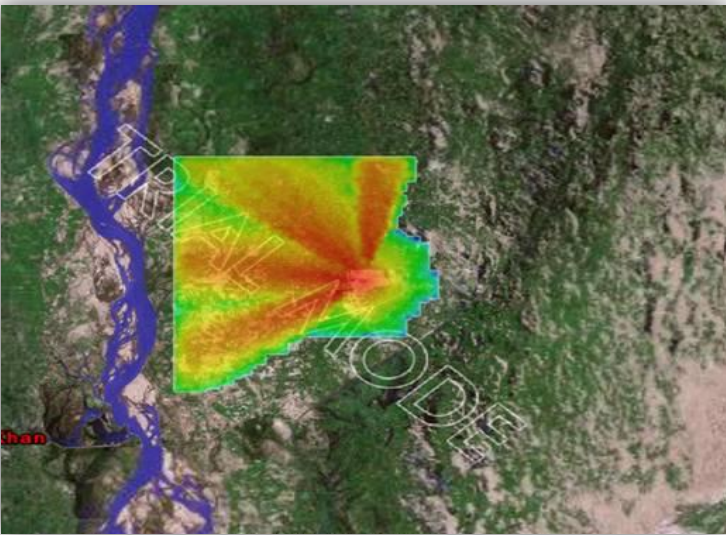


Effluent treatment plant at PARCO MCR

- The Incident Reporting System (IRS) has been functioning in PARCO over a long period of time. The system has undergone company-wide changes in 2011. The IRS is now fully automated by integrating it with the currently running email management system (IBM Lotus Notes) which is being used by most reputed organizations around the globe. The objective of the upgrade is to make incident reporting much easier and encourage the incident reporting and provide a more transparent and user friendly system, where all employees can benefit from the lessons learned. Employees will now be able to track incident reporting through their emails and investigate down to meticulous detail. This will be a valuable learning experience for employees' companywide.

The New Automated Incident Reporting System

- PARCO Mid-Country Refinery uses an Environmental Monitoring software for Atmospheric Dispersion Modeling. The software helps identify the theoretical concentration of certain environmental pollutants like Sulfur Oxides and Nitrogen Oxides released from the heater stacks in the refinery. MCR has developed an integrated solution using the MAESTRO System developed by ATM-PRO in order to perform realistic impact assessment of industrial pollution. The solution consists of software called "MAESTRO W/D/P" that generates local meteorology taking into account the topography and land use in the surroundings of the industry and a sample set of pre-calculated data basis, providing one year of meteorological (3D) data fields and dispersion calculation of the sources within the company.



ANTI - CORRUPTION

Principle 10

BUSINESS SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY.

Our Commitment

PARCO does not allow any form of corruption and monitors its business transactions with internal and external stakeholders to eliminate this malpractice.



Management Systems

All Corporate Functions

Actions

Corporate Governance

Transactions with Suppliers, Contractors, Service Providers

Elimination of Discrimination

Results

- PARCO adopts international standards of accounting.
- Compliance with Statement of Ethics and Business Practices is pursued at all levels and locations.
- All funds, assets, receipts and disbursements are properly recorded in the Books of the Company.
- Compliance with regulations of the Security & Exchange Commission of Pakistan.
- Purchase orders exceeding Rs 10 million issued include a clause which states that the supplier with the acceptance of purchase order shall submit a statement, duly signed by an authorized executive of the supplier on Rs 100 stamp paper that the supplier has not given or agreed to any individual, company or official of PARCO or Government of Pakistan within or outside Pakistan, directly or indirectly any commission, gratification, bribe, finder's fee, or kick back with the objective of obtaining the contract/purchase order or any other benefit from PARCO.
- PARCO employees, if found involved in corruption in any form or contravening with any Company Policy on Ethics, Finance, Procurement, HR, Operations or any other function, face disciplinary action. Such deviations can lead to termination of service and are reflected in the employee's performance appraisal.

- In PARCO's 38 years of operations there has been no instance of extortion or bribery.
- Suppliers/Service providers are required to sign integrity pact with PARCO to declare that the supplier/service provider has not used any external or internal influence, commission or fee in getting the contract from PARCO.
- Compliance with the Company's Financial Authority Manual specifying fiscal limits for transactions at various levels and positions.
- Constitution of Company Procurement Policy is approved by Board of Directors.
- Any form of extortion and bribery, given or taken, is a very serious misconduct according to the HR Policy of the company and the concerned employee is liable to be terminated for such misconduct.
- PARCO has an Internal Audit Department which conducts periodical audits for procedural compliance and reports directly to the Audit Committee of the Board of Directors.
- Constitution of separate committees for transparent and merit-based prequalification, quotations opening, tender opening, etc.
- Development of Annual Procurement Plan and plans for contractual work and services by external Service Providers which are pre-approved by the Company and subsequently monitored in monthly and quarterly management review meetings.
- All contracts, business activities, operations, procurements, etc., are subject to Internal and External Audit.
- Purchase Orders are issued to technically compliant commercially lowest bidders for procurement under Rs 1 million. An Internal Evaluation Committee has been formed to evaluate proposals for orders of Rs 1 million and above.
- Centralized Procurement with due diligence and more than one step evaluation process for selection of Supplier/Service Provider.
- PARCO Materials Department is not allowed to commit any terms and conditions with any Supplier/Service Provider against any law of Pakistan.
- Payment to any Supplier/Service Provider/Contractor is made after proper inspection by the concerned Department and confirmation of acceptance by End User through signing of inspection report.

- Elimination of discrimination during selection of Vendors/Contractors/Service Providers by check and balances against introduction of discriminatory conditions.
- Pre-qualified Vendors/Contractors list is periodically updated through advertisements placed in newspapers and evaluations based on predetermined criteria.
- Contracts/Supplies in excess of Rs 50 million are approved by a Bid Evaluation Committee of Board of Directors while contracts in excess of Rs 100 million are approved by the Board of Directors.
- No discrimination is made on basis of gender, religion, caste, origin, etc., while hiring an employee. HR policies are transparent and merit based where there are no influences or pressures as mentioned in Principle 6.

