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Communication on Progress Thal Engineering

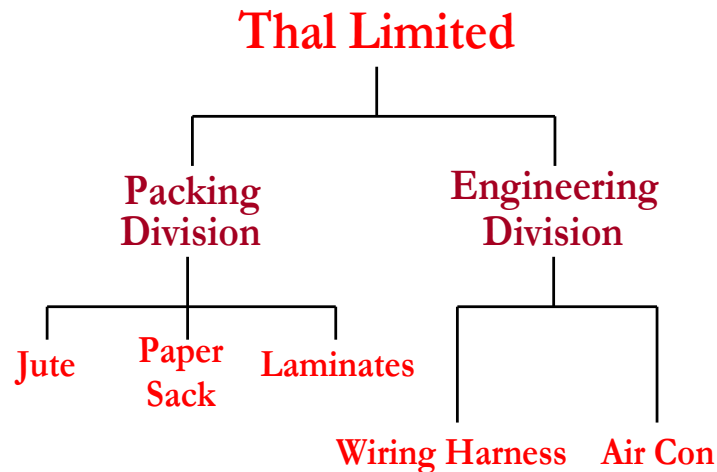


CEO Message:

Thal Engineering offers total solutions to customer. We offer the products, services and training, packages in a unique lasting relationship at customer doorstep, this concept remain the touchstone of whatever we do.

We are young and youthful in spirit, which spurs learning, risk taking and innovation, yet we remain committed to old enduring values of integrity, good conduct and treating people fairly and with respect.

We believe that the business goals and strategies may change, but these values remain constant and provide leverage for success which enables us to provide values to all our stake holders, our employees, our customers, our suppliers (Business Partners), our shareholders and our society.



Thal Limited - Introduction:

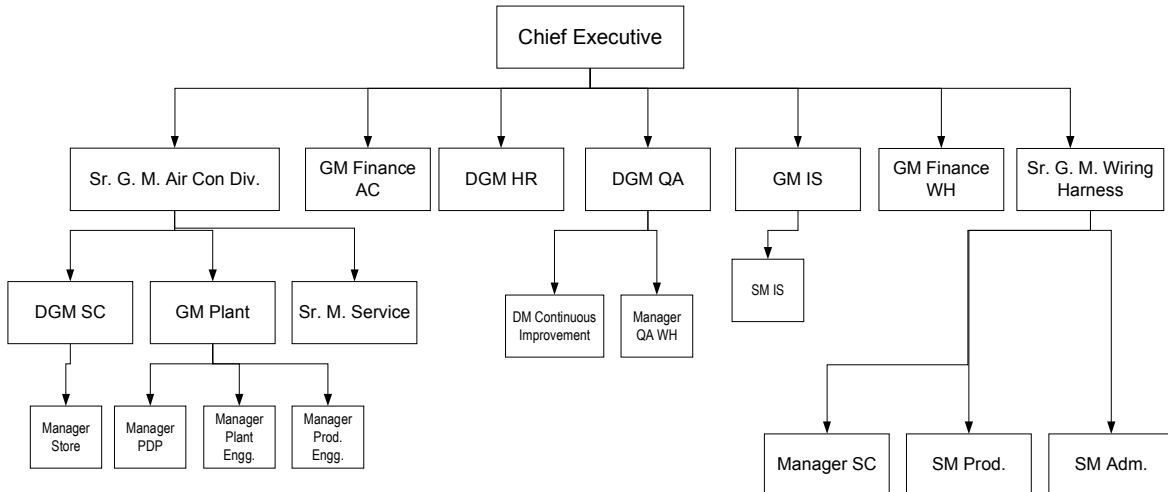
Thal Limited is a part of House of Habib which has two divisions. One is Packaging Division and the other is Engineering Division. The engineering field consists of the manufacturing of Wiring Harness, Heat Exchanger and Blower and Air Conditioner.



Thal Engineering - Introduction:

Thal Engineering established in 1995, located in Korangi Industrial Area. The total area of factory plot is 44500 Square Kilometers (11 Acres), Total covered Area available is 23840 Square Kilometers (6 Acres) and the total area under utilization is 19603 Square Kilometers (5 Acres). Thal Engineering is an automotive company of House of Habib. Initializing the work as a vendor of imported part of Car's Air Conditioners only, now Thal Engineering is also providing Heat Blower and Wires for the cars and it has also put steps in the field of self manufacturing areas.

Organization Chart:



Products Information:

Car – Air Conditioner

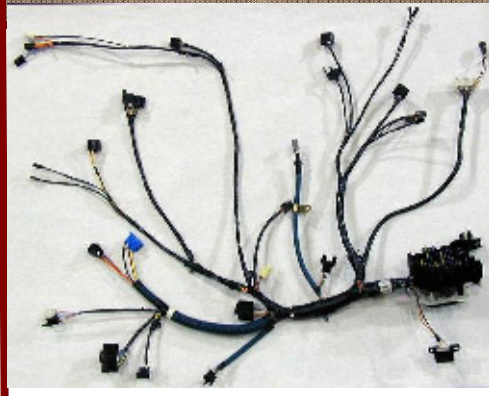
Soon after its establishment, Thal Engineering first offer complete product of installation, spare parts for the installation of new auto-air conditioners, spare parts and service is technical collaboration with *Denso Japan*.



Wire Harness

The production of Wire harness started in the year 2000 in technical collaboration of with *Furukawa* Electric of Japan.

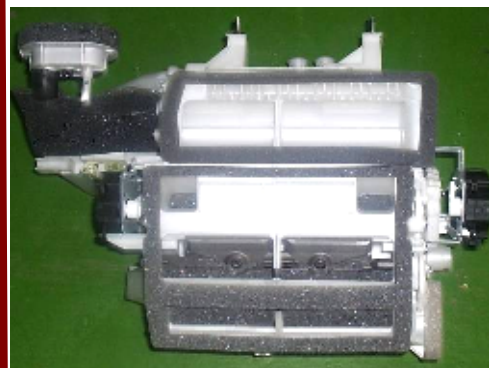
Wiring Harness



Heater Blower Assembly

Heat Blower

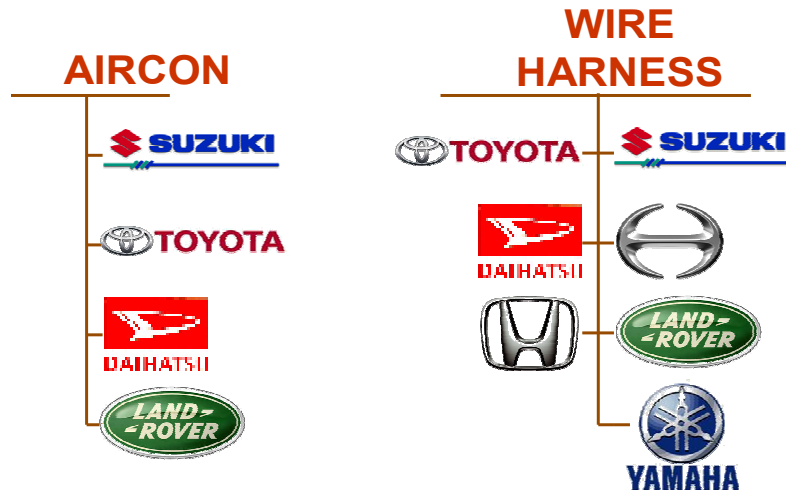
With the collaboration of *Denso Japan* Thal Engineering became the only supplier of Heater Blowers in Pakistan.



Heat Exchanger

Thal Engineering is the manufacture of Aluminum Heat Exchanger of various types including condensers, evaporators and Heater Cores in technical collaboration with *Denso Japan*.

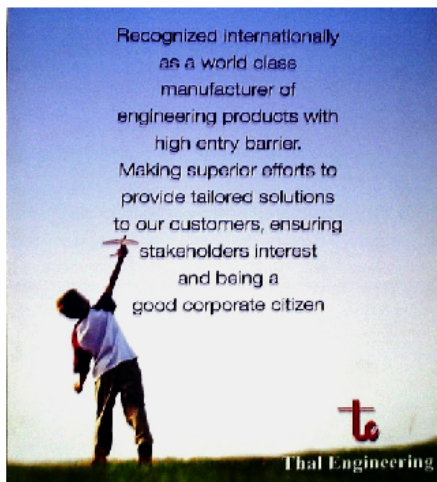
CUSTOMERS



Our Values:

Bismillah	Begin everything with Bismillah, you get connected.	Enjoy Work	Make work fun; exude a different aroma; create a positive change.
Respect	Respect everyone, all living creatures & things; it increases their life & contribution.	Entrepreneurship	The job has got to be done; perseverance brings success; shun bureaucracy; take decisions.
We, not I	Winning is teamwork; together we become bigger than each; be a friend; be humble. Communicate for results.	Drive Cost Down	Drive cost down for competitiveness; add customer value not cost.
Act Now	Speed thrills & gives competitive edge. Prioritize for effectiveness; focus on customer needs; practice THALOCITY.	Innovate	Embrace changes, pursue knowledge; buck conventional wisdom; change is mandatory....
Listen	Listen with all senses; be accessible, be receptive. Listening is learning & knowledge.	Be#1 in Quality, Service and 5S	Be passionate for being #1 in Quality, Service & 5S; create "WOW" in service & "WAH" at work.
Results	Benchmark your performance. Results are important not reasons. "Deliver" & excite your customer.	Fulfill Obligations	Fulfill obligations to Community, Country & Mother Earth.

Our Vision:



Our Policy:



Certifications:





Our Efforts for Implementing United Nation Global Compact Principles



Human Rights

- 1 - Businesses should support and respect the protection of internationally proclaimed human rights**
- 2 - Businesses should make sure that they are not complicit in human rights abuses**
- 3 - Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining**
- 4 - Businesses should uphold the elimination of all forms of forced and compulsory labour**
- 5 - Businesses should uphold the effective abolition of child labour**
- 6 - Businesses should uphold the elimination of discrimination in respect of employment and occupation**

What have we done:

A detailed policy outlined and implemented. To ensure compliance, following systems established:

- Internal Auditing Mechanism for compliance to Policies
- Daily Morning Circles (Gemba Meetings)
- Weekly Monday Circles
- Quarterly Du-Be-Du (One to One) of all employees with Chief Executive.
- Regular Emergency Response Team Meetings
- Trainings of Employees

Policy Script:

Introduction:

That Engineering (TE) recognizes that the pursuit of economic growth through employment creation and income generation should be balanced with protection for basic rights of workers. For any business, the workforce is a valuable asset, and a sound worker-management relationship is a key ingredient to the sustainability of the enterprise. Failure to establish and foster a sound worker management relationship can undermine worker commitment and retention, and can jeopardize a project. Conversely, through a constructive worker-management relationship, and by treating the workers fairly and providing them with safe and healthy working conditions, TE may create tangible benefits, such as enhancement of the efficiency and productivity of their operations.

Objectives:

The requirements set out in this Policy have been in part guided by a number of international conventions negotiated through the International Labour Organization (ILO) and the United Nations (UN) ¹.

Objectives

- To establish, maintain and improve the worker-management relationship
- To promote the fair treatment, non-discrimination and equal opportunity of workers, and compliance with national labor and employment laws
- To protect the workforce by addressing child labor and forced labor
- To promote safe and healthy working conditions, and to protect and promote the health of workers



Scope of Application

The applicability of this Policy is established during the Social and Environmental Assessment process, while implementation of the actions necessary to meet the requirements of this Policy is managed through the TE's Social and Environmental Management System. The assessment and management system requirements are outlined in Policy.

Terms & Definitions:

Throughout this Policy, the term “workers” is used to refer to employees of TE, as well as to certain types of non-employee workers described in paragraph 11. The application of this Policy will vary depending on the type of workers, as follows:

Employees: All the requirements of this Policy, except for the requirements under paragraphs 11 and 12, apply

Non-Employee Workers: The requirements of paragraph 11 apply

Supply chain² issues are addressed in paragraph 12.

1 These conventions are:

ILO Convention 87 on Freedom of Association and Protection of the Right to Organize

ILO Convention 98 on the Right to Organize and Collective Bargaining

ILO Convention 29 on Forced Labor

ILO Convention 105 on the Abolition of Forced Labor

ILO Convention 138 on Minimum Age (of Employment)

ILO Convention 182 on the Worst Forms of Child Labor

ILO Convention 100 on Equal Remuneration

ILO Convention 111 on Discrimination (Employment and Occupation)

United Nations Convention on the Rights of the Child, Article 32.1

2 Supply chain refers to both labor and material inputs for the life-cycle of a good or service.



Requirements

Working Conditions and Management of Worker Relationship

1. *Human Resources Policy*

TE will adopt a human resources policy appropriate to its size and workforce that sets out its approach to managing employees consistent with the requirements of this Policy. Under the policy, TE will provide employees with information regarding their rights under national labor and employment law, including their rights related to wages and benefits. This policy will be clear and understandable to employees and will be explained or made accessible to each employee upon taking employment.

2. *Working Relationship*

TE will document and communicate to all employees and workers directly contracted by TE, their working conditions and terms of employment, including their entitlement to wages and any benefits.

3. *Working Conditions and Terms of Employment*

TE will provide reasonable working conditions and terms of employment (such as wages and benefits, hours of work, overtime arrangements and overtime compensation, and leave for illness, maternity, vacation or holiday) comply with national law.

4. *Workers' Organizations*

TE will enable means for workers to express their grievances and protect their rights regarding working conditions and terms of employment.

TE will not discourage workers from forming or joining workers' organizations of their choosing or from bargaining collectively, and will not discriminate or retaliate against workers who participate, or seek to participate, in such organizations and bargain collectively. TE will engage with such worker representatives. Worker organizations are expected to fairly represent the workers in the workforce.

5. *Non-Discrimination and Equal Opportunity*

TE will not make employment decisions on the basis of personal characteristics unrelated to inherent job requirements. TE will base the employment relationship on the principle of equal opportunity and fair treatment, and will not discriminate with respect to aspects of the employment relationship, including recruitment and hiring, compensation (including wages and benefits), working conditions and terms of employment, access to training, promotion, termination of employment or retirement, and discipline. TE will comply with national law.

6. *Retrenchment*

TE will develop a plan to mitigate the adverse impacts of retrenchment on employees, if it anticipates the elimination of a significant number of jobs or a layoff of a significant number of employees. The plan will be based on the principle of non-discrimination and will reflect TE's consultation with employees, their organizations and, where appropriate, the government.

7. *Grievance Mechanism*

TE will provide a grievance mechanism for workers (and their organizations) to raise reasonable workplace concerns. TE will inform the workers of the grievance mechanism at the time of hire, and make it easily accessible to them. The mechanism should involve an appropriate level of management and address concerns promptly, using an understandable and transparent process that provides feedback to those concerned, without any retribution. The mechanism should not impede access to other judicial or administrative remedies that might be available under law or through existing arbitration procedures, or substitute for grievance mechanisms provided through collective agreements.



Protecting the Work Force

8. *Child Labor*

TE will not employ children in a manner that is economically exploitative, or is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral, or social development. TE will follow national laws for the employment of minors. Children below the age of 18 years will not be employed in dangerous work.

9. *Forced Labor*

TE will not employ forced labor, which consists of any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty. This covers any kind of involuntary or compulsory labor, such as indentured labor, bonded labor or similar labor-contracting arrangements.

Occupational Health and Safety

10. TE will provide the workers with a safe and healthy work environment, taking into account inherent risks in its particular sector and specific classes of hazards in TE's work areas, including physical, chemical, biological, and radiological hazards. TE will take steps to prevent accidents, injury, and disease arising from, associated with, or occurring in the course of work by minimizing, so far as reasonably practicable, the causes of hazards. In a manner consistent with good international industry practice³, TE will address areas, including: the identification of potential hazards to workers, particularly those that may be life-threatening; provision of preventive and protective measures, including modification, substitution, or elimination of hazardous conditions or substances; training of workers; documentation and reporting of occupational accidents, diseases, and incidents; and emergency prevention, preparedness and response arrangements.

Non-Employee Workers

11. "Non-employee workers" refers to workers who are:
- (i) directly contracted by TE, or contracted through contractors or other intermediaries; and
 - (ii) performing work directly related to core functions essential to TE's products or services for a substantial duration. When TE contracts non-employee workers directly, TE will use commercially reasonable efforts to apply the requirements stated above, except for paragraphs 1, 6, and 12. With respect to contractors or other intermediaries procuring non employee workers, TE will use commercially reasonable efforts to:
 - a. ascertain that these contractors or intermediaries are reputable and legitimate enterprises; and
 - b. require that these contractors or intermediaries apply the requirements of this Policy, except for paragraphs 1, 6, and 7.

Supply Chain

12. The adverse impacts associated with supply chains will be considered where low labor cost is a factor in the competitiveness of the item supplied. TE will inquire about and address child labor and forced labor in its supply chain, consistent with paragraphs 8 and 9 above.

³ Defined as the exercise of professional skill, diligence, prudence and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally.



Our Efforts recognized:



Corporate Excellence Award –
Management Association of Pakistan



CSR Award –
Help International



Best OSH Practices Award –
Employers Federation of Pakistan



7 - Businesses should support a precautionary approach to environmental challenges

8 - Businesses should undertake initiatives to promote greater environmental responsibility

9 - Businesses should encourage the development and diffusion of environmentally friendly technologies

What have we done:

3rd Party System Certification. Including:

- Environmental Policy
- Environmental Impact Analysis for Whole Company and Its Operations
- Energy Conservation and Auditing to curtail Energy Losses
- Water Treatment Plant to recycle / reuse Treatment Water
- Solid Waste Management System
- Monitoring and Measurement of Green Gases w.r.t. NEQS Values
- Replacement of Tri Chloro Ethylene (TCE) with Environmental Friendly Solution
- Replacement of R12 with R134a (Environmental Friendly Refrigerant)

Our Efforts recognized:



Gardening Award – Horticultural Society of Pakistan



Environment Excellence Award – National Forum for Environment and Health



National Excellence Award – CSR Association Pakistan



Corporate Member - WWF



Corporate Member - WWF



10 - Businesses should work against all forms of corruption, including extortion and bribery

What have we done:

A detailed policy outlined and implemented. To ensure compliance, following systems established:

- Internal Auditing Mechanism for compliance to Policies
- Daily Morning Circles (Gemba Meetings)
- Weekly Monday Circles
- Quarterly Du-Be-Du (One to One) of all employees with Chief Executive.
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- Trainings of Employees

Policy Script:

Introduction:

Bribery and corruption is, unfortunately, a feature of corporate and public life in many countries across the world. Governments, businesses and nongovernmental organizations such as UNGC, Transparency International are working together to tackle the issue but despite our collective efforts eradicating all forms of bribery and corruption will take time. Thal Engineering (TE) therefore has a clear policy and we support our employees to make decisions in line with our stated position. Our corporate conduct is based on our commitment to acting professionally, fairly and with integrity. TE does not tolerate any form of bribery and corruption.

Objectives:

The purpose of this policy is to set out the responsibilities of Group functions and business units in observing and upholding our position on bribery and corruption. In developing this policy we have made reference to the 'Business Principles for Countering Bribery' published by Transparency International.

Scope of Application:

This policy applies to TE employees (staff, contract and temporary) and extends to all our business. Where we have a minority interest we will encourage the application of this policy amongst our business partners including contractors, suppliers and joint venture partners. This policy should be implemented in conjunction with the guidance on giving and accepting gifts and hospitality within the Group Guide to Sound Business Practice. Employees should also read the Group policy on gifts and hospitality.

Policy:

We set out our commitment to operate responsibly wherever we work and to engage with our stakeholders to manage the social, environmental and ethical impact of our activities in the different markets in which we operate.

Our first principle, 'integrity in corporate conduct', states that TE does not engage in bribery or any form of unethical inducement or payment including facilitation payments and 'kickbacks.' All employees are required to avoid any activities that might lead to, or suggest, a conflict of interest with the business of TE. Employees must declare and keep a record of hospitality or gifts accepted or offered, which will be subject to managerial review. We do not make direct or indirect contributions to political parties. We will uphold laws relevant to countering bribery and corruption in all the jurisdictions in which we operate, particularly laws that



are directly relevant to specific business practices. The following national and international laws and conventions underpin this policy:

- OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997)
- Foreign Corrupt Practices Act (US)
- OECD Guidelines for Multinational Enterprises – Combating Bribery
- UN Global Compact – Principle 10 (Anti-Corruption)
- Extractive Industry Transparency Initiative

Monitoring and review

TE Admin. Deptt. will review the implementation of this policy in respect of its suitability, adequacy and effectiveness and make improvements as appropriate. It will periodically report the results of this process to the Group Audit Committee, which will make an independent assessment of the adequacy of the policy and disclose any material non-compliance in the Annual Report to shareholders.

Internal controls and audit

TE will establish feedback mechanisms in order to maintain accurate records - available for inspection - which properly and fairly document all financial transactions. Internal control systems will be subject to regular audits to provide assurance that they are effective in countering bribery and corruption.