

AL-GHAZI TRACTORS LIMITED

*GLOBAL COMPACT SIGNATORY
STATUS REPORT
2011 – 2012*

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Scope of the Report

This report incorporates Al-Ghazi Tractor's efforts in People, Social and Environmental activities. We see individuals (internal and external) satisfaction not as value-added but a core part of our organization.

Message from Chairman

Composed of a rich variety of individuals, Al-Ghazi Tractors Limited is a living company – a community of unique persons with the ability to learn how to co-exist with other communities and within our physical environment.

We do so by being attuned to the environment – inquiring, learning, sharing and creating a positive conducive environment or the value creation process and economic value addition.

As an organization that is worthy of people's commitment, we as a living system are involved in the simultaneous pursuit of economic prosperity, environmental quality, social equality – the triple bottom line – with the resultant vector being the technology that we offer.



Economic Sustainability

We at AGTL are thus committed to economic sustainability, environmental sustainability, socio-political sustainability, culture and above all to Sustainable Agriculture, Sustainable Farm Management, Sustainable Yields and conservation.

Pakistan's economy is basically agrarian. We serve the agricultural sector to feed Pakistan. The tractor we offer is the bulwark of agriculture. We produce Farm Machines and equipment and as the lowest cost producers of high quality products we add directly to increasing rural income, improved farming and economic competitiveness.

Water & Energy Conservation

Recognizing that agricultural water is a non renewable resource and that unsustainable irrigation system are resulting in an undesirable burden on the agricultural economy, we at AGTL have embarked on a speedy programme to offer High Efficiency Irrigation Systems.

The technology we offer will shift focus of attention from productivity per unit of land to productivity per unit of water – to get more from less. We thus offer farming systems that are environmentally sound, profitable, productive and compatible with socio-economic conditions.

The Agricultural sector is a major consumer of energy in Pakistan. This sector accounts for a large share of peak electrical demand. AGTL is to now offer farmers with energy efficient water pumps which help the farmers to extract more water efficiently and reduce the electricity costs by almost 40%.

Our customer – the Farmer – is the steward of the environment. We at AGTL are a link between the rural communities and the society at large. Our goal is to strive to use the current sustainable practices and to utilize the latest production techniques to remain competitive in the global markets.

Transforming a whole society

AGTL was the first to break the land in Dera Ghazi Khan in 1984 in the midst of a parched desert. We have built an oasis in the desert.

The AGTL manufacturing plant with its adjacent staff town has given fillip to the whole area by way of ancillary and allied activities. We take justifiable pride in the contribution that AGTL has made to the social dynamics of the region through its technical, financial and management acumen. We have indeed transformed a whole society in what is otherwise known as a less developed area of Pakistan.

Corporate Social Responsibility

Corporate Social Responsibility at AGTL encompasses human and workers rights, employee relations, ethical conduct, human capital leadership, environmental impact, safety and community service.

As a living company we are worthy of people's commitment, a company that sustains its purpose, values, and identity. Our commitment guarantees company's sustainability and longevity.



AGTL Company Profile

<i>Date of Incorporation</i>	<i>June 26, 1983</i>
<i>Date of Commencement of Operations</i>	<i>September 1, 1983</i>
<i>Date of Take Over by Al-Futtaim Group of Dubai</i>	<i>December 8, 1991</i>
 <i>Start of Production at Dera Ghazi Khan Plant</i>	
<i>i) Auxiliary Plant</i>	<i>February 20, 1984</i>
<i>ii) Main Plant</i>	<i>April 1, 1985</i>
<i>iii) Sheet Metal Stamping Plant</i>	<i>July 2006</i>
<i>iv) Production Capacity</i>	<i>30,000+ Tractors per annum in a single shift</i>
 <i>Total Land Area</i>	 <i>90 Acres</i>
<i>Employees</i>	<i>1000 approx.</i>

AGTL Committee

At AGTL we have a Corporate Governance, an Environment, and an Employee Process & Safety Committee, whose members dedicatedly look after CRS at the company.

- Mr. Parvez Ali – Chairman*
- Mr. Kashif Lawai – CFO*
- Col (R) Rao Younis – GM (P)*
- Ms. Sobika Zubair – Secretary to the Committee*



*The Committee meets every six months to ensure adherence to the charter.
The Committee reports to the Board of Directors of the company.*

Facilities at the AGTL Staff Town

<i>Housing</i>	<i>120 family Homes and bachelor quarters for executives and workers</i>
<i>Population of the staff town</i>	<i>Approximately 440</i>
<i>Other facilities</i>	<ul style="list-style-type: none">○ <i>Mosque</i>○ <i>Hospital with ambulance.</i>○ <i>Recreation centres for executives, workers and ladies, with indoor games, TV, videos, dish antennas, and other facilities.</i>○ <i>Play grounds, parks, horticulture, and janitorial services.</i>○ <i>School bus for pick and drop services to school and college going children of the staff for D.G. Khan city.</i>○ <i>Private electric generator for uninterrupted power supply.</i>○ <i>Clean water supply with UV filters.</i>○ <i>Transport facility for D.G. Khan city and adjoining areas.</i>○ <i>Waste water recycling plant for horticulture.</i>

AGTL OFFICES

Head Office

Al-Ghazi Tractors Limited
11th floor, NIC Building
Abbasi Shaheed Road
Karachi
Tel: 021-5660881-5

Plant

Al-Ghazi Tractors Limited
Factory
P.O. Box 38
Sakhi Sarwar Road
Dera Ghazi Khan
Tel: 0642-463159

Regional Offices

Al-Ghazi Tractors Limited
10km, Sheikhupura Road
Lahore
Tel: 042-7912226

Al-Ghazi Tractors Limited
20 Industrial State
Multan
Tel: 061-6514057-9

Al-Ghazi Tractors Limited
House N. A-8
Airport Road
Sukkur.
Tel & Fax: 071-5002852

Al-Ghazi Tractors Limited
Flat No. 7, 2nd Floor, City Arcade
Sector I-8, Markez
Islamabad
Tel: 0333-6504466, 0300-5126249



THE TEN PRINCIPLES OF THE GLOBAL COMPACT

Human Rights

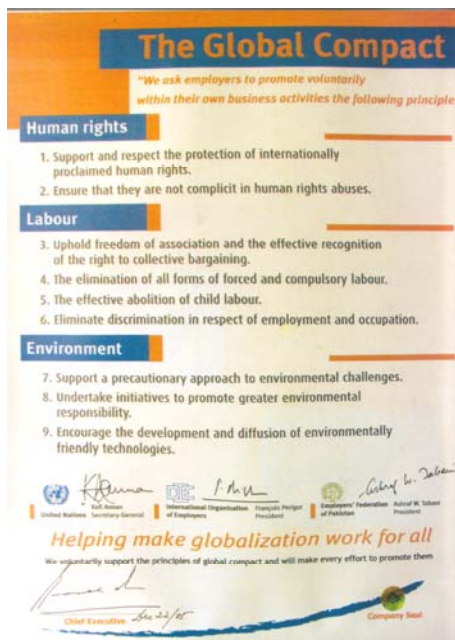
1. Support and respect the protection of internationally proclaimed human rights.
2. Ensure that they are not complicit in human rights abuses.

Labour

3. Uphold freedom of association and the effective recognition of the right to collective bargaining.
4. The elimination of all forms of forced and compulsory labour
5. The effective abolition of child labour
6. Eliminate discrimination in respect of employment and occupation

Environment

7. Support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility
9. Encourage the development and diffusion of environmentally friendly technologies
10. Corruption



In pursuance of the Ten Principles of Global Compact the Board has formulated various Management Committees comprising the CEO, General Managers, and Senior Managers of the company. These committees meet as per their charter and focus on policy statement, scope and policy guidelines established by the Board.

The Board has thus determined and formulated significant policies of the company having regard to level of "materiality"; with respect to the following Committees.

1. **Risk Management Committee.** Having established a sound system of internal control to safeguard company's assets and to maximize shareholders investment, the committee reviews and ensures continuity of smooth operations with respect to Internal Controls, Risk Analysis, Business Impact, Insurance, Preventive Maintenance, Supply Chain Management, Technology, Intelligence, Credit Risk, Foreign Exchange Risk, etc.

2. **Succession Planning – Steering Committee.** To build the necessary organizational capability and to ensure leadership growth, the committee ensures to have an effective proactive succession planning process in the company, and plans to identify what the company will need most in the future for job assignments.

3. **Remunerations Committee.** The committee reviews the terms and conditions of employment of the staff and reports appropriations for approval of the Board. The committee for workers also reviews in detail compliance and adherence to the CBA Agreement.

4. **Information and Technology Committee.** Because of the criticality of IT to the success of the company which operates on ERP, the committee's responsibility is to provide timely advise and direction on current and strategic IT issues, the future direction and leadership of IT, and to deal with the role of change required to achieve company's Vision and Objectives.

5. **Business Strategy Committee.** The committee reviews the policies, strategies and performance of the various business units of the company. It identifies emerging issues, and endeavours to ensure that resources are managed effectively.

6. **The Employee & Process Safety Committee.** The committee reviews policy development on a wide range of safety and health issues effecting employees and the company including site security, safety and employees health and safety components.

7. **Environmental Committee.** The committee focuses on a wide range of issues including hazardous waste, regulatory reforms, pollution prevention etc.

To put an end to Corruption the Company has in line a Statement of Code of Ethics for Employees – signed every year – committing to make a stand against corruption.

AGTL - Social and Environmental Responsibility

Transformation

AGTL was first to break the land in Dera Ghazi Khan in 1984 in the midst of a parched desert. We have built an oasis in the desert with the corporate objective of setting up an institution, which can trigger progress, and prosperity in the whole social fabric. We thus built a manufacturing plant which is a hallmark of engineering dynamics. For the manufacturing plant we also raised a whole infrastructure – staff town, school, hospital, power generation, water purification and recycling plant.

- *The AGTL plant and staff town located at D.G. Khan has given fillip to the whole area by way of ancillary and allied activities. Apart from creating jobs and social dynamics, our community service extends from mosque to hospital. AGTL Hospital has been in the forefront of programmes of immunization on National Polio Days, holding of free eye camps.*

Environmental Responsibility

- *We integrate environmental responsibility into corporate decision making and in our union contract with the CBA.*

At AGTL

- *Management and labour promote pollution control and prevention through collective bargaining agreement.*
- *With good housekeeping we apply practical, low cost steps to improve storage and handling of materials, lighting and workstation design thus reducing waste through damage of lost goods and less risk to the health and safety of worker.*
- *We protect our workers against air and noise pollution by providing personal protection equipment.*
- *We eliminate work-force hazards such as poor working ventilation, indoor pollution, poor lighting etc.*
- *We have discarded the use of all lead based paints.*
- *We provide clean water to workers and to their homes by installing UV filters on water outlets.*
- *Our staff town conforms to safe, sound, and sanitary standards.*
- *We sell waste products like wood and scrap metal that other industries re-cycle as raw materials.*
- *We have set up a water re-cycling plant to treat sewerage.*
- *We boast of heavy investment in horticulture which has stopped the march of the desert.*

AGTL - Equal Opportunity Employment

- *We practice “equal opportunity employment” without any discrimination of caste, creed or religion.*
- *The project being essentially an assembly cum manufacturing operation for heavy-duty work, most of the work force is of males. But the management also offers equal opportunities to women who are employed in both high and lower management positions. AGTL has broken a barrier by employing women at Dera Ghazi Khan. We also employ handicaps.*
- *The company does not employ any form of forced, mandatory and forced labour. It does not employ people younger than 18 years of age with a valid CNIC.*



AGTL – Corporate Social Responsibility

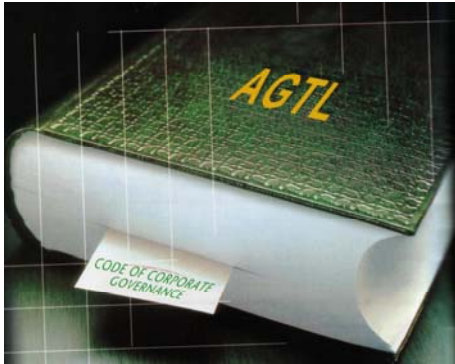
- *The Board and management of Al-Ghazi Tractors Limited recognize that well-defined corporate governance processes are vital in enhancing corporate accountability and are committed to ensuring high standards of corporate governance to preserve and maximize shareholder value.*
- *We at AGTL maintain a close communication link between rural communities, researchers, and the society at large:*
 - *We educate the farmer and his future generations on techniques of Farm Management with marketing programmes which have been specially designed to minimize overhead costs and to increase returns. Such programmes are held with intermittence throughout the country at the grass root level.*
 - *Tractor festivals, free service programmes are held throughout the year all over the country to improve the efficiency of resource utilization.*
 - *AGTL actively participates in polio campaigns in surrounding areas of DGK,*
 - *The company actively participates in the fight against all forms of corruption, fully complying with principles of fairness, transparency and integrity. To ensure the highest standards are met, anti-corruption*

statement has been included in the code of ethics signed by all the directors and employees of the company.

- *As a responsible corporate citizen, AGTL is committed to development and supporting the local talent in what is otherwise a less developed area of Dera Ghazi Khan.*
- *The company has launched a programme to induct young diploma graduates from the DGK Polytechnique Institute. Special programmes are being launched to customize learning and development.*
- *As many as 100 young graduates have been inducted into the manufacturing plant. More will continue to be inducted as they continue to qualify. Once trained on the tractor technology they will also be deployed into other activities of the company such as After-Sale-Service. They are also being encouraged and supported to set up their own workshops with the assistance of SMEEDA.*
- *The company provides direct employment to a workforce of as many as 1000 local every day.*
- *We offer merit scholarships to students of the University of Agriculture, Faisalabad and its campus in Dera Ghazi Khan – with whom we have signed an agreement to benefit from the large pool of research and expertise available at their laboratories.*
- *We also offer merit scholarships to the technical college at Dera Ghazi Khan for development of local talent.*
- *The company is proactive in providing internships to students of various institutions of the country as well as from other countries not only at the manufacturing plant in Dera Ghazi Khan but at all other locations.*

AGTL – CORPORATE GOVERNANCE

AGTL is a text book example of Good Corporate Governance.



The Board and management of AL-Ghazi Tractors Limited recognize that well-defined corporate governance processes are vital in enhancing corporate accountability and are committed to ensuring high standards of corporate governance to preserve and maximize shareholder value.

AGTL has been conferred the award of “Best Managed Practices” in the country by the Employers’ Federation of Pakistan.

AGTL – HEALTHY AND SAFETY

The Board had formed a management’s Health and Safety Committee which works to ensure health, safety and security of all its employees as well as the society.

From production of products which can be used “safely” by the customers, Health and Safety policy covers an action plan for occupational safety, occupation illness, conforming to labour laws for physical and psychological health of employees, friendly working hours, provision of comprehensive insurance to all, hospital facilities at the plant, ambulance services, provision of clean water through filtration plan, recreation facilities at the staff town, firefighting, demarcation of emergency exists and twenty four hours security for the plant and residents of the staff town.

Firefighting, bomb disposal, first aid, Emergency Quick Response Drills are undertaken as routine.



AGTL'S INITIATIVES IN THE FIELD OF CSR AND ENVIRONMENT

Sustainable Agriculture

Committed as we are to sustainable agriculture, a system in which the farmer reaches the goal of producing adequate yields - good profits following production practices that minimize any negative short and long term side effects to the environment and the well being of the community – we at AGTL have launched new initiatives in Farm Mechanization and Water Conservation Projects.

With acute water shortages in the country the Government has accorded priority to mechanization of farming and on projects on water conservation.

AGTL has entered into technical collaboration agreements with reputed international companies as potential suppliers of technical know how, machines and equipment for drip irrigation system, sprinkler systems and other allied products.

The company thus offers “Smart Irrigation Solutions” for water conservation including Rain Guns, Sprinkler, Bubbler System, Drip Irrigation System and Center Pivot System.

A collaboration agreement has also been signed with the University of Agriculture, Faisalabad, to gainfully draw from the vast experience and expertise of their specialists, agronomists, research training, labs and other allied facilities available at the University.

AGTL will be in the forefront in every area of micro irrigation, be it for agricultural crop, horticulture, plantations, nurseries and green house in any topography, soil and climate conditions - for farmers big and small. With a large dealer network spread all over the country, the company will offer the technology at the door steps of the farmer and the mechanical workshops will provide the required after sales support.

AGTL Smart Irrigation Systems now being installed with efficiency as high as 95 + 98%; with water savings of approximately 70%; 40 – 70% savings of fertilizers; huge savings on labor; and all these promise almost a 100% or more increase in the yield.

Over goal is to develop economically viable agro ecosystem and to enhance the quality of the environment so that farmlands will remain productive indefinitely.

AGTL goal is to strive to use the current sustainable practices and to utilize the latest production techniques to remain competitive in the agricultural market.

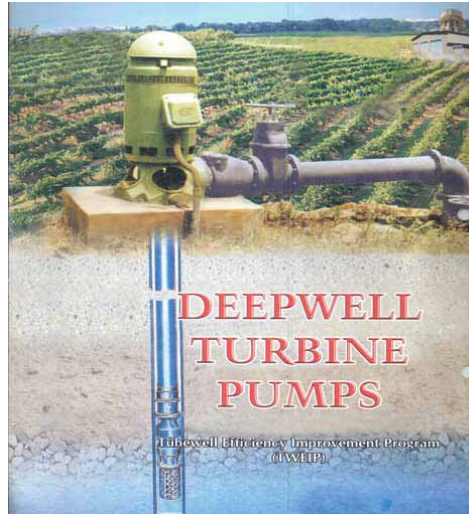
AGTL's focus is to ultimately build “Climate – Smart Agriculture” that seeks to position the agricultural sector as a solution to major challenges such as contribution to fight against hunger and poverty; rendering them more resilient to climate change; and reducing emissions.

There is a need to start putting climate – smart agriculture into practice-working closely with farmers and their communities for social development based local conditions.

High Efficient Water Pumps

The agricultural sector is a major consumer of energy in Pakistan with one of the world's most extended but deficient irrigation systems and with extensive use of tube wells across the country, the sector accounts for a large share of peak electrical demand.

There are an estimated one million operating in Pakistan of which 250,000 are electrically driven – operating at just 30% efficiency and are expensive to keep them functional.



tube wells around most are

AGTL has launched a project to replace the inefficient pumps with ISO 9906 complaint energy efficient pumps thus providing farmers with certified energy efficient pumps. AGTL with its vast dealer network and workshop all over the country is eminently suited for the project.

In the next phase, the project could extend to replacing electricity operated pump with solar powered tube wells - Thus efficient use of natural capital.

High Efficient Lighting

Efficient use of natural capital where eco-efficiency is usually calculated as the economic value added in relation to its aggregated ecological impact led us to the installation of energy efficient sun roof tops in the plant. This has drastically reduced the consumption of electricity with savings in energy costs.



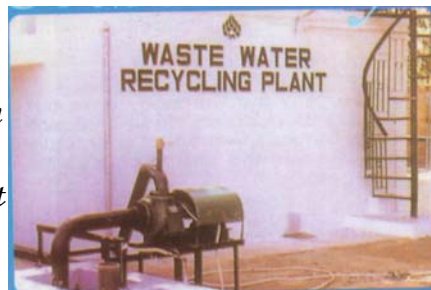
Waste Management

An important method of waste management at AGTL is the prevention of waste material being created through the method of waste reduction. We thus continue to take a closer look at our operations. The principle is: Reduce, Re-use and Re-cycle.

- *This helps us devise an overall environmental strategy so as to achieve sustainable goals without sacrificing financial objections.*
- *At AGTL the assembly process is such that no waste is produced through Industrial metabolism.*
- *As also there is no hazardous waste.*
- *Under an agreement with suppliers components rejected on line are returned. These include defective castings, forgings, sheet metals, wires, metal scraps, paper board cartons, wood, plastic parts, PVC parts, etc. These are all materials which are recycled and reprocessed into new materials. These materials are collected separately from general waste using dedicated places in the factory.*
- *Oils refuse from testing of all engines are also sold and recycled for use as furnace oils. Thus turning waste into a resource.*
- *Well designed septic tanks have been built in the factory to take care of the water that is used for washing the components and in the paint shops. These pre-treat the waste water before it enters the disposal areas where natural processes are expected to take care of the final treatment. Solids settle to the bottom of the tanks and form a layer of sludge which is removed once it gets filled – in several years. The sludge is auctioned.*

Water Purification

AGTL has constructed a water being purchased from the staff town and the supplied is purified before it the factory.



re-cycling plant for the canal for use in factory. Water being reaches the homes and

UV filters have been installed at all places which water is used for drinking.

Product Responsibility

Our uncompromising commitment is to provide world-class tractors, at the lowest price, to satisfy customers on a consistent basis. The manufacturing plant is a state of the art unit which has a capacity to produce 30,000 tractors per annum in a single shift. The plant operates on high efficiency with negligible waste.



Quality assurance and quality improvement system exists at every level. AGTL was the first automobile company in Pakistan to quality ISO-9002. We have now achieved the ISO-9000:2000 registration valid up to January 2013.

Our tractors are manufactured from non-hazardous material. We have discarded the use of all lead based paints. All manufacturing materials are procured from reputable suppliers and must conform to our quality standards. All tractors are tested before delivery.