



GLOBAL COMPACT ANNUAL COMMUNICATION ON PROGRESS 2012-13

Company Name:	International Industries Limited	Date: 12.11.2013
Address:	101 Beaumont Plaza 10 Beaumont Road	Membership date: 22.06.2006
	Karachi, 75530	
Country:	Pakistan	Number of employees : Over 1100
Contact Name:	Mr. Khalid Junejo	
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About IIL

International Industries Limited (IIL) was incorporated in Pakistan in 1948 and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges.

IIL's business is manufacture and sale of steel and plastic pipes and tubings. Its production capacity of steel pipes is the highest in Pakistan. It is the market leader in all segments of pipes within the country and also has a significant export footprint. In 2012-13, IIL's gross sales volume was over 200,000 tons out of which 70,000 tons were exported to various regions including Afghanistan, Sri Lanka, the GCC region and Americas.

The Company has featured on the Karachi Stock Exchange's listing of the top 25 companies for nine consecutive years from 2001 to 2010. It has been recognized as one of the best managed companies at various forums including the leading exporter of engineering goods for the last thirteen years and has been conferred with Management Association of Pakistan's "Corporate Excellence Award" for the Industrial Metals & Mining Sector for 2011-12.

IIL was the first local private sector company to install Cold Rolling (CR) facilities in the 1980s. Its 11 cold rolled tube mills and 3 cold rolled slitters have a capacity of over 120,000 tons per annum. To cater to the needs of the Galvanized Iron (GI) pipes market, the Company has 5 hot rolled tube mills, 3 hot rolled slitters and 4 fully automatic hot dipped galvanizing plants with a capacity of 150,000 tons per annum. A sizeable amount of Pakistan's API pipe demand is met by IIL with its 2", 4" and 6" pipes. All API pipes are produced with inline seam annealing and hydro-testing and under API License # 5L-0391. IIL widened its portfolio of products in 2006 by installing four extrusion plants for high and medium density Polyethylene pipes for Water, Gas and Duct Pipe. IIL is the pioneer in the manufacturing of PEX (Cross Linked) pipe in Pakistan. The Company is also manufacturing MDPE gas pipe under API license # 15LE-0014.

To conform to the highest quality, health and safety standards, IIL has obtained international certifications of ISO 9001, ISO 14001, OHSAS 18001 and CE Mark certification on CR tubing and GI pipe.

The Company owns 56% of the share capital of its listed subsidiary, International Steels Limited (ISL), which is the largest manufacturer of cold rolled steel and galvanized steel coils in the country with annual production capacities of 250,000 tons and 150,000 tons respectively.



ISL was designed on sustainable principles, with minimum wastages, green processes and energy efficient plant and machinery. In the year 2012-2013, ISL has achieved sale of more than 220,000 tons of Cold Rolled and Galvanized Steel.

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Statement of Support

International Industries Limited has supported the United Nations Global Compact initiative since 2006. We want to play an active part in UNGC's endeavors to make globalization more socially and ecologically compatible and to raise standards in the fields of human rights, labor rights and environmental protection and in the fight against corruption.

As a responsible corporate citizen, International Industries Limited understands its responsibility towards all its stakeholders, whether internal or external. We are mindful of the need for organizations to conduct themselves ethically and fulfill their obligations to the society at large.

We understand the need to remain focused on internalizing the UNGC Principles within our organization and commit to this effort for the year to come. As a good corporate citizen we will continue to support the Global Compact and its 10 Principles.

In this spirit we have made ourselves accountable through our Global Compact Communication on Progress via our Company's Website by reporting what we have achieved throughout the year.

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RIYAZ. T. CHINOY Chief Executive Officer International Industries Ltd. Pakistan

PRINCIPLE 1: BUSINESS SHOULD SUPPORT AND RESPECT THE

PROTECTION OF INTERNATIONALLY PROCLAIMED

HUMAN RIGHTS

PRINCIPLE 2: BUSINESS SHOULD ENSURE THAT THEY ARE NOT

COMPLICIT IN HUMAN RIGHTS ABUSES

Policy

Our support for human rights has been an important focus of our commitment since the beginning of our operations.

IIL is a quality conscious company committed to economies of scale. It shall continually enhance the effectiveness of its quality, environmental, occupational health and safety management systems. IIL is committed to be an ethical company and shall conform to all applicable legal requirements, as well as fulfill and exceed the needs expectations of all stakeholders.

Team work, continual improvement, prevention of pollution, waste reduction, protection of environment, care for health and safety of people and equipment, reduction of accidents, improvement in safety practices, a fair return to shareholders and fulfillment of social responsibility shall be the hallmark of all activities.

System:

Our business strategy is based on emphasizing values of respect for human rights, which are enshrined in the following systems:

- Code of Conduct for Good Governance and Ethical Practices
- ➤ Health & Safety Management System (OHSAS-18001:2007)
- Environmental Management System (ISO 14001:2004)

Activities:

- The Code of Conduct (Good Governance and Ethical Practices) was approved by the Board of Directors on September 14, 2001 and has been implemented since then. This Code is reviewed every year by all Directors, Managers and Supervising staff of the Company to ensure that respect for human rights is fully integrated into their respective activities. The code of conduct covers Business Ethics, Respect for Rights of Stakeholders, Conflicts of Interests, Accounting Records, Controls & Statements, Environment, Regulatory compliance and Personal Conduct.
- IIL was certified for Occupational Health & Safety Assessment Series (OHSAS-18001) in 2007. With the advent of a new standard of OHSAS-18001:2007, all OHS procedures & manual were reviewed, revised and implemented in January 2009 from OHSAS 18001:1999 standard to OHSAS 18001:2007 standard.

- For managing hazards and risks related to Occupational Health and Safety in an effective manner, IIL has been divided into different zones. Each Zone has an OHSE Team and an OHSE Team Leader. This structure created the ownership of OHS system amongst zonal team leaders & production managers.
- To be adequately prepared for any safety related incident, mock drills are held at regular intervals. Regular inspections and checks of life-saving & firefighting gadgets are also carried out at regular intervals to ensure they are in proper working conditions. Pre mock drill class room training sessions are conducted to brief the teams about the responsibilities.
- Performance of service contractors on defined safety parameters is assessed by the OHSE department on quarterly basis. Contractors with excellent to good performance are rewarded while those with unsatisfactory and unacceptable ratings are penalized.
- To ensure public safety, IIL provided safety cones to dealers to be used during unloading activities. Proper use of these cones reduces the chances of passing vehicles accidentally colliding with parked trucks being unloaded.
- As a result of regular OHSE monitoring, about 121 unsafe acts and conditions were pointed out for which about 117 corrective and preventive actions were taken.
- Monthly Safety Walkthroughs were conducted by senior management and observations of unsafe acts and conditions were sent to respective department heads for corrective and preventive actions.
- Regular safety walkthroughs are used to keep a check on housekeeping, safe crane operations, compliance with PPE requirements and identifying unsafe acts and conditions. All locations within IIL are examined. These walkthroughs are conducted by senior managers and all observations are sent to respective department heads for corrective and preventive actions and the same report is presented in the monthly Q&HSE Trend Analysis to top management.
- ➢ IIL provides medical facilities to all employees through Social Security Scheme or under Health Insurance Scheme. Additionally a Doctor is present in the factory 6 days a week on a part time basis to facilitate the employees.
- Fastening safety belts while driving has been made mandatory for all employees.
- Use of personal protective equipment at work is mandatory, including use of safety harness while working at height.

Measurable Results or Outcomes

- No complaint indicating violation of human rights / gender insensitivity received.
- During the year two external surveillance audits were conducted by the company's



official certification registrar (M/S Lloyds) to assure compliance with ISO 9001, ISO 14001 and OHSAS 18001 global standards. No major non-conformities were observed during these audits.

- During the year over 2,300 employees were imparted a total of 156 trainings. OHSE trainings included Safe Crane Operations, Hands Safety, Fire Fighting Operations, Permit to Work System, Industrial Hazards, First Aid & Rescue, Defensive Driving, Electric Safety and Working at Heights.
- ➤ Through effective implementation of ISO-14001 & OHSAS-18001 OHSE management systems, the Company achieved a Lost Time Injury Frequency Rate (LTIFR) of 1.08 which is well below the global average of 1.93
- IIL strives to fully integrate work health and safety into all aspects of its activities by:
 - Providing professional and technical advice;
 - Effectively communicating and consulting on the development and implementation of the system through an extensive network of OHS committees, established specifically to assist in inculcating good OHS practices at all levels
 - Managing OHS risk by systematically identifying hazards and assessing and eliminating or controlling the associated risks;
 - Providing training and awareness on an extensive array of OHSE issues
 - Encouraging innovation
- Relevant management staff is incentivized to achieve compliance through the inclusion of OHSE-related criteria to their performance appraisals.
- Accident prevention amongst employees is made a priority by incentivizing employees through a system of quarterly safety performance related awards and penalties.

PRINCIPLE 3: <u>BUSINESS SHOULD UPHOLD THE FREEDOM OF</u> <u>ASSOCIATION AND THE EFFECTIVE RECOGNITION OF</u> <u>THE RIGHT TO COLLECTIVE BARGAINING</u>

Our Commitment or Policy

IIL realizes that the collective strength of employees is like an effective partner towards the goal of achieving continuous sustainable growth. We provide freedom of association and effective recognition to the right to collective bargaining. We at IIL believe in harmonious relationship with our employees, and ensure fair & transparent HR Policies, leading towards a healthy and productive work culture.

System:

Every two years, Management and Union enter into bilateral negotiations on Charters of Demands raised by either and arrive at a mutually acceptable agreement in a mutually supportive environment. Workers participation in Management and decision-making is ensured through Work Council as per law.

Activities:

- > Terms and Conditions of employment (Wages, Compensation & Benefits) of workers are mutually agreed upon through collective bargaining after every two years.
- Union elections are conducted after every two years as per local legal requirement.
- Union office bearers are encouraged to participate in trainings / workshops whenever required, and given full opportunity to express their views freely on all forums.
- This has led to a peaceful and healthy working environment among the management and the workers over last two decades.

Measurable Results or Outcomes

- > Twelve agreements have been signed & successfully implemented since 1988 including the latest agreement which was signed on 18 July 2012.
- > Employees have been a source of strength in achieving excellent performance continuously with high level of enthusiasm and motivation.
- > To inculcate a share in the profits workers are also given a Variable Pay incentive which varies with production levels achieved in every month.

PRINCIPLE 4: <u>BUSINESS SHOULD SUPPORT THE ELIMINATION OF ALL</u> FORMS OF FORCED AND COMPULSORY LABOUR

Our Commitment or Policy

IIL believes in conducting our business not only by following all the government imposed legislation but also through our own ethical practices. As such, we willingly follow ILO conventions on labor, including Article 2 (1) of the ILO Forced Labor Convention, 1930 (C 29) ratified by Pakistan, and have built human resource systems to ensure abolition of unwanted work or service from any employee.



Employment System.

- Placement of Offer. Job offers to the selected candidates are made through official letter.
- Appointment letter. Appointment letter containing terms and conditions of employment are given to every employee.
- **Job Description** System & Communication. Job descriptions are defined and communicated to employees and updated regularly incorporating change, if any.
- **Exit Interview**. Employees leaving company's employment are encouraged in the exit interview to explain their experiences with the company so that any deviation from defined company policies may be detected and pursued for further improvement.

Activities:

- Every candidate is explained in detail the job requirements, well before placement at the job. If desired by the candidate, 2 to 3 days are also given to the candidate to carefully go through the job offer before accepting it.
- Care is taken to ensure that jobs undertaken at other times like transfer or promotion are understood including performance expectations and working conditions.

Measurable Results or Outcomes

- New employees are required to accept the job offer, terms and conditions of the job and Job Descriptions, the record of all these documents are maintained by Human Resources Department.
- Job descriptions / Work Instructions are live documents at IIL which are not only made available for all employees but are also continuously being updated to match with the changing roles.
- Exit interview report is shared with top management, departmental head by the Head of Human Resources. Suggestions / grievances, if any are forwarded to concerned managers for required action. Separating Employees are also requested to openly discuss drawbacks of HR policies and procedures and the same are assessed and revised, if required.

PRINCIPLE 5: BUSINESS SHOULD SUPPORT THE EFFECTIVE ABOLITION OF CHILD LABOUR

Our Commitment or Policy

IIL supports effective abolition of child labor, as enshrined in ILO's Convention 59 on Minimum Age (Industry) Requirement subscribed by Pakistan, and also ensures this is upheld by our Direct and Indirect Contractors.

System:

- Recruitment procedures
 - IIL follows a strict policy condemning Child Labor in all its forms. No minor is allowed to enter our factory premises to avoid risk of any mishap.
 - Employment / Trainings in all its forms (including Apprenticeship Trainings) require candidates to submit their National Identity Card proving their age is at least 18 years.

Activities:

- We strictly check and monitor job applicants' age through our procedures to ensure that we comply with all legal age requirements.
- Notices are prominently displayed at all gates showing the restriction on child labor and announcement that no employment is offered to persons below 18 years of age.

Measurable Results or Outcomes

No child labor is present in our organization due to our stringent monitoring.

PRINCIPLE 6: <u>BUSINESS SHOULD SUPPORT THE ELIMINATION OF</u> <u>DISCRIMINATION IN RESPECT OF EMPLOYMENT AND</u> <u>OCCUPATION</u>

Our Commitment or Policy

IIL has always supported the elimination of discrimination in respect of employment and occupation. This commitment is strongly embodied in our explicitly written human resource policies on recruitment, code of conduct, etc. Our adoption of the "Code of Conduct for Good Governance", and practices at IIL demonstrates our support for the elimination of discriminatory behavior in respect of employment.



System:

- Recruitment and HR policies specifying non-discrimination. As manifested in our Recruitment Policy:
 - The Company operates as an equal opportunity employer, and does not give any preference on the basis of gender, religious or ethnic background when employing

or promoting employees. All employment and promotions will be purely on merit and suitability for the position.

- Our policy on Code of Conduct for Good Corporate Governance clearly states:
 - Employees shall not discriminate against any other employee, especially with regard to origin, religion, gender or language.
 - Sexual harassment shall result in serious disciplinary action and charges may be raised against any employee (irrespective of gender) if found guilty by the Management after full investigation of the matter.

Activities:

We consciously recruit, hire, develop and promote employees. These values are inculcated in our employees through training and other awareness campaigns.

Measurable Results or Outcomes

IIL has taken conscious efforts to eliminate discrimination by following policy guidelines. We have employees from not only both the genders, but also from various religions, casts and origins provided with opportunities of fair treatment at all levels.

PRINCIPLE 7: <u>BUSINESS SHOULD SUPPORT A PRECAUTIONARY</u> <u>APPROACH TO ENVIRONMENTAL CHALLENGES</u>

Our Commitment or Policy

IIL fully supports a precautionary approach to environmental challenges. Our Quality, Environmental Health & Safety policy staes:

"IIL is a quality conscious company committed to economies of scale. It shall continually enhance the effectiveness of its quality, environmental, occupational health and safety



management systems. IIL is committed to be an ethical company and shall conform to all applicable legal requirements, as well as fulfill and exceed the needs and expectations of all stakeholders.

Team work, continuous improvement, prevention of pollution, waste reduction, protection of environment, care for health and safety of people and equipment, reduction of accidents, improvement in safety practices, a fair return to shareholders and fulfillment of social responsibility shall be the hallmark of all activities.."

System

- ➤ IIL has achieved the certification of ISO-14001 in year 2000, and became the first company in Pakistan's Steel Sector to achieve this Certification.
- > IIL is presently active in reducing carbon emissions from its power house through trigeneration system.

Activities:

- Monthly Q&HSE Trend Analysis meetings which are chaired by the CEO to address any Quality, Health, Safety and Environmental issues at the highest level.
- Monthly HSE walks are conducted by senior management of IIL regularly to identify and take appropriate timely action
- Being an environmentally-conscious company, IIL is dedicated to reducing the impact of its operations to sustainable levels and in line with acceptable standards. It neutralizes its emissions prior to discharge by using 100 feet high fume scrubbers, all effluent waste is treated at its Effluent Treatment Plant (ETP) prior to discharge, whereas sludge generated from the ETP is transferred responsibly to designated landfill sites for environment-friendly disposal.
- It is also registered with the Ministry of Environment under the Self-Monitoring and Report Tool (SMART) program.
- > IIL has documented, implemented and maintained the procedure of "Emergency Preparedness and Response" to handle any safety and environmental emergencies.
- The procedure defines the mechanism and responsibilities to identify and give appropriate responses to potential accidents and emergency conditions, which could harm or damage environment, occupational health and safety, and to prevent / mitigate the resulting situations.
- ➤ IIL has developed, established and maintained procedures for identification of Environmental Aspects, Occupational Health, Safety and Environment Legal and _____

- Regulatory requirements in which detailed mechanism and responsibilities are assigned to identify the environmental aspects and their impacts related to the activities / processes and products of IIL.
- ➢ IIL has maintained the "Register of Aspect and impact" for its activities, processes and products and conducts "Environmental reviews" at prescribed frequency. The higher rated aspects are inducted in the main objectives of the Company for which plans are made in order to achieve targets.
- ➤ IIL has also developed and implemented a procedure for "Incident Investigation, Non Conformance, Corrective and Preventive Action". Incidents are comprehensively investigated and appropriate corrective and preventive actions have been taken as per IIL procedure # IIL-HSEP-09.
- With our EMS system we conduct various regular, planned activities such as periodic environmental reviews, environmental risk assessment, internal and external audits, self-assessments, training and awareness programs and campaigns- all in compliance with the local environmental standards like National Environmental Quality Standards and Environmental Protection Agency.

Measurable Results

- Periodic External and Internal HSE Audits are carried out to check the adequacy and effectiveness of system
- > IIL has introduced paper recycling system by providing recycling trays to store and reuse papers
- IIL monitors electricity, water and natural gas consumption on a monthly basis in various sections of the plant and every year, set electricity and natural gas consumption reduction targets to contribute indirectly to CO2 emission reduction as a responsible corporate citizen, we minimize electrical power consumption due to the prevailing national power shortage.
- ➤ IIL has established an Effluent Treatment Plant and setup four Fume Scrubber Systems for its Galvanizing plants and Fume scrubber System for its Pickling plant with the initial investment of more than Rs. 25 Million.
- Daily (6 times / day) in-house effluent testing and monitoring of various parameters are carried out before discharge.
- > IIL tests all effluent and emission priority parameters on quarterly basis from external recognized laboratories, for compliance of NEQS of its tri-generation activities.



- Steel by its nature is one of the most aggressively recycled materials in the world with a vibrant global market for steel and other non-ferrous scrap metals.
- Continuing its commitment to the efficient use of resources, the Company utilizes all waste hot water to generate chilled water, which in turn, fulfills the factory's water-cooling and air-conditioning requirements. Furthermore, our recently commissioned Reverse Osmosis Plant helps meet additional water requirements at the factory premises.
- > IIL generates electricity though co-generation. Its own needs are met through this generation and excess electricity is transported to the KESC grid. Hence, there is full
 - utilization of installed generation capacity and generation of additional revenues, whilst contributing to alleviate the chronic power shortage faced by the country
- Energy Conservation: After the installation of tri-generation system based on combined cooling, heating and Power with 4 MW gas engines coupled with installation of vapor absorption chillers IIL has reduced 21% of gas and 6% of electricity consumption per ton of pipe production, this is a concrete step towards energy conservation.
- > IIL has won "Annual Environment Excellence Award" organized by the National Forum for Environment & Health during 2008. 2009, 2010 and 2011.
- ➤ In 2012, IIL has received Certification of recognition from Pakistan Centre of Philanthropy.

PRINCIPLE 8: BUSINESS SHOULD UNDERTAKE INITIATIVES TO

PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY

PRINCIPLE 9: BUSINESS SHOULD ENCOURAGE THE DEVELOPMENT

AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY

TECHNOLOGIES

Our Commitment or Policy

Our support to the environmental challenges is further affirmed through initiatives promoting greater environmental responsibility. This affirmation is re-demonstrated through our Corporate Social Responsibility (CSR) activities.

System

IIL's explicitly written Quality and Environmental Policy as stated above ensures its commitment towards its environmental responsibilities.



Activities:

- Each month a Health, Safety & Environment presentation is made to Senior Management on the month's incident trend and a brain storming session ensues for improvement and avoidance of similar incidents. Different statistical tools & parameters are used for better analysis of HSE performance
- As bounded by our quality management systems we annually prepare Environment, Health & Safety Objectives and targets along with the Plan of action to achieve these targets. The status is reviewed on bi-annual basis in Q&HSE meeting.
- Quality & Health Safety Environment Council is conducted on bi-annual basis which is headed by the Chief Executive Officer.
- ➤ IIL appreciates employee suggestions for improvement of health, safety and environment procedures in production plants and other possible areas. On review when an employee's suggestion is thought to be feasible, he is given a cash award and is declared employee of the month.
- Internal/external environmental audits are carried out as per planned intervals.
- > Sludge being generated from Effluent Treatment Plant was disposed off at Deh Jam Chakro land fill site for environment friendly disposal.

Measurable Results or Outcomes

- Due to our regular monitoring, self-assessments and compliance with environmental regulatory standards, IIL has received no complaints from its neighbors.
- During the year over 2,300 employees were imparted a total of 156 trainings. OHSE trainings included Safe Crane Operations, Hands Safety, Fire Fighting Operations, Permit to Work System, Industrial Hazards, First Aid & Rescue, Defensive Driving, Electric Safety and Working at Heights
- ➤ Through effective implementation of ISO-14001 & OHSAS-18001 OHSE management systems, the Company achieved a Lost Time Injury Frequency Rate (LTIFR) of 1.08 which is well below the global average of 1.93
- IIL allocates adequate funds for tree plantation inside & outside the factory
- ➤ IIL contributes approximately 2.5% of its Profit after Tax towards CSR activities. It continues to support all operating expenses for two Citizens' Foundation (TCF) primary schools in Landhi. It also provides funds to a mosque opposite its factory in Landhi.



- > During the year under review, the Company donated Rs. 10 million to the Citizens Police Liaison Committee (CPLC) for crime prevention initiatives
- ➢ IIL aims to have a 100% literate work force amongst its workers. The company has declared matriculation as minimum qualification for employment of workers. However, for "older illiterate workers", IIL provides a free of cost education program in collaboration with NGO "Literate Pakistan". Through this program, about 100 workers have been provided education.
- ➤ IIL has an on-going Apprenticeship Training Program as per Sindh Government Apprenticeship Training Programme with an objective to provide trained and skilled work force. At the moment 36 apprentices are on board studying in various trades in the company.
- IIL has implemented via the Oracle E-Business Suite System which integrates, Procurement, Finance, Planning, Sales, Production, Maintenance, Quality Assurance, Human Resources and material control processes resulting in increased efficiency and paperless environment

PRINCIPLE 10: BUSINESS SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY

Our Commitment or Policy

We support this UNGC principle against corruption, and are striving to work against corruption, extortion and bribery in all its forms, as communicated through our policy of code of conduct.

System

A detailed policy addressing all employees to observe Code of Conduct has been adopted. Few points with specific focus on elimination of corruption and bribery are indicated as under:

- No employee or member of his/her immediate family may directly or indirectly shall lend / borrow money or place himself / herself under any pecuniary obligation to any person with any official dealings, provided that such interaction shall not affect the image or dealings with the Company.
- Acceptance of gifts, invitations to lunch/dinner or other kind of entertainments etc. directly or indirectly, that could implicitly influence decisions shall not be accepted without prior approval of the concerned DH / MC Member.
- No employee of the Company may accept a retainer, commission, consulting fee or any other fee, arrangements or remuneration without full disclosure to the Management.



- Every employee should conduct his/her personal and business affairs in a manner such that neither a conflict, nor the appearance of a conflict, arises between his /her personal interest and the interest of the Company.
- ➤ Each fiscal year in the end of first quarter, all employees acknowledge receiving, reading, and understanding the code of conduct.
- Our Employees are also advised to seek guidance of their supervisor in the matters where there exists any sort of conflict of interest.

How do you intend to make this COP available to your stakeholders?

This COP available to our stakeholders at our company website www.iil.com.pk.