



June 11, 2007

Mr. Georg Kell,
Executive Director,
United Nations Global Compact,
New York, NY 10017
USA

Dear Mr. Kell,

I am pleased to present to you the Communication on Progress for Engro Chemical Pakistan Limited under the UN Global Compact Programme.

UNGC's principles permeate Engro's values and work and we have made a firm resolve to adhere to the UNGC principles in our area of influence. Our policies that drive our day-today activities are an integral part of our corporate governance.

Regards.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Asad Umar", followed by a long horizontal line extending to the right. A vertical red line is positioned to the right of the signature.

Asad Umar
President & Chief Executive



Company Information to the Global Compact

Name of Organization: Engro Chemical Pakistan Limited

Address: 8th Floor, PNSC Building, Moulvi Tamizuddin Khan Road,
P.O. Box 5736, Karachi – 74000. City: Karachi

Province: Sindh.

Postal Code: 74000

Country: Pakistan

Tel: 92-21-111211211

Fax: 92-21-5611290

Website: www.engro.com

Number of Employees: 774

Types of Activities:

Engro is mainly in business of fertilizer manufacturing and marketing company. However it is a diversified group with strong financials and equally strong performance giving all round value to all stakeholders.

Engro today is much more than Pakistan's leading agro-nutrient provider. It has its focus on an exciting future in the food, energy, fertilizer, automation and chemical & storage sectors. Engro continues to expand investment in industry that can directly boost Pakistan's inherent agro-economic strength.

Name and title of Highest Executive: Mr. Asad Umar, President & CEO

Name and title of contact person: Mr. Tahir Jawaid, General Manager, HR & PA



Company Information to the Global Compact

Check if applicable: ☐ Global 500 ☐ Subsidiary of _____

Sector (please highlight only one):

- ☐ Aerospace & Aviation
- ☐ Automobiles & Auto Components
- ☐ Agriculture
- ☒ Chemical
- ☐ Commercial Services & Supplies
- ☐ Commerce & Distribution
- ☐ Construction & Engineering
- ☐ Containers & Packaging
- ☐ Construction Materials
- ☐ Education
- ☐ Finance & Insurance
- ☐ Health Care Services & Supplies
- ☐ Food & Drink
- ☐ Industrial Conglomerates
- ☐ Internet & E-commerce
- ☐ IT Consulting & Software
- ☐ Leisure Equipment & Products
- ☐ Machinery
- ☐ Media & Communications
- ☐ Metals & Mining
- ☐ Oil and Gas
- ☐ Professional, Scientific and Technical Services
- ☐ Pharmaceutical & Biotechnology
- ☐ Paper & Forest Product
- ☐ Personal Care & Household Products
- ☐ Real Estate
- ☐ Technology Hardware & Electrical Equipment
- ☐ Textile, Apparel & Luxury Good
- ☐ Transportation & Storage
- ☐ Telecommunication
- ☐ Tourism and Leisure
- ☐ Utilities

Other

If 'Other' please specify



Communication on Progress for Engro under the UNGC Programme

A. 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.*

Policy and processes

Engro's core values are based on firm recognition of Human Rights and individual responsibility, which in turn drives our policies and operational guidelines such as the Business Ethics Policy. Driven by our Core Values or policies for hiring, career advancement, business decisions, procurement, and social contributions etc. are all calibrated to create positive impacts and eliminate inequity.

Engro currently does not have a system for monitoring suppliers' and contractors' human rights performance.

A major portion of business at Engro is at national level. We acknowledge and respect a worker's right to freedom of association in policy and practice as evidenced by our 52% union membership and our certification to SA 8000:2001.

Our policy ensures that all employment or contracting relationships between Engro and individuals are based on legal contracts.

Progress during 2006

- 26 new jobs have been created in 2006 in management and technical side. Total employee turnover recorded was 15%.
- Engro supplements benefits mandated by the government, including medical, life and disability coverage, retirement benefits, employee children's education, comparative salary alignment etc. with subsidized housing at plant site.
- Employees received an average of 6 days of training in 2006. Plant training was spread over 31,013 person-hours. The main types of trainings include safety, technical and core management skills development.
- The Company is currently formulating a diversity policy which be effective across the Organization by end of 2007
- Anti Harassment policy is also being formulated.



Communication on Progress for Engro under the UNGC Programme

B. Labor

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 labor.*
5. *Businesses should uphold the effective abolition of child labor.*
6. *Businesses should uphold the elimination of discrimination in respect of employment and occupation.*

Policy and processes

Engro has non-discriminatory policy for hiring and treatment of personnel in the workplace. Engro has no operations in an area that is home to distinct indigenous people.

While there is no specific policy statement forbidding child labor, our hiring practices are clear on complying with the minimum employment age mandated in Pakistan's Labour Law. This is verified by our SA8000:2001 certification.

Engro is an equal opportunity employer. We have not separately identified affirmative action initiatives. Our human resource policies support diversity and forbid harassment.

Engro informs employees of changes in the workplace through employee meetings and direct correspondence. It uses e-mail intranet, and printed communication to provide key information and to foster a dialogue about changes in operations.

All non-management employees, other than marketing, are represented by trade unions who are their collective bargaining agents. However, same benefits are offered to marketing non management employees as negotiated and settled with Karachi CBA. 52% of our total workforce is represented by unions.



Communication on Progress for Engro under the UNGC Programme

C. Environment

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.*

Policy and processes

Environment of our Core Values and the company is 100% compliant on NEQS requirements and initiated disclosure to Sindh Environmental Protection Agency. Engro's Health, Safety and Environment Management Systems stipulate specific and timely reporting requirements of all events. Major and High-Potential incidents require immediate notification the Senior Management.

The company has been continuously monitoring and controlling environmental footprint and has invested more than Rs. 390 million since 1991 for environmental protection.

The following committees are working towards continuously improving health, safety and environmental performance: Corporate HSE Committees, Agribusiness HSE Committee, Numerous Safe Operation Committees, Departmental Safety Committee (B Level), Shop Floor Safety Committee (D Level).

The company has implemented ENCON Project and reduced energy consumption per ton of urea by 31.6% over 15 years. The WWF has conducted a Fauna & flora Survey of Engro Chemical's site and has identified no major impacts on biodiversity. The site is hot to more than 20,000 migratory birds each year.

The company has the following certifications:

- Certified to OHSAS18001 (Occupational Safety Standards)
- Certified to ISO 14001 (Environmental Management Systems)
- Certified to ISO 9001 (Quality Management System)
- Practicing DuPont Safety systems, PSM & PSRM

Progress during 2006

- Zero Fatalities during the year. Employee Lost Workday Injury: 01. Contract Worker Lost Workday Injury: 02.
- Total energy use: 11627660 MMBTU (calculated from fuel gas consumption).
- The company does not estimate indirect energy use, such as energy consumed in transporting products to the consumers.
- Total water use: 6062804 cubic meters for usage at plant and housing colonies.
- Engro does not use any processed or unprocessed waste from external sources.
- Our crop nutrient fertilizers are applied directly to the agriculture land to replenish nutrient removed from the soil at harvest.
- Urea product is 100% consumable. Fertilizer products provide nutrients to the soil and are used up by crop leaving no residual waste.



Communication on Progress for Engro under the UNGC Programme

D. Anti-corruption

10. Businesses should work against all forms of corruption, including extortion and bribes.

Policy and processes

It is one of focal points of our Core Values. The company's Business Ethics policy expressly forbids the giving or receiving of bribes. Our Quadrennial Best Practices Review outlines any irregularities that occurred, no matter how minor and share them with key management and the Board.

The company's policy on Political Contributions strictly forbids engagement and donation for political agents.

Our accounting policies fully reflect the requirements of the Companies Ordinance 1984 and such approved International Accounting Standards and International Financial Reporting Standard as notified under this Ordinance and directives issued by the Securities and Exchange Commission of Pakistan.

Pakistan Credit Rating Agency in its recent annual review of the Company's creditworthiness has upgraded Engro's long-term ratings and maintained its short-term ratings as AA "Double A" and "A One Plus" respectively. These ratings reflect the Company's financial and management strength and denote a low expectation of credit risk and the capacity for timely payment of financial commitment.

The company also has the following anti-corruption measure in place:

- Limits of Authority assigned to each employee
- Regular Audits by CAD
- Checks by Board Audit Committee
- Timely payment of Taxes & submission of Tax Returns
- Open Door Policy at all levels
- Complete disclosure Policy to ensure transparency
- Regular Analysts Briefings