PAK-ARAB REFINERY LIMITED

A Pakistan-Abu Dhabi Joint Venture

UNGC Communication on Progress - 2011

COMMUNICATION ON PROGRESS 2011

THE GLOBAL COMPACT
WE SUPPORT

Message from the Managing Director

As the largest integrated petroleum company in Pakistan and a good corporate citizen, Pak-Arab Refinery Limited (PARCO) seeks to provide Energy with Responsibility, keeping in mind the well-being of our employees, customers, business partners, shareholders and communities. It is in continuation of this spirit that PARCO has recently become a member of UNGC. I am pleased to reaffirm PARCO`s support of UNGC's Ten Principles which relate to the areas of Human Rights, Labor, Environment and Anti-Corruption.

UNGC's Ten Principles are directly or indirectly embedded in PARCO's culture. We have also taken steps to increase awareness amongst Parconians about UNGC principles by disseminating information, by organizing training programs, and by adhering to these principles in our strategies and operations as far as possible.

In this first Communication on Progress report, we mention the specific actions we have taken to integrate the Global Compact and its Principles into our organizational culture, business strategy and daily operations. We have also highlighted the Company's CSR initiatives as these are in consonance with UNGC and its Principles.

M. Rasheed Jung
Managing Director
Pak-Arab Refinery Limited

March 2011

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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 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.

PARCO`s Core Functions

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 twelve 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 five consecutive years and is rated among the top 10 organizations in Pakistan for outstanding achievement in Environment Management.

Apart from business success, PARCO believes that ethical, socially responsible operations and environmental stewardship are fundamental to its long-term sustainable growth. Our performance in these areas combined with our technical and operating strengths impacts our financial results and overall success. Employees and business partners play an important role in achieving our aspirations while pursuing incessant improvement.

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.

CSR – Schools & Clinics Support Program

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.

CSR – PARCO Flood Relief Program

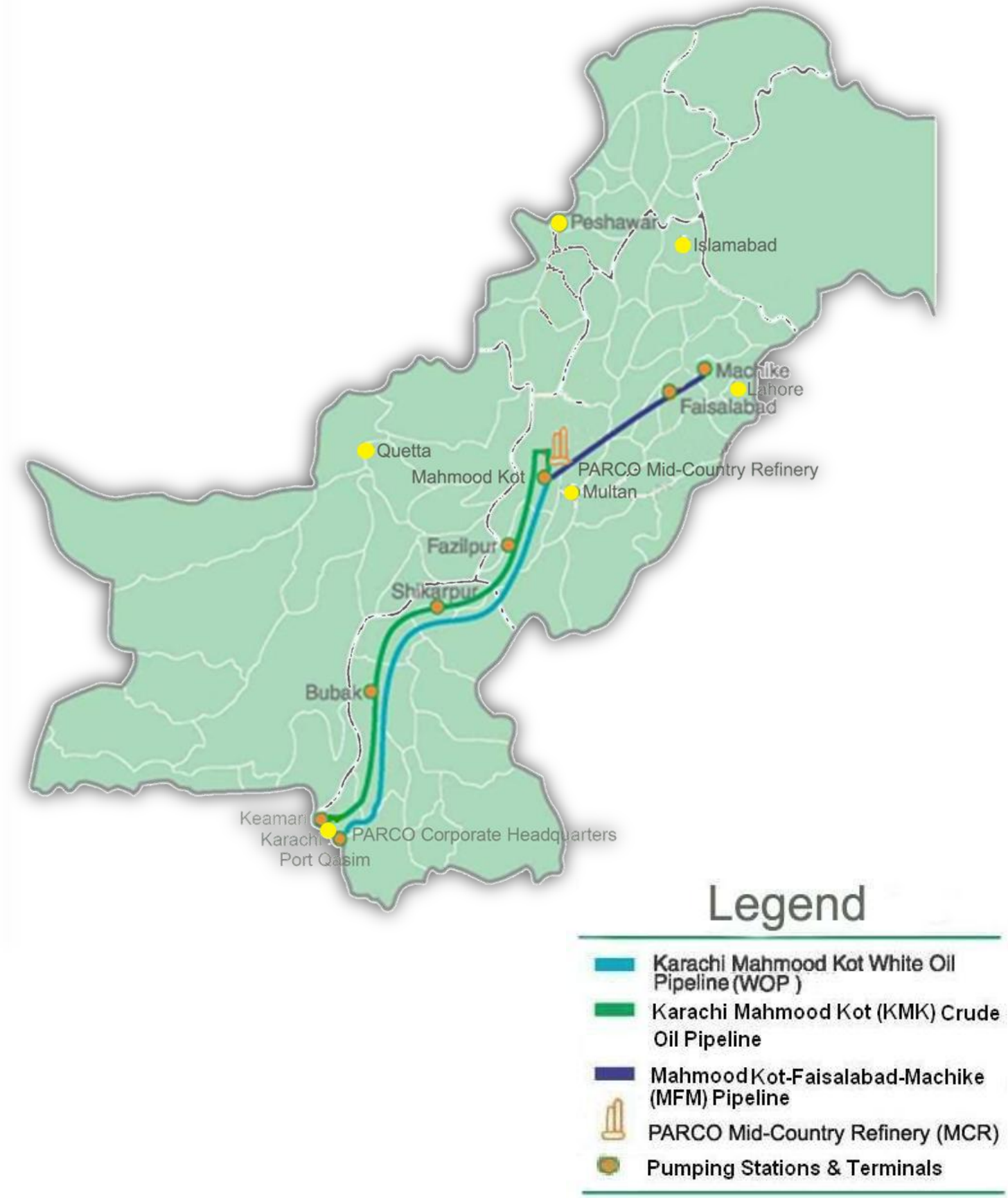
PARCO has always responded passionately to the nation's distress calls during natural calamities, such as the earthquake or floods. PARCO also supports culture and heritage by patronizing indigenous music, poetry and the arts. As a member of WWF, PARCO helps in conservation of nature, with several initiatives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

A competent and motivated team has transformed PARCO into a dynamic organization. At PARCO people are encouraged to apply their creative energies and contribute to the company's Vision which aims at promoting the interests of the Company, its shareholders, giving a definite competitive advantage while serving the nation and society.

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.***

Map of Pakistan showing PARCO Pipeline Network and Installations



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 → | ← CSR →

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

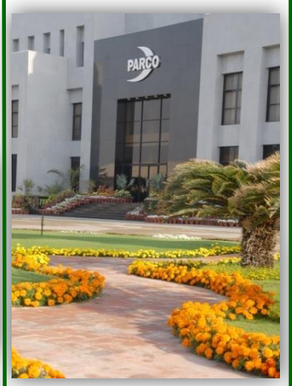
- At PARCO offices, we discourage late sittings and encourage our staff to complete work during office hours. This helps employees to spend quality time with their families and pursue other personal interests.
- Employees posted at outstations work on ROTA System, where they work for 20 days and then enjoy 8 days paid leave with their families.
- PARCO organizes Family Day, annually for all employees and their families.

PARCO Family Day

PARCO Family Day

PARCO Family Day

- 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 5 years in a row.

Receiving the NFEH award for 2010-11

- PARCO supports education of the children of its employees, and has established a special fund for this purpose. Scholarships and educational support is also provided to staff.
- 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 and children (up to 18 years), for unmarried daughters over 18 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.

Ibn-e-Sina Hospital at PARCO`s Mid-Country Refinery

- 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.

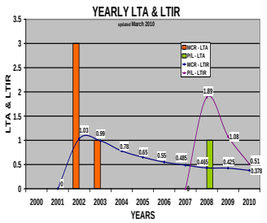
Security Personnel performing safety checks

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

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

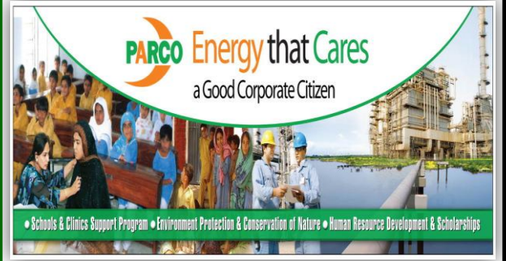
PARCO engineers at the refinery

- PARCO`s Mid-Country Refinery has achieved more than 7 million man hours without lost time accident (LTA) for PARCO staff and more than 10 million man hours without lost time accident (LTA) for Service Providers' staff. PARCO`s Pipeline Division has successfully completed 2 million man hours without lost time accident (LTA).



- 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.



- 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
- Please see various CSR and other initiatives in Principles 5 and 8.

Some examples are:

- Free Eye Camps are organized regularly by PARCO for communities around MCR. Since September, 2006 to-date, 2,890 eye patients have been examined. 159 successful cataract surgeries with intra-ocular lens have been performed and 259 refractory glasses have been provided.

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.

Management Systems

← HR Management, Administration → | ← HR Management, HSE, Security → | ← CSR →

Actions

Work-Life Balance	Healthy Environment For Employees	Education Facilities	Basic Health Facilities	Work Safety	Road Safety	Corporate Citizenship

Results

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

MD PARCO announcing the Hajj Ballot results

- 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.
- PARCO provides dowry grant, funeral assistance and education assistance for children of employees.

- PARCO holds an annual Inter-Station competition for the Best Housekeeping at PARCO Stations and Terminals.

MD PARCO presenting the Best Housekeeping Trophy to the winning Station Incharge.

- 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.

Annual Sports & Graduation Ceremonies at PARCO School

- 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.
- Filtered potable drinking water is made available to all employees and their families.

- PARCO conducts in-house Occupational Health Safety and Environment (OHSE) training programs every week which are attended by employees and Service Providers` staff.

Regular HSE/OHSE trainings are conducted by the HSE department

- Before mobilization, Service Providers` staff undertake Orientation & Training covering Occupational, Health, Safety & Environment procedures and practices.

- PARCO partnered with the National Highway and Motorway Police to develop and distribute 10,000 Booklets on Road Safety for motorists commuting on National Highways for increasing awareness of Road Safety regulations.

PARCO`s Road Safety booklets being distributed to commuters on national highways

- PARCO`s Schools and Clinics Support Program launched in 2007 to improve the education and health infrastructure in adjoining communities supports Rural Health Clinics, Primary, Middle and Secondary Schools, being run by Government of Pakistan.

PARCO renovated Schools

PARCO renovated Rural Health Clinics

- 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, 1,200 dry food packets were distributed, 3,000 flood affectees were treated at Medical Camps and 200 families were provided tented accommodation. PARCO has now launched an expanded Rs 60 million rehabilitation program to rebuild homes destroyed by floods near its Stations, Terminals and Mid-Country Refinery (MCR).

PARCO Flood Relief Camp

Blankets distribution

PARCO Tent Village for Flood Affectees

Medical Camp

Food distribution

Re-construction of flood affected communities

Club Dining Hall

Gymnasium

Snooker

Cricket Stadium

Auditorium

Bowling Alley

Table Tennis

Swimming Pool

HUMAN RIGHTS

Principle 2 — BUSINESS SHOULD ENSURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES

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, etc.

Actions

Ethical Standards and fair dealings with shareholders, staff, customers, suppliers, service providers and other external partners	Equal Opportunity Employer	Anti – Harassment Policy

Results

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

- At the time of 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.*

Equal Opportunity Employer

- 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 employed on merit 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.

Anti – Harassment Policy

- Government of Pakistan has promulgated the "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 has also formed a committee which deals 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.

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 CBA agreement is negotiated every two years and the last agreement was signed for the period, 1st August 2009 till 30th July 2011. Both the CBA and Management made efforts to fulfill the genuine requirements of workers.

A CBA – Management meeting in progress

MD PARCO and General Secretary CBA signing the agreement for 2009-11

- 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 takes care of its employees in all spheres and tries its level best to address all employee issues. The Company has developed a Grievance Handling Policy under which grievances are resolved expeditiously as per policy and labor laws of the Country.
- PARCO holds annual events to recognize long service, reward outstanding employees, etc. Non-Management staff are 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.

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 →

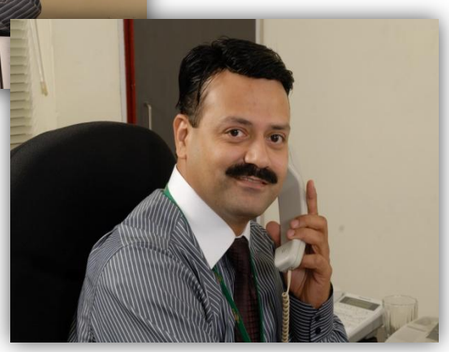
Actions

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

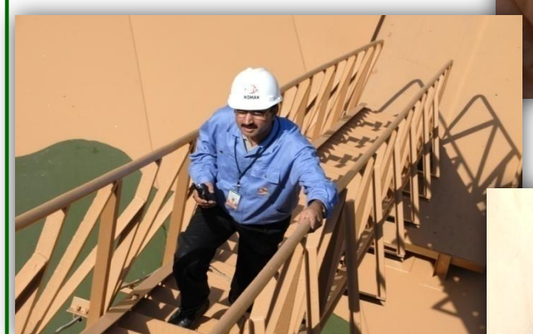
Results

- 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.

- 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.
- 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.

Management Systems

Human Resource Management, Operations ← → Business Partners, CSR

Actions

Documented procedures prohibit employment of Child Labor	Third party audit of Labor conditions	Inclusion of Labor Laws (that disallows child labor) in contracts with Business Partners	PARCO assists in enhancing primary and secondary schooling to reduce Child Labor in its adjoining communities

Results

- 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.

- 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.

- 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.

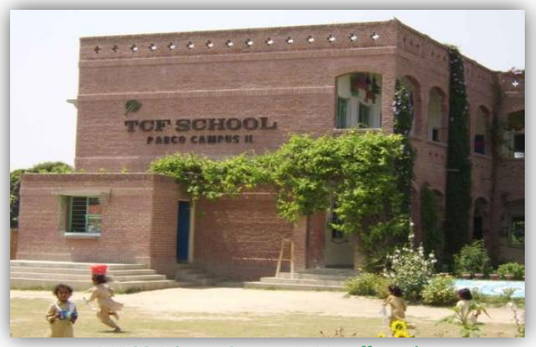
- Under PARCO's Schools and Clinics Support Program, the Company supports schools and clinics of rural communities located near PARCO`s Mid-Country Refinery and its Stations & Terminals in the Sindh and Punjab provinces of Pakistan.

- Around 42 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 42 institutions, 33 are schools where more than 9,000 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.

- PARCO has developed two new primary school campuses in partnership with The Citizens Foundation - a reputed local NGO - in Karachi and Muzaffargarh. These campuses are built in under-privileged communities and impart quality education to around 550 children. A third PARCO campus is also being built near our refinery which will cater to secondary education for 260 children. The campus is expected to be completed by May 2011.

- A Mobile Clinic van regularly visits nearby communities to provide basic health care and medicines which also help children maintain their health and enhance attendance at schools. Free Eye camps are conducted every year in partnership with NGO`s specializing in eye care.

PARCO Primary Campus I, Karachi



PARCO Primary Campus II, Muzaffargarh

PARCO supported Schools

Well furnished Classrooms

PARCO Secondary Campus III at Muzaffargarh
(Under Construction)

PARCO supported Schools

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.

Management Systems

← Human Resource Management → | ← CSR →

Actions

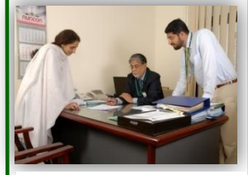
Ensuring Equal Employment Opportunities for all	Enforcing Code of Ethics	Workforce Diversity	Merit-driven Appointments and Promotions	Expand PARCO`s interaction with Educational Institutions	Organizing Plant Visits for University students	Technology Transfer

Results

- PARCO offers equal opportunities to all qualified applicants, including women and minorities of any origin, religion, ethnicity, color, caste or creed. PARCO ensures that no discrimination is made amongst employees and till date, male and female minorities belonging to different faiths are employed at all levels including senior management positions.

- Minorities are given extra holidays in accordance with their religious customs.
- PARCO gives special employment preference to handicapped applicants and has employed 5 such people.
- See Anti Harassment Policy in Principle 2.

- 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 and customers.



A cordial and healthy working relationship is maintained throughout the company

- PARCO employs 1,193 direct employees, including 23 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 city 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.

PARCO`s experienced and diverse workforce

- 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.

- 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 2010, more than 800 students were provided career counseling. PARCO received over 500 applications for internships.

- PARCO also supports research, conferences, trade fairs, workshops and other events of educational institutions. We also provide technical equipment for labs of engineering institutions.

- 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.

- 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 850 Engineering and Management trainees. Since January 2009 alone, 60 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.

- 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.

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, CSR and Administration

Actions

Environment friendly Supply-Chain	Efficient Effluent Management	Environmental Auditing, Certification and Awards	Environment Friendly Products	Solid Waste Management

Results

Environment friendly Supply-Chain

- During the year 2010, approx 3.6 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, the WOP (White Oil Pipeline) from Karachi to Mahmood-Kot (817km) transports around 8.5 Million Metric Tons/yr of HSD (High Speed Diesel).

PARCO`s efficient and cost effective, cross–country Pipeline System

Efficient Effluent Management

- 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 involving extensive chemical and biological treatment. Waste water is discharged/reused for plants after compliance with NEQS (National Environmental Quality Standards) is ensured. All contractors equipment is checked for compliance to NEQS. All effluents are checked and verified regularly before discharging by third party EPA (Environment Protection Agency) approved Labs to comply with NEQS.

PARCO`s effluent treatment plant at Mid-Country Refinery

- 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 ware house 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.
- 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.

Environmental Auditing, Certification and Awards

- 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)

Quality Certified PARCO Mid-Country Refinery

Environment Friendly Products

- PARCO proactively works to ensure that its products and fuels are environment friendly. Gasoline complies with the Euro II standard while our refinery is also capable of producing Euro II HSD. Sulfur is extracted during refining and sold as a solid by-product.

Solid Waste Management

- Solid waste generated at MCR 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.

- Around 110 tons of hazardous waste was disposed in 2009-10 at an audited, certified and EPA approved facility. During hazardous waste management, around 10,000 empty metal and plastic drums were sold with safe recycling/disposal guarantees. Sale of the empty drums recovered two thirds of the waste disposal cost.

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, Operations, CSR

Actions

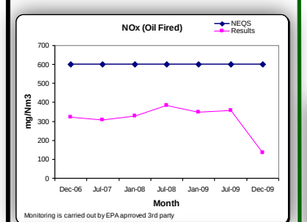
Environmental Stewardship	Increasing HSE Awareness and Performance	Environment Certificates and Excellence Awards	Reduction in Pollution	HSE Training Programs	Ground Water Sampling	Other Environmental and Wildlife Protection Initiatives

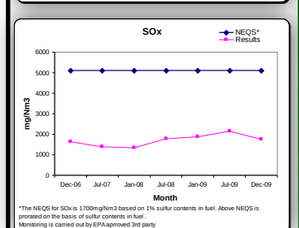
Results

Environmental Stewardship

- PARCO takes pride in its Environmental Stewardship. 2000 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.





Increasing HSE Awareness and Performance

- Environmental awareness is made within the company through an HSE bulletin (an in-house circulation) on notice boards, intranet, etc.

- 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.

Environment Certificates and Excellence Awards

- The National Forum for Environment and Health (NFEH) has awarded PARCO with the Annual Environmental Excellence Award for the fifth consecutive year in 2010. 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 has been placed among the 10 best organizations of Pakistan in Environment Management.

NFEH Award 2006

NFEH Award 2007

Reduction in Pollution

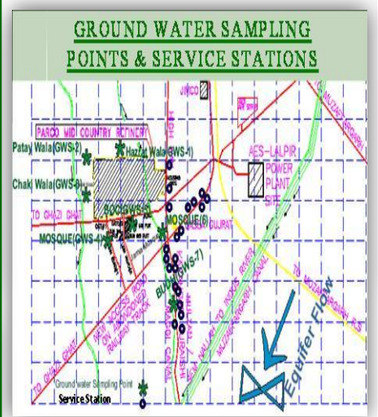
- PARCO`s Mid-Country Refinery (MCR) has developed a comprehensive ground and soil monitoring plan to ensure that there is no contamination in soil and water and has developed base line data for continuous monitoring. We perform 3rd party (EPA certified) ground water monitoring of the surrounding areas 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
- 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.

HSE Training Programs

- 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.

Ground Water Sampling

- 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 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

Other Environmental and Wildlife Protection Initiatives

- About 36 km of PARCO's pipelines traverse through Kirthar National Park. In order to preserve neighboring wildlife, PARCO contributed significantly to the Sindh Wild Life Department for the preservation of Wildlife in the Kirthar National Park and Mahal Kohistan Wildlife Sanctuary. PARCO has installed a tube well and pond for crocodiles besides constructing a 700 gallon overhead tank to ensure water supply for wild life including the rare Chinkara Deer, Sindh Ibex and the endangered Houbara Bustard species.

- An environmental project of rerouting PARCO pipelines around Lake Manchar was undertaken at a heavy cost to preserve the natural environment of this lake.

ENVIRONMENT

Principle 8 (Contd.) 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, Operations, CSR

Actions

Environmental Leadership	Increasing HSE Awareness and Performance	Environment Certificates and Excellence Awards	Training Programs	Other Environment Protection Initiatives

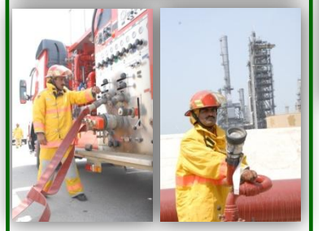
Results

- PARCO infuses the core value of preserving the environment, even in its products. The company has recently installed a US$ 132 million Diesel Hydro Desulphurization (DHDS) Plant which is the latest among these endeavors. PARCO is now the only refinery in Pakistan with the capability of producing Euro II compliant low sulphur Diesel.

PARCO`s Diesel Hydro Desulphurization Plant

Training Sessions in Progress

- Fire Drills are conducted regularly at all PARCO locations to increase preparedness in case of emergency.



- Also see Lost Time data mentioned in Principle 1.

NFEH Award 2008

NFEH Award 2009

NFEH Award 2010

PARCO placed among the Top 10 organizations for excellence in Environment Management

- During the last one year, a total of 113 HSE training sessions were conducted which were attended by 1,500 participants. 22 out of 133 HSE training sessions were conducted on Environment Management in which 375 participants participated. Three IMS training sessions on EMS 14001:2004 were also conducted during last 12 months.

- In designing and aligning its oil pipelines routes, environmental matters were addressed and the requirements of Pakistan Environmental Protection Agency (EPA) fully complied with. 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(A) to remain within environmentally safe limits.

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, CSR

Actions

Diesel Hydro-Desulphurization Plant (DHDS) to produce Euro II Spec High Speed Diesel	Effluent Treatment Plant	Incident Reporting System	Air Dispersion Modeling

Results

- With commissioning of the DHDS plant at its Mid-Country Refinery, PARCO now 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 will help EURO II compliant automobiles to perform better by being fuel efficient and give 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.

A Panoramic view of DHDS Plant

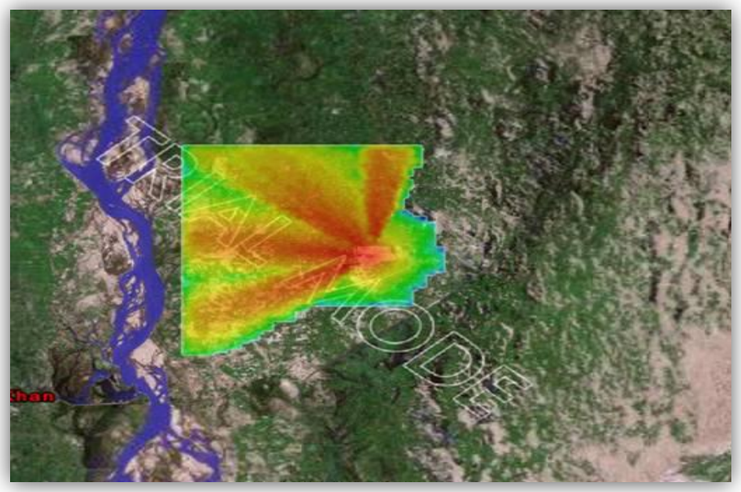
- PARCO`s Effluent Treatment Plant has a capacity of 340m^3/hr. Waste water from the refinery is collected and through skimming, neutralization, dissolved air floatation, aeration, clarification, filtration and drying operations, the effluent water is brought within NEQs limits before discharge into local drainage or reuse for plants.

Effluent Treatment Plant

- Electronic Incident Reporting System (IRS) has been implemented in PARCO to facilitate employees in easy, user-friendly reporting. This IRS system has a standard operating procedure for Incident Investigation of online reported near misses, accidents or injuries.

PARCO 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

Corporate Governance

- PARCO adopts international standards of accounting.
- Compliance with Statement of Ethics and Business Practices is pursued at all levels and locations.

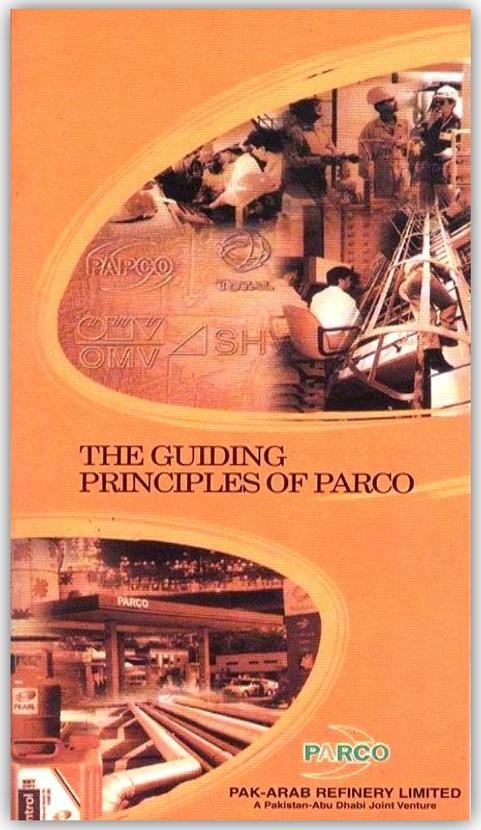
- All funds, assets, receipts and disbursements are properly recorded in the Books of the Company.
- Compliance with regulations of the Security & Exchange Commission of Pakistan.
- Signing of UNGC Charter supporting UNGC`s Ten Principles and our CSR efforts are reported in the Company's Annual Report for the year 2010.

MD PARCO signing the United Nations Global Compact Charter

- 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.

Transactions with Suppliers, Contractors, Service Providers

- In PARCO`s 37 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

- Elimination of discrimination during selection of Vendors/Contactors/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.