

# Sustainability Report 2013–2014

## Committed to a Sustainable Tomorrow



شركة صناعة الكيماويات البترولية (ش.م.ك.)

**PETROCHEMICAL  
INDUSTRIES COMPANY K.S.C.**

إحدى شركات مؤسسة البترول الكويتية

A Subsidiary of Kuwait Petroleum Corporation

*Possibilities without limit*

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# *Introduction*





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# CEO statement

Welcome to the 2013-2014 PIC Sustainability Report. Sustainable development is a priority for our Company. It adds long-term value to our business, our communities and our country by fostering strong economics, sound environmental performance and good corporate citizenship.

As we enter the next half-century of our history, sustainability will be linked to PIC's continued contribution to the diversification and development of the Kuwaiti economy. We recognize the challenges posed by climate change, water and resource scarcity. We also recognize that addressing these challenges through a sustainability approach creates the opportunity for PIC to innovate and to partner with other like-minded stakeholders to drive change. We can create greater business value even as we work to preserve Kuwait's natural resources and enhance the quality of life in our beloved country.

The importance of sustainability is one reason why, in 2013, I joined CEOs from around the world at the Leaders' Summit in New York City to become a participant of the United Nations Global Compact (UNGC). The UNGC is the world's largest corporate responsibility initiative. The principles of the Global Compact are closely linked to the PIC values and mission, and we detail our commitments toward the principles of the Global Compact through the Compact's Communication on Progress (COP), which is included in this report.

In 2013, we also launched the 2017 PIC Sustainability Goals, ambitious 5-year goals that address both operational excellence and corporate social responsibility. Our employees and management have spent considerable time and energy over the past year to ensure we have a strong start to our five-year journey. Just like the previous reporting period of 2012-13, we will disclose our economic, social and environmental performance in accordance with guidelines set by the Global Reporting Initiative – GRI 3.1.

We continue to integrate sustainability throughout our Company. For instance, we have incorporated social, environmental and economic factors into investment decisions, risk assessments, procurement policies, and into our Integrated Management Systems Policy on Health, Safety, Security, Sustainability, Environment and Quality.

Our sustainability commitments extend beyond our facilities. We are collaborating on numerous projects including:

- » The Kuwait Green Wall, which will create a green border of trees around Kuwait
- » The Green Camp, a solar-powered eco-friendly campsite
- » Events for the Future Engineer program in partnership with Kuwait University
- » And on-going collaboration with Kuwait's Chest Diseases Hospital

Sustainability will contribute to the value we bring to our customers, the communities where we operate and to our beloved nation. Sustainability will also contribute to the economic growth of our Company. The possibilities are without limit.



**Asaad Ahmad Al-Saad | Chief Executive Officer**

# PIC at a glance

Petrochemical Industries Company K.S.C. (PIC) is a global manufacturer and marketer of petrochemicals and is the petrochemical arm of Kuwait Petroleum Corporation (KPC). For 50 years, PIC has focused on making essential materials to support a growing world. We manufacture and supply petrochemical building blocks globally to leading companies. In doing this, we bring together world-scale assets in strategic locations, a strong heritage of operational excellence, a passion for working collaboratively and an unwavering commitment to sustainability.

Established by an Amiri decree in 1963, PIC was the first chemical complex in Kuwait and the region. Our establishment was an important step in helping to diversify Kuwait's economy. Maximizing the value of Kuwaiti hydrocarbon resources remains an important part of our mission today. From products that increase crop yields to feed a growing world, to insulation that increases a home's energy efficiency, our materials are helping to improve the quality of life around the world.

As PIC has grown, the Company has diversified its portfolio and has become a significant player in petrochemicals, with both local and international investments. We participate in nearly a dozen joint ventures. Through these joint ventures, we continue to invest in growth projects both inside and outside Kuwait. As we look to the future, we are committed to diversifying into new markets to grow our business and the Kuwaiti economy. We are well-positioned to be part of the global growth of the chemical industry.



## PIC vision

We aspire to be both a recognized global petrochemical player and admired by our stakeholders, leveraging Kuwait national resources in value-added partnerships to drive growth.

## PIC mission

PIC, as a subsidiary of Kuwait Petroleum Corporation, shall achieve a position of leadership with downstream extension into high-value petrochemical businesses while ensuring integration with KPC activities both domestically and internationally by:

- » Maximizing value-addition of Kuwait hydrocarbons resources.
- » Advancing our organizational performance through people empowerment and infusing industry best practices.
- » Creating a challenging and fulfilling environment that will support skills and capabilities development.
- » Collaborating closely with our partners toward a sustained and diversified global growth.
- » Fostering the national economy.

## PIC values

**Integrity:** We will act with openness, trust, respect, fairness, transparency, honesty, reliability, high ethical standards, professionalism and accountability.

**Excellence:** We operate with attention to high performance, operational excellence, continuous improvement, high-quality products and services and customer focus.

**Flexibility:** We are attuned to market conditions, demonstrating innovation, responsiveness and willingness to change.

**Motivation:** We seek to develop a collaborative workplace, where teamwork and loyalty are driven by a high-performance culture.

**Partnership:** We develop long-term, value-adding relationships that support growth and enhance operational excellence.

**Commitment to HSSE and Society:** We are committed to environmental protection, safety, security, and healthy workplaces, as well as corporate social responsibility in Kuwait and host communities.

**Corporate Thinking:** We share a concern for KPC's interests and issues, striving for alignment with enterprise-wide goals versus business segment objectives.

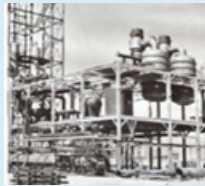


# PIC history



**1963**

Petrochemical Industries Company K.S.C. (PIC) was incorporated by an Amiri decree



**1964**

Kuwait Chemical Fertilizer Company (KCFC) was established by PIC as a joint venture. The other partners in KCFC were BP and Gulf, each with a 20% holding.



**1966**

First chemical complex in Kuwait and the region completed, comprised of ammonia, urea, ammonium sulfate, and sulfuric acid production compound at Shuaiba industrial area



**1970**

Two plants for the production of liquid ammonia and two for urea production completed



**1973**

PIC buys the equity of British Petroleum (BP) and Kuwait Chemical Fertilizer Company (KCFC)



**1975**

KCFC merges with PIC



**1976**

A ministerial resolution transfers the ownership of all the private sector's equity in PIC to the State of Kuwait



**1979**

Gulf Petrochemical Industries Company established in 1979 as joint venture between GCC member states



**1980**

Kuwait Petroleum Corporation (KPC) was formed by an Amiri decree as the holding company for the Kuwaiti oil sector and all shares in PIC were transferred to it



**1984**

New ammonia plant installed



**1989**

The production capacity of PIC's ammonia and urea complex becomes the biggest in the Middle East



## 1993

PIC signs a memorandum of understanding with Union Carbide Corporation for the construction of the petrochemicals complex. Union Carbide was acquired by The Dow Chemical Company in 1999.

## 1995

PIC signs memorandum of association of EQUATE Petrochemicals Company with Union Carbide. Each company holds 45% of the capital and Bubyar Petrochemicals Co. holds 10% of the capital.

## 2010

Kuwait witnesses the opening ceremonies of the country's largest petrochemical complex for producing olefins, aromatics, and styrene with the inauguration of Olefins II, at Al-Shuaiba industrial zone by His Highness the Amir of Kuwait, Sheikh Sabah Al Ahmad Al Sabah

## 2012

PIC begins sustainability program  
Publishes first sustainability report

## 2013

PIC celebrates 50 years of service in the chemical industry

## 2013

PIC becomes a signatory to the United Nations Global Compact

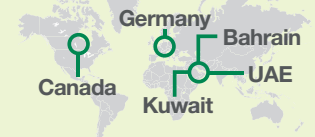
# Key facts

**50 years**  
of experience  
in the chemical  
industry

**600+**  
Employees

**12** HSE Six Sigma  
projects in  
**2013-14**

**OPERATIONS  
IN 5 COUNTRIES**



**9** Joint  
ventures

## PRODUCTS

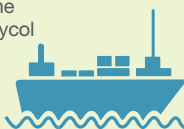
### Primary

Ammonia  
Urea  
Polypropylene



### Joint Venture

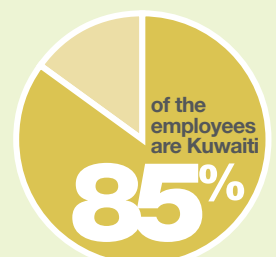
Polyethylene  
Ethylene glycol  
Paraxylene  
Benzene  
Styrene  
Methanol  
Monoethylene glycol (MEG)  
Diethylene glycol (DEG)  
Polyethylene terephthalate (PET)



of joint venture  
products are  
produced  
in Kuwait



Headquartered in  
South Sabahiya,  
State of Kuwait



of the  
employees  
are Kuwaiti

**13+**  
MILLION  
safe man hours

# Our strategic business units (SBUs)

Fertilizers	Aromatics	Olefins
<ul style="list-style-type: none"> <li>» Oversees PIC's ammonia and urea complex, one of the largest in the Middle East region</li> <li>» Produces approximately 50,000 MTPA of ammonia</li> <li>» Has production capacity of 3,150 MTPD of urea</li> <li>» Markets the fertilizer products of PIC and Gulf Petrochemical Industries Company (GPIC), a joint venture of PIC</li> </ul>	<ul style="list-style-type: none"> <li>» One of the region's largest marketers of paraxylene, which is manufactured at the state-of-the-art Aromatics Complex of Kuwait Paraxylene Production Company (KPPC)</li> <li>» The Aromatics Complex produces a total of 780,000 MT of paraxylene (PX) and 370,000 MT of benzene (BZ) annually</li> <li>» The complex's PX output is marketed by PIC, while the BZ is used locally for the production of styrene monomer (SM) by The Kuwait Styrene Company (TKSC)</li> </ul>	<ul style="list-style-type: none"> <li>» Involved in PIC's olefin investments both locally and internationally</li> <li>» World-scale Olefins II Complex in Kuwait supplies ethylene to EQUATE for the production of polyethylene, ethylene glycol and propylene</li> <li>» PIC's fully owned olefins plant in Kuwait, which produces polypropylene that is marketed globally by PIC</li> <li>» PIC also formed MEGlobal for the manufacturing and marketing of ethylene and glycol in Canada</li> </ul>

## Joint ventures



### International investments

Gulf Petrochemical Industries Co (GPIC) | 33%

MEGlobal Company | 50%

MEGlobal BV – Dubai | 50%

### Local investments

EQUATE Petrochemical Company | 42.5%

The Kuwait Olefins Co. (TKOC) | 42.5%

Al-Qurain Petrochemical Industries Company (QPIC) | 10%

The Kuwait Aromatics Co. (KARO) | 40%

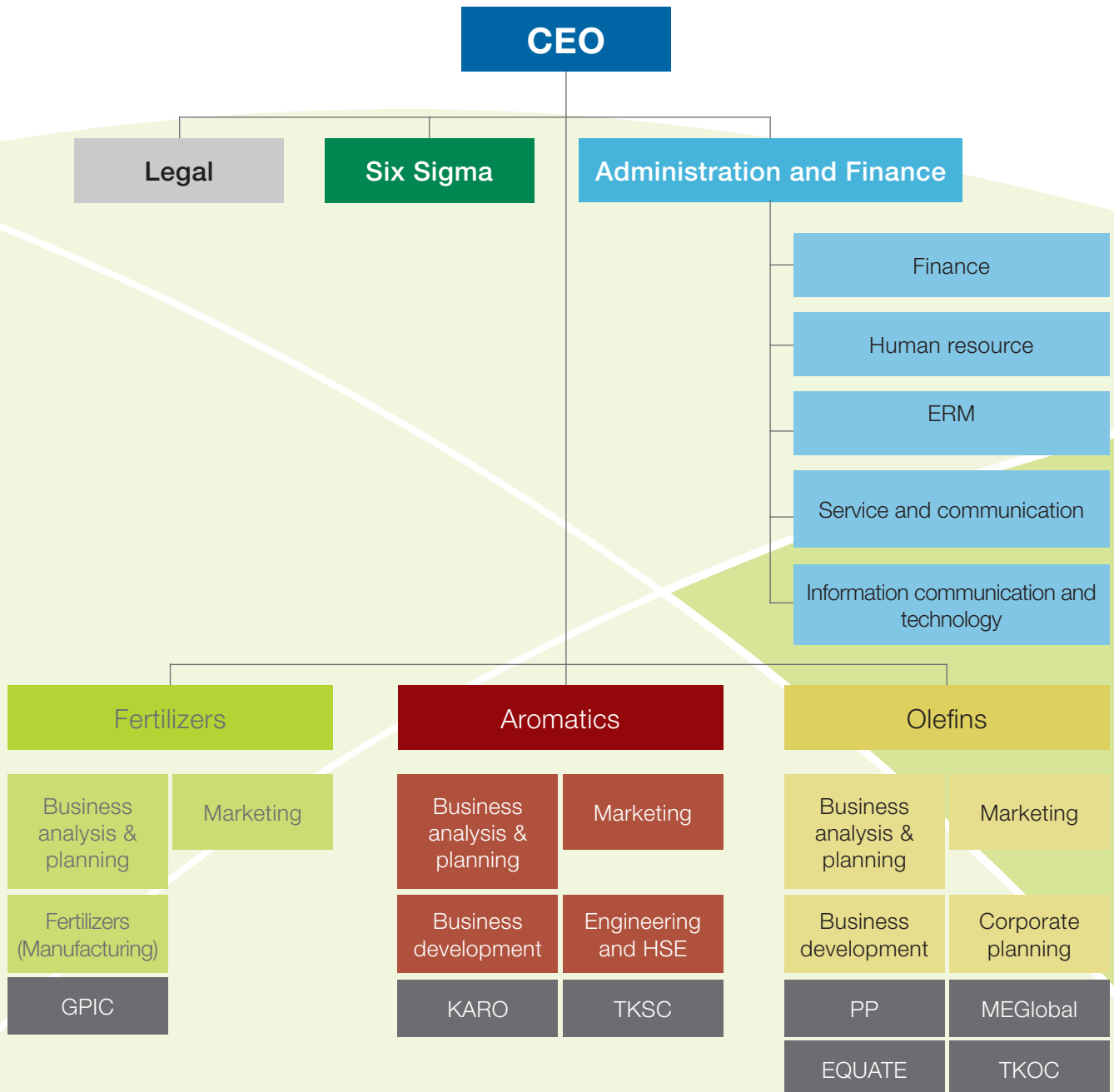
Kuwait Paraxylene Prod Co. (KPPC)  
(100% owned by KARO)

Kuwait Styrene Company (TKSC)  
(57.5% owned by KARO)



# Organization structure

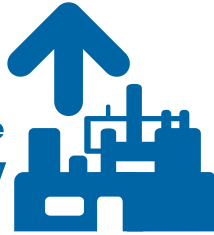
PIC has assembled an organization comprising six business and corporate groups, which report to the Office of the CEO. These include three strategic business units organized by products: Aromatics, Fertilizers and Olefins. It also includes three corporate departments that support the SBUs and their activities. They are Administration/Finance, Legal and Six Sigma. Each plays a strategic role in creating value for PIC and its stakeholders.



# Key highlights of 2013-2014

**PIC continued to increase its operating efficiency and reduce costs**

through implementation of **Six Sigma** projects. The impact during this operating year is **estimated at US\$31 million**



Initiated project for obtaining LEED (Leadership in Energy and Environmental Design): **Gold certification for the PIC head office**

Developed a sustainable procurement policy



**Initiated reuse of process water to irrigate on-site vegetation**



**Over 13 million**



PIC employee and contractor **safe man-hours**

**Obtained ISO 50001:** Energy Management System certification for our plants, head office and Bubyuan Club



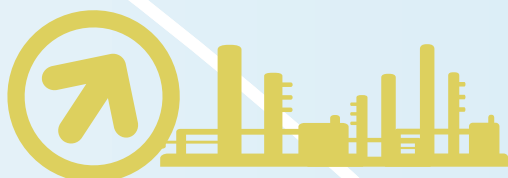
**Obtained the Golden Performance Award for safety, health and environmental performance** for the second consecutive year and the Bronze Award for Management of Occupational Road Risk from the Royal Society for Protection from Accidents (RoSPA)

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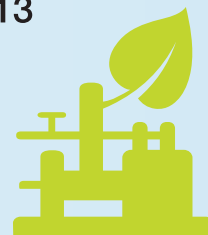
Developed a policy on **responsible investments** in line with the **United Nations' Principles of Responsible Investment (UNPRI)**

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Initiatives to **improve** operational efficiency helped PIC achieve the **best annual production** since our inception



Water consumption intensity in operations **reduced by 23%** in 2013-14 when compared to the same in 2012-13



**Greenhouse gas (GHG) intensity reduced by 19% in 2013-14** vs. the same in 2012-13

**Sustainability capability development** workshops conducted for **top management and team leaders**



Was awarded the **European Award for Best Practices in the Gold Category** by the **European Society for Quality Research (ESQR)** in recognition of our achievements in quality management

Total energy intensity **reduced by 5% in 2013-14** when compared to the same in 2012-13



**Obtained ISO 17025:2005** certification for laboratory quality



# Sustainability management approach of our joint ventures

Our commitment to sustainability extends to all our business interests, including joint ventures. Here are highlights of the sustainability activities of three of our joint ventures: EQUATE, GPIC and MEGlobal.



EQUATE is Kuwait's and the region's first international joint venture in the petrochemical sector and strives to be the company of "firsts." PIC has a 42.5 percent stake in the company. EQUATE's vision is to become a global leader and world-class producer of petrochemicals. Its actions are guided by the corporate vision, mission and values.

The company's sustainability strategy is closely linked to the corporate strategy and has the following focus areas:

- » Ensuring overall sustainability in Kuwait and beyond
- » Sharing operational and community success with all stakeholders
- » Being a valued neighbor wherever we operate
- » Interacting directly with surrounding communities to address their issues and concerns
- » Creating partnerships with other local bodies and organizations
- » Engaging employees and their families

EQUATE believes in continuous dialogue and collaboration with stakeholders including other K-group companies, JV partners, non-governmental organizations (NGOs) and others on issues of mutual interest.

## Managing environmental impact

EQUATE has a clearly defined quality and environmental policy, which stipulates the use of best practices in all aspects of their business and striving for the highest level of customer satisfaction and legal compliance while ensuring a safe and clean environment.

A green team within EQUATE runs seven environmental conservation programs. This team of employees acts as the company's environmental sustainability hub. The team implements initiatives to achieve their overall objective for "environmental excellence" by adopting concepts of global green operations through greenhouse gas reduction, energy efficiency and water conservation initiatives. A carbon emission reduction and capture deal signed with Greencarbon in 2008 aims to reduce EQUATE's carbon dioxide emissions to the atmosphere by piping the gas to the neighboring Greencarbon processing facility. An estimated 150,000 tons of carbon dioxide gas is expected to be captured and exported annually to Greencarbon. EQUATE established the Middle East's first plant water recycling project with the objective of recovering 80 percent of the company's process water for reuse. The project will recycle 245 million gallons of water annually.

## Economy and people

EQUATE plays a pivotal role in ensuring the diversification of the Kuwaiti economy. The company is committed to developing Kuwaiti entrepreneurs through the supplier development program. In 2012, almost 91 percent of the procurement projects in EQUATE were awarded to local suppliers.

EQUATE has adopted a 'Managing Implementation' plan in order to safeguard its employees. Site-based Environment, Health and Safety (EH&S) committee teams are established to ensure that specific yearly departmental goals and objectives are met. Department level safety focus teams as well as safety officers work together to ensure the safety of employees within the facilities.

## Society and local communities

EQUATE is committed to the social and economic development of the local communities it operates in. The company has identified two main areas critical to the overall economic and social development in the State of Kuwait: health awareness and education, and career training. EQUATE is working closely with multiple organizational stakeholders to support and advance both objectives.



## Gulf Petrochemical Industries Company (GPIC)

GPIC was incorporated in 1979 with PIC owning a 33.3 percent stake in the company. The GPIC sustainability strategy ensures close synergies between stakeholders' interests, environmental aspects and core business strategy. Highlights of the GPIC sustainability strategy for 2013 and beyond include:

- » As a corporate citizen of Bahrain, the company aims to ensure that its business model is geared toward Bahrain's economic needs
- » Craft strategies, prioritize investments, maintain assets and develop human talent to ensure responsible operations and business continuity
- » Add value to the shareholders and remain competitive and sustainable in this ever evolving and challenging global market
- » The company's success relies very heavily on its ability to attract, recruit, and retain the highest quality of human talent
- » As part of its core responsibilities, GPIC is committed to meet the needs and interests of communities that host the company and its people
- » Developing a social investment strategy crafted with a commitment to the idea that stakeholders include a much broader category than only its employees, shareholders or financial investors
- » Continued commitments to some of the most stringent environmental management standards to manage the company's environmental footprint

## Managing environmental impact

GPIC adopted a multi-pronged approach to managing its environmental impacts with emphasis on reducing its greenhouse gas emissions, maximizing efficiency of resource utilization through the adoption of international standards and certifications and by designing products to have a minimal impact on the environment.

Among the key activities to reduce its operational impact, GPIC introduced ultra-low nitrogen oxide (NO<sub>x</sub>) burners that have resulted in reducing NO<sub>x</sub> emissions by 75 percent as compared to standard NO<sub>x</sub> emissions. The company conducted the first international CSR conference in Bahrain to create awareness about sustainability in the country. GPIC also sponsored the Royal Society for the Prevention of Accidents (RoSPA) International Environmental Award as part of its commitments towards Health, Safety and the Environment.

## Economy and people

GPIC seeks to ensure that the company continues to safeguard human rights across its business operations and make its work environment safe, inclusive and diverse. GPIC aims to be a role model for women's empowerment in the private sector and is committed to their female workforce. The company has introduced an Equal Opportunities Committee in cooperation with the Supreme Council for Women's Integrating Women's Needs department. The company was awarded the Aon Hewitt Best Employer Award for the Middle East and North Africa in 2013 for its commitments on employee engagement.

The company also ensures that it does its best to protect the rights of its contract employees. GPIC has introduced a clause in its standard purchase order issued to all local contractors advising them that GPIC has the right to inspect the contractor's labor camps and housing accommodations to verify that their rights are respected.

## Society and local communities

For the ninth consecutive academic year, GPIC sponsored the Ministry of Education/GPIC Environmental Research Program for the GPIC Environment Award for secondary school students. This award has gathered momentum over the years and has become the best Environment Award available to secondary school students in Bahrain. The company also provides industrial training as well as educational scholarships to students.

The company is also actively involved in making Bahrain's roads safer and launched a country-wide campaign to reduce road accidents caused by distracted driving.



MEGlobal was set up in 2004 with PIC owning 50 percent of the joint venture. The company has set itself long-term sustainability goals and its commitment toward sustainable development is evident through its FOCUS 2020 goals.

MEGlobal is a Target Zero company, with a vision of zero incidents, zero injuries and zero harm to the environment. The goals for FOCUS 2020 were developed in consultation with employees, management and the local community. The three key target areas of FOCUS 2020 are:

- » Maximize EH&S performance
- » Minimize environmental footprint
- » Enhance social performance

As part of its commitments towards the FOCUS 2020 goals, MEGlobal has set long-term Environment, Health & Safety performance, environmental footprint and social performance targets.

The company embraces and advocates Responsible Care®, and takes this commitment very seriously since it focuses on continuous improvement in not only employee health and safety, but also a cleaner environment for its employees, customers, and the public. MEGlobal was re-verified as a Responsible-Care-In-Place company in 2013. The company's employees are held to a rigid set of health and safety requirements and are expected to commit to employee health and safety as MEGlobal's number-one priority; to work to achieve zero personal-safety incidents and leak-free facilities; and to proactively identify and resolve EH&S issues. As part of MEGlobal's product stewardship philosophy, the company provides information to its customers through presentations, literature, and access to a wide variety of other reference materials and information resources.

MEGlobal believes in ongoing and open discussions with its neighbors regarding its operations, safety programs, environmental conditions and the many other aspects of industrial operations that impact the communities in which they operate. To facilitate discussion with the local community, MEGlobal participates in the Community Advisory Panels (CAPs) connected with their manufacturing sites. The CAPs recommend ways to improve communications with the general public, and provide input on community issues that the company may address as a corporate neighbor. MEGlobal employees are also encouraged to be active members of their communities. Employees involved in volunteerism with non-profit or charitable groups can access annual funding through the Employee Involvement Program (EIP). Apart from employee volunteerism, the company also operates a community contributions program that supports local initiatives contributing to environmental, economic and social development in the community.



# *Sustainable strategy*

# The PIC sustainability effect

In our 50-year history, we have had a significant impact on the Kuwaiti society. A study carried out during 2009–10 showed that the petrochemical sector accounted for 4.5 percent of non-oil GDP in Kuwait. The sector accounts for almost 11,000 full-time jobs, including 4,000 jobs to Kuwaitis. As per the Kuwait Petroleum Corporation's strategic vision, the petrochemical sector is expected to play a crucial role in attracting foreign investments into the country, developing the private sector and maximizing the share of the non-oil sector on Kuwait's GDP. As we look to the future, we are committed to diversifying into new markets to grow our business and the Kuwaiti economy. We will continue to collaborate with partners at home and abroad, and develop the skills and talents of our people. As we embark on our next half-century, we look forward to building an even brighter future — a future of unlimited possibilities.

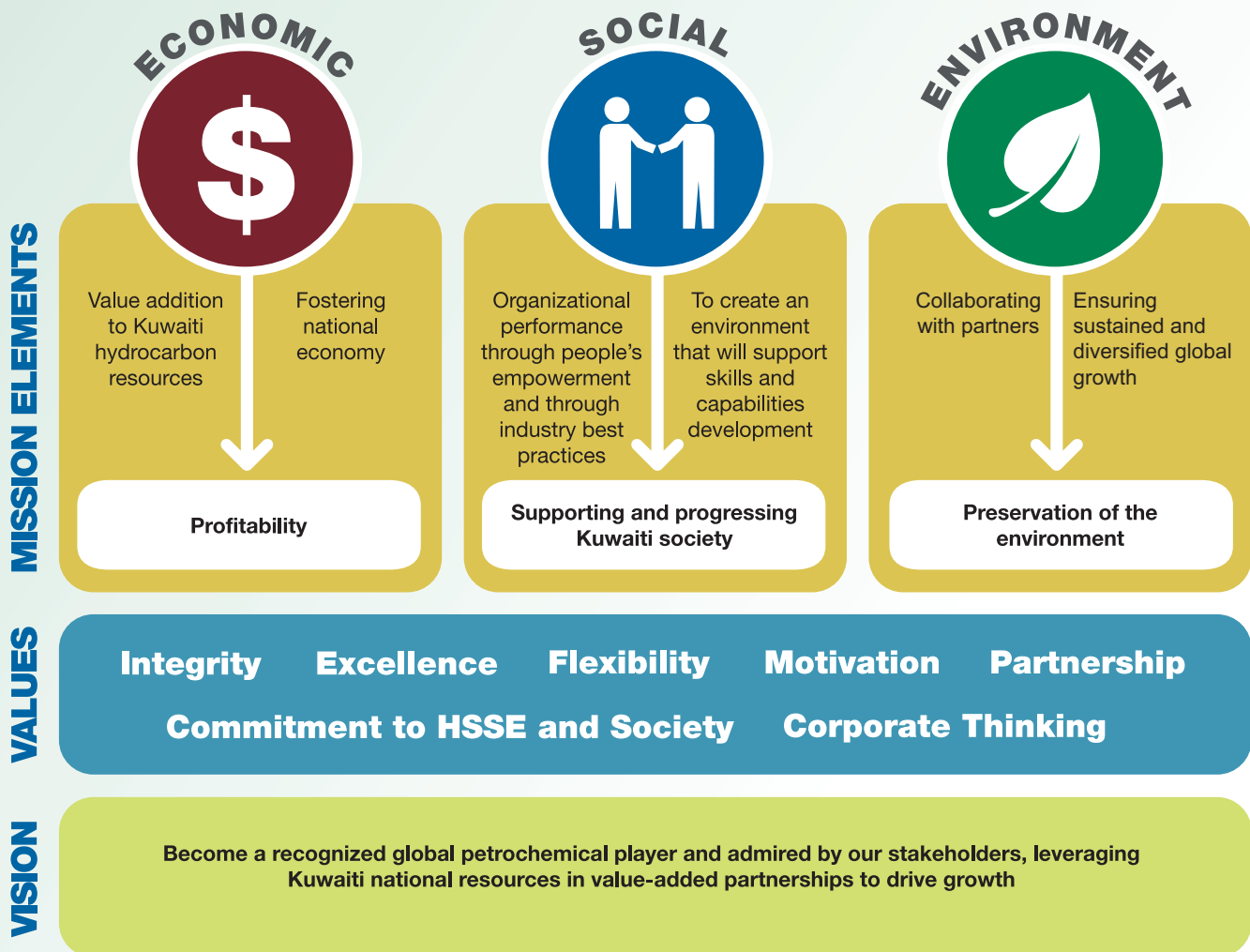
With an outstanding safety record and collaborations with some of the most important sustainability projects in Kuwait's history, we have a long history of working sustainably. In 2013, we intensified our efforts with the launch of the 2017 PIC Sustainability Goals, the publication of the first PIC Sustainability Report and the signing of the United Nations Global Compact (UNGC). Through a renewed commitment to sustainability, we will contribute to making lives better for generations to come.

Through the 2017 PIC Sustainability Goals, we will lead the way in advancing all three dimensions of sustainability: economic growth, sound environmental performance and good corporate citizenship. The Company aspires to be a recognized global petrochemical player leveraging Kuwait's national resources in value-added partnerships to drive growth while creating value for stakeholders. We published our first sustainability report in July 2013 for the fiscal year 2012–13. The report represents a milestone in our sustainability journey and serves as a public commitment to our stakeholders ensuring them of our commitment to the development of a sustainable operating model that incorporates economic, social and environmental elements into the decision-making processes.



# Integrating sustainability into PIC

Success in implementing sustainability depends on integrating sustainability principles into our day-to-day operations. In PIC, sustainability is embedded within our mission, vision and values. The accompanying graphic highlights elements of our mission and how they align to the triple-bottom-line approach. We aim to support and progress the Kuwaiti society, and to preserve our valuable environment while ensuring profitability for our Company. PIC recognizes that we exist within a global ecosystem, and share the responsibility to cause minimal harm to our planet and to set an example of responsible environmental stewardship.





# 2017 PIC Sustainability Goals

PIC has long been committed to Health, Safety and the Environment (HSE) both within our operations and in the wider community. We deepened our commitment with the announcement of the 2017 PIC Sustainability Goals last year. We have developed goals that will make our operations safer and more efficient, and minimize our impact on the environment.

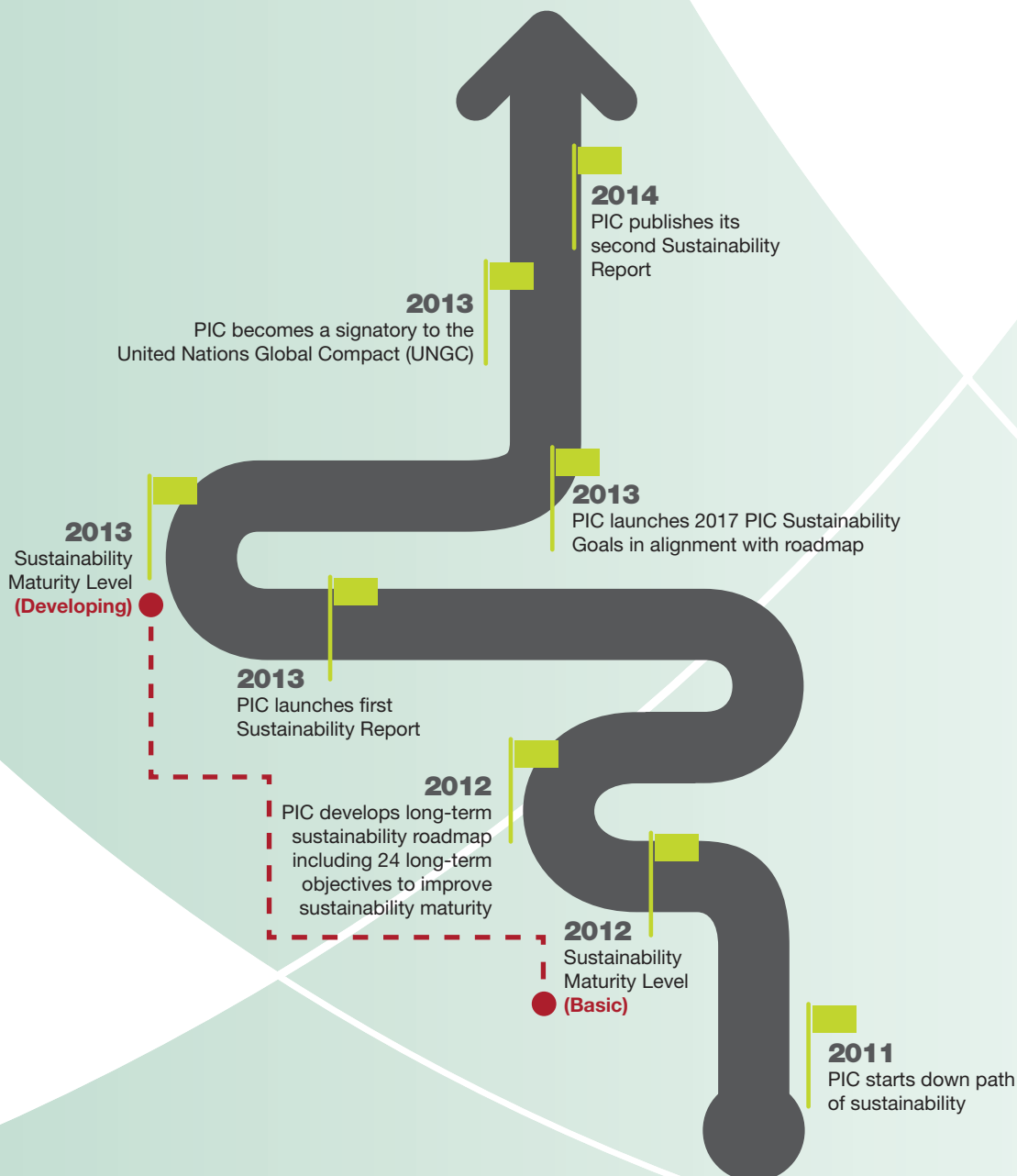
Even as we improve our own operations, we will strive to make the world a better place to live, to help people improve the quality of living and nurture the passion of doing what is good for society. Through the 2017 PIC Sustainability Goals, we will pursue strong economic growth, sound environmental performance and good corporate citizenship. The 2017 PIC Sustainability Goals will lead to safer, more efficient and productive operations; minimize the impact on the planet; develop current and future leaders in sustainability; and improve the lives of people for generations to come.



Our 2017 sustainability goals consist of both responsible corporate citizenship goals and operational excellence goals.

# Business strategy and sustainability strategy

PIC started its sustainability journey two years ago by looking at its sustainability approach and by comparing its systems and processes with other leading organizations as well as peers.



The first third-party maturity analysis in 2012 placed PIC at a “basic level” of sustainability maturity. The maturity model defines five levels along the sustainability maturity continuum with the following stages of development: Basic, Developing, Established, Advanced and Leading. As we continue on our sustainability journey we are committed to progressing through the stages of the maturity model.

On the basis of the results of the maturity analysis, the management decided to adopt 24 long-term sustainability objectives in 2012 to embed sustainability within the organization. These objectives were developed in alignment with key stakeholders and we aim to complete these objectives over a 5 year period. To ensure accountability, we assigned owners for each objective and the progress on the objective was tracked as part of the respective owner’s balance scorecard. The accompanying table provides a detailed snapshot on the progress on completion of these 24 long-term sustainability objectives. Through the initiatives linked to each of the completed objectives, we have been able to significantly improve our systems and processes and have made significant progress over the past two years in improving our sustainability maturity and in embedding sustainability within the organization.





Long-term sustainability objectives		2012			2013			2014			2015			2016		
Control and assurance	PIC executive alignment															
	Design and implement sustainability governance structure and function															
	Approve and roll out the sustainability policy															
	Update existing management systems															
	Establish a stakeholder engagement process															
	Develop and implement stakeholder communication plan															
	Develop and implement national and international strategic alliance, membership and partnership plan															
	Develop and maintain a reporting process to produce an annual sustainability report															
	Provide the third party verification															
Our operational impact	Develop Greenhouse Gas (GHG) inventory and mitigation plan															
	Include sustainability evaluation in investment decisions															
	Include sustainability evaluation in Project Feasibility and FEED stage reviews															
	Assess and improve sustainability related actions in operations															
	Enhance the sustainability performance of PIC's office buildings and equipments															
	Develop and implement a sustainable procurement policy															
	Mitigate negative sustainability impacts on the customer															
Our people and communities	Develop human rights policy and diversity															
	Integrate sustainability into recruitment, training and development															
	Sustainability awareness campaign															
	Make sustainability a core part of individual performance objectives															
	Adhere to leading health and safety (H&S) management															
	Develop a community investment plan															
	Transfer knowledge to people and communities															
	Align community investment plan with JV initiatives															

- Completed in 2012-2013
  Initiated and on track for completion
  Completed in 2013-2014
  To be initiated over the following report cycles

Our commitment and our success in incorporating sustainability into our organization's strategy has brought our maturity score to a "developing level" stage in 2013–14. This sustainability maturity testing shows that we have progressed very well in setting goals and objectives in the sustainability front and are progressing well in the strategic direction. Although considerable improvement has been made in multiple areas, including non-financial reporting and in setting internal management metrics, we at PIC believe that we have the potential to improve our performance in material areas and mature into a developed or leading-edge sustainable organization.

## PIC long-term sustainability objectives for 2013-14

In order to achieve our 2017 goals and to improve our sustainability maturity, we have set long-term sustainability objectives for the year 2013-14. The following 12 objectives are part of the 24 long-term sustainability objectives described earlier. Further details of these sustainability objectives are given later in the report.

Area	Long-term sustainability objective	Page number in report
Our economic impact 	Develop a process to include sustainability evaluation criteria into investment decisions	41
	Develop a sustainable procurement policy (throughout the business lifecycle)	45
Our people and communities 	Develop and implement human rights policy, diversity and equal opportunities plan	60
	Transfer knowledge to our people and communities: volunteering and community engagement projects	62, 63
	Align community investment plan with JV initiatives to leverage and collaborate	62
	Conduct sustainability awareness educational campaign to drive sustainable behavior and culture among PIC people	57
	Implement sustainability capability development plan	57
Our environmental impact 	Enhance sustainability performance of PIC's office buildings and equipment	49
	Review all operational activities to assess and improve sustainability-related actions with regards to pollution prevention, resource reduction (e.g. water and energy), biodiversity and waste management/recycling	52, 53
Control and assurance 	Review and update sustainability-related risk register and regulatory requirements database	25
	Stakeholder prioritization: Prioritize stakeholder communications to respond transparently on practices and performance	27
	Stakeholder communications: Facilitate stakeholder communications to respond transparently on practices and performance	28, 29



# Key impacts, risks and opportunities

We depend heavily on the oil and gas sector for its feedstock and raw materials. Due to Kuwait's limited natural gas resources and increasing demand for energy, PIC is continuously under pressure to reduce the use of, and dependence on, natural gas. The increasing cost and limited availability of feedstock poses a significant economic risk to our long-term sustainability. Petrochemical products are used in numerous industries from building materials to packaging to cosmetic products. However, they are considered to be harmful to health and the environment if not handled properly. As such, health and safety and product responsibility throughout the value chain are key sustainability elements for petrochemical manufacturers.

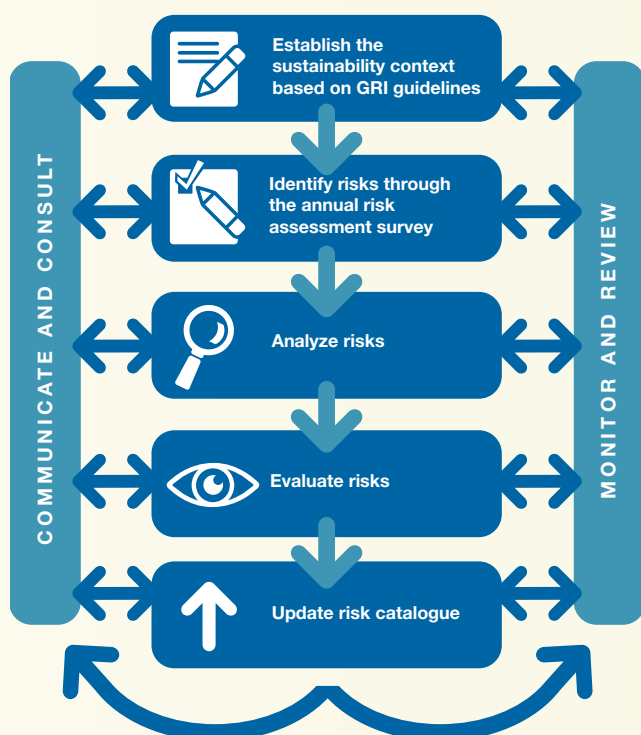
Petrochemical companies across the world were the first to adopt comprehensive sustainability practices and place sustainability issues at the top of their overall corporate agendas. In Kuwait, it was no different as PIC was the first major corporation to develop a comprehensive sustainability strategy.

## Sustainability risk assessment in PIC

We have a unique and vital role to play in the diversification of Kuwait's economy. In line with this strategic role, the Company operates several key JVs with local and international companies. Our entities consider the risks related to resource scarcity, climate change, and social and political unrest in all the countries they operate in. The organizational challenge to manage sustainability risks is to establish a system of internal controls that adequately addresses the exposure to social, environmental and economic risks.

For the assessment of our sustainability risks, we used the Global Reporting Initiative (GRI) guidelines to ensure that relevant sustainability issues are addressed during risk identification and added to the risk catalogue.

Risk catalogue: it is the central repository that categorizes and prioritizes all the risks in PIC, in addition to detailed information on the PIC risk portfolio. The risk catalogue is updated annually by the Enterprise Risk Management (ERM) department in PIC, based on the inputs from each department. Data gathered during the risk assessment are analyzed and details of significant risks are entered into the risk catalogue.



PIC has adopted an enhanced Risk Assessment Survey, which incorporates economic, social and environmental aspects. It is sent to every department on an annual basis. Once a new risk is identified, the ERM team will be able to analyze the identified risk on the basis of an ERM New Risk Analysis Checklist, which was developed after incorporating relevant aspects and categories in line with the GRI 3.1 guidelines. The identified risks are categorized into high, medium or low based on their severity. And then, appropriate risk management and mitigation strategies are adopted for each type of risk accordingly.

## Sustainability risks in 2013-14

PIC has identified four new sustainability risks in 2013-14, all of which are related to the generation and distribution of direct economic value (EC1 as per GRI 3.1 guidelines). None of the new sustainability risks identified could be considered as regulatory risks.

# Sustainability: a stakeholder view

Stakeholders are people or entities who affect and/or could be affected by an organization's activities, products or services and associated performances. Organizations may have many stakeholders, each with distinct types and levels of involvement in company activities. They often may have diverse and/or conflicting interests and concerns.

## Stakeholder engagement

Engaging stakeholders is an important part of our approach to sustainability because their interests, expectations and needs not only inform where we should focus our economic, environmental and social efforts, but also help define what sustainability success means to our organization. Identifying important stakeholder groups and understanding how they impact each other is vital to the success of our sustainability strategy.

The first step of stakeholder engagement involved identifying our stakeholders and their sustainability issues and concerns. The criterion used in stakeholder identification was whether the entities have a direct impact on our operations, and conversely which individual or group was impacted by our operations and actions.

First, a sample of internal stakeholders was shortlisted based on their level or responsibility and dependency on PIC. Then, other key stakeholders (both internal and external) were identified and included in the stakeholder analysis through workshops, interviews and brainstorming sessions.

The process of interacting with these groups to understand their interests, needs and expectations, and the subsequent development of appropriate business responses and activities, is collectively known as stakeholder engagement. Over the course of the year, we interacted with all of our key stakeholders and incorporated their inputs and suggestions into our practices, wherever applicable. The frequency and method of engagement is unique to each stakeholder, depending on the level of impact.

We have identified our stakeholders based on four major attributes.





## Dependent stakeholders

People or organizations directly or indirectly dependent on our activities, operations, products or services and associated performances, or on whom we are dependent for our operations — Kuwait Petroleum Corporation (KPC), employees, top management

## Responsible stakeholders

People or organizations to which we have (or in the future may have) legal, commercial, operational or ethical/moral responsibilities — PIC sustainability committee, local/national government, Kuwait Environment Public Authority (KEPA), customers, contractors, suppliers

## Stakeholders with high level of attention

People or organizations in need of immediate attention from us with regard to financial, wider economic, social or environmental issues — labor unions, media, universities, local communities, NGOs

## Influential stakeholders

People or organizations impacting us or other stakeholders' strategic or operational decision-making — JV partners, competitors, investors



	Sustainability interest or concern	Channel of engagement
	<ul style="list-style-type: none"> <li>» Professional development planning</li> <li>» Employees' welfare</li> <li>» Complaint processing</li> </ul>	<ul style="list-style-type: none"> <li>» Suggestion and complaint mailbox</li> <li>» Office automation system</li> <li>» Corporate intranet, online trainings, etc.</li> <li>» On-boarding manual</li> <li>» Departmental sessions</li> </ul>
	<ul style="list-style-type: none"> <li>» Financial sustainability</li> <li>» Corporate Governance</li> </ul>	<ul style="list-style-type: none"> <li>» Meetings</li> <li>» Official letters/e-mails</li> </ul>
	<ul style="list-style-type: none"> <li>» Protection of shareholders' and creditors' interests</li> <li>» Trueness, accuracy, timeliness and completeness of information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>» Town-hall meetings</li> <li>» Office automation system</li> </ul>
	<ul style="list-style-type: none"> <li>» Corporate Governance</li> <li>» Global citizenship in line with international standards</li> </ul>	<ul style="list-style-type: none"> <li>» Secondment with key partners</li> <li>» Bimonthly reports</li> </ul>
	<ul style="list-style-type: none"> <li>» Sustainability Performance</li> </ul>	<ul style="list-style-type: none"> <li>» Roundtable discussions</li> </ul>
	<ul style="list-style-type: none"> <li>» PIC contribution to sustainability of Kuwaiti economy</li> <li>» Regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>» Meetings, conferences and collaborations</li> </ul>
	<ul style="list-style-type: none"> <li>» Support for community</li> <li>» Sponsorships and job creation</li> <li>» Environmental laws and compliance</li> </ul>	<ul style="list-style-type: none"> <li>» Biannual face to face meetings</li> <li>» Involvement in organized events</li> <li>» Sponsorships</li> </ul>
	<ul style="list-style-type: none"> <li>» Product and price</li> <li>» Distribution and service</li> <li>» Timely payments</li> <li>» Long-term partnerships</li> </ul>	<ul style="list-style-type: none"> <li>» Contract negotiation</li> <li>» Real-time communications</li> <li>» Tender conference</li> <li>» Periodic supplier visits</li> </ul>
	<ul style="list-style-type: none"> <li>» Pricing and supply of products</li> <li>» Safety and security</li> <li>» Global Citizenship</li> </ul>	<ul style="list-style-type: none"> <li>» Customer satisfaction surveys</li> <li>» Marketing and media</li> <li>» Periodic visits: meetings and consultation</li> <li>» Routine communication</li> <li>» Feedback mechanism</li> <li>» Hot-line service</li> <li>» Trade fairs, forums</li> <li>» Online services</li> </ul>



	Sustainability interest or concern	Channel of engagement
	<ul style="list-style-type: none"> <li>» Support for community</li> <li>» Sponsorships and job creation</li> <li>» Impact on environment and remediation</li> </ul>	<ul style="list-style-type: none"> <li>» Involvement in organized events</li> <li>» Employee volunteering</li> <li>» Sponsorships</li> <li>» Leaflets, presentations</li> <li>» Open-door events</li> <li>» Corporate blog</li> <li>» Press releases</li> </ul>
	<ul style="list-style-type: none"> <li>» Employees' rights and interests</li> <li>» Democratic management</li> <li>» Transparency of business operations</li> </ul>	<ul style="list-style-type: none"> <li>» Routine communications</li> <li>» Employee representatives' meetings</li> </ul>
	<ul style="list-style-type: none"> <li>» Impact on environment</li> <li>» Support for local causes</li> </ul>	<ul style="list-style-type: none"> <li>» Attendance at events and conferences, sponsorships</li> </ul>
	<ul style="list-style-type: none"> <li>» Target audience</li> <li>» Approach of communication</li> <li>» Crisis media communication</li> </ul>	<ul style="list-style-type: none"> <li>» Release of reports</li> <li>» News conferences</li> <li>» Multi-channel communication</li> <li>» Media monitoring</li> <li>» Public exhibitions</li> </ul>
	<ul style="list-style-type: none"> <li>» Profit distribution</li> <li>» Information resources sharing</li> <li>» Good faith and mutual benefit</li> </ul>	<ul style="list-style-type: none"> <li>» Contract negotiations</li> <li>» Conferences</li> <li>» Top management meetings</li> <li>» Data, documents and correspondence</li> <li>» Routine business communications</li> <li>» Product database</li> </ul>
	<ul style="list-style-type: none"> <li>» Impact on environment</li> <li>» Support for local causes</li> </ul>	<ul style="list-style-type: none"> <li>» Through Gulf Petrochemicals and Chemicals Association (GPCA) and International Fertilizer Industry Association (IFA) committees</li> <li>» Board and committee meetings</li> </ul>

**Apart from these channels we also use UNGC Communication on Progress (COP) as well the sustainability report to communicate with multiple stakeholders**

# Materiality analysis

Materiality is the process of identifying the important financial and non-financial issues relevant to an organization. The GRI defines materiality as follows:

**“ ... the information in a report [that] should cover topics and indicators that reflect the organization’s significant economic, environmental and social impacts, or that would substantively influence the assessments and decisions of stakeholders ...”**

## Why does materiality matter?

Determining materiality is key to identifying, prioritizing and addressing the main issues and concerns of our stakeholders in the process of defining PIC’s sustainability strategy while gaining insight into non-financial corporate risks and opportunities.

Other benefits include:

- » Gaining insights into non-financial corporate risks, prioritizing and addressing risks and opportunities
- » Developing distinctive, effective sustainability strategies, commitments and targets around the most significant and relevant issues for each business unit; maximizing the impact of initiatives
- » Building and maintaining a strong reputation and gaining competitive advantage
- » Addressing and managing change in a proactive manner

In 2013–14, a comprehensive evaluation/survey of the key concerns of 21 key internal stakeholders was performed. The survey consisted of ranking all GRI aspects as per GRI 3.1 guidelines. The materiality analysis consisted of ranking the aspects into low, medium and high categories, and included interviews with key stakeholders. External materiality was measured through interviews with key external stakeholders to identify their main concerns and expectations as well as through the peer-review of leading global and regional petrochemical companies. The aspects (listed on page number 31) were plotted on a matrix with impact on PIC on x-axis vs. concern to stakeholders on y-axis. The indicators mapped in the top right quadrant were considered to be the most material indicators to PIC in 2013–14.



## Key aspects

1. Economic performance	21. Freedom of association and collective bargaining
2. Market presence	22. Child labor
3. Indirect economic impacts	23. Forced & compulsory labor
4. Materials	24. Security practices
5. Energy	25. Indigenous rights
6. Water	26. Assessment
7. Biodiversity	27. Remediation
8. Emissions	28. Local communities
9. Products and services	29. Corruption
10. Environmental compliance	30. Public policy
11. Transport	31. Anti-competitive behavior
12. Overall environmental spending	32. Social compliance
13. Employment	33. Involuntary resettlement
14. Labor/management relations	34. Asset integrity and process safety
15. Occupational health & safety	35. Customer health & safety
16. Training and education	36. Product and service labeling
17. Diversity & equal opportunity	37. Marketing & communication
18. Equal remuneration of men & women	38. Customer privacy
19. Investment & procurement practices	39. Public relations compliance
20. Non-discrimination	

## Material issues important to internal and external stakeholders in 2013–14

**Emissions:** this aspect includes indicators that measure standard releases to the environment that are considered to be pollutants.

**Energy:** these indicators cover the five areas of energy use in an organization, including direct and indirect energy uses. Direct energy use is the energy consumption used to produce the organization's products and provide its services. Indirect energy use is the energy consumption by others who are serving the organization, such as administration buildings.

**Economic performance:** this category of indicators addresses the direct economic impacts of the organization's activities and the economic value added by these activities.

**Occupational health and safety:** this aspect includes indicators that cover percentage of workforce represented in formal joint management-worker health committees, rates of injury, lost days and absenteeism, work fatalities, workforce education and training, risk control programs for employees and communities near operational centers.

**Local communities:** this aspect covers indicators that address persons or groups of people living and/or working in any areas that are economically, environmentally or socially impacted (positively or negatively) by the organization's operations. Indicators include impact assessment of operations on communities, and prevention and mitigation measures taken.

**Asset integrity and process safety:** number of process safety events by business activity.

**Training and education:** this aspect covers average hours of training per employee category, programs for skills management, and percentage of employees receiving annual performance reviews.

**Water:** these indicators measure the total water withdrawal, used and recycled, in the organization's activities.

**Products and services:** this aspect includes initiatives to mitigate environmental impact of products and services, and percentage of products that is subject to these mitigation efforts.

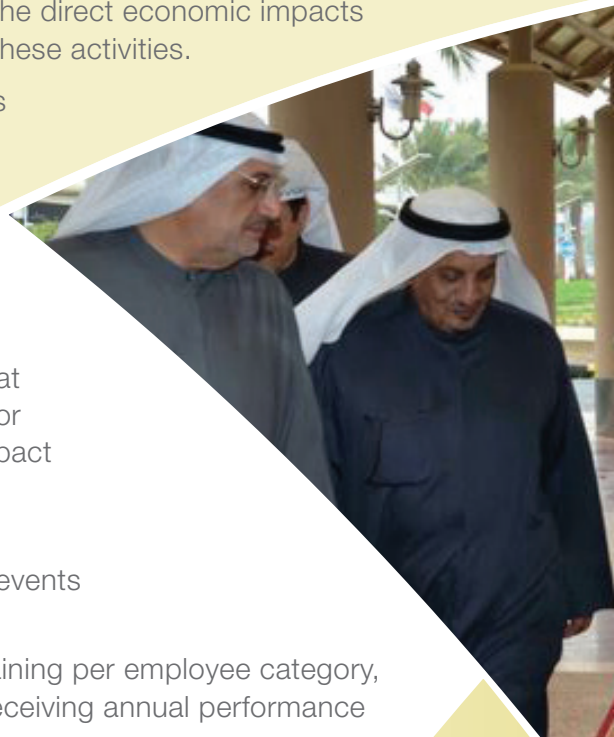
**Indirect economic impacts:** these indicators measure the economic impacts created as a result of the organization's economic activities and transactions, including infrastructure investments, and understanding the extent of the economic impacts of the Company on the community it operates in.

**Employment:** this aspect includes indicators that cover total workforce broken down by category and gender, turnover rate, and benefits provided to full-time and part-time employees.

**Overall environmental spending:** this aspect refers to the total monetary environmental protection expenditure.

**Corruption:** this aspect includes percentage of business units analyzed for corruption, percentage of employees trained in anti-corruption, and action taken in response to incidents of corruption.

**PIC has decided to monitor and report progress on GRI indicators related to the above mentioned material aspects in 2013–14. Our performance with respect to these aspects can be found in the subsequent sections of this report.**









# *About this report*

# Scope of this report

The second edition of the Petrochemical Industries Company's (PIC's) Sustainability Report describes our sustainability initiatives from an environmental, social and economic perspective. The report has been published to provide stakeholders with comprehensive information about our sustainability strategy and progress made in integrating sustainability into our organizational activities during the year 2013–14.

The content of this report focusses predominantly on issues that our Company and its stakeholders regard as material. We have reported our performance on environmental, social and economic aspects based on a detailed materiality analysis (see page number 30).

## Report period and boundary

The reporting period for this report is the same as our fiscal year starting from April 2013 to March 2014. During this period there has not been any significant changes regarding size, structure, or ownership of our organization. Being a holding company with several JVs and subsidiaries, we have utilized Global Reporting Initiative (GRI) 3.1 "Decision Tree" guidelines to determine the boundary of our sustainability report. As per the decision tree, the reporting boundary depends on level of operational control and influence of PIC on JVs and entities. PIC currently has operational control over the fertilizer operations; therefore, we will include the performance data for our fertilizer operations. As for the rest of our JVs and operations, we will disclose the management approach taken by each entity, as per GRI guidelines.

## Data collection and report development

The performance data and the information incorporated in this report are accurate and up-to-date for the reporting period. This is the second year that we have reported our sustainability performance as per GRI 3.1 guidelines. In this report, we have compared our current performance in quantitative indicators (where relevant) with that of the previous reporting period to showcase a balanced view of our performance. We have collected information for this report through a uniform system that has been developed to meet specific data collection requirements that ensures accountability and maintains integrity.

The material GRI indicators were assigned to teams consisting of a data provider, a verifier and an owner. The team was responsible for collecting the data linked to their respective indicators through the year. The data presented in this report has been verified and signed-off by each individual in the team and has been confirmed by the Sustainability Project Management Office (PMO).

## Conforms to GRI standards

We have used the GRI's 3.1 sustainability reporting guidelines and have conformed to the principles for defining report content and for ensuring the quality of reported information. It includes Standard Disclosures made up of Performance Indicators and other disclosure items. The key aspects to be reported were selected on the basis of a materiality test conducted to identify the topics that are relevant to both internal and external stakeholders.

The GRI has issued a statement confirming that this report fulfills the requirement of application level "B." Please refer to the GRI index (see page number 76) for more details on the level of reporting on the Standard Disclosures.





## UNGC Communication on Progress

During the reporting period 2013–14, we took a major step towards achieving our ambition of becoming a leading sustainable organization in the region by signing up to the principles of the United Nations Global Compact (UNGC). Our commitments and the progress in achieving the UNGC principles have been incorporated as a Communication of Progress (COP), which forms a part of this report (see page number 70).

# Teams involved in the development of this report

## PIC 2013–14 long-term sustainability objective owners

Our employees, including the top management, have made a significant effort through the year on the PIC 2013–14 long-term sustainability objectives to meet the targets set as part of the 2017 PIC Sustainability Goals and to embed sustainability within the entire organization. The activities carried out as part of these long-term sustainability objectives have enabled our organization to make significant progress on improving our internal systems and processes supporting sustainable development and business practices.

Area	Long-term sustainability objective	Team responsible (objective owner)
Our economic impact 	Develop a process to include sustainability evaluation criteria into investment decisions	Corporate Planning (Mr. Naser Alanezi)
	Develop a sustainable procurement policy (throughout the business lifecycle)	Fertilizer Commercial (Mr. Ahmad Al Mulla)
Our people and communities 	Develop and implement human rights policy, diversity and equal opportunities plan	Human Resources (Mr. Ibrahim AlMusaiter) and Legal (Ms. Hessa AlTwajiri)
	Conduct sustainability awareness educational campaign to drive sustainable behavior and culture among PIC people	Corporate Engineering and Health, Safety and Environment (Mr. Hashim Hashim)
	Implement sustainability capability development plan	Human Resources (Mr. Ibrahim AlMusaiter)
	Transfer knowledge to our people and communities: volunteering and community engagement projects	Social Responsibility Committee (Mr. Talal AlSultan)
	Align community investment plan with JV initiatives to leverage and collaborate	Social Responsibility Committee (Mr. Talal AlSultan)
Our environmental impact 	Enhance sustainability performance of PIC's office buildings and equipment	Technical Services (Mr. Ahmad Al Mulla) and General Services (Mr. Abdulhadi AlHajri)
	Review all operational activities to assess and improve sustainability-related actions with regards to pollution prevention, resource reduction (e.g. water and energy), biodiversity and waste management/recycling	Operations (Mr. Hamad AlSubaie)
Control and assurance 	Review and update sustainability-related risk register and regulatory requirements database	Enterprise Risk Management (Ms. Hessa AlJinaidel), Human Resources, Legal, Strategic Business Unit Marketing, Strategic Business Units and Corporate Engineering and Health, Safety and Environment
	Stakeholder prioritization: Prioritize stakeholder communications to respond transparently on practices and performance	Strategic Business Units (Mr. Ahmad AlRashdan)
	Stakeholder communications: Facilitate stakeholder communications to respond transparently on practices and performance	ENGHSE, Corporate Planning, SBUs, SBU Marketing, Commercial, Social Responsibility Team, General Services & Communication

## GRI data collection and verification teams

As described earlier, the GRI data collection and verification teams were responsible for the collection and monitoring of the quantitative and qualitative performance indicators as per the GRI 3.1 guidelines

Department	Data owner	Data verifier	Data provider	GRI indicator(s) assigned to the team
Corporate Planning	Mr. Naser AlAnezi	Ms. Abeer Marafie	Mr. Abdullah AlAzmi	EN30
Human Resources	Mr. Ibrahim AlMusaiteer	Mr. Nabeel Bastaki	Mr. Husamn AlAwadh	EC3, EC5, LA1, LA4, LA10, LA11, LA12, LA14, SO3
Legal	Ms. Hessa AlTwaijri	Mr. Rashid AlRaqeeb	Ms. Hessa Al Twaijiri	EC7, HR1
Finance	Mr. Talal AlSultan	Mr. Talal AlSultan	Mr. Mishal AlSubaie	EC1
Fertilizer Operations	Mr. Hamad AlSubaie	Mr. Mohammad Almujiel	Mr. Faisal Mohammad AlKuraibaini/Ms. Sara AlQattan	EN3, EN5, EN7, EN10, EN18
HSE	Mr. Salem AlAzmi	Ms. Moneera AlAtroozi	Mr. Silvanathan Devanathan	LA7, EN8, EN16, EN20, EN21, EN22, EN23, EN26, SO9
Technical Services	Mr. Ahmad AlMulla	Mr. Ahmad AlMulla	Mr. Ahmad AlAbbas	EN4, EN18
Marketing	Mr. Sulaiman Abdulsalam	Mr. Sulaiman Abdulsalam	Mr. Faisal AlSabah	PR3, PR5

## Sustainability PMO

The sustainability PMO team consisted of representatives from the Corporate Engineering and HSE (ENGHSE) department and was the core team driving sustainability within our organization and the various activities linked to the development of this report. The team was led by Mr. Hashim Hashim and consisted of Mr. Ali Alkharji, Mr. Bader AlRezaihan, Mr. Parveen Gupta and Mrs. Laveena Shalom.

The team was responsible for tracking the progress of the activities carried out as part of the 2017 PIC Sustainability Goals, including the responsible corporate citizenship and the operational excellence goals. The PMO also tracked and reviewed the sustainability objectives for 2013–14 on a monthly basis and acted as the central coordinator between the various teams and the sustainability committee. The PMO was also responsible for the collection and verification of the qualitative and quantitative GRI data that have been presented in this report.

For further details about our initiatives and for feedback on this report, please contact Mr. Hashim Hashim (Head Corporate Engineering and HSE) at [sustainability@pic.com.kw](mailto:sustainability@pic.com.kw).





# *Our economic impact*

# Key facts of 2013–14

**KWD 427 MILLION REVENUE**



**ECONOMIC VALUE RETAINED KWD 330 MILLION**



**KWD 8.7 MILLION SAVINGS**  
**USING 6 SIGMA IN 2013**

**KWD 216,689 ENVIRONMENT EXPENDITURE**



We believe that our business has a very important role in supporting and developing economic value for all our stakeholders. Beyond creating economic value for our shareholders, we have the responsibility of generating and protecting economic value for the communities in which we operate. At PIC, we ensure value creation for all our stakeholders — from customers to shareholders to society as a whole.

## Economic impact on Kuwait

Kuwait's economy was built, and still relies heavily on, the oil sector, as oil exports account for approximately 85 percent of Kuwait's national income. One of the many ways we contribute to the Kuwaiti economy is by diversifying the economy by moving from oil to producing value-added products, such as fertilizers and petrochemicals.

### Economic aspects in Kuwait

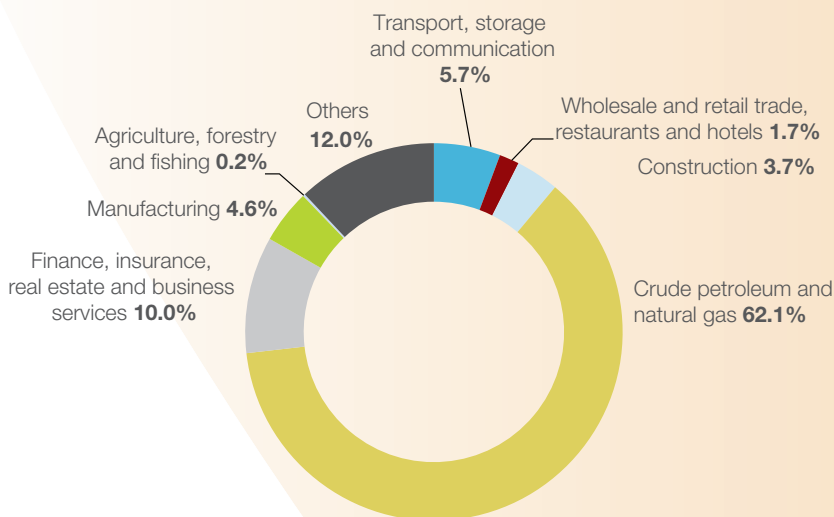
- » In 2013, Kuwait had a GDP of KWD51.506 billion and GDP per capita of KWD13,240 at current prices (June 2014)
- » The third-largest economy among the Gulf Cooperation Council (GCC) nations
- » The value of exports from Kuwait was KWD32.4 billion in 2013, with 95 percent from the export of oil
- » Kuwait possesses substantial oil and gas reserves
- » The public sector dominates the State's economy; there are efforts to increase the private sector's participation and raise the contributions of non-oil economic sectors

*Source: IMF 2014, Central Statistical Bureau — Kuwait*

The chemical and petrochemical industry as a whole plays a pivotal role in the development of regional and national economies. The industry has changed drastically in the last few decades with GCC emerging as a major hub for the global chemical industry. Thirty years ago, GCC was a net importer of chemicals, whereas currently the vast majority of chemicals produced are exported to global markets.

The chemical industry has a large impact on the economy, particularly in terms of value addition and job creation. It is believed that the chemical industry will play a pivotal role in national development as the GCC economies go through structural challenges related to industrialization, economic diversification and the creation of new employment opportunities.

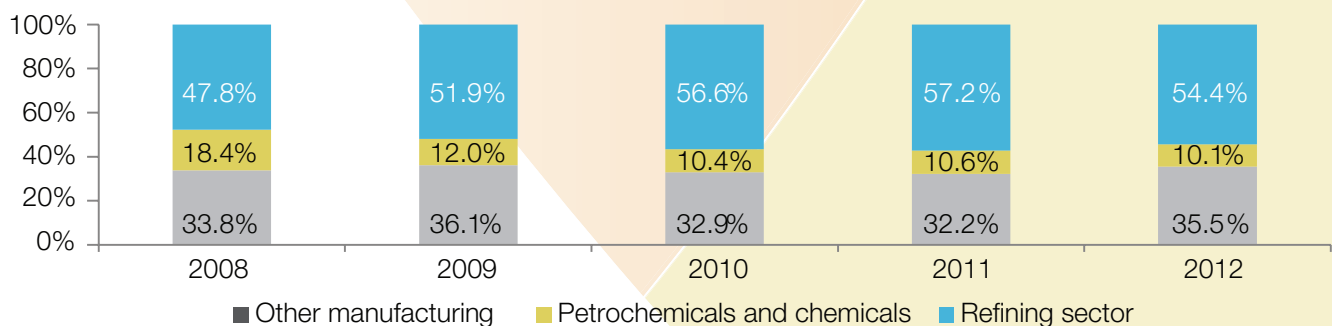
## Kuwait's GDP by main economic activities



Kuwait's progressing economic development accounted for a GDP of US\$166.7 billion in 2012, where the oil sector had a growth of 10 percent while the non-oil sector grew by 4 percent. The increasing production and prices in the oil sector contributed significantly to Kuwait's economic growth rate of 6.2 percent.

Source: GPCA, GCC petrochemical and chemical industry (facts and figures 2012), 2013

## Manufacturing sector share of GDP



Source: GPCA, GCC petrochemical and chemical industry (facts and figures 2012), 2013

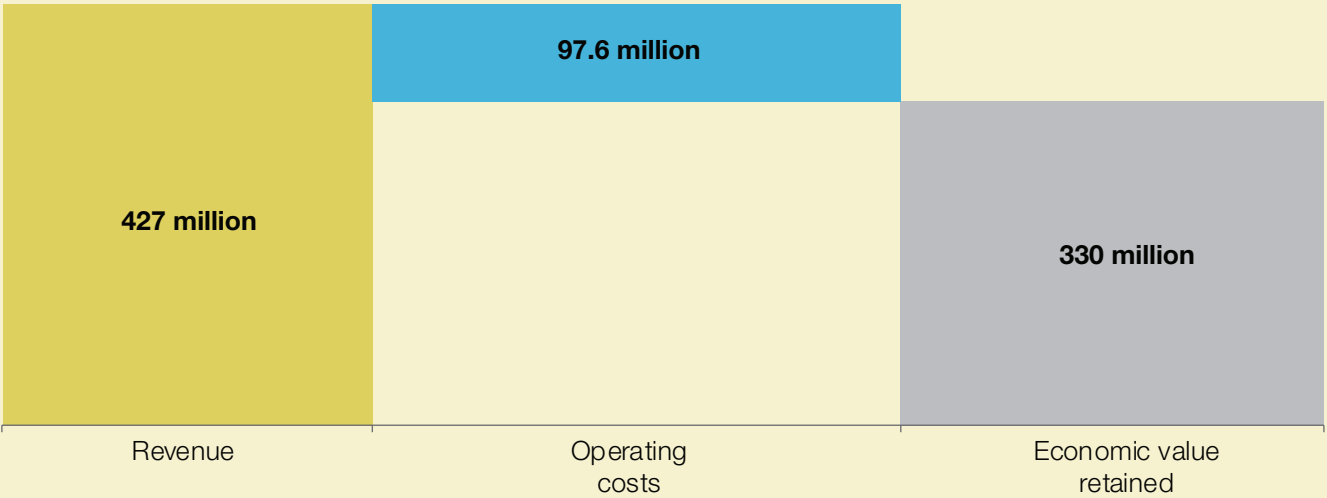
The manufacturing sector of Kuwait, which is a key beneficiary of the Kuwait Development Plan, contributed US\$7.7 billion — which accounted for 4.6 percent of the country's GDP in 2012. The petrochemicals industry generated US\$0.77 billion which accounted for 10 percent of the manufacturing sector's value, according to the latest GPCA report in 2013.

Chemical exports from the GCC have grown rapidly over the past decade driven primarily by capacity expansions. The volume of chemical exports in 2012 reached 60.7 million tons, double the volume as compared to the previous decade. The majority of chemicals exported by the GCC are petrochemicals, which accounted for 66.7 percent of the total chemical exports in 2012. The petrochemical exports of Kuwait, of which fertilizers and polymers have a major share, grew at a CAGR of 4.5 percent from 2002 to 2012.

## Economic performance of PIC

Over the past 50 years, we took confident steps in the petrochemical industry and established ourselves as an economic force locally, regionally and internationally. We also successfully participated in mega projects, both inside and outside Kuwait, and became a major contributor to Kuwait's national income. We will continue our growth by implementing ambitious strategic expansion plans. These include a potential third olefins project and a second aromatics project. Our ambition, which is part of KPC strategy, is to expand our annual production to 15 million tons of petrochemical products. Therefore, we aspire to achieve US\$20 billion (KWD5.36 billion) of sales by the end of 2025 in the global markets. We strive to maximise the economic value we bring to our stakeholders through efficient management and competitiveness. This year we generated revenue

exceeding KWD427 million. We strived to ensure that the economic value we generated was distributed amongst different stakeholder groups. From the total revenue generated, the economic value distributed was over KWD97.6 million.



*Note: Values in KWD*

### Local and international investment

We have been able to create a diversified portfolio through our local and international investments, which has helped us become a significant player in the global petrochemical industry. We continue to invest in various projects through our joint ventures to achieve our target of diversifying into new markets. To ensure that we embed sustainability within our investment practices as well as reduce economic, environmental and governance risks, we have developed a responsible investment policy.

## Responsible investment policy

In 2013–14, we developed a responsible investment policy based on the United Nations Principles of Responsible Investment (UNPRI). The PRI is comprised of a set of principles on incorporating environmental, social and governance (ESG) related factors into both prospective and existing investments. Although the responsible investment policy is based on the UNPRI, it is also bound by Kuwaiti law with strict exclusion criteria based on PIC’s core values and principles for both greenfield as well as brownfield investments. With the adoption of principles of responsible investment, and through the incorporation of ESG criteria into investment decisions, PIC hopes to achieve long-term competitive advantages of managing operational and country-specific risks, and also improve stakeholder confidence by managing stakeholder expectations.

### PIC responsible investment policy on how to integrate ESG considerations into investment decisions

The criteria adhere to conventions and agreements ratified by the Kuwaiti government and in line with PIC’s core values and mission and with relevant global agreements.

**Principles for choosing exclusion criteria**

The policy aims to implement the principles of responsible investment in the pre-investment and post-investment process by adopting an active ownership approach in all its existing and future investments.

**Approach to responsible investment**

The policy proposes PIC’s approach to communicating its responsible investment guidelines and processes.

**Approach to communication**

The approved PIC Responsible Investment policy and procedures will be followed during the opportunity identification and feasibility study stage for the investment opportunities in the pipeline to ensure the consideration of sustainability evaluation criteria into investment decisions. Each new pre-investment decision will be screened to evaluate ESG criteria using a pre-investment screening tool, which will produce a country-specific ESG risk map. The team involved will be able to make appropriate risk management or mitigation plans based on the results from the pre-investment screening.

Although the PIC policy and exclusion criteria developed in 2013-14 was for the pre-investment process, we have also proposed a roadmap to fulfill the principles of responsible investment throughout the investment cycle.

### PIC roadmap for PRI

1. Develop ESG strategy and policy	2. Integrate ESG in the investment process		3. Monitor progress and report externally
	Pre-investment	Post-investment and exit	
<ul style="list-style-type: none"> <li>» Commitment to PRI</li> <li>» Strategic positioning</li> <li>» Exclusion criteria</li> <li>» Process for ESG integration in investment process</li> </ul>	<ul style="list-style-type: none"> <li>» Pre-investment screening and assessment tools for identifying material risks</li> <li>» ESG Due Diligence</li> </ul>	<ul style="list-style-type: none"> <li>» Sustainability performance improvement programme</li> <li>» Sustainability expectations and requirements</li> <li>» Stakeholder engagement and dialogue</li> </ul>	<ul style="list-style-type: none"> <li>» Aim to publicly report on responsible investment process</li> </ul>

By having a responsible investment policy, PIC has become one of the few companies in the region to have incorporated ESG criteria into investment decisions. Initiatives like these clearly emphasize the importance given by PIC to embed sustainability throughout the value chain.

### Expenditure towards environment

Petrochemical industries are an energy intensive industry and we are committed to reduce our environmental footprint. Being an environmentally conscious organization, we consider it to be our responsibility to protect the natural environment. Total environmental expenditure during the reporting period amounted to KWD216,689.

### Improving productivity using Six Sigma

Our Six Sigma program has contributed to the improvement of plant and employee productivity, which has increased profits and reduced operational costs.

For seven consecutive years, PIC has successfully implemented Six Sigma methodology to:

- » Improve efficiency in all the Company's technical and administrative operations
- » Optimize human resources and raw materials
- » Decrease error and product incompatibility as well as to maintain conformity with product specifications
- » Minimize lost time in operations
- » Reduce costs and increase profits



Since 2007, we have executed 426 Six Sigma projects, which resulted in a saving of US\$140 million (KWD39.36 million). During 2013-14, 11 of PIC's employees received Green Belt certification and 10 employees received Black Belt certification in Six Sigma methodology. In 2013, PIC saved US\$31 million using Six Sigma projects, including 12 HSE-related projects.

## Indirect economic development

The petrochemicals industry, and PIC as a company, has a major role to play in developing the State of Kuwait's economy. Apart from directly contributing to the GDP of the State of Kuwait, we also have a role in improving the economic condition of the region by supporting local resources through local employment, and by supporting the development of local suppliers and entrepreneurs.

### Local employment

At PIC, we strive to encourage local talent and we want local people to play an active role in the development of the Kuwaiti economy. Our employee profile fulfills our commitment to the Government of Kuwait's Kuwaitization target and our parent company KPC's 2030 target of 85 percent Kuwaitization. Of 613 total employees, 100 percent of top management and 89 percent of senior managers are Kuwaiti citizens. We believe we have a responsibility to contribute to the economic development of Kuwait by recruiting, training and retaining local talent.

### Employee benefits

In order to ensure we recruit and retain the best and brightest minds, we offer favorable benefits to our employees including: annual leave entitlement, social security benefits, medical insurance coverage, family increments, inflation adjustments, moving expenses, as well as others based on merit and service to the Company. We also provide a motivational increment for Kuwaiti employees. In addition to the benefits mentioned above, we offer attractive wages that are 2.2 times the minimum wage at entry level in the public sector in Kuwait.

We also participate in employee retirement plans to provide retirement salaries from the government fund as well as from the oil sector insurance retirement fund for Kuwaiti employees. Non-Kuwaitis, who are residents of GCC, are also eligible for the retirement salaries.

### Retirement benefit plans for PIC employees

Employment duration	Kuwaiti	Non-Kuwaiti (GCC residents only)*
First 5 years	Yearly payment equivalent to 30 days of salary to the retirement fund	Yearly payment equivalent to 15 days of salary to the retirement fund
After 5 years	Yearly payment equivalent to 45 days of salary to the retirement fund	Yearly payment equivalent to 30 days of salary to the retirement fund

*\* Total end of service benefit should not total one and one-half years of a person's salary during employment*

### Gender equality

We ensure that opportunities for promotion and wages are provided equally without any gender discrimination. More details on our policies on gender equality are covered in 'Our people and community' section on page 56.

## Wage ratios

Grade	Wage ratio (M:F)
Top Management*	
Grade 18-20	1 : 0.93
Grade 15-17	1 : 0.94
Grade 1-14	1 : 0.88

*\*Among the 5 employees in the top management, we had no female representatives in 2013-14*

## Supporting local suppliers

We understand the importance of sourcing our supplies locally to help generate sustainable value and enhance our supply security. Supporting local suppliers promotes development of the local economy as well. We also recognize the need to ensure that our suppliers adhere to sustainable practices in line with PIC sustainability policies. To improve and develop sustainability practices among our suppliers we developed a sustainable procurement policy that will become an integral part of every supplier agreement. We also aim to train and support local suppliers in improving their sustainability performance. By using sustainable procurement practices, we will meet our needs for goods and services while creating long-term value for all our stakeholders.



## Sustainable procurement policy

The purpose of this policy is to ensure that all our suppliers adhere to sustainability practices as per GRI guidelines and to make clear to all PIC purchasing staff the meaning of sustainable procurement, and how we propose to work toward achieving it. The policy applies to all PIC procurement activities and governs PIC's approach to procurement.

Incorporating sustainability into  
procurement process

- 1 Assessing the need
- 2 Defining the need
- 3 Evaluating options
- 4 Design and specifying the objects
- 5 Supplier selection
- 6 Tender evaluation
- 7 Post-contract management
- 8 Supplier development

### Objectives of PIC's sustainable procurement policy

- » To comply with all relevant legislation and regulatory requirements
- » To promote sustainable awareness among the suppliers and contractors
- » To procure sustainable products and services
- » To include sustainable criteria while evaluating the offers received from the suppliers
- » To analyze the benchmarked performance in order to identify the areas for improvement
- » To use the measures developed in order to monitor our sustainable practice with a view to seek continual improvement
- » To use the results of the monitored practice in order to benchmark our performance against sustainability criteria based on GRI guidelines

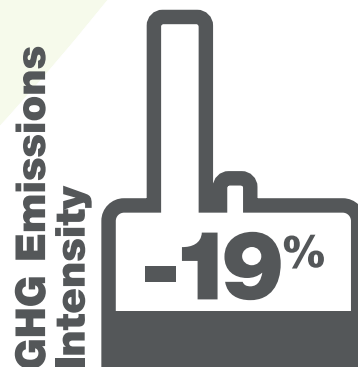
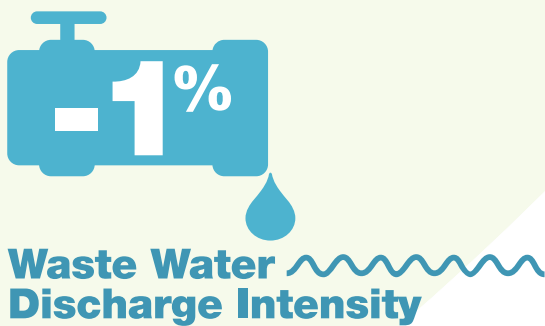
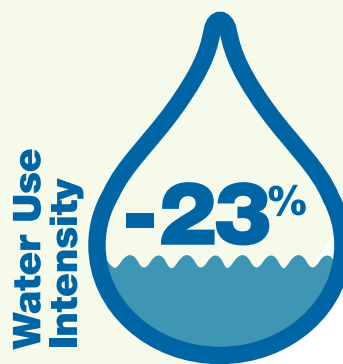
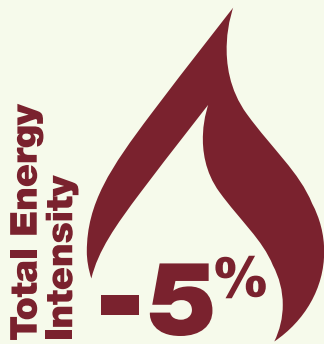




# *Our environmental impact*



# Key facts of 2013–14

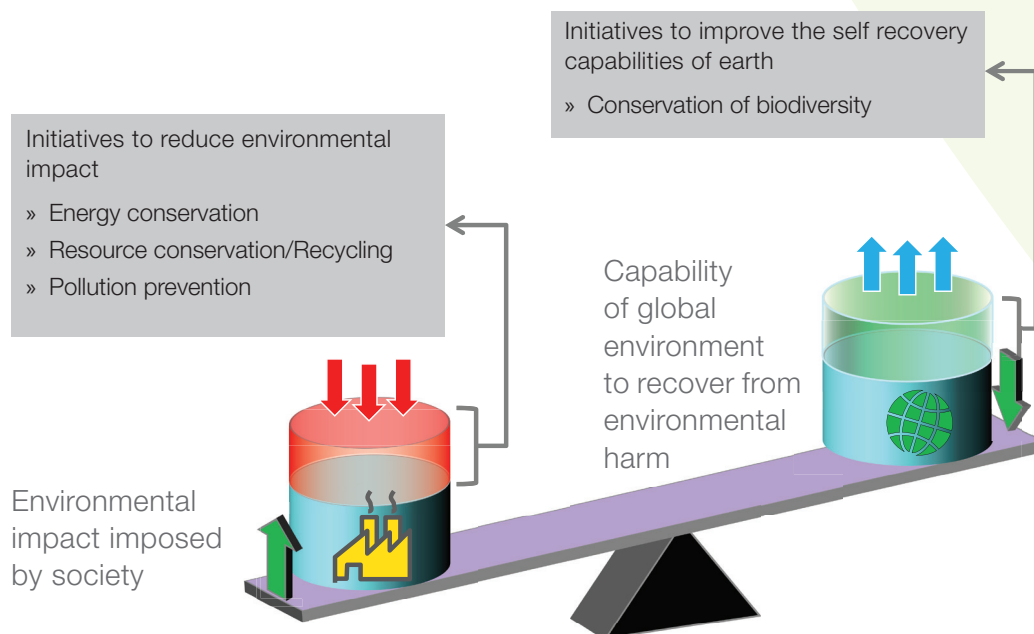


Environmental issues pose a significant long-term threat to our planet. The current rates of consumption and inefficient use of non-renewable resources are unsustainable and must be addressed. Businesses around the world are taking the lead on these issues and have placed environmental issues high on the corporate agenda. Businesses impact the planet's natural resources and ecosystems. Therefore, issues such as global warming, depletion of renewable and non-renewable natural resources and ecosystem degradation pose significant long-term business risks. But at the same time, protecting the environment can present opportunities for innovation and growth. We at PIC aim to produce high-quality products for our customers, while reducing costs and minimizing our own environmental footprint through economical use of resources and improving operational and energy efficiency.

The threat of climate change is imminent and the Fifth Assessment Report (AR5) by the Intergovernmental Panel on Climate Change (IPCC) has concluded that there is a 95 percent probability that human action is the dominant cause of climate change. The report represents a confirmation of global warming trends and the expected negative impacts of current emission pathways on the global climate.



We understand and accept the fact that our operations, by the use of renewable and non-renewable natural resources, impact the environment through emissions to air, land or water, and therefore could lead to biodiversity loss and climate change. We strive to actively monitor, track and manage our impacts through initiatives on energy conservation and prevention of global warming, resource conservation/recycling and pollution prevention. In addition, we actively support initiatives in Kuwait to conserve biodiversity and to achieve the long-term aim of minimizing the impact of business on the environment.



As represented in the accompanying graphic, our environmental conservation efforts have progressed from a passive phase to a proactive phase.

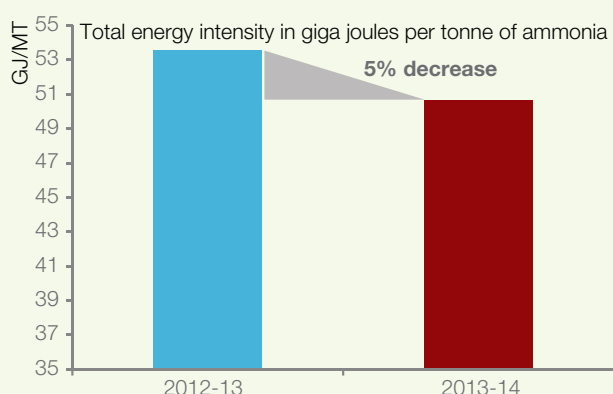
	Passive	Proactive	Responsible
Purpose	Coping with external requirements <ul style="list-style-type: none"> <li>» Laws and regulations</li> <li>» Competition</li> <li>» Customers</li> </ul>	Carrying out our mission as a global citizen <ul style="list-style-type: none"> <li>» Self-imposed responsibility</li> <li>» Long-term sustainability strategy</li> <li>» Voluntary activities</li> </ul>	Creating sustainable value for all stakeholders while conserving the environment
Activities	Passive measures to meet laws and regulations, competing with other companies, and satisfying customer needs	Self-imposed activities and targets to reduce environmental impact <ul style="list-style-type: none"> <li>» Energy conservation</li> <li>» Resource conservation and recycling</li> <li>» Pollution prevention</li> </ul> Improved environmental awareness of all employees	<ul style="list-style-type: none"> <li>» Understanding impacts over the overall product lifecycle and undertaking initiatives to have a positive impact on all stakeholders</li> <li>» Proactively sharing knowledge and working with peers to spread awareness</li> </ul>

In the past, we had carried out activities to adhere to local environmental laws and regulations and to meet societal pressures. But in the proactive phase, while continuing to meet external (legal and social) requirements, we have also voluntarily set long-term targets to reduce our operational impacts through the 2017 PIC Sustainability Goals. Through our dedicated efforts in 2013–14 we are on track to meet our targets.

# Impact of PIC operations on the environment

## Energy use

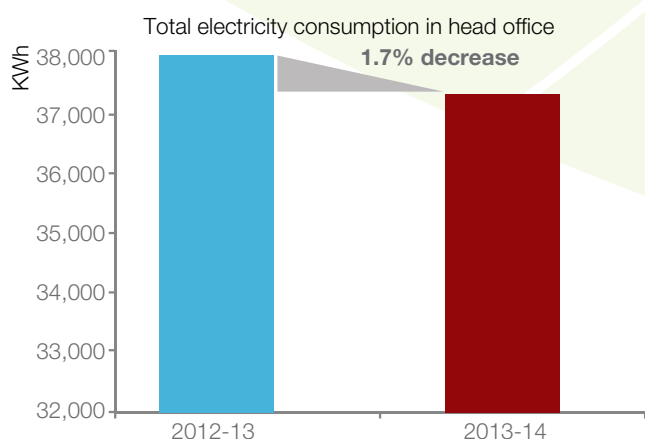
Globally, the industrial sector accounts for almost 30 percent of the total energy consumption (IEA, 2013)\*. Our fertilizer and petrochemical manufacturing is a highly energy-intensive process, utilizing process gas and fuel gas as direct energy sources. It also involves multiple unit operations, which consume indirect energy in the form of electricity usage. One of our key objectives as part of the 2017 PIC Sustainability Goals is to reduce the energy intensity (the amount of energy used to produce a ton of product) of our operations. We have managed to reduce our total energy intensity (sum of direct and indirect energy intensities) by 5 percent in 2013-14 when compared to the total energy intensity in 2012-13. In 2013-14, we carried out a detailed audit of energy consumption and compared our energy intensity with peers through benchmarking. Based on the findings, we installed new flow meters to cover a broader boundary. As a result, we have been



able to monitor our energy consumption more comprehensively. Therefore we have restated the 2012-2013 figures in this report to accurately represent our energy intensity.

During 2013-14 PIC achieved record production, driven mainly by increased efficiency in operations. The total ammonia output in 2013-14 was 10 percent more than the output in 2012-13. The increase in total direct and indirect energy (electricity) consumption in 2013-14 can be attributed to the increase in production.

Year	2012-13	2013-14
Total direct energy consumption (GJ)	31,097,319	32,307,018
i) Direct energy from process gas consumption (GJ)	13,728,335	14,354,390
ii) Direct energy from fuel gas consumption (GJ)	17,368,984	17,952,628
Total indirect energy consumption (MWh)	282,351	329,326
Total indirect energy consumption in head office (KWh)	38,194	37,521
Total ammonia output (MT)	599,045	659,790



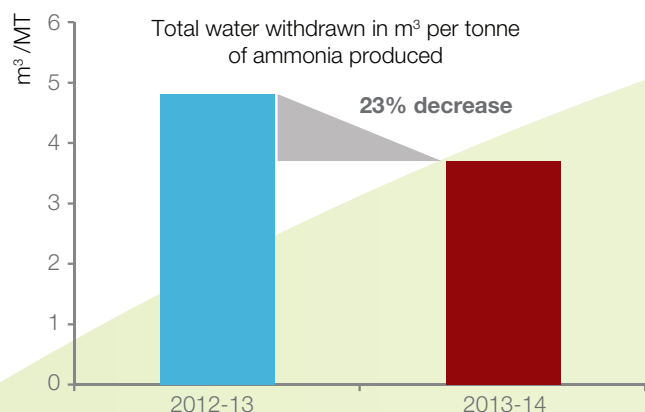
The electricity consumed by our head office also forms part of our indirect energy consumption. Our general services department has been implementing Six Sigma projects since 2008 to reduce energy consumption in the head office. During the 2013-14 reporting period, the electricity consumed in our head office decreased by 1.7 percent when compared to the consumption level in 2012-13.

## Leadership in Energy and Environmental Design (LEED): Targeting Gold Certification

In 2013-14, as part of the long-term sustainability objectives, we carried out site survey, measurement and verification of parameters as per the LEED standard for the PIC head office building. On the basis of the findings of the audit, we aim to implement projects to have the head office building LEED gold certified by 2015.

\*"Key World Energy Statistics," International Energy Agency, 2013.

## Water use



Despite being one of the world's most arid countries, Kuwait has one of the world's highest per capita water consumption levels. The country's water extraction is forecast to increase by a staggering 36.4 percent over 2014-2018 as a result of increased irrigation needs, population growth, and wasteful water use practices due to heavy subsidization of water utilities (Business Monitor International, 2014)\*. Reducing water intensity (the amount of water required to produce a ton of product) of our operations and conserving this precious resource is a key component of the 2017 PIC Sustainability Goals.

Due to the lack of fresh water resources in the country, we source all (100 percent) of our water directly from municipal water supplies. Our water usage intensity in 2013-14 has decreased by 23 percent when compared to the water usage intensity in 2012-13. We were able to reduce our water usage predominantly through initiatives to improve our operational efficiencies.

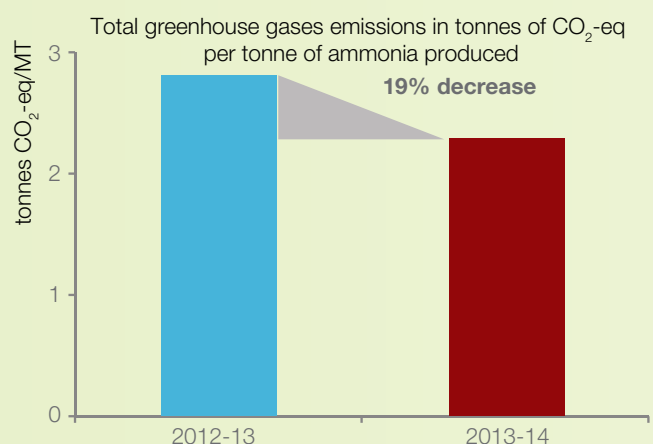
## Discharge to the environment

In addition to direct and indirect energy use, and water consumption, our operations affect the environment through emissions to air, water and soil.

## Emissions to atmosphere

Our emissions to the atmosphere include the release of greenhouse gases (CO<sub>2</sub>) along with other pollutants like NO<sub>x</sub>, SO<sub>x</sub>, and others.

The emission of greenhouse gases (GHG) is a major concern around the world. As noted, scientists have been able to conclude with growing confidence that human actions and the resultant release of GHGs are directly linked to climate change and the problems associated with it. These GHGs include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF<sub>6</sub>). KPC and its subsidiaries (including PIC) are actively involved in monitoring, managing and reducing these GHGs. This would allow us to be ahead of any future regulatory requirements related to GHGs and reduce operating costs through improved operational efficiencies. We aim to reduce our GHG emissions through efficiency improvements within operations, reduced flaring, fuel substitution, or other projects to prevent CO<sub>2</sub> venting.



One of the 2017 PIC Sustainability Goals is to reduce our GHG intensity (amount of CO<sub>2</sub> released per ton of product). There are two types of emissions that are included in our calculation of total GHG emissions,

### Scope 1

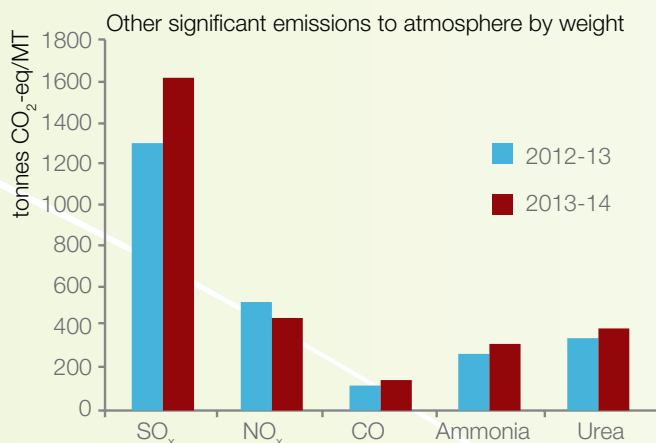
- » Total GHG emissions from fuel emissions from direct energy consumption
- » Total emissions from CO<sub>2</sub> losses

### Scope 2

- » Total GHG emissions from electricity consumption

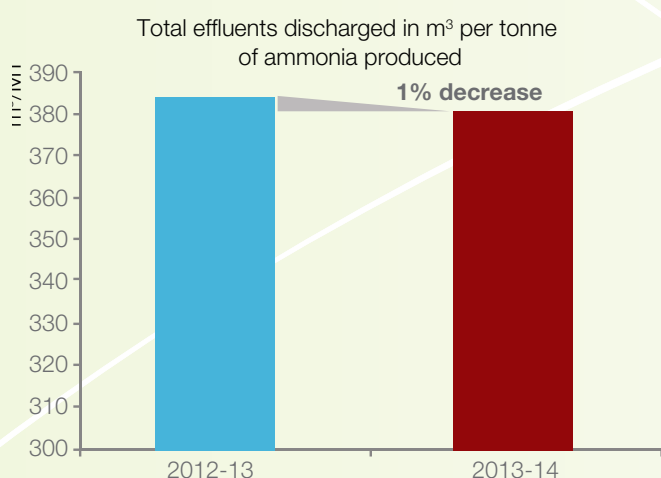
We were able to reduce our operational GHG emissions in 2013-14 by 19 percent compared with that in 2012-13. We achieved this reduction through various initiatives to improve operational efficiencies as well as due to the adoption of a long-term sustainability objective to review all operational activities for sustainability improvements.

\*"Kuwait Water Report," Business Monitor International, 2014.



Besides tracking CO<sub>2</sub> emissions, we monitor our other emissions to the atmosphere, including NO<sub>x</sub>, SO<sub>x</sub>, CO, ammonia and urea. This is to meet the Kuwait Environmental Protection Agency's (KEPA) regulatory requirements, as well as to ensure that our operations do not harm the local communities around our manufacturing plants. We value the concerns raised by the local community about our operations, and therefore we ensure that we monitor and analyze every issue raised. In 2013-14, although we received some complaints from our neighbors about ammonia smells, none of the incidents turned out to be ammonia leaks above the KEPA limits.

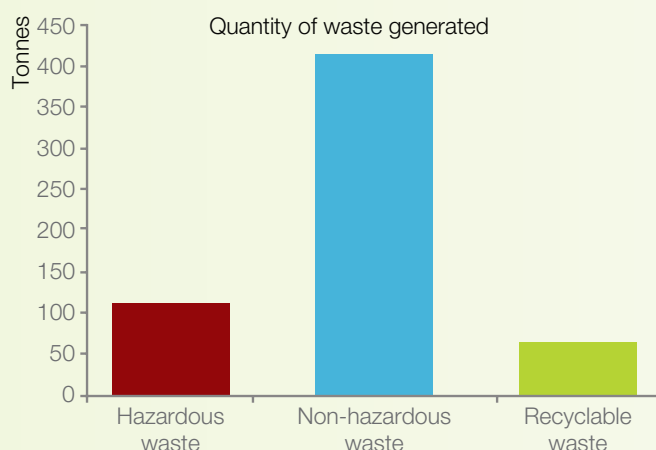
### Emissions to water



The State of Kuwait is famous for the diversity of fish that live in our seas. Fishing was one of the main sources of food for our ancestors, and continues to enrich our local cuisine. In the past decades, the discovery of oil has fueled unprecedented economic growth and given birth to our current industrial economy. One unintended consequence is the increased industrial waste being discharged into our seas.

We at PIC acknowledge our impact on this precious resource and have managed to reduce the discharge of effluents from our manufacturing operations in 2013-14 when compared to 2012-13.

### Emissions to soil



Kuwait has more than 5,000 industries and as a result approximately 47,000 tons of industrial wastes are produced every year (Alhumoud and Al-Kandari, 2008)\*. Our emissions to soil include hazardous waste that is managed as per local regulations, non-hazardous waste that is sent to landfill and recyclable waste. In 2013-14, our hazardous waste consisted of:

- » Contaminated oil
- » Used monoethanolamine (MEA)
- » Laboratory chemicals
- » Chemical filters
- » Medical waste

Other emissions to the environment include spills, which are one of the inherent risks of the petrochemical industry. Our employees, neighbors, and customers trust PIC to safely produce, transport and store products. We aim to work diligently to minimize spills and thereby reduce the corresponding environmental impact. In 2013-14, we did not have any significant spills to the environment. We also did not receive any complaints from any of our neighbors regarding any negative impacts of our operations.

\* Jasem M. Alhumoud, Fatima A. Al-Kandari, (2008) "Analysis and overview of industrial solid waste management in Kuwait," *Management of Environmental Quality: An International Journal*, 2008, Vol. 19( 5), pp.520-532



# Initiatives to reduce our environmental impact

We believe that initiatives to improve our energy efficiency and reduce water use and GHG emissions will not only help us reduce our environmental impact but also improve operational efficiencies and reduce costs. We do not view initiatives for environmental conservation as a burden, but as a means to create long-term value for us as well as for all our stakeholders.

In 2013–14 in addition to Six Sigma projects to reduce our environmental impact, we adopted a long-term sustainability objective to “review all operational activities to assess and improve sustainability-related actions with regard to pollution prevention, resource reduction (e.g., water, energy), biodiversity and waste management/recycling.”

The following were some of the activities done during 2013-2014 toward energy/water/GHG reduction:

## Direct energy consumption



To reduce steam consumption and heat loss

- » Purchase of a new high-efficiency turbine rotor for DK3302
- » Replacement of most of the conventional traps with venturi type traps
- » Replacement of insulation of all auxiliary steam boilers and super heaters
- » Initiation of a reliability team to identify all steam leaks in the steam drive turbines

To improve equipment efficiency and reduce energy intensity

- » Replacement of low-pressure membranes of the hydrogen recovery unit to increase hydrogen recovery and reuse, reduce flaring and thereby produce more ammonia
- » New oil filter for fuel gas to ammonia II primary reformer
- » Initiation of manual vibration monitoring program for all rotor equipment that are not equipped with online vibration monitoring
- » Replacement of the old oxygen analyzers with new, more reliable analyzers for all furnaces

To reduce venting or loss of synthesis gas

- » Replacement of the ammonia condensers E1409A/B with modified titanium base type
- » Preventive inspection (for Eddie current) for all main heat exchangers to reduce the venting of synthesis gas caused by partial shutdown of the plants due to heat exchanger leakage repairs
- » Modification of the second stage thrust collar at K1303 (synthesis gas compressor)

## Indirect energy consumption



Replacement of all low-performance, high-tension power cables

- » It was detected that high-tension (HT) cables and motors had an insulation resistance (IR) of 23.63 percent. Due to the defective cables, average yearly production loss of 2392 MT of ammonia and 3745 MT of urea was recorded. The initiative helped to reduce the defects in high-tension cables and electrical equipment by 70 percent and is estimated to save \$0.7 million annually.

Initiatives to reduce electricity usage in transformers

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## Water usage



Reuse of water from hydrolyser unit for irrigation

- » The unit accounts for almost one-third of PIC's water demand and the effluent is discharged into the sea. The water discharge is now reused within the fertilizer plant for irrigation and in the toilets. This has reduced the monthly average fresh water consumption in the plant by more than 28 percent and is estimated to save almost \$170,000 annually.

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## Greenhouse gas emissions



- » Recovery of CO<sub>2</sub> from the interstage separator of the CO<sub>2</sub> compressor to reduce CO<sub>2</sub> emissions and to produce more urea

Although we have not monitored the contribution of each of the above mentioned initiatives to the reduction of our energy, water and GHG intensities, they have helped us to improve our overall operational efficiency in 2013-14, resulting in a 10 percent increase in production in 2013-14 when compared to the same in 2012-13. We would like to state that an additional reason for the significant improvement in environmental performance in 2013-14 when compared to 2012-13 was due to a turnaround in April 2012, resulting in higher-than-normal energy, water and GHG intensities for the month, which led to higher intensities for 2012-13.

### Energy optimization committee

Our management is committed to initiatives on energy optimization. A permanent committee was formed in 2002 to optimize and control energy consumption. The committee has yearly objectives based on an energy management strategy and its members meet every month. Owing to the committee's initiatives PIC has achieved a 10 percent reduction in direct energy intensity since 2002. Training and awareness programs conducted by the committee enhanced the knowledge of the operating and maintenance staff regarding energy saving and improved control of energy use.

## Measures to improve the self-recovery capability of earth

Human activities leading to loss of natural capital have significantly affected the capacity of the earth to recover from the harmful effects of climate change. We believe that along with activities to reduce our environmental impact, businesses can play an important role in conserving biodiversity in the region. We at PIC have taken a leadership role in organizing many events that help to conserve biodiversity in the region and to improve the self-recovery capability of earth. Further details about these initiatives can be found in the 'Our people and communities' section on page 63.



# *Our people and communities*

# Key facts of 2013–14



Improving the quality of life of our people and ensuring safe, healthy workplaces for them and our host communities is a continuous process for us. The development of PIC over the past 50 years is a narrative of how a state-owned enterprise evolved to a global enterprise, while shouldering the responsibilities to society. As a major supplier of petrochemicals, our products already benefit countless people each day by making everyday items safer and convenient. We believe that our business success is closely linked to our relationship with multiple stakeholders, especially our people and communities.

## Code of conduct

As one of the KPC group of companies, we all share the same code of conduct. The committee responsible for developing and updating the code has representatives from every company in the group, including PIC. The code guides employees in their business and professional activities, including their interactions with colleagues, vendors, customers, contractors, government agencies and the public. This document serves as a reminder to all employees that it is important for all of us to uphold the highest standards of integrity and personal conduct in all matters that involve PIC. The code includes the following elements:



RESPECT



ENVIRONMENT



COMMUNITY



ETHICS

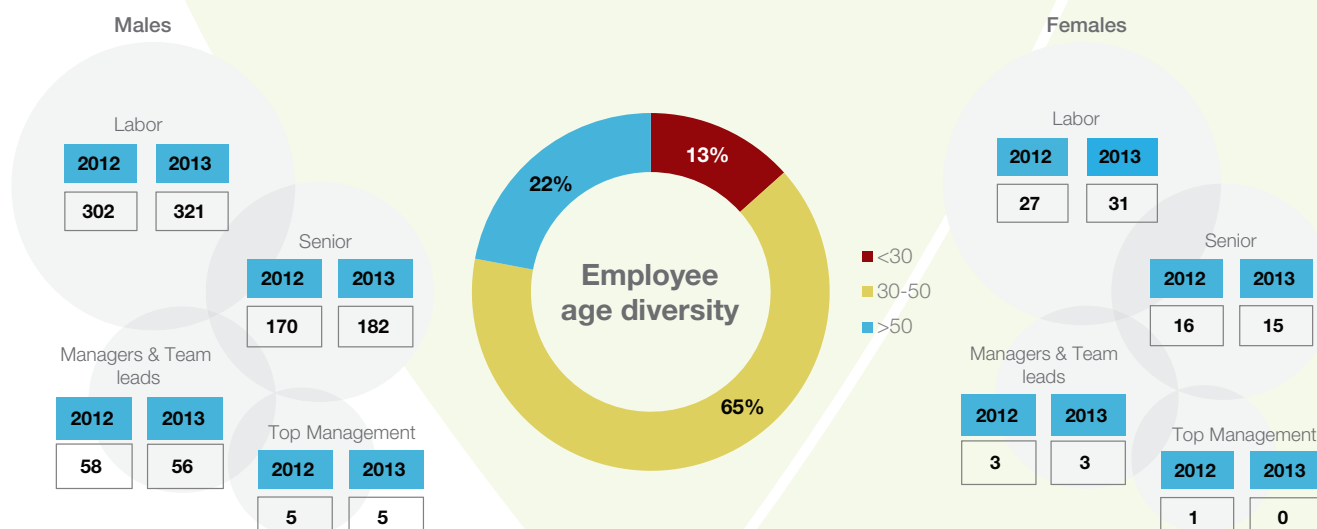


CONFIDENTIALITY

## A diverse and dynamic workforce

Our view on the diversity of our people is more than just gender, age, or race; we view it as the blending of experience levels, cultures, talents, competencies and decision-making styles. We work toward building a working environment based on equal opportunities.

## Our employee demographics and dynamics of gender diversity, 2013



We are very proud to announce that we offer the same opportunities to both men and women, and are continuously looking to increase the ratio of women in the workplace. The ratio of women to men in the workplace is increasing worldwide, and Kuwait is no different. We recognize this trend, welcome this cultural shift and will continue to foster and nurture it in our workplace. Our employee profile fulfils our commitment to the Government of Kuwait's Kuwaitization target and our parent company KPC's 2030 target of 85 percent Kuwaitization. We have already achieved KPC's Kuwaitization target and out of our 613 total employees 100 percent of top management and 89 percent of senior managers are Kuwaitis.

## Caring for our people

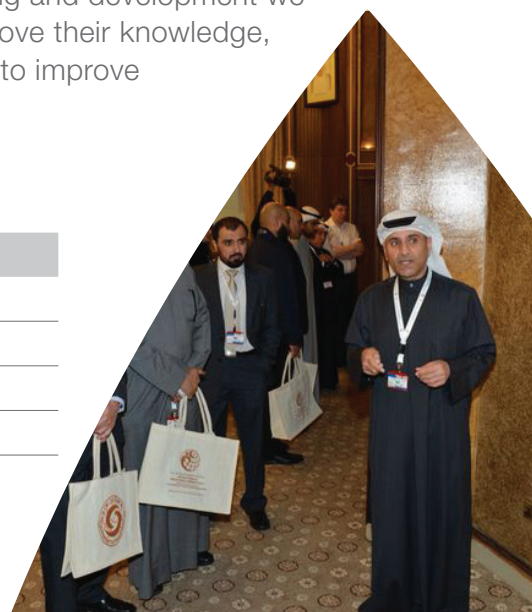
Our people are our most important asset. We offer them significant opportunities that promote high performance, accountability and sense of ownership. We offer possibilities for creative, talented people to cultivate their potential and allow them to take the lead in their careers. In order to attract and retain talent, we offer our employees competitive salaries and benefits that reflect the high level of skill and experience expected of them. These benefits include annual leave entitlement, social security benefits, medical insurance coverage, family increments, inflation adjustments, moving expenses, as well as other "special" privileges based on merit and service to the Company. We also take care of our retirees by assisting them in managing the end of their careers. Along with employee pensions, we provide pre-retirement training for employees intending to retire as well as assistance on transitioning to post-work living.

## Developing our people

The personal and professional development of our people is a priority for us and we use a variety of methods to help our people develop their capabilities. Through training and development we endeavor to provide our people with the opportunities to grow and improve their knowledge, skills and abilities. Programs are presented throughout the organization to improve technical and professional skills as well as leadership, management and sustainability-related competencies.


### Training our people

Group	Number of people trained	Hours trained
Top management	5	205
Manager and team leaders	59	2419
Senior	197	8077
Labor	352	14322





The Company provides a wide range of learning and development opportunities. Training opportunities are selected based on individual development and long-term objectives. During the current reporting period (2013-2014), training varied depending on roles and responsibilities. On average, we provided 41 hours of training per male and female employee. In total, we delivered 25,023 man-hours of training through various modes of training such as in-house training, internal workshops and e-learning modules.

Code of conduct	
 Ethics	<b>I pledge to act ethically</b>

In order to ensure that our employees exemplify our values and act according to the code of conduct, we organize training sessions on our anticorruption policies and procedures. We made incremental improvements in our corruption prevention systems by integrating corruption prevention training with internal controls. In 2013, 98 percent of our management employees, and 95 percent our non-management employees, received anticorruption training.

In addition, as part of our commitment to talent development, to ensure global standards in leadership and to fulfil our future strategies, we conduct career performance reviews. Our goal is to create an engaging and inclusive working environment where people from all backgrounds have the same opportunity to make a contribution and advance on merit. In 2013, 97 percent of our people undertook career performance reviews. The few employees not participating in reviews experienced either a long absence or KPC secondments.

## Sustainability capability development

We at PIC recognize the pressure to remain profitable and succeed in a competitive marketplace while being responsive to environmental and social pressures. Our Human Resources (HR) department has developed a long-term sustainability capability development roadmap by setting its goals and objectives towards our ambition to embed sustainability within everything we do. Our goal is to enable our employees to understand more about sustainability, and PIC's role in sustainable development in Kuwait, in the petrochemicals sector and in the region.

We developed a new sustainability competency model to increase the level of organizational understanding of sustainability, and to ensure that our employees are able to implement sustainability initiatives in their professional and personal lives. As part of our long-term sustainability objectives, our HR department has started implementing a sustainability capability development training plan for our people, starting from top management down to all levels of employees. This year we have already conducted training/workshops on basic sustainability application for 57 percent of our managers and 56 percent of our team leaders. We have also developed an e-learning web-based course, which covers the general concepts of sustainability and specific sustainability issues of the petrochemical industry and Kuwait. We aim to roll out this module in 2014 and plan to train 70 percent of PIC employees (350 employees) online during fiscal year 2014/2015. In addition we also regularly send out sustainability awareness newsletters to all our stakeholders to ensure that they are aware of our sustainability-related activities.

# Engaging with our people

## Town hall

Town halls are essential for strengthening the relationship between the top management and our people by improving transparency within the organization. “We want to hear you” was the slogan for the second town hall that was conducted by our HR Department in December 2013. The town hall provided our people with an opportunity to interact directly with top management on our major financial, social and sustainability-related achievements during the past year and the strategic plans for the future.

## Self-service system for our people

A self-service system has been installed in our head office for employees to manage business processes, transactions and customer relationships.

## Employee engagement

The HR department organized an Employee Engagement survey to measure the engagement between employees and the Company. The survey achieved a response rate of 95 percent.

## Events at our Bubyen Club

For almost 40 years, PIC's Bubyen Club has been a venue for bringing together our employees for professional and personal development. At the Bubyen Club, we provide recreation, fitness activities and classes for our employees, their families and guests. In addition, a number of social events are hosted by the Bubyen Club throughout the year.




# Creating a safe and healthy workplace

We realize that our success is dependent on the wellbeing of our people. We recognize our duties and obligations to the health and safety of our employees, clients and contractors, and strive to create a culture of safety awareness. We endeavor to create a safe and healthy workplace for our employees and contractors by trying to minimize our recordable injury rate and process safety incidents. Our leaders and employees demonstrate an unfailing commitment to both safety and quality. Safety and quality at PIC are overseen by the Safety, Health and Environment Executive Committee (SHEEC). Our vision to adhere to international quality HSE standards can be reflected through our **Integrated Management System Policy on Quality, Health and Safety, Environment, Energy, Sustainability and Security.**


Code of conduct	<b>I pledge to protect the environment, health and safety of my colleagues</b>
	
ENVIRONMENT	

Additionally, we have set clear targets to protect our people and ensure safer facilities as a part of our 2017 PIC Sustainability Goals.

	<b>Protecting our people, strengthening our future</b> Minimize recordable injury rate
	<b>Safer facilities, safer communities</b> Minimize process safety incidents
	<b>Handle with care, every step of the way</b> Minimize spills



شركة صناعة البتروكيماويات الكويتية (س.ك.ب.ك.)  
PETROCHEMICAL INDUSTRIES COMPANY K.S.C.  
الكويت - منطقة الجاهل  
A Subsidiary of Kuwait Petroleum Corporation



### Petrochemical Industries Company

**Integrated Management System Policy**  
Quality, Health and Safety, Environment, Energy, Sustainability, and Security

Petrochemical Industries Company (PIC), as a globally recognized petrochemical player and leader in ammonia and urea manufacturing and marketing, is committed to the health and safety and security of its employees, contractors, visitors, customers, suppliers, distributors and the public and to the protection of assets as well as the environment and energy conservation and to ensuring that the quality of the company's products satisfies customers' needs, while striving for economic, environmental and social sustainability, through the implementation of high standards in health, safety, security, environment, energy, and quality, and adopting sustainability policies and guidelines that will guide decision making, leading to the long-term sustainability of PIC, promoting its compliance with these standards and guidelines, and giving them utmost precedence in business practices.


The implementation of this Policy is the responsibility of line management, supported by the Integrated Management System for occupational health and safety, environment, energy, quality and security management.

**To achieve this Policy, we are committed to:**

- Conduct our businesses in accordance with local and external legislative requirements, industry standards and best practices related to the Company activities.
- Give due attention to health, safety, security, sustainability, environment, energy and quality issues, by enhancing awareness and taking all reasonable efforts to eliminate the risk of injury, adverse environment and health impact; reduce wastes and emissions; and promote energy and other resources conservation at every stage of our products' life cycle.
- Establish, implement and maintain an effective Integrated Management System targeting occupational health and safety, environment, energy, quality and security management systems compatible with the requirements of PIC 14001, OHSAS 18001, ISO 14001, ISO 50001, and ISO 9001.
- Establish, implement and maintain effective reporting system in compliance with guidelines CS.1.
- Train and qualify employees and contractors to perform their tasks effectively.
- Set measurable objectives and targets to achieve the commitments stated within this Policy.
- Continue to improve the performance of the Integrated Management System.
- Promote and maintain a high level of awareness of workplace health and safety hazards and risks associated with them, and utilize the techniques necessary for minimizing risks as low as reasonably practical.
- Conduct regular audits on the Integrated Management System including occupational health and safety, environment, energy, quality and security and utilize audit results in the review of the system performance.
- Publish the Company's Integrated Management System performance transparently and be responsive towards Stakeholders.
- All PIC employees understand and comply with this Policy.
- This Policy is available to the public and is reviewed regularly.




Azaad Ahmad Al-Saad  
Chief Executive Officer



50 Years

February 2014



To track our progress in process safety management, we use leading indicators such as inspections and tests of equipment critical to process safety. We also measure lagging indicators that record events that have already happened, such as spills (loss of primary containment incidents), and develop lessons learned from these events. We have been able to successfully reduce our recordable injury rates. In 2013-14, our recordable injury rate was zero. Our commitment to safety and quality has also been validated by the internationally recognized standards of the International Organization for Standardization (ISO), Responsible Care®, and Occupational Health & Safety Advisory Services (OHSAS). The work processes and procedures to meet these international standards have become part of the way we work and have enabled us to achieve 13.4 million employee and contractor safe man-hours, as of the end of the reporting period. We also regularly publish our HSE key performance indicators and progress on our HSE projects. This information can be accessed through our website at: [http://www.pic.com.kw/Media\\_Resources.html#PICHSEKPIs](http://www.pic.com.kw/Media_Resources.html#PICHSEKPIs).

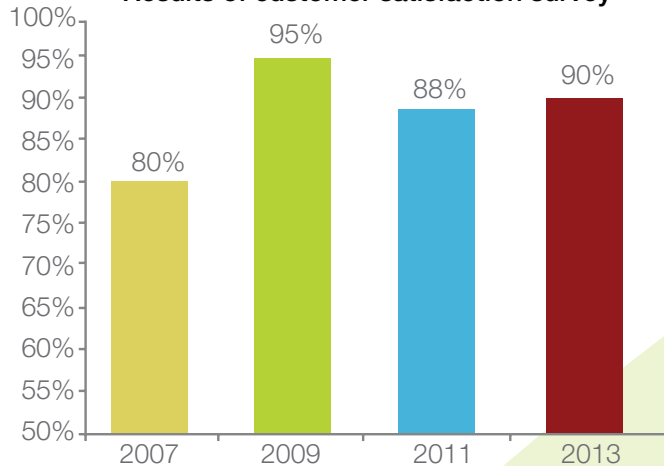




## Caring for our customers

We are also committed to ensuring that the products and services we provide are of the highest quality, meeting both local and international standards and meeting the needs of our customers. In a similar fashion, we are concerned not only about the direct impact of our operations, but also that we take every step possible to ensure the safe use of our products once they leave our site.

**Results of customer satisfaction survey**



We are a Responsible Care (RC 14001:2008) certified organization and we are committed to eliminating and reducing accidents and injuries during product transport, distribution and final use by the customer. We promote customer awareness about safe product handling through the distribution of Material Safety Data Sheets (MSDS) with every contract signed with our direct customers. We encourage our customers to translate the MSDS in local languages for use by their local end users as well. The data sheet provides details on the safe use and handling of the product, safe storage and transport, exposure limits, potential negative health effects in case of exposure and emergency procedures.

We also continuously engage with our customers to hear their views about PIC and our products. We believe that continuous customer engagement allows us to get direct feedback from our customers and gives us an opportunity to continuously improve our products based on customer needs. We also aim to learn more about our customers through on-going dialogue with them. We conduct customer satisfaction surveys biannually that cover a broad range of topics, such as marketing staff, supply reliability, documentation, handling complaints, payment methods, product quality, shipment execution and timely delivery.

Our latest customer satisfaction survey was carried out by a third-party to ensure objectivity. The response rate was 70 percent with an overall score of 90.2 percent. On average, customers believe that PIC keeps its commitments nine times out of 10. We acknowledge that there are opportunities for improvement and we aim to take steps to address the concerns raised. The areas where some customers felt we could improve were:

- » Payment terms (make them more flexible)
- » Contract negotiations (accommodate customer requests and update customer on changes)
- » Invoicing and documents (improve accuracy and settle invoices and claims quickly)

## Respecting our people

We realize that respect of the dignity, rights and ambitions of people is the cornerstone of business excellence in the 21st century and that supporting the protection of human rights within our sphere of influence is fundamental to our mission and values. The majority of our temporary labor force is outsourced to third party contractors and we ensure that every contract agreement complies with Kuwait's labor law as well as all human rights regulations adopted and acknowledged by the State of Kuwait. In addition, we have "contract supervisors" who are solely responsible for monitoring the performance of third party contractors, including their treatment of workers. We also ensure that all (100 percent) of our significant investment agreements with partners include clauses on the preservation of human rights as per Kuwaiti or other regional laws. Our code of conduct addresses topics such as respect of religious beliefs, safe working environment, employee indemnification, equal opportunity, fair treatment and freedom of expression. Our employees are also encouraged to join the PIC worker's union as per Kuwaiti law.

Code of conduct



RESPECT

**I pledge to respect my colleagues regardless of their nationality, race, religion or gender**

The PIC worker's union was established in 1971 with 22 employees. The PIC workers union falls under the umbrella of the oil and petrochemical workers union, which is considered the official workers union for oil sector employees in Kuwait. At present 550 of PIC's 613 (89 percent) employees are members in the union. Over the last 43 years the PIC worker's union has been working to improve working conditions for PIC employees, both individually and collectively.



As part of our commitment to creating awareness about human rights, we plan to roll out capability development modules on human rights for all our employees. Through such initiatives, we hope to make respect for human rights an integral part of every action of our people. The plan is to cover 70 percent of employees during the fiscal year 2014-15.

## Giving back to our people and community

As part of our role as a responsible business working toward sustainable development within the state of Kuwait, we also give back to our people and community through various social projects. We believe that real benefits can be gained by establishing an effective relationship with our neighbors. We aim to support worthy causes closely linked to our mission and encourage our employees to do the same. Our people also show their community spirit and make the Company proud by visiting hospitals, schools and homes for the elderly and participating in a variety of our sponsored social events, fitness activities, school trips and clean-up projects around Kuwait. The following section covers our year's main activities of giving back to our people and society. These activities have been closely linked to our Responsible Corporate Citizenship Goals as part of the 2017 PIC Sustainability Goals.

Code of conduct



COMMUNITY

**I pledge to contribute positively to my community**





## Champion healthy lifestyles and make life better

### Contract with Chest Diseases Hospital

In line with our mission, role and social responsibility, we signed a cooperation agreement with the Chest Diseases Hospital in Kuwait to support the hospital's effort in serving the community and providing education and health services. We aim to conduct health awareness campaigns for the public as well as for the hospital and our employees. We plan to train the hospital employees in the Six Sigma methodology and also on effective management practices. As part of the engagement, we partnered with the Chest Diseases Hospital and EQUATE to organize a walkathon titled "Friends of the Heart" for employees and the general public (men and women of all ages and children) under the patronage of the Minister of Health, Mr. Ali Al-Obeidi, and the Minister of Oil, Dr. Ali Al-Omair, on the 8th March 2014. The event attracted 400 participants including 120 of our employees, 80 employees from the Chest Diseases Hospital and 200 people from the general public.

### Healthy living

Good nutrition along with physical activity is an important part of leading a healthy lifestyle. PIC regularly organizes health awareness programs for our people. One such initiative is our Green Gergiaan initiative, which aims to increase healthy food choices among children during Gergiaan and cultivate healthy lifestyles at an early age. In addition, we conducted various activities championing healthy lifestyles, including awareness campaigns on healthy diets, heart health and the significance of vitamin D for our employees. We also communicated health messages through our Company emails and magazines.



## Sponsor talent with a passion to build a better tomorrow

We at PIC invest in developing future leaders in Kuwaiti society by supporting activities carried out in collaboration with various schools, universities and other institutions. The main activity of the year was the organization of the first-ever competition for secondary level school students in the State of Kuwait. We did it in coordination with the Petroleum Engineering College for 255 schools in Kuwait. The competition, "Waste Management for Better Environment", offered KWD5,000 to the first place winner and incentivized students to understand more about their role in protecting the environment. We conducted workshops on the foundation of scientific research, on report writing and on presentation to guide and assist the students and their supervisors during the competition. We also maintain a close relationship with schools neighboring our facilities and have organized various events for the students.





## Champion the conservation of natural resources and work to protect our environment

We believe that along with activities to reduce the impact of our operations, we should be actively involved in conserving biodiversity and improving the capability of our fragile ecosystem to cope with the damage caused due to human actions.

### The Kuwait Green Wall

The Kuwait Green Wall is the largest environmental project in the nation's history; this 10-year project entails planting roughly 350,000 trees to form a green wall around the Kuwaiti border. The project aims to increase ecological awareness, preserve biodiversity and improve air quality. In 2013 we completed another phase of the Green Wall Project. In keeping with PIC's commitment to being a responsible corporate citizen and spreading sustainability awareness, volunteer societies and students were invited to participate in the planting along with PIC employees.

### Green Camp

After the success of the first "Green Camp" last year, PIC launched the second Green Camp in coordination with the Kuwait Society of Engineers. The Green Camp won several awards last year, including one from the Kuwait Environment Public Authority. During the opening ceremony, PIC CEO Asaad Ahmad Al-Saad re-iterated PIC's commitment to preserving the environment and stressed the importance of volunteerism and leadership in spreading good practices throughout Kuwaiti society. The camp used environmentally friendly materials during construction and renewable energy, such as solar energy, to generate electricity. The site acted as an example of a sustainable camp and aimed to increase the awareness of the general public.

### Beach cleaning

As part of our continuous corporate social responsibility activities, PIC organized a beach cleaning day on Balajat beach. A number of PIC employees participated in addition to school students, including children of special needs.

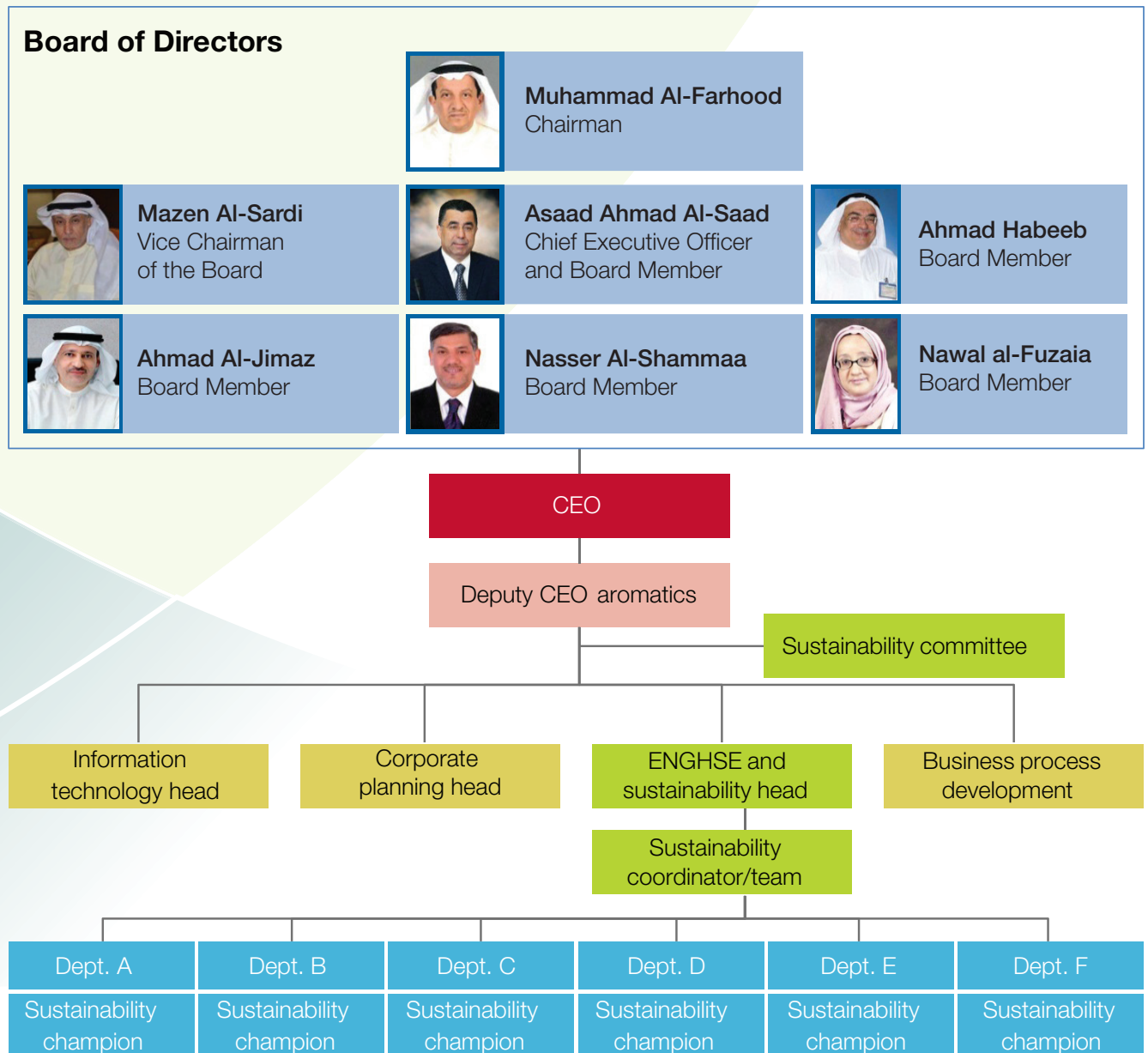




# *Governance, external commitments and engagements*

# Sustainability governance

The main purpose of governance at PIC is to guarantee our Company's commitments to all of its stakeholders. Sustainability governance defines expectations, delegates responsibilities, reviews performance and ensures that sustainability goals and strategies planned are accomplished. It defines the roles and responsibilities and establishes sustainability-related procedures that the organization should adopt to ensure that sustainability excellence is achieved in all activities and decisions of the organization. A governance structure formalizes the sustainability decision-making authority and ensures accountability. An effective governance structure ensures that sustainability performance is effectively managed, closely monitored and appropriately reported.





The Sustainability Committee, headed by the Deputy CEO of Aromatics, is responsible for guiding and overseeing the advancement of the sustainability agenda across the organization. The main role of the Sustainability Committee is to set sustainability-related policies and performance standards for all functions within our organization. The Sustainability Committee reports directly to the Board of Directors.

The Sustainability Committee meets on a monthly basis to track progress of sustainability initiatives and GRI indicators.

The Corporate ENGHSE department and the Sustainability Head hold the joint responsibilities of the Corporate ENGHSE department and sustainability function.

A supporting Sustainability Coordinator/Project Management Office (PMO) is responsible for managing the day-to-day operations of the sustainability function. This includes working with the Sustainability Committee and the sustainability champions in areas such as policy and strategy development, performance tracking and reporting, managing sustainability initiatives and stakeholder engagement.

Sustainability champions are departmental representatives who support the sustainability cause within the department and share good practices throughout the organization.

### **Linking sustainability to compensation**

PIC has a balance scorecard employee compensation system. For each manager, several sustainability targets and goals are set for the year and compensation is based on performance against the identified targets. When sustainability initiatives were identified, the responsibilities were allocated to managers across different departments and the goals were added to each manager's balance scorecard to ensure implementation. Our management decided to incorporate sustainability goals into the compensation scheme to ensure effective motivation and participation.

### **Procedures for overseeing and maintaining environmental, economic and social performance**

As discussed earlier in the report, Enterprise Risk Management has identified sustainability-related risks for PIC and their ownership was assigned to relevant departments. Each department is responsible for implementing mitigation measures to minimize or prevent the identified sustainability risk.

## **Our external commitments**

### **Certifications**

Our commitment to safety and quality has been validated by the internationally recognized standards of the International Organization for Standardization (ISO), Responsible Care® and Occupational Health & Safety Advisory Services (OHSAS). The work processes and procedures to meet these international standards have become part of the way we work at PIC. They assure our customers and stakeholders that we will meet their needs and provide high-quality products and services.



Certifications	Details	Audit frequency
Energy management system ISO 50001	ISO 50001 specifies the requirements for establishing, implementing, maintaining and improving an energy management system. The standard aims to help organizations to follow a systematic approach in improving energy performance to reduce their energy use, and therefore their energy costs and their greenhouse gas emissions.	Annually
Responsible Care (RC 14001:2008)	Chemical industry's unique global initiative that drives continuous improvement in health, safety and environment (HSE) performance, together with open and transparent communication with stakeholders. Similar to other sustainability initiatives, RC is a voluntary initiative that strives to contribute to sustainable development while allowing us to meet the world's growing demands for chemicals and the products those chemicals make possible. Essential to our commitment to Responsible Care, PIC looks to continuously improve our HSE performance by reducing or eliminating accidents and injuries.	Annually
ISO 9001:2008 QMS - fertilizers manufacturing and marketing ISO 9001:2008 QMS - polypropylene marketing	Published by the International Organization for Standardization (ISO), ISO 9001 is part of the ISO 9000 family of standards related to quality management systems, designed to help organizations meet the needs of customers and other stakeholders. ISO 9000 deals with the fundamentals of quality management systems, including the eight management principles on which the family of standards is based. ISO 9001 deals with the requirements that organizations wishing to meet the standard have to fulfill.	Every nine months
ISO 14001:2004 EMS fertilizers manufacturing and associated services	The ISO 14000 family addresses various aspects of environmental management. It provides practical tools for companies and organizations looking to identify and control their environmental impact and constantly improve their environmental performance. ISO 14001:2004 sets out the criteria for an environmental management system. It does not state requirements for environmental performance, but maps out a framework that a company or organization can follow to set up an effective environmental management system.	Every nine months
ISO 27001:2005 Information Security Management System	An information security management system (ISMS) standard published in October 2005 by the ISO, formally specifies a management system that brings information security under explicit management control.	Every nine months
ISO 17020:1998 Inspection Management	Specifies requirements for the competence of bodies performing inspection and for the impartiality and consistency of their inspection activities.	Annually
ISO 17025:2005 - laboratory quality	General requirements for the competence of testing and calibration laboratories.	Annually
ISO 22000:2005 food safety management system	A standard developed by the International Organization for Standardization dealing with food safety. It is a general derivative of ISO 9000.	Annually

Certifications	Details	Audit frequency
OHSAS 18001:2007	Occupation Health and Safety Assessment Series for health and safety management systems. It is intended to help organizations to control occupational health and safety risks.	Every nine months
Australian Quarantine and Inspection Services (AQIS) certification	AQIS is an external audit and certification to ensure compliance with quarantine controls at Australian borders.	

## Signatory to United Nations Global Compact

The UN Global Compact is a strategic initiative that consists of businesses that are committed to aligning their operations and strategies with 10 principles in the areas of human rights, labor, environment and anti-corruption. We are committed to the United Nations Global Compact (UNGC), and support the 10 principles of the UNGC. We are committed to publishing the progress on these principles yearly in our sustainability report (see page number 70) and hope to act as a driving force for change within our sector and the region.

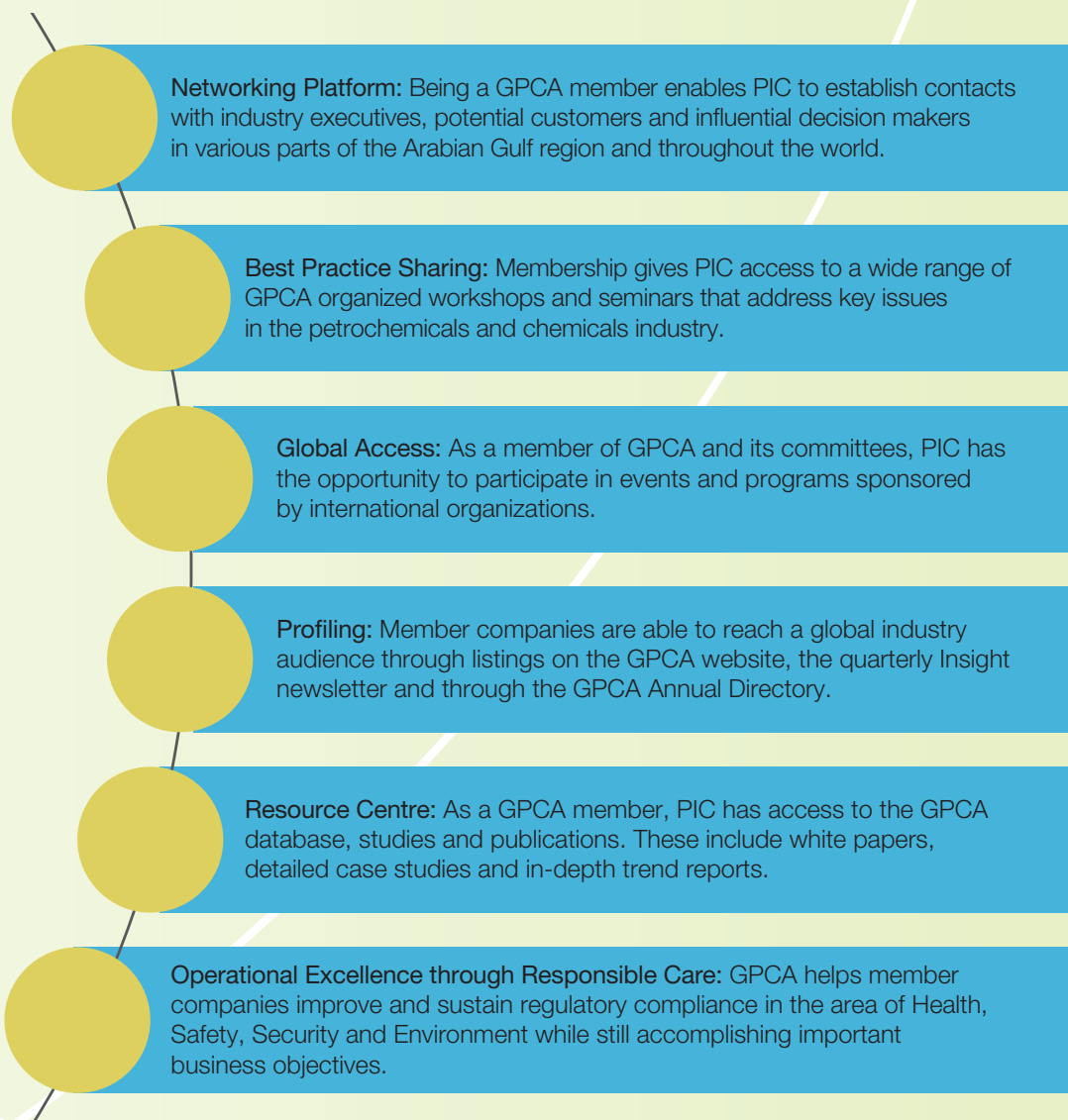
## Member of the Gulf Petrochemicals and Chemicals Association (GPCA)

We were one of eight original founding members of the Gulf Petrochemicals and Chemicals Association (GPCA), a dedicated non-profit association serving its members with industry data and information resources. The eight members represent the largest petrochemical and chemical companies in the region and include our JV partners EQUATE and GPIC.

### Case study: Product stewardship code

We conducted product stewardship workshops, which allowed the members to evaluate their policies and performance on product stewardship over the value chain. The workshops allowed the members to realize good practices on product stewardship and to evaluate opportunities to have a common product stewardship code among the member companies.





The GPCA Board of Directors meets at least three times a year. We have our senior management representing us in multiple GPCA committees that meet every quarter. For more information on GPCA, kindly refer to their website <http://www.gpca.org.ae/>.

## Member of International Fertilizer Industry Association (IFA)



PIC has been a member of IFA, which is a not-for-profit business and industry association representing the fertilizer industry globally. IFA has 525 member companies based in 85 countries, with 50 percent based in developing economies. IFA member companies deal with all activities related to the production, trade, transport and distribution of fertilizers, their raw materials and intermediates.

In 2007, IFA developed a set of guiding principles for Safety, Health and Environmental (SHE) management. The principles embody the association's commitment to responsible and sustainable fertilizer production and use. We at PIC are committed to the principles and are ensuring implementation within our operations.



# UNGC *Communication on Progress (COP)*





# United Nations Global Compact

## Communication on Progress (COP)

June 2014

This document represents PIC's first Communication on Progress (COP) and will continue to be produced on a yearly basis. It is to be read alongside PIC's 2013–2014 Sustainability Report, and we welcome any feedback to help us improve our communication in the future.

### Chairman's statement of support

We are proud to issue our first COP to the United Nations Global Compact (UNGC). At PIC, we are committed to the UNGC and its 10 principles on human rights, labor rights, environment and anti-corruption. The UNGC is one of the most widely acknowledged frameworks for corporate sustainability, and we look forward to utilizing it in our quest to explore "possibilities without limits."

I signed the UNGC declaration in September 2013 at the UN General Assembly, which was also attended by other senior members of PIC management. This was a natural step along the sustainability journey we are undertaking. We developed our sustainability strategy in 2012, and embedded environmental, social and economic targets in our overall strategy. The targets were assigned to their corresponding departments and incorporated into departmental scorecards to ensure implementation. In July 2013, after a year of implementing initiatives outlined in our sustainability strategy, we published our first corporate sustainability report using the Global Reporting Initiative (GRI) 3.1 guidelines.

One of the areas for improvement that we highlighted while trying to embed sustainability within the entire organization was to identify and join a global framework and benefit from the experience we gain from working with other companies. Our search quickly led us to UNGC and its fast-growing group of leading companies. Our primary motive for joining UNGC was to become part of the large stakeholder group of leading organizations that share our values. We strongly believe we should be proactive and operate in an environmentally friendly manner while ensuring that human rights and labor rights are respected throughout our operations.

Our world is becoming smaller and more interconnected each year. We recognize that the principles address issues that are relevant in all countries and regions. Corruption, human rights, labor rights, resource scarcity and climate change are issues that know no boundaries and affect all of us equally. We believe that while these issues might seem too big for any one entity to tackle, be it public or private, they can and should be addressed collectively. We, at PIC, are a global citizen and will do our best to be part of the solution.

Our investment in sustainability, both financial and man power, is increasing year over year. Our organizational understanding of the benefits and impacts of a sustainable business model is also growing. We look at the UNGC principles as a partner on our journey, guiding us toward continuous improvement of our processes and operations. The progress we achieved on the ten principles of UNGC is outlined in this COP, supported by detailed explanation in our 2013–14 sustainability report.

A handwritten signature in black ink, likely belonging to Mr. Asaad Ahmad Al-Saad.

Mr. Asaad Ahmad Al-Saad  
Chief Executive Officer



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.



# Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Businesses should make sure they are not complicit in human rights abuses.

## Commitment

In addition to complying with Kuwaiti law, which has provisions mandating observance and respect of internationally proclaimed human rights, PIC has gone a step further by signing the UNGC agreement. By doing so, PIC publicly recognizes that there is always room for improvement in the existing policies and procedures.

PIC has always acknowledged the sanctity and value of human rights. Throughout our history, we have been engaged in several community development programs to ensure the well-being of adjoining communities. We give the highest priority to the safety of our employees and have a separate health and safety (HSE) policy governing and guiding our operations. As a subsidiary of KPC, we share the same code of conduct. It addresses topics such as respect of religious beliefs, safe working environment, employee indemnification, equal opportunity, fair treatment and freedom of expression.

## Management approach

At PIC, the majority of our labor is outsourced to third-party contractors. All contracts with third parties contain a provision that mandates third parties observe all human rights clauses outlined by Kuwaiti law. In addition, we have “contract supervisors” whose sole responsibility is to monitor the performance of third-party contractors and to ensure that they adhere to the human rights principles.

## Current initiatives and future actions

Although our current standing with regard to human rights is considered a common practice in our region, our research has revealed that our region lags behind when it comes to understanding and respecting the internationally proclaimed principles on human rights as outlined in the United Nations Declaration on Human Rights (UNDHR). As a global citizen, and as a signatory to the UNGC, we identified this as an opportunity for improvement. We have recently signed an agreement with an external party to provide specific human rights training for all PIC employees. This online course will provide general training on human rights and specific instruction for how the contract supervisors should deal with contractors. We intend to build awareness of material human rights issues among our employees and enable them to identify any violations they may encounter. In addition, we will establish a separate and specific human rights policy in the future.

This year, as part of our sustainability strategy, we undertook an initiative to partner with and support NGOs that share our values. We have shortlisted a number of NGOs that focus on our Responsible Corporate Citizenship goals of protecting the environment, championing healthy living and lifestyle, and developing young talents and future leaders. One initiative underway in the healthy living goal area involves partnering with the Kuwait Chest Diseases Hospital. In collaboration with the hospital, we increased awareness of heart diseases and organized a walkathon. To nurture future talents, we collaborated with Kuwait University and organized a competition for high school students from 255 schools. The theme of the competition was “Waste management for better environment.”

## Labor rights

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 6: Businesses should eliminate discrimination in respect of employment or occupation.

### Commitment

PIC code of conduct explicitly states employees' rights to fair treatment (advancement, development, discipline) and participation. In addition, by signing the UNGC, we voluntarily and publicly commit that we will constantly search for areas of improvement.

### Current initiatives and future actions

Out of 613 employees at PIC, 89 percent of them are members of the PIC union and have the right to collective bargaining. Although the percentage of employees who are members in the union is a substantial one, our review of current practices identified opportunities for improvement:

- » First, official communication released by the union should be translated into different languages so that it can be understood by non-Arabic speakers.
- » Second, the eligibility tenure criteria for non-Kuwaiti employees to join the union could be reduced.

It should be noted that PIC does not have full control of the union, and there are some regulatory and procedural steps to be followed to amend the union charter. However, PIC's sustainability team will raise these recommendations to the PIC Union General Assembly. The two proposed initiatives will be up for a vote. If the motion passes all regulatory checks and the vote, it is then taken up to the "General Union," which is the regulatory arm of the government in matters related to labor rights.

Principle 4: Businesses should eliminate all forms of forced or compulsory labor.

Principle 5: Businesses should effectively abolish child labor.

### Commitment

PIC's third-party contracts, which are applicable to every vendor and third party with whom PIC does business, have several clauses to safeguard against abuses. The clauses are in direct alignment with the International Labor Organization's standards, such as:

- » Working hours should not be more than 8 hours per day or 48 hours per week.
- » Contract supervisor's responsibility is to ensure the contractor pays wages on time and no later than the seventh day of every month.
- » PIC representative (contract supervisor) can perform periodic checks to ensure that workers' quarters are clean and up to the approved living standard.
- » Contractor must ensure all its employees have official employment documentation (working visas).
- » Overtime work is paid as per employee wages, without factoring overhead and administrative costs.
- » Contractor is responsible for ensuring that all its workers have medical insurance as part of their benefits.

### Future actions

PIC has identified areas for improvement with regard to third-party contracts, and is studying the feasibility of introducing an independent grievance mechanism for third-party contractors to contact PIC management directly rather than go through an intermediary.

Child labor is illegal under Kuwaiti law, and PIC can guarantee that there are no minors under its direct employment.

## Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Kuwait is one of the largest oil exporting countries in the world, and consequently, the economy relies heavily on the oil and gas sector. The State of Kuwait has seen unprecedented economic prosperity due to the historically high price of oil, coupled with its relatively small population, making it one of the most affluent societies in the world. While this is a blessing for Kuwait and its people, this reliance on a finite resource poses a long-term risk for the sustainability of its economy. KPC, our parent company, has recognized this risk and has set targets to diversify the economy, and has highlighted petrochemicals as one of the primary agents of this change.

Kuwait is a signatory to the United Nations' Millennium Development Goals. The eight UN Millennium Development Goals relate to several areas, including the environment. Kuwait is on track to meet most of the targets; however, it is lagging behind on the environmental targets. As petrochemicals position themselves to play a larger role in Kuwait's economy, we at PIC feel that it is our duty to be proactive and to operate in an environmentally friendly manner.

### Commitment

Our 2017 PIC Sustainability Goals have several environmental targets, such as reducing energy and water intensity, and greenhouse gas (GHG) emissions in our operations. Through the 2017 PIC Sustainability Goals, we will pursue strong economic growth, sound environmental performance and good corporate citizenship. The 2017 PIC Sustainability Goals will lead to safer, more efficient and productive operations; minimize the impact on the planet, develop current and future leaders in sustainability; and improve the lives of people for generations to come.

### Current initiatives

Last year we published targets in our first sustainability report and will continue to monitor, measure and report our progress against our stated reduction targets in the coming years.

Over the year, we achieved total energy intensity savings of 5 percent in our operations, water intensity savings of 23 percent and managed to reduce our GHG intensity by 19 percent. We were able to achieve these reductions by implementing various initiatives to reduce our energy/water/GHG footprint (see page number 52).

Although we have not monitored the contribution of each of the above mentioned initiatives to reduce our energy, water and GHG intensities, they have helped us to improve our overall operational efficiency in 2013-14, resulting in a 10 increase in production in 2013-14 when compared to the same in 2012-13. We would like to state that an additional reason for the significant improvement in environmental performance in 2013-14 when compared to 2012-13 was due to a turnaround in April 2012, resulting in higher-than-normal energy, water and GHG intensities for the month, which led to higher intensities for 2012-13.

# Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

## Commitment

PIC's code of conduct addresses "Ethical Business Conduct" covering these topics:

- » Business ethics
- » Conflict of interest
- » Bribery and corruption
- » Gifts and entertainment
- » Outside employment
- » Fraud and theft

## Current initiative

In addition, PIC employees must attend anti-corruption training sessions held every year. In third-party contracts, a provision states that bidders cannot be board members, be a part of the committee or be employees of PIC.

## Future actions

As with the other focus areas addressed by the UNGC principles, PIC is looking for ways to improve and strengthen our position when it comes to anti-corruption. A KPC committee was formed containing members from several subsidiaries, including PIC. The committee's mandate is to review and recommend improvements to the code of conduct. PIC will be proposing at least one recommendation to strengthen the anti-corruption policy through its representative.

For further details and for feedback, please contact Mr. Hashim Hashim (Head Corporate Engineering and HSE) at [sustainability@pic.com.kw](mailto:sustainability@pic.com.kw).



- Complete
- ◐ Partial
- Non-disclosure

## Standard Disclosures: Profile

GRI 3.1	Description	Level of disclosure	Reason for omission	Page No.	UNGC COP element
<b>Strategy and Analysis</b>					
1.1	Statement from the most senior decision-maker of the organization.	●		5	Statement of continuing support
1.2	Description of key impacts, risks, and opportunities.	●		25	Statement of continuing support
<b>Organizational Profile</b>					
2.1	Name of the organization.	●		6	
2.2	Primary brands, products, and/or services.	●		9	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	●		10	
2.4	Location of organization's headquarters.	●		9	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	●		9	
2.6	Nature of ownership and legal form.	●		6,10	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	○	Proprietary information		
2.8	Scale of the reporting organization.	●		9, 10, 41	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	●		35	
2.10	Awards received in the reporting period.	●		12,13	



GRI 3.1	Description	Level of disclosure	Reason for omission	Page No.	UNGC COP element
<b>Report parameters</b>					
<b>Report profile</b>					
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	●		35	
3.2	Date of most recent previous report (if any).	●		19	
3.3	Reporting cycle (annual, biennial, etc.)	●		35	
3.4	Contact point for questions regarding the report or its contents.	●		37	
<b>Report scope and boundary</b>					
3.5	Process for defining report content.	●		32, 35	
3.6	Boundary of the report. (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	●		35	
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	●		35	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	●		35	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	◐	Details of measurement techniques and assumptions underlying data estimations have not been reported for proprietary reasons	35, 37, 49, 50, 51	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	●		49	

GRI 3.1	Description	Level of disclosure	Reason for omission	Page No.	UNGC COP element
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●		49	

### GRI content index

3.12	Table identifying the location of the Standard Disclosures in the report.	●		76	
3.13	Policy and current practice with regard to seeking external assurance for the report.	●	Although we do not yet seek external assurance for the report, we work closely with credible partners to ensure global standards in reporting		

### Governance, commitments, and engagement

#### Governance

4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	●		65	Actions taken to implement Principles 1-10
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●		65	Actions taken to implement Principles 1-10
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	●		65	Actions taken to implement Principles 1-10
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●		28, 29	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	●		66	Actions taken to implement Principles 1-10

GRI 3.1	Description	Level of disclosure	Reason for omission	Page No.	UNGC COP element
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●		57	
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	○	Proprietary information as per parent company's privacy policy		
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●		7	Actions taken to implement Principles 1-10
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	●		66	Actions taken to implement Principles 1-10
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	○	Proprietary information as per parent company's privacy policy		
<b>Commitments to external initiatives</b>					
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	●		59	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	●		67, 68	Actions taken to implement Principles 1-10
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations.	●		68, 69	Actions taken to implement Principles 1-10

GRI 3.1	Description	Level of disclosure	Reason for omission	Page No.	UNGC COP element
<b>Stakeholder engagement</b>					
4.14	List of stakeholder groups engaged by the organization.	●		28, 29	Sharing the COP with the company's stakeholders
4.15	Basis for identification and selection of stakeholders with whom to engage.	●		27	Sharing the COP with the company's stakeholders
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●		28, 29	Sharing the COP with the company's stakeholders
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	◐	We have not reported on how we have responded to all the key topics and concerns raised by all our stakeholders due to proprietary reasons	28, 29	Sharing the COP with the company's stakeholders

## Standard Disclosures: Performance Indicators

● Complete  
 ◐ Partial  
 ○ Non-disclosure

GRI 3.1	Description	Level of disclosure	Page No.	UNGC principles
<b>Economic</b>				
<b>Economic performance</b>				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	◐	41	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	○		
EC3	Coverage of the organization's defined benefit plan obligations.	●	43	
EC4	Significant financial assistance received from government.	○		

GRI 3.1	Description	Level of disclosure	Page No.	UNGC principles
<b>Market presence</b>				
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	●	43	Outcomes from implementing Principle 1
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	○		
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	●	56	Action taken and outcomes from implementing Principle 6
<b>Indirect economic impacts</b>				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	○		
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	○		
<b>Environmental</b>				
<b>Materials</b>				
EN1	Materials used by weight or volume.	○		
EN2	Percentage of materials used that are recycled input materials.	○		
<b>Energy</b>				
EN3	Direct energy consumption by primary energy source.	●	49	Outcomes from implementing Principle 8
EN4	Indirect energy consumption by primary source.	●	49	Outcomes from implementing Principle 8
EN5	Energy saved due to conservation and efficiency improvements.	●	52	Outcomes from implementing Principles 8 and 9
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	○		
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	●	52	Actions taken to implement Principles 8 and 9



GRI 3.1	Description	Level of disclosure	Page No.	UNGC principles
<b>Water</b>				
EN8	Total water withdrawal by source.	●	50	Outcomes from implementing Principle 8
EN9	Water sources significantly affected by withdrawal of water.	○		
EN10	Percentage and total volume of water recycled and reused.	○		
<b>Biodiversity</b>				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	○		
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	○		
EN13	Habitats protected or restored.	○		
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	○		
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	○		
<b>Emissions, effluents and waste</b>				
EN16	Total direct and indirect greenhouse gas emissions by weight.	●	50	Outcomes from implementing Principle 8
EN17	Other relevant indirect greenhouse gas emissions by weight.	○		
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	●	53	Actions taken and outcomes from implementing Principles 7, 8 and 9
EN19	Emissions of ozone-depleting substances by weight.	○		
EN20	NOx, SOx, and other significant air emissions by type and weight.	●	51	Outcomes from implementing Principle 8
EN21	Total water discharge by quality and destination.	●	51	Outcomes from implementing Principle 8
EN22	Total weight of waste by type and disposal method.	●	51	Outcomes from implementing Principle 8

GRI 3.1	Description	Level of disclosure	Page No.	UNGC principles
EN23	Total number and volume of significant spills.	●	51	Outcomes from implementing Principle 8
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	○		
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	○		
<b>Products and services</b>				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	●	52, 53	Action taken to implement Principles 7, 8 and 9
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	○		
<b>Compliance</b>				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	○		
<b>Transport</b>				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	○		
<b>Overall</b>				
EN30	Total environmental protection expenditures and investments by type.	●	42	Actions taken and outcomes from implementing Principles 7, 8 and 9
<b>Labor practices and decent work</b>				
<b>Employment</b>				
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	●	56	
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	○		

GRI 3.1	Description	Level of disclosure	Page No.	UNGC principles
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	○		
LA15	Return to work and retention rates after parental leave, by gender.	○		
<b>Labor/management relations</b>				
LA4	Percentage of employees covered by collective bargaining agreements.	●	61	Outcomes from implementing Principles 1 and 3
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	○		
<b>Occupational health and safety</b>				
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	○		
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	●	59	Outcomes from implementing Principle 1
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	○		
LA9	Health and safety topics covered in formal agreements with trade unions.	○		
<b>Training and education</b>				
LA10	Average hours of training per year per employee by gender, and by employee category.	●	56, 57	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	●	56	
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	●	56	
<b>Diversity and equal opportunity</b>				
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	●	56, 65	Outcomes from implementing Principles 1 and 6

GRI 3.1	Description	Level of disclosure	Page No.	UNGC principles
<b>Equal remuneration for women and men</b>				
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	●	44	Outcomes from implementing Principles 1 and 6
<b>Human rights</b>				
<b>Investment and procurement practices</b>				
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	●	60	Outcomes from implementing principles 1–6
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	○		
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	○		
<b>Non-discrimination</b>				
HR4	Total number of incidents of discrimination and corrective actions taken.	○		
<b>Freedom of association and collective bargaining</b>				
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	○		
<b>Child labor</b>				
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labor.	○		
<b>Forced and compulsory labor</b>				
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor and measures to contribute to the elimination of all forms of forced or compulsory labor.	○		

GRI 3.1	Description	Level of disclosure	Page No.	UNGC principles
Security practices				
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	<div></div>		
Indigenous rights				
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	<div></div>		
Assessment				
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	<div></div>		
Remediation				
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	<div></div>		
Society				
Local community				
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	<div></div>		
SO9	Operations with significant potential or actual negative impacts on local communities.	<div></div>	51	
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	<div></div>		
Corruption				
SO2	Percentage and total number of business units analyzed for risks related to corruption.	<div></div>		
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	<div></div>	57	Outcomes from implementing Principle 10
SO4	Actions taken in response to incidents of corruption	<div></div>		
Public policy				
SO5	Public policy positions and participation in public policy development and lobbying.	<div></div>		
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	<div></div>		
Anti-competitive behavior				
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	<div></div>		



GRI 3.1	Description	Level of disclosure	Page No.	UNGC principles
<b>Compliance</b>				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	○		
<b>Product responsibility</b>				
<b>Customer health and safety</b>				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	○		
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	○		
<b>Product and service labelling</b>				
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	●	60	Actions taken and outcomes from implementing Principle 8
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	○		
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	●	60	
<b>Marketing communications</b>				
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	○		
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	○		
<b>Customer privacy</b>				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	○		
<b>Compliance</b>				
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	○		



## Statement GRI Application Level Check

GRI hereby states that **Petrochemical Industries Company (K.S.C)** has presented its report “Sustainability Report 2013-2014” to GRI’s Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see [www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf](http://www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf)

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 10 June 2014

A handwritten signature in black ink, appearing to read "Ásthildur Hjaltadóttir".

Ásthildur Hjaltadóttir  
Director Services  
Global Reporting Initiative



*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world’s most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 25 May 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

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شركة صناعة الكيماويات البترولية (ش م ك)

**PETROCHEMICAL  
INDUSTRIES COMPANY K.S.C.**

إحدى شركات مؤسسة البترول الكويتية

A Subsidiary of Kuwait Petroleum Corporation

*Possibilities without limit*