



COMMUNICATION ON PROGRESS 2015



Message from the Managing Director

Six years ago, PARCO joined the UN Global Compact fraternity. Since then, despite the difficult market environment, PARCO has had tremendous growth, both in business as well as in social contribution, and all the while, we have also made sincere efforts to imbibe UNGC's Ten Principles in our corporate strategy and operations. I am, therefore, delighted to present our 5th Communication on Progress Report 2015.

The recognitions that we have received during 2014 are a testament to PARCO's performance, not only in its efficient operations, sound financial standing, good safety standards, but also in the areas of HR and CSR. The Employers' Federation of Pakistan which represents local and multinational companies in Pakistan, awarded PARCO the Best CEO Award, as well as the 1st Prize in Human Resource. These awards were conferred by the President of Pakistan. We also received the Gold Medal for CSR 2013-14 by the Prime Minister of Pakistan.

After PARCO attended the UN Global Compact Leaders Summit in 2013 when the UNGC Post 2015 Business Engagement Architecture was rolled out, we have commenced several initiatives that are in accordance with the Architecture's Building Blocks. We are also actively engaged in dialogues and events facilitated by the UNGC Pakistan Local Network. During CSR consultation meetings, PARCO as a successful Public-Private joint venture, has emphasized that **for responsible business, meaningful partnerships should be formed to achieve Post 2015 UN Sustainable Development Goals**. In this context, we are also partnering various initiatives with government that are helping Pakistan build its human capital through education and vocational training.

All in all, PARCO is committed to undertake sustainable, collaborative actions that uplift the living standards of our neighboring communities, society at large, our employees and the Country. The actions and measurable results mentioned in our COP illustrate PARCO's commitment in detail.



Tariq Rizavi
Managing Director
Pak-Arab Refinery Limited

Pak-Arab Refinery Limited (PARCO)

PAK- ARAB REFINERY LTD (PARCO) is a Joint Venture between the Government of Pakistan and the Emirate of Abu Dhabi, incorporated as a public limited company in 1974. As an integrated energy company, PARCO is the leading player in Pakistan's petroleum industry with major operations in refining, transportation, storage, marketing, oil supply and logistics. With the largest refinery in Pakistan having a capacity of 100,000 BPD representing 35% of the country's refining capacity, strategic storage of over one million tons, over 2000 kms of cross country pipeline network including its JV subsidiary Pak-Arab Pipeline Company Limited (PAPCO), a rapidly expanding retail outlets network owned by TOTAL PARCO - a joint venture between PARCO and TOTAL of France, distribution of imported OMV lubricants from Austria - PARCO has emerged as the strategic fuel supplier to the country.

PARCO's Core Functions



PARCO Pearl Gas (Pvt) Ltd (PPG), formerly known as the SHV Energy Pakistan (Pvt) Ltd is a 100% owned subsidiary of PARCO, having largest LPG marketing and distribution network. PPGL manages storage, processing, filling and distribution of LPG.

The performance of the company can be judged by the fact that it has maintained its AAA and A1+ long and short term credit rating by Pakistan Credit Rating Agency (PACRA) for seventeen consecutive years. The company set another first in Pakistan when it obtained three simultaneous international certifications: ISO 9001:2008 (Quality Management System), ISO 14001:2004 (Environmental Management System) and OHSAS 18001:2007 (Occupational Health and Safety Management System). PARCO has also received Environment Excellence Awards for the last nine consecutive years and is rated among the top 10 organizations in Pakistan for outstanding achievement in Environment Management.

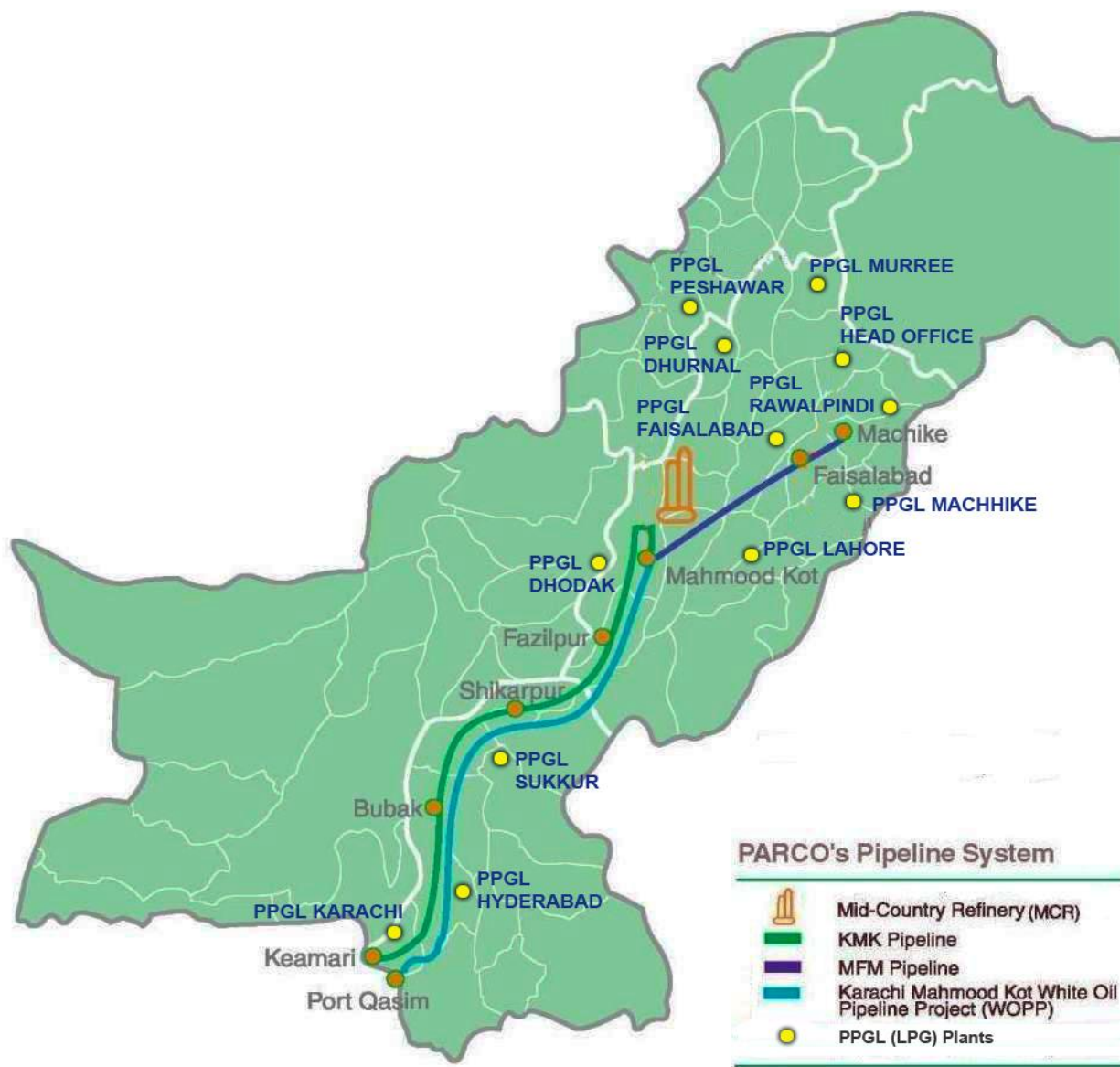
As a good corporate citizen, the company focuses on meeting the expectations of its internal and external stakeholders in a professional and strategic manner. PARCO not only invests in its employees, makes efforts for customer satisfaction and operates ethically, but also undertakes a wide range of projects to benefit society in areas of education, health, environment, sports, culture, community development, road safety, and natural calamities.

Processing and handling hydrocarbons is our business and it comes with its share of hazards. PARCO proactively identifies, minimizes and mitigates situations that have the potential to cause harm to the health and safety of its employees, customers, service providers, communities, public and the environment. The focus and diversity of technical, social and environmental projects of PARCO speak for themselves.

Our cross country pipeline network makes us next-door neighbor to many remote and underprivileged communities. PARCO Schools & Clinics Support Program is aimed at providing basic education and health facilities. The program is an ongoing initiative in which new schools and clinics are identified and existing ones are improved by providing basic infrastructure and other necessities that are beneficial for the surrounding communities. Communities are happy that PARCO is there for help when they need it most.

PARCO has always responded passionately to the nation's distress calls during natural calamities, such as the earthquake or floods. PARCO also supports culture and heritage by patronizing indigenous music, poetry and the arts. As a member of WWF, PARCO helps in conservation of nature, with several initiatives to its credit. In keeping with the Values of the company and our traditions, PARCO makes philanthropic contributions to institutions that are making significant efforts to help the underprivileged.

From producing environment friendly products to efficient, world class engineering facilities and infrastructure, building a highly competent human capital, and major social initiatives, PARCO is doing its utmost in *Providing Energy with Responsibility.*



CORPORATE RECOGNITION DURING 2014

PACRA Maintains "AAA" Entity Ratings of Pak-Arab Refinery Limited Consecutively For 17 Years

The Pakistan Credit Rating Agency (PACRA) has maintained long term and short term entity ratings of Pak-Arab Refinery Limited at **"AAA" (Triple A)** and **"A1+" (A One Plus)** respectively for the past 17 years. The ratings denote the lowest expectation of credit risk emanating from an exceptionally strong capacity for timely payment of financial commitments.

FPCCI Achievement Award

The Federation of Pakistan Chambers of Commerce and Industries (FPCCI) is the apex body representing Pakistan's Industry and Services. The federation held its 2nd FPCCI Achievement Awards Ceremony to recognize the services of organizations in different sectors contributing towards the progress of Pakistan.

PARCO was selected by the Jury of FPCCI in the Energy Sector for the Gold Medal. PARCO has always been in the forefront fueling the wheels of economy through its uninterrupted supply of environment friendly fuels, technology transfer, employment generation, savings of foreign exchange and Corporate Social Responsibility. This recognition reaffirms the fact that PARCO is the *Energy Lifeline* for the Nation.



The Honorable President of Pakistan, Mr. Mamnoon Hussain presenting the Gold Medal to Mr. Tariq Rizavi, Managing Director, PARCO

Best CEO Award, 1st Prize in HR and 2nd Prize in Workplace Environment

The Employers' Federation of Pakistan which represents leading local and multinational companies in Pakistan is a constituent of ILO and a member of the Organization of Employers – Geneva and the Confederation of Asia Pacific Employers. EFP held its 2nd Employer of the Year Award 2013 to acknowledge the efforts of its member companies which adopted and reported best business practices.

Triumphing over many Pakistani and multinational companies, including those from the Oil & Gas industry, PARCO won the following awards in the category of Large Organizations:

- Best CEO Award
- 1st Prize in Human Resource
- 2nd Prize in Workplace Environment



Mr. Tariq Rizavi, MD-PARCO receiving the Best CEO Award

The awards were conferred on PARCO in a prestigious ceremony held on October 16, 2014. A total of 98 nominations were received from 57 contesting companies including Pepsi Co, Pakistan Petroleum, Clariant, Lotte, Pakistan Oil Fields, Proctor & Gamble, Pakistan Telecommunication Company (PTCL), Shell, Telenor, etc. Last year also, PARCO had won awards in all the three categories including **Best CEO Award, 1st Prize in Human Resource and 3rd Prize in Workplace Safety.**

Receiving these awards for the second time in as many years shows PARCO's stature in management leadership which has grown PARCO from a small pipeline company to a very large, nationwide integrated enterprise involved in petroleum refining, transportation, marketing, storage, LPG distribution, etc. The awards also recognize the Company's Human Resource strategy and practices which are continuously enhancing its human capital and supportive working environment.



Mr. Shah M. Saad Husain, GM (CA), PARCO receiving the HR Award



Ms Sharon Dias, Manager HR, PARCO receiving the Workplace Environment Award

Environment Excellence Award 2014

PARCO has been awarded the 9th consecutive Annual Environment Excellence Award by the National Forum for Environment and Health (NFEH). **PARCO for the sixth consecutive time has been placed amongst the 10 best organizations of Pakistan in Environment Management.** A Special Recognition Certificate for outstanding achievement in Environment Management was also awarded to PARCO by NFEH. The panel of judges voted unanimously to award the excellence certificate to PARCO for the company's vision, environment protection policies and practices, and its Corporate Social Responsibility program. These awards reflect our good management practices, the efforts of our team and our concern for the environment.



Mr. Shujaiddin Ahmed, DMD (Operations), of PARCO receiving the Award

CSR Leadership Excellence Award 2015

PARCO was awarded the CSR Leadership Award 2015 in the category of Business Ethics which recognizes its contributions and positive impact on the communities as well as its high standards of compliance and integrity. PARCO has been winning the CSR Leadership Award in this category for the last three years. Mr. Shah M. Saad Husain, General Manager – Corporate Affairs presented PARCO's journey in the realm of CSR at the conference. In his presentation he shared with the audience how PARCO has transformed its CSR strategy from Philanthropy to Shared Value and now to compliance with UNGC's post 2015 CSR architecture. The Jury, comprising of international CSR experts and prominent personalities from the corporate and social sector, selected companies that stand out in their contributions for Society.



Mr. Shah M. Saad Husain, GM Corporate Affairs, PARCO receiving the Award

UN Global Compact Business Excellence Award 2013-14 awarded to PARCO

PARCO, an active member of the UN Global Compact, has been awarded the UN Global Compact Business Excellence Award 2013-14 in Public-Private Partnership Sector, by an International Jury comprising of panel members from Europe, East Asia and Oceania.

The UN Global Compact Award not only acknowledges PARCO's commitment towards strategic and sustainable CSR, but also appreciates our efforts in adopting UNGC's universal Ten Principles. The Award acknowledges organizations demonstrating the UNGC Principles in action through Best Practices, not just a specific CSR project or program. More than 124 Pakistani Companies and institutions are signatories to the United Nations Global Compact and have committed themselves to adopting its Ten Principles.

Renowned Economist, and Dean and Director IBA, Dr. Ishrat Hussain, the Chief Guest, presented the Award to Mr. Shah M. Saad Husain, GM (Corporate Affairs) PARCO during a ceremony held on January 7, 2015. The Award nominees underwent a rigorous and documented process of successive stages of short listing by multi disciplinary local and foreign experts, who assessed the performance of companies in each of the four areas of the UN Global Compact, namely Human Rights, Environment, Labor and Transparency.



Renowned Economist, and Dean and Director IBA, Dr. Ishrat Hussain, the Chief Guest, presented the Award to Mr. Shah M. Saad Husain, GM (Corporate Affairs) PARCO

The International Jury appreciated PARCO's efforts in making important and substantial investments in Sustainability, especially the initiatives pertaining to Community Engagement and Employee Care.

Mr. Matthew Tukaki a member of the Jury noted that, "PARCO had done a significant amount of mapping towards accredited processes. Quality was of high standards and there appears to be deep community engagement. I was suitably impressed". Mr. Steve Kenzei, another Jury member, noted that, "PARCO projects cover an impressive range of UNGC areas".

First Prize for PARCO's Corporate Garden

PARCO has been winning prizes for its Corporate Garden for the last several years. During the 63rd Flower Show, PARCO secured first position for its Corporate Garden in 2014 competition held by the Horticulture Society of Pakistan. PARCO has been winning first position for ten years in this competition. For securing first position for the last three consecutive years, PARCO has also been awarded a Gold Medal this year, which is a prestigious rank in its category.



Brig. (R) Raheel Saigol, Manager Administration, PARCO receiving the Best Garden Trophy

PARCO's Engagement with the UNGC Pakistan Local Network During 2014

Participation in CSR Consultation Meeting on Post 2015 UN Development Agenda

A cross section of experts, professionals and intellectuals representing business, workers, academia, employer bodies, NGOs and civil society gathered at the Post 2015, UN Development Agenda Consultation meeting. The session was organized by the Global Compact Network Pakistan in collaboration with Employers Federation of Pakistan on 30th September, 2014 at Karachi.

After discussing at length the ways and alternative means of engaging the private sector, the meeting unanimously held the view that sustainability comes from inclusiveness and the way forward is enhancing partnerships to bring corporate sustainability to scale.

Earlier, the meeting reviewed a GC presentation highlighting the Post 2015 Development Agenda: Phase I & Phase II discussions as a result whereof five themes were developed. The themes were based on an assessment of the results from these consultations as well as an interest in addressing components of the Business Engagement Architecture's Building Blocks. The five themes identified for consultation were:

- I. Developing Government policies that Drive Corporate Sustainability
- ii. Enhancing partnerships
- III. Mobilizing Private Sustainability Finance
- IV. Localizing the Architecture for SME Engagement
- v. Building Trust through Enhanced Transparency and Accountability

Mr. Salman Zakir of Pak Arab Refinery Limited (PARCO) in his statement stated, "Corporate Sustainability requires not only commitment of resources by companies but also assistance from government in the form of supportive policies, tax incentives, matching grants, etc. There is a need to focus on initiatives that have triple benefit: to the company, to government and to the society/community, meeting the objectives of all three stakeholders. Consequently, forging efficient, high impact and visible partnerships between the three stakeholders and specialist NGOs who can deliver services. The progress and results of these initiatives also need to be monitored and reported like any other corporate activity.

Therefore, at PARCO, we are trying our best to create Shared Value for our internal and external stakeholders by organizing dialogues and partnerships of mutual benefit. Our initiatives are helping communities in the areas of education, health, entrepreneurship, environment, sports, culture, road safety and provide relief during natural calamities - initiatives which are congruent to the objectives of all three parties. We therefore fully support the theme of enhancing partnership for engaging private sector in the post 2015 development agenda."

PARCO Participates in UN Global Compact Pakistan Network Program for Peace

PARCO is an active member of the UN Global Compact and has been a reporting organization since the last 4 years. The Ten Principles by the UN Global Compact are already embedded in PARCO's strategy, hence compliance is inevitable. PARCO has included the Post 2015 development agenda in its corporate strategy for future direction. In this connection, the Company has been collaborating with the UNGC Pakistan Local Network to develop future strategies with other partners.

During September 2014, the UN Global Compact Pakistan Local Network in partnership with International Alert and Pak-Afghan Joint Chamber of Commerce and Industry organized a three day training program on "Building the capacity of Pakistan's business sector to benefit from dividends of Peace". The program was funded by the European Commission. The participants included people from the business fraternity, academia, government and private sector. Mr. Salman Zakir of Corporate Communications department and Mr. Khubaib Abdul Qadir of IMS department attended the program, representing PARCO.

The trainers were from the London School of Business and Finance and the International Alert. The training focused on peace building efforts by strengthening national capacities for conflict management, and to lay the foundations for sustainable peace and development. The trainers shared case studies on how other developing nations have been incorporating ways and methods of promoting peace within their communities at large. They also presented how businesses can play a positive role in developing peace where governments have not been able to deliver.



PARCO Promotes UNGC Post 2015 UN Business Engagement Architecture

As a responsible corporate citizen, PARCO participates in various events to promote the UNGC's Post 2015 UN Business Engagement Architecture. The progress of PARCO in the realm of the building blocks are regularly shared with the Board Members at quarterly board meetings, monthly executive committee meetings which includes the top management of the Company and with employees at various Company events. We also share our progress in the business fraternity through conferences, seminars, business talks held by UNGC Pakistan Local Chapter, educational institutions and presentations to the government and regulatory bodies. The information sharing helps other organizations take necessary actions in planning for the Post 2015 development goals, while making our management systems truly transparent.



- PRINCIPLE 1** Businesses should support and respect the protection of internationally proclaimed human rights; and
- PRINCIPLE 2** make sure that they are not complicit in human rights abuses.



HUMAN RIGHTS

PRINCIPLE 1

BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS

Our Commitment

At PARCO, we deliver “Energy with Responsibility”. PARCO respects all human beings and considers employees as its greatest asset, striving to support employees, their families, nearby communities and other stakeholders in accordance with Human Rights.



Management Systems

HR Management, Administration

HR Management, HSE, Security

Communities

Actions

Education

Health

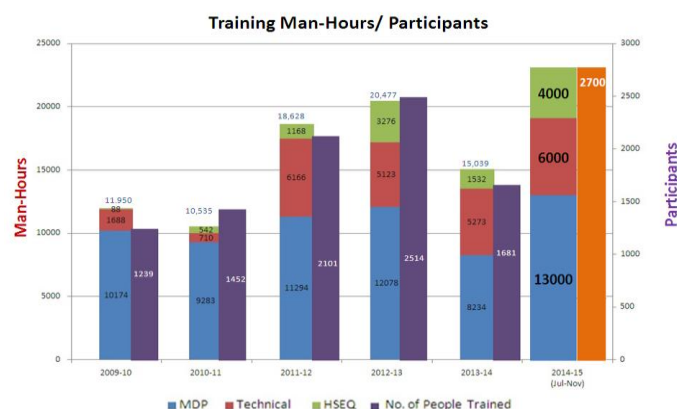
Work Safety

Stakeholder Involvement & Community Investment

Results

Employee Development

- PARCO has been continuously endeavoring to enrich its human capital by adopting new techniques and methods for developing its people. PARCO helps and guides its employees, through appropriate training, to make the best use of their talents.
- Training Needs Analysis, Personal Development Plan and Career Planning are formalized processes for all employees.
- PARCO provides its employees with developmental opportunities to acquire knowledge and build up skills through training and self-development, to the mutual advantage of the employees and the Company. The ‘Educational Refund Plan’ is one such initiative intended to provide financial assistance to eligible employees who wish to undertake studies or training not directly covered by Company initiated programs or plans.
- In order to encourage employees to enhance their professional competence, PARCO provides membership of reputable professional bodies and organizations which impart technical, professional and managerial knowledge to the employees through the ‘Organizational Membership’ policy.
- We have an extensive Management Development Program (MDP) for our employees. All trainings are planned and coordinated in a systematic manner by the Company in terms of the needs and the talents required. The training efforts are not confined to a few formal classroom courses but extend in all directions to remove employees’ weaknesses and accentuate their strengths. Last six years of Training Man-Hours data is given below.



Employee Care

- PARCO provides 100% free medical cover to its employees, their spouses, dependents (up to 21 years) and reimbursement of 60% medical costs of employees’ parents.
- All female employees including trainees are eligible for maternity leave of 12 weeks.
- PARCO helps its employees and their families with economic protection against loss of earnings in the event of employee’s death or disability occurring as a result of illness, accident or otherwise under the ‘Death & Disability Benefit Plan’.
- Employees in the age of 45-50 years are required to undergo medical check-up every two years and employees above 50 years are required to undergo medical examination annually to determine the quality and level of their health and fitness.
- To provide full medical cover to its employees and dependents, PARCO has 46 hospitals, 29 consultants, 5 laboratories, 23 pharmacies across the country on its panel.

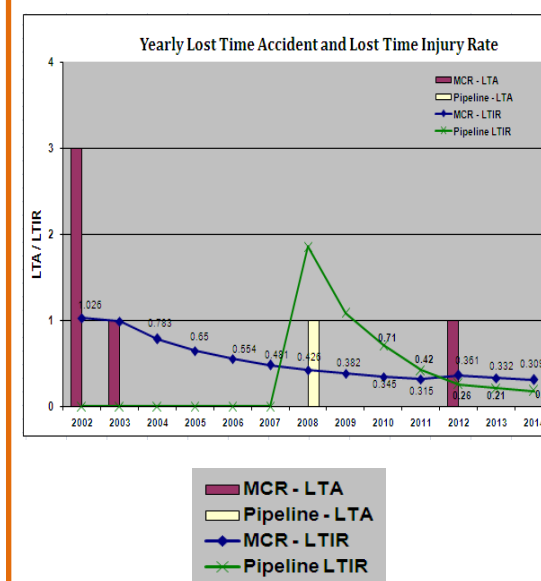
Employee Family

- Ibn-e-Sina Hospital at Mid-Country Refinery (MCR) ensures timely medical assistance to the employees and their families residing at the Refinery in Housing Colony in Qasba Gujrat which is a remote area.
- The Company also covers medical/traveling expenses of employees and their dependents if the patient is suffering from such a disease which requires a vital organ transplantation that cannot be done locally.

Healthy Working Environment

- PARCO is an OHSAS 18001:2007 (Occupational Health and Safety Management System) certified Company since the year 2005. The Company has been receiving National Environment Excellence Awards for the past nine years in a row.
- PARCO’s annual Inter-Station Competition for the Best Housekeeping at PARCO Stations and Terminals continued this year where all the Stations and Terminals were scrutinized. During 2014, Pumping Station-3 at Shikarpur was awarded the Best Station Trophy.
- PARCO continues to provide a healthy and green working environment to its employees. During 2014, the Company secured a Gold Medal with First Position in the Best Corporate Garden Category in a competition held by the Horticultural Society of Pakistan. PARCO has been winning prizes for its Corporate Garden for the last several years.
- PARCO provides international quality facilities for Sports including Cricket (Flood Lit ground), Hockey, Football, Volleyball, Swimming, Tennis, etc. Indoor sports facilities are also provided in a Club Complex which include Bowling Alley, Gymnasium, Badminton, Table Tennis, Snooker, Squash, etc. at its Mid-Country Refinery as well as Stations and Terminals.

- The PARCO management expects from all employees to strictly follow safety and housekeeping instructions as better housekeeping and being part of safety not only results in better living conditions but also protects employees from unexpected accidents.
- To this end, PARCO has instituted an annual ‘Safety and Housekeeping Award’ which is awarded to the one station which has maintained best safety standards and immaculate housekeeping during this year.
- PARCO ensures that Personal Protective Equipment (PPEs) are provided to all employees. Service Providers are also required to provide PPEs to their staff.
- The PARCO’s Pipeline Division has successfully completed 5 million man-hours without Lost Time Accident (LTA) in March 2014.
- A standard operating procedure, communication and command level is established to report security incidents, accidents, natural calamities and other risk situations.



- Before mobilization, Service Providers’ staff undertakes Orientation & Training covering Occupational, Health, Safety & Environment procedures and practices.
- Noise Monitoring is being done on quarterly basis. High noise areas are being identified and sign posting for the compliance has been done.
- Personal dust dose is also checked for employees potentially exposed to any kind of dust.

Increasing Stakeholders’ Involvement and Developing Communities is one of the key areas where PARCO management and its employees take keen interest. Our involvement can be gauged through initiatives we have undertaken to uplift these communities in terms of basic necessities and self reliance. Following initiatives were undertaken in the year 2014.

Access to Education and Health

- Our cross country pipeline network makes us next-door neighbor to many remote and underprivileged communities. Since 2007, PARCO conducts an extensive Schools & Clinics Support Program which aims at improving the education and health infrastructure in adjoining communities by supporting Rural Health Clinics, Primary, Middle and Secondary Schools, being run by Government of Pakistan.
- Up Till 2014, PARCO has provided assistance to more than 86 institutions along its pipeline and refinery across Pakistan. More than 34,000 children are receiving education in PARCO supported schools. PARCO’s assistance to these institutions has raised communities’ interest to enroll their children in these refurbished and well-maintained schools diverting them from child labor to primary education, raising the literacy rate.
- During 2014, PARCO has supported different institutions for mentally challenged and deaf children. These institutes are managed by professional NGOs and rely mostly on philanthropic contributions. They help these children in developing skills to manage their lives in less challenging manner. PARCO’s contribution has helped these institutes sustain their operations.
- PARCO distributed 1,000 school bags amongst the primary level students of various government schools in the locality of Mid-Country Refinery (MCR). These school bags contained notebooks and stationery to further facilitate the learning process as only a few children could afford proper notebooks and bags. Such steps boost up the morale of the children and positively affect the emotional well-being of these students. The children were extremely excited to receive these school bags from PARCO.



- For the third consecutive year, in 2014, PARCO organized Teachers Training for school teachers of government schools which are supported by PARCO near its Corporate Headquarter, Mid-Country Refinery and various Stations and Terminals. The training’s key objective was to improve the teaching capability of the teachers by sharing the learning methodologies that children can adopt within and outside the classroom. This was in continuation with the training held last year. The training was attended by 150 teachers and brought about a positive change amongst the teachers of government schools, who are now actively creating fun-filled learning environment for children. The teachers request PARCO to continue support and launch the next phase of trainings for them. The learning material for Kindergarten students procured by PARCO last year has played a vital role in kid’s learning.



HUMAN RIGHTS

PRINCIPLE 1 Contd.

BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS



Our Commitment

At PARCO, we deliver “Energy with Responsibility”. PARCO respects all human beings and considers employees as its greatest asset, striving to support employees, their families, nearby communities and other stakeholders in accordance with Human Rights.

Management Systems

HR Management, Administration

HR Management, HSE, Security

Communities

Actions

Work-Life Balance

Education

Work Safety

Stakeholder Involvement & Community Investment

Results

- PARCO ensures a very balanced work environment to all employees for rest and relaxation, recuperation after sickness and for attending personal affairs.
- An employee proceeding on Annual Leave may request for advance salary payment for approved leave period. In addition, employees are also entitled to ‘Leave Fare Assistance’.
- The Company provides opportunities for employees to socialize with professional colleagues from other organizations and other walks of life. To facilitate this inter-relation, the Company sees that the employees have the facility and use of a reputable club in the city where they are posted. This is called the ‘Club Membership’ policy.
- Employees posted at outstations work on ROTA System, where they work for 20 days and then enjoy 8 days paid leaves with their families.
- During 2014, PARCO sponsored 5 Non-Management Staff and 2 Management Staff to perform “Hajj” (Holy Pilgrimage). This is done on annual basis.
- In the event of an employee or spouse’s death, the Company provides transportation of deceased and ‘Funeral Assistance’ to the family.
- PARCO has a cafeteria for employees where nutritious meals are served at more than 70% subsidy. PARCO employs 2 cooks at each Station and Terminal for cooking meals for staff.
- PARCO provides financial assistance to support non-management staff for daughter’s marriage and education assistance for their children.
- In February 2014, PARCO organized the Annual Family Day for all employees and their families where they enjoyed fun rides, puppet show, magic show, games, food, etc. More than 2,600 PARCONIANS and their family members visited the Annual Family Day where they all spent quality time together. The event helps employees to unwind from their busy schedules and enjoy the whole day with their families and socialize with their fellow PARCONIANS.



Employee Family

- The School at PARCO’s Mid-Country Refinery (MCR) Housing Complex provides subsidized education to the employees’ children till pre-university level. The School also has a board which includes PARCO management and parents of the children.
- PARCO has also been supporting the educational endeavors of its employees and their children. ‘Scholarship for Children of Employees’ is intended to support the employees by providing financial assistance to help defray their children’s professional education on the basis of a formal procedure that recognizes academic merit.
- Educational Awards which include a certificate and cash rewards are given to school going children of the employees, based on good performance in their Secondary Education. This recognition helps motivate children to further enhance their educational performance. During 2014, 36 children of PARCO employees were provided Educational Awards.
- PARCO has always encouraged literary initiatives with bright ideas. In 2014, the Company held an Article Competition to encourage employees’, their spouse and children and present their ideas at their best. The winners were rewarded with certificate and monetary prizes. The competition is conducted twice a year. During the last one year, 8 PARCONIANS including their family members have won in two competitions.



Mr. Tariq Rizavi, MD PARCO, presenting certificate and prize money to the winner of PULSE Essay Writing Competition

- Toxic Gas areas are marked with toxic gas signs and no one is allowed to enter the area without proper gas masks.
- The drinking water is checked on a monthly basis to eliminate any bacterial contamination.
- HSE Audits are conducted regularly to ensure compliance with best practices. Monthly audits including Safety and Housekeeping, Personal Protective Equipment, Gas Mask and Work Permits are conducted diligently to ensure active monitoring and compliance. For details, please refer to Principle 8.

Road Safety

- ‘PARCO’s Safe Driving Training Program for All’ is a commitment to providing professional and quality driver training to drivers of all ages and experience levels to improve their safe driving behaviors and habits and make sure they are as safe as they can be, out on the road. Keeping in view the high standards of Safety at PARCO, a comprehensive interactive training program in collaboration with Occupational Safety and Loss Prevention (OSALP) on Safe Driving Techniques was organized.
- A total number of 126 drivers participated at three locations (Pumping Station-1, Karachi, Terminal Station-2, Mahmood Kot and Terminal Station-4, Machike). The training included classroom presentation, pre and post training practical driving assessment, etc.



PARCO drivers receiving training and certificates

- Since 2009, PARCO has been partnering with the National Highway and Motorway Police (NH&MP) and has till date printed 30,000 Road Safety Booklets for motorists to comply Road Safety Rules, Pakistan Traffic Code, etc. See more on safe driving in Principle 8.
- All PARCO drivers are provided training annually to comply with Road Safety Rules and Pakistan Traffic Code.
- PARCO ensures that all its employees and staff of Service Providers practice Road Safety regulations and precautions as responsible citizens. Our HSE department conducts monthly Road Safety Trainings.
- There are proper road markings and road safety signs installed within all PARCO facilities and locations for strict compliance.
- Personal noise monitoring is carried out to check the 8 hours noise dosage of employees exposed to high noise areas.

- Under the umbrella of Schools and Clinics Support Program, PARCO has supported several Basic and Rural Health Centers based in small villages nearby PARCO cross-country pipeline and Stations and Terminals. The clinics are providing basic healthcare to the local communities within their villages. As a result, community members are no longer required to travel for long hours to the cities for basic treatment.
- PARCO’s Mid-Country Refinery at Qasba Gujrat is surrounded by many underprivileged communities, which are deprived of the basic education and health facilities. PARCO operates a Community Welfare Clinic in order to provide basic health facilities to the domestic workers working at the Mid-Country Refinery, their families and other people from nearby areas. The clinic is being run at a cost of Rs 1.5 million a year and treats approx 3,000 patients annually. In order to ensure sustainability of its operations, the clinic is supervised by the Company doctor and provision for its operation is kept in yearly CSR budget.
- In Pakistan, there are various hospitals that serve the underprivileged who cannot afford medication, hospitalization etc. Hospitals that are selected are run by NGOs with transparent operations, supervised by a proper Board of Directors and regular external audits. PARCO has helped several such hospitals through philanthropic contributions in capacity building. During the last 3 years, PARCO has spent more than Rs 46 million on such up-gradations.

Support for Sports

- PARCO has a decade long history of promoting sports within and outside the Company. Sports’ events like Cricket, Squash, Hockey, Volley Ball, Swimming, Water Polo, Badminton, Table and Long Tennis and other tournaments are supported by PARCO. Since the last three years, PARCO has been a major sponsor of the Squash tournaments that has helped in promoting young talent. PARCO has been holding a cricket tournament for the Pakistani petroleum industry for the past 5 years.



Support during Natural Calamities

- During the 2010, 2011, 2012, 2013 and 2014 floods, PARCO has spent more than Rs 36 million for medical camps, distribution of dry ration, cooked food, quilts and tented accommodation and reconstruction of houses, schools and clinics in the flood affected areas of Punjab and Sindh. PARCO has made a contribution of Rs 50 million to Prime Minister’s Flood Relief Fund in 2014.

Increasing Self-Reliance through Vocational Training

- Since the last three years, PARCO has been active in the area of entrepreneurship by supporting various vocational training institutes at Machike, Faisalabad, Kot Adu, Mahmood Kot, Qasba Gujrat, Muzaffargarh, DG Khan, Multan, Fazilpur, Shikarpur, Bubak and Karachi. Due to deteriorating conditions of these institutions, the infrastructure was completely revamped to create a better learning environment for students. PARCO also provided assistance in setting up state-of-the-art facilities according to the needs and requirements of institutions. Some institutes were provided with fully functional computer labs for conducting various professional computer courses; while other vocational centers, which offer training in sewing and embroidery, were provided with electrical embroidery sewing machines and other relevant equipment.
- During 2014, PARCO continued its inexorable commitment of community development by providing the much needed support to the institutes which have always been facilitated. Last year, PARCO hired two computer trainers for Vocational Training Institute at Mahmood Kot, to manage the latest high-tech computer lab setup by PARCO and provide trainings in latest technological developments. These trainings are being well received at the Institute. These centers help in developing skills set for youth, providing them with adequate employment opportunities and improving the overall standard of living. For the last three years, PARCO has spent more than Rs 25 million on its vocational training program.

Supporting Internal Stakeholders

- PARCO provides education assistance to employees children by providing scholarships to deserving students, seeking professional education.
- PARCO cares for its internal and external stakeholders. The Company supports its non-management and service provider’s staff in all manners that it can help. PARCO provides funeral assistance, assistance for daughter marriages, medical support on case to case basis, educational awards for non-management and service provider staff children in recognition of their performance in Secondary Education and for further education as well.
- The Company also supports the staff in many ways on case to case basis, whenever they need financial, medical or other support. All in all, PARCO acts as a Socially Responsible Corporate Citizen in all possible ways to help its internal and external stakeholders.

HUMAN RIGHTS

PRINCIPLE 2

BUSINESSES SHOULD MAKE SURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES

Our Commitment

PARCO makes all possible efforts to avoid complicity in Human Rights Abuses and abides by the laws of the country.



Management Systems

HR Management, Operations, Contract Management, Communities, etc.

Actions

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

Equal Opportunity Employer

Women Empowerment

Results

- During recruitment, every employee of PARCO signs a declaration agreeing to PARCO's *Guiding Principles* which include a complete set of guidelines on fair and ethical dealings with customers, internal and external stakeholders and communities. Violations of these principles are viewed seriously, have resulted in disciplinary action, and in some cases have led to the termination of service. Following are some highlights of PARCO's *Guiding Principles*:
 - We practice a merit-based equal-opportunity policy for recruitment and reject any influence of gender, color, caste, faith, ethnic origin or recommendations by influential persons.
 - PARCO believes in tempering its policies with human values that can raise the human capital of the Company and the Nation.
 - PARCO believes that valid profits are made by good businesses through efficient services, productivity of operations, value addition, innovative financing and strategic management of PARCO assets, talent and skills, while contributing to the well being of the Society.
 - As a professionally managed organization, we at PARCO ensure that all the stakeholders are provided equal opportunities. Be it customers, employees, communities etc. we ensure equal treatment at all levels.
 - PARCO believes in the value of transparency, openness and self-examination, and consider them as safeguards against potential faults.
 - As a professionally managed organization, we at PARCO ensure that all the stakeholders are provided equal opportunities. Be it customers, employees, communities etc. we ensure equal treatment at all levels.
 - We consider our Suppliers and Service Providers as our business partners and deal with them with the same fairness that we reserve for our employees and customers.
 - As a Company we are acknowledged as a responsible corporate citizen in the community of business and industry of Pakistan and have received multiple awards from various external stakeholder bodies as mentioned in the COP.
 - We strive for minimal impact on the environment and contribute significantly to reducing the damage done to nature by man.
 - We do not tolerate unsafe and hazardous-to-health work practices in transit or at the work place.

- All appointments in PARCO are based on merit for filling approved vacant positions. Our recruitment process ensures fair and competitive matching of candidates with job specifications. Non-job factors e.g. gender, origin, religion, and external influence are not considered. Under-age employment is strictly forbidden.
- PARCO Job Advertisements clearly state that use of any extraneous influence will disqualify the candidate.
- PARCO provides equal career growth opportunity to both male and female employees, some of whom are also heading key departments and sections in the Company. The company has females working in Engineering, Finance, Projects, IT, Telecom, Marketing, HR, and Medical functions. Our target is zero discrimination in a male dominated society and industry.
- Management and Engineering Trainees, upon successful completion of their training, are considered on merit against vacant positions, as permanent employees without discrimination, in case if there is vacant position.
- During 2014, 18 Trainee Engineers, 45 Trainee Technologists, 1 Management Trainee and 7 Trainee Chemists were inducted.
- Benefits, facilities and allowances, as specified in the Company's policies are provided to all employees and their dependants without discrimination.



- Being an equal opportunity employer, PARCO makes efforts in taking initiatives to empower women among its internal and external stakeholders. Some of these initiatives are given below.
- The Government of Pakistan promulgated "Protection Against Harassment of Women at the Workplace Act, 2010" with an objective to create a safe working environment for women which is free of harassment, abuse and intimidation so that they can work with dignity. PARCO enforces this Act throughout the company and has placed it on its intranet portal to educate women at workplace about their rights. PARCO has a committee to deal with harassment complaints takes suggestions and gives recommendations to Management. Employees, including head of departments, are advised to report any acts of harassment by any gender, as harassment is considered misconduct liable of disciplinary action. Since the last 40 years of existence of PARCO, no case of harassment against women has been registered.
- PARCO has built and supported three schools with The Citizens Foundation – a reputable NGO working in the area of imparting quality education – at Karachi and Qasba Gujrat, near PARCO Mid-Country Refinery. These schools employ all female staff belonging to the nearby communities. The existences of these campuses have generated employment for these local women to earn a decent living. There are 911 children receiving quality education at PARCO TCF schools.
- PARCO's Schools and Clinics Support Program supports 86 institutions compared to 68 last year, with 68 schools and 18 clinics. Out of these 68 schools, 84 percent are situated in the rural areas, with maximum female staff.
- The Community Welfare Clinic at the PARCO Mid-Country Refinery caters to approximately 3,000 patients a year of which majority patients treated are women and children.
- At the PARCO Mid-Country Refinery, the female spouses of the Company employees have formed a Ladies Club which is financially supported by PARCO. The club undertakes several social activities and events organized by the women residing at the Refinery Housing Complex.
- At PARCO Mid-Country Refinery Housing Complex, the Company has separate housing for women. There are separate sections and timing for facilities and club sports for women.
- During 2013-14, PARCO continued its support to many well-known vocational training institutions. The basic aim of the project was to facilitate these institutions in building capacity for incorporating latest techniques in building competencies amongst Pakistani youth. PARCO supported Vocational Training Institutes in areas, nearby PARCO facilities and assisted 20 centers at Machike, Faisalabad, Kot Adu, Mahmood Kot, Qasba Gujrat, Muzaffargarh, DG Khan, Multan, Fazilpur, Shikarpur, Bubak and Karachi.
- The institutes were provided help through setting up state of the art computer labs for conducting various professional courses and vocational trainings pertaining to sewing and embroidery by providing electrical embroidery sewing machines and furniture. Most of the students enrolled are women and has helped the women in these communities to take care of their own economics after receiving trainings from these well-equipped Vocational Training Institutes.

STAKEHOLDER FEEDBACK



Nighat Hassan, Trainer at the Teachers Resource Center

"At Teachers Resource Center (TRC) we are committed to improving and reforming the standards of education in Pakistan. As a trainer, I have trained a lot of male and female school teachers both in the private and public sectors. It is the third consecutive year of TRC's partnership with PARCO in conducting teachers' trainings, and the experience has been phenomenal. We have found PARCO very dedicated, focused and committed in developing strategies to impart best learning experience to the teachers of the government schools. It is not the primary job of PARCO, but still the organization seems committed in creating a learning environment amongst the government schools. I have witnessed a lot of women in the rural areas that are committed to the program and are happy performing their roles in PARCO supported schools. I believe, that the teachers training program by PARCO is bringing a positive change in all the teachers at the government schools, especially women."



Nasreen Suleman, Teacher at Government Boys Secondary School, Ibrahim Hyderi, Karachi

"A teacher is obliged to impart not just knowledge to the student but he/she should do so in most effective way. This I learned through the workshop arranged by PARCO at Teachers Resource Centre. During the three day workshop I not only learned the tools important for planning lessons effectively but I was also able to identify the shortfalls in my approach and how I can rectify them. This is my third workshop under PARCO's initiative of 'Effective Teacher Training'. Though PARCO has always been a good neighbor by extending its support in all matters including providing infrastructure to my school; I must say that among all activities the step towards improving the quality of education by training teachers is most efficient in terms of battling the root cause of inadequate standard of education."



- PRINCIPLE 3** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- PRINCIPLE 4** the elimination of all forms of forced and compulsory labour;
- PRINCIPLE 5** the effective abolition of child labour; and
- PRINCIPLE 6** the elimination of discrimination in respect of employment and occupation.



PARCO believes in addressing Employee issues practically and providing the right of collective bargaining to all its workers by complete compliance to all Industrial Relations Ordinances and Laws.

HR Management, Industrial Relations, Operations, CSR

Proactive focus and redressed Employee Grievances to maintain a good Organizational Climate

<ul style="list-style-type: none"> • PARCO workers are free to form or join a trade union of their choice without fear of intimidation or reprisal. • The Company complies with Industrial Relations Ordinance 2012. PARCO has one registered trade union comprising of all non-management employees represented by 10 Collective Bargaining Agents (CBA). • Management and CBA work together on many Employee Development and Welfare Programs. 	<ul style="list-style-type: none"> • PARCO has a history of good management – employee relations. There has never been a labor strike since PARCO’s inception, and all CBA agreements have been negotiated in a friendly atmosphere. • Free and fair elections of CBA were held during May 2013. Next elections will be held in May 2015. 	<ul style="list-style-type: none"> • Employees are encouraged to voice their suggestions for improving the Company’s performance and efficiency through an ‘Employee Suggestion Program’, which is an ongoing program. The objective of this initiative is to provide employees an opportunity to come up with innovative and creative ideas for process improvement, cost savings, operations effectiveness, safety and efficiency. Under this program, employee suggestions towards improving organizational efficiency are recognized and rewarded. Suggestions made by the employees are reviewed by the Managing Director and the Executive Committee Members which includes Company’s top management. • In order to obtain feedback from exiting employees on the problem areas in the Company and on the employee’s concerns, complaints and suggestions, an exit interview of all exiting employees are also conducted and remedial actions are taken accordingly. • For answering queries/suggestion/complaints of employees, the PARCO HR Department has a dedicated Help Desk. • Our Managing Director holds sessions with each category/level of staff separately on regular basis for example, Trainees/Section Heads/Engineers/Managers. During 2014, such sessions were held at Corporate Headquarters and PARCO Mid-Country Refinery. • The Human Resource Department at PARCO regularly conducts visits of PARCO installations at remote locations, to gather employee feedback, complaints and suggestions. The HR department also conducts Focus Group sessions amongst the employees where employees are randomly selected from each department at all locations irrespective of their grade or level. The objective of these discussions is to gather information pertaining to issues faced by the employees at all areas. A total number of 11 sessions have been conducted during 2013-14, attended by 135 participants from different departments belonging to various levels.
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PARCO completely disallows any form of forced or compulsory labour in all its functions.

Human Resource Management

Business Partners, Operations

Compliance by checking of Vendors/Suppliers/Service Providers

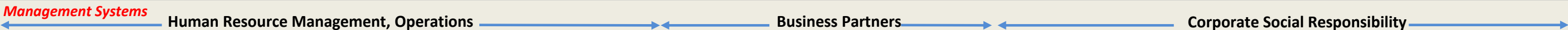
<ul style="list-style-type: none"> • PARCO's policy is to pay employees at all levels with responsibility, salaries and wages which are competitive when compared with prevailing salary scales for similar work in comparable organizations. For this purpose, salary surveys are regularly conducted and salary adjustments, benefits and revisions are accordingly granted targeting 75th percentile of the industry are provided. • PARCO benefits its employees with economic protection against loss of earnings in the event of separation from service through 'Gratuity Fund'. Besides this, PARCO also benefits its retired employees with 'Pension Funds'. The widow/children of a deceased employee are also entitled to receive pension. • PARCO also has a 'Transfer of Ownership of Company Assets' policy aimed at increasing employee satisfaction and retention. Under this scheme, employees are allowed to purchase Company vehicles and household appliances at a nominal cost. • To assist employees in solving their transportation, housing problems and in acquiring hard furnishings for their homes, PARCO grants Car, Housing and Furniture Loans to its employees. • Employees who are availing the residence facility at the Mid-Country Refinery site benefit from allotment of Company-owned residential housing, hard and soft furnishings, household appliances, world class sports, club facilities, schooling, mosque, shopping centers, etc. • PARCO places utmost importance to the continuous services of its employees as being a factor to be recognized in terms of granting reward and recognition. The Company recognizes long and dedicated services rendered by employees and in recognition thereof has instituted suitable awards commensurate with the length of service. The table besides shows the number of awards which have been given to employees in November 2014 on completing different periods of service: 		<ul style="list-style-type: none"> • PARCO's employment contracts do not violate human rights or labor laws. PARCO does not have a practice of service bonds. • Separation process, payment of outstanding dues, post retirement benefits, etc. are done expeditiously. • Upon induction, all employees are provided an employee handbook which includes all the Human Resource policies and procedures about hiring, training and development, compensation, benefits, leaves, medical benefits and much more. Furthermore, an electronic version of the book is also placed on PARCO's Intranet Portal for instant access by the employees. The electronic version is updated as soon as amendments are made in the policies. • Vendors/Suppliers/Contractors are checked by PARCO that no forced labor is utilized for PARCO's jobs. During prequalification, PARCO employees visit suppliers and vendors to visually observe and report if any children are employed or if forced labor is practiced. • PARCO conducts open competitive bidding for services and materials procurement to provide equal opportunity to all qualified vendors/suppliers. 	
		Years of Service	No. of Employees
		7	52
		10	56
		15	45
		20	16

Years of Service	No. of Employees
7	52
10	56
15	45
20	16
25	12
30	4
35	6

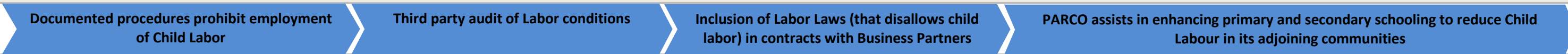
LABOUR

PRINCIPLE 5 BUSINESSES SHOULD SUPPORT THE EFFECTIVE ABOLITION OF CHILD LABOUR

Our Commitment PARCO forbids engagement of any form of child labour in its operations or by any of its business partners.



Actions



Results

<ul style="list-style-type: none"> No child labor has ever been employed by PARCO. Despite the fact that under the labor laws of Pakistan the minimum age of hiring is 14 years, PARCO's minimum age limit for induction is 18 years, which is thoroughly checked by birth certificates, educational transcripts, national identity card by NADRA (National Database and Registration Authority) and other age verification documents, thus ensuring that there is no child labor across the company. 	<ul style="list-style-type: none"> Regular third party audits are conducted by the Labor Directorate's labor department and health and hygiene department, Employees Old Age Benefit Institution (EOBI), Social Services Department, Workers Children Education, Sindh Employers Social Security Institution and other authorities who ensure elimination of Child Labor and compliance of other requirements of Labor Laws. During 2013, five visits were made by various government agencies at different PARCO facilities. 	<ul style="list-style-type: none"> By asking Suppliers and Service Providers to adhere to the laws of the country, they are required to comply with all labor laws, meet security and human rights requirements as well as eliminate employment of under-age workers. 	<ul style="list-style-type: none"> Under PARCO's Schools and Clinics Support Program, the Company supports schools and clinics of rural communities located near PARCO's Mid-Country Refinery and its Stations & Terminals in the Sindh and Punjab provinces of Pakistan. Up till 2014, 86 Schools and Clinics have been provided assistance for developing infrastructure, procurement of equipment, etc., to help them sustain their operations for providing basic facilities to the communities. Out of these 86 institutions, 68 are schools where more than 34,000 children are receiving education. PARCO's assistance to these institutions has raised the communities' interest to enroll their children in these refurbished and well-maintained schools diverting them from child labor to primary education, raising the literacy rate.
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PARCO and TCF (The Citizens Foundation) – A Partnership Making Differences

PARCO in partnership with the TCF (The Citizens Foundation) – a reputed NGO in Pakistan - has developed three campuses i.e. two primary and one secondary school at Qasba Gujrat and Karachi. These campuses are built in under-privileged communities and impart quality education to around 911 children. These schools are making a great difference in the lives of the underprivileged in many ways. Please see the following backgrounds on the PARCO-TCF schools.



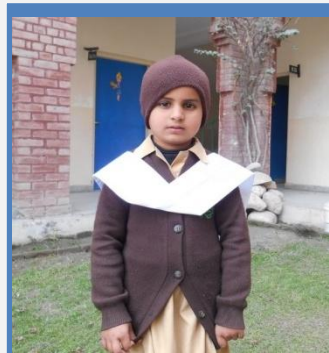
PARCO-TCF Campus I, Karachi



PARCO-TCF Campus II, Qasba Gujrat



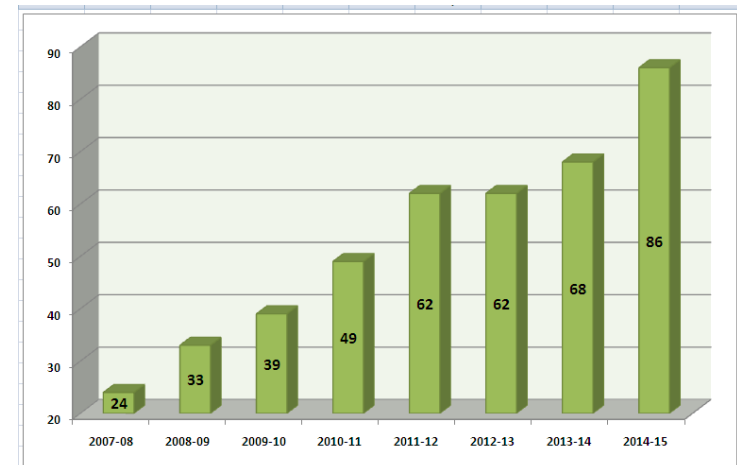
PARCO-TCF Campus III, Muzaffargarh



Kinza Fatima is 4 years old and a Kindergarten student at PARCO-TCF Campus II, Qasba Gujrat. Her father works in TCF as a driver and used to live in a far flung town which was away from the TCF School. The desire to have a better life and to give her daughter quality education compelled him to shift houses and they now live near the school. Kinza is a fast learner and a diligent student. Kinza despite being an adopted child loves her parents very much, she urged her mother to enroll in Aagahi Program which is an Adult literacy Program at TCF in afternoon for parents. She takes great inspiration from her teachers and wants to be just like them when she grows up.



Zuhair Qadeer is 11 years old and a Grade V student at PARCO-TCF Campus I in Karachi. His family hails from Azad Kashmir and migrated to Karachi a few years ago in order to earn a better living. His father used to work as an electrician at a workshop and recently passed away. In order to support the family he now sells haleem at a small stall after school hours, his relatives help him out in the process. Zuhair is a bright student and has a promising future according to his teachers. His mother being a TCF Alumni herself from the same school is a source of inspiration for Zuhair. He likes to play football and read books. He aspires to become a pilot when he grows up.



Investing in Education – Bag and Stationary Distribution

- As education is a key foundation for developing a country, PARCO has always taken initiatives to improve the quality of education in underprivileged areas across Pakistan. In September 2014, PARCO distributed school bags amongst the primary level students of various government schools in the locality of Mid-Country Refinery (MCR). These school bags contained notebooks and stationery to further facilitate the learning process as quite a few children did not have proper notebooks and bags. This initiative has increased the morale of the children and developed positive effects on the emotional well-being of these students. The children were extremely excited to receive these school bags from PARCO. This initiative has encouraged children to increase their attendance at the schools thus directly eliminating child labor.



School Bags being distributed to the school children

LABOUR

PRINCIPLE 6

BUSINESSES SHOULD SUPPORT THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION



Our Commitment

PARCO provides equal employment opportunity and supports diversity of human capital in all its functions.

Management Systems

Human Resource Management

Corporate Social Responsibility

Actions

Ensuring Equal Employment Opportunities for all

Enforcing Code of Ethics

Workforce Diversity

Merit-driven Appointments and Promotions

Expand PARCO's interaction with Educational Institutions

Technology Transfer

Results

- PARCO offers equal opportunities to all qualified applicants, men and women, belonging to all faiths and religion, origin, ethnicity, color, caste or creed.
- PARCO ensures that no discrimination is made amongst employees and till date, all male and female employees belonging to different religion are employed at all levels including senior management positions.
- Employees are given holidays in accordance with their religious customs.
- PARCO gives special employment preference to handicapped applicants and has till date employed 5 such people.
- See Women Empowerment in Principle 2.

- PARCO ensures that employees abide with the Company's Code of Ethics. Every employee has to sign, at the time of induction, a declaration agreeing to PARCO's Principles which include a complete guideline on avoiding discrimination, ensuring fair and ethical dealings with all internal and external stakeholders including communities, customers, suppliers and vendors.

- PARCO employs 1,359 direct employees, including 21 people from minorities. These employees come from all over the country, irrespective of domicile/origin, ethnicity, religion, gender, or any other non-job dimension. Thus there are workers of all ages, from all provinces i.e. from the northern most cities to the southernmost area of Karachi.
- PARCO is a national employer, employing people without discrimination and strictly on merit, from all parts of the Country:

Province	No. of Employees
Azad Kashmir	10
Baluchistan	7
FATA	2
Khyber Pakhtunkhwa	71
Punjab	747
Sindh	522
Total	1,359

- Despite being a petroleum engineering organization, PARCO encourages women for employment at the Mid-Country Refinery, which is located in a remote area, by providing separate accommodation for single women.
- As a multinational Joint Venture, PARCO also employs dual national staff which further adds to our diversity and talent pool.

- PARCO discourages nepotism and every form of favoritism. The way up the PARCO ladder is open to everybody. The policy of the Company is to develop and promote employees from within the organization through career and succession planning. As an example, our Managing Director joined the Company 39 years ago as a Trainee, immediately after graduating as an engineer.
- Hiring and promotions are done on merit, performance and ultimate potential of each employee through professional and transparent HR processes. If any employee exerts external pressure of any sort s/he is automatically disqualified and faces disciplinary action.



- PARCO undertakes regular summer and winter internships for students belonging to business and engineering disciplines where the selection of internees is done on merit. During 2014, PARCO inducted 58 interns and provided on the job training with challenging projects.
- PARCO also supports research, conferences, trade fairs, workshops and other events of educational institutions. We also provide technical equipment for labs of engineering institutions. PARCO has donated 4 Gas Turbines to the Mechanical Engineering Departments of four engineering universities of Pakistan i.e. NED University-Karachi, University of Engineering and Technology-Lahore, Mehran University-Jamshoro, Bahauddin Zakariya University-Multan. These turbines are now being utilized by the universities to provide hands-on training to the engineering students.
- Universities show keen interest in visiting PARCO's facilities and the company organizes plant visits for petroleum, chemical, civil, electrical, electronics, telecommunication, and other engineering and business students belonging to different universities.



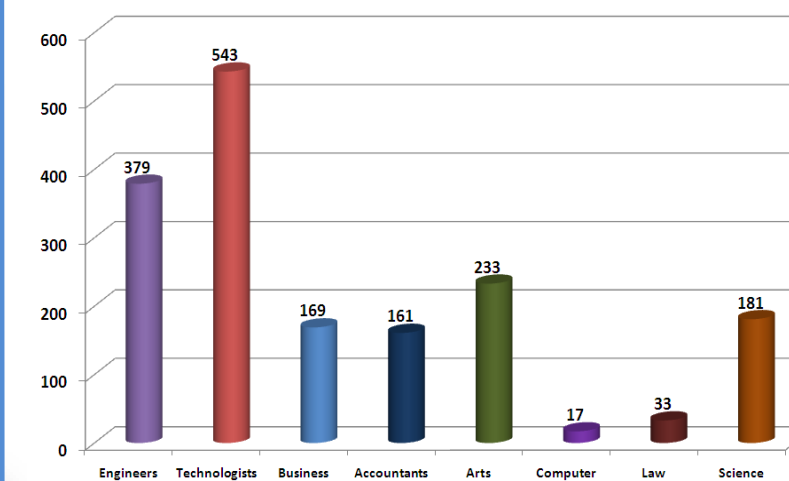
University Students visit PARCO CHQ



Students visiting PARCO Station and Terminal

- PARCO possesses competent specialists in many areas and in order to utilize their expertise, these internal training resources develop and deliver training programs.
- PARCO offers Trainee Program in the fields of management and engineering. The training ranges from 1 to 2 years and provides the candidate learning and exposure to different aspects of a real life working environment. Upon demonstrating satisfactory performance at the end of the training, the Trainee is inducted as an employee if a suitable vacancy exists.
- Since 1975, PARCO has trained 1151 Engineering and Management trainees. This number is ever increasing and shows that PARCO has not stopped inducting fresh talent even at a time when the Country is facing an economic downturn.
- To address the issue of scarcity of trained manpower in the country, an 'Apprenticeship Program' has also been introduced. The objective of this six-month program is to provide technical training to fresh graduates and upgrade their skills.
- PARCO has a huge reservoir of highly skilled and experienced human capital. Please refer to the below graph showing our Talent Inventory in different areas.

TALENT MANAGEMENT INVENTORY



- Many of our experts are teaching at different universities transferring knowledge and skills to the younger generation. Joint research projects are also undertaken with educational institutions.











ENVIRONMENT

- PRINCIPLE 7** Businesses should support a precautionary approach to environment challenges;
- PRINCIPLE 8** undertake initiatives to promote greater environmental responsibility; and
- PRINCIPLE 9** encourage the development and diffusion of environment friendly technologies.



ENVIRONMENT					
Principle 7	BUSINESS SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES				
Our Commitment	PARCO is committed to comply with the National Environment Quality Standards (NEQS) and ensures minimal impact on the environment.				
Management Systems					
HSE, Operations and Administration					
Actions					
Environment Friendly Supply-Chain	Efficient Effluent Management	Environmental Auditing, Certification and Awards	Environment Friendly Products	Solid Waste Management	
Results					
<ul style="list-style-type: none">Crude Oil is the basic raw material in any oil refining firm. Environmental stewardship is a prime motivation as we manage transportation of crude from Keamari Port in Karachi to our refinery in Mahmood-Kot, MCR through 864 km long pipeline which is approx 400 ft above sea level. The pipeline ensures that each drop of crude oil is transported to MCR without effecting the environment.We have leak detection system, emergency shutdown system, intelligent pigging, corrosion protection, and microwave towers for communication, SCADA (supervisory control and data acquisition) system to avoid leakages, thefts and intermediate storage tanks at 5 different pumping stations.During the year 2014, approx 4.6 Million Metric Tons of crude oil was transported from Karachi to PARCO's Mid-Country Refinery (MCR) at Mahmood Kot through an 870 km long pipeline network, ensuring safe and secure transportation. This efficient supply chain eliminates the movement of oil tankers significantly contributing in reduction of air pollution.In 2014, the 362 km Mahmood Kot Faisalabad Machike (MFM) pipeline transported approx 2.7 Million Metric Tons of refined fuel from PARCO Mid-Country Refinery at Mahmood Kot to Machike via Faisalabad where gantry facility is available for product off-take. This has also reduced quite a number of tank lorries off the road.Similarly, during 2014, the 817 km WOP (White Oil Pipeline) transported approx 3.5 Million Metric Tons of HSD (High Speed Diesel) from Karachi to Mahmood-Kot. 	<ul style="list-style-type: none">Effluent monitoring is carried out at all Stations and Terminals and the Mid-Country Refinery (MCR). Reports are sent to Environment Protection Agency (EPA) against SMART Program.Impact on the environment from the refining process is controlled by treating and managing emissions. Low NOx (Nitrous Oxide) burners and Sulfur removal from fuel gases are examples.Effluents are treated in a state of the art effluent treatment plant having capacity of 340m³/hr involving extensive chemical and biological treatment. The waste water from all over the refinery is collected and through skimming, neutralization, dissolved air floatation, aeration, clarification, filtration and drying operations the effluent water is brought with in NEQS limits before being discharged. The treated water is reused for plants after compliance with NEQS (National Environmental Quality Standards) is ensured. All effluents are checked and verified regularly before discharging by third party EPA (Environment Protection Agency) approved Labs to comply with NEQS.All contractors' equipment is checked for compliance to NEQS.Various chemicals in use are stored in a well-ventilated warehouse and it is ensured that a minimum level of inventory is kept to minimize the hazard. The chemical warehouse is equipped with deluge valve system to suppress any kind of contamination. Plastic trays and HDPE sheets have been placed under the chemical drums to meet the required level of protection.In compliance of Integrated Management System (IMS) at Corporate Headquarters (CHQ), environmental sampling and testing of liquid effluent (sewerage and car wash area) and gaseous emissions (generators of CHQ and Commercial buildings) are carried out against NEQS on yearly basis through an EPA certified laboratory. Liquid effluent parameters include temperature, pH, chemical oxygen demand, biological oxygen demand, total dissolved solids, total suspended solids, oil & grease, phenolic compounds and chlorides while gaseous emissions are tested for Co, Nox, Sox, H₂S, smoke and noise. The results of the past eight years from 2007 - 2014 are within permissible limits specified in NEQS, conducted by reputable laboratories. Samples for 2013 were extracted for testing and results remained within permissible limits.EMS (Environment Management System) Impact Assessment registers are available at every Station, and EMS impact is assessed on regular basis to ensure IMS conformance with ISO and EMS requirements. 	<ul style="list-style-type: none">PARCO is a fully IMS CERTIFIED ENERGY Company and amongst the first in Pakistan to simultaneously achieve three international certifications, that is, ISO 9001:2008 (Quality Management System), ISO 14001:2004 (Environmental Management System) and OHSAS 18001:2007 (Occupational Health and Safety)During August 2014, PARCO Pipeline Division had its second surveillance audit conducted by a third party certification body.Corporate Headquarters (CHQ) has successfully achieved recertification of the OSHAS 18001, ISO 14001 and ISO 9001 standards for another one year following an external Surveillance Audit conducted by a third party certification body in July, 2014.IMS Certificates for PARCO Mid-Country Refinery were re-certified for the third time by a third party certification body in December 2014.During IMS Certification Audit, risk assessments were conducted in which high risk areas/activities were identified and objectives were established to eliminate, reduce and minimize the risks. The process is now continued through IMS objectives. Audits of housekeeping, gas masks, noise, work permits, closed sampling box etc. have been periodically conducted. Bi-annually third party stack emissions and liquid effluent monitoring, third party ground water monitoring within the refinery and neighboring areas, third party ambient air monitoring around the PARCO installation within 2 kms of radius, are conducted.Regular HSE Audits of operational areas and office buildings are carried out to ensure safe environment in the office areas. Any discrepancies found during the audit are analyzed for their risks on safety and appropriate recommendations are provided as key performance indicators. Up till now 97 Plant Safety and Housekeeping Audits of MCR have been conducted.Annual Pipeline HSE and Housekeeping Audits ensure the same commitment towards housekeeping and clean environment both in operational areas and office buildings at all PARCO Stations and Terminals. Senior Management Audit is carried out on monthly basis in which the Senior Management conducts its audits at the plant area and also interacts with employees to gain insights.During 2014, 8 risk assessments were carried out, of which 7 for OHS category and one for EMS category at PARCO Corporate Headquarters. The purpose of risk assessment is to define mechanism and responsibilities to identify Organizational Health and Safety hazards and assess their risks in respect of normal and ascertained activities performed in the premises of PARCO. It also aims to provide mechanism and responsibilities to identify EMS aspects and assess its impacts.The National Forum for Environment and Health (NFEH) has awarded PARCO with the Annual Environmental Excellence Award for the ninth consecutive year in 2014. The NFEH is a non-government, non-profit organization which works in collaboration with the United Nations Environmental Program (UNEP) and is supported by the Ministry of Environment, Government of Pakistan. PARCO for the 6th consecutive time has been placed amongst the 10 Best Organizations of Pakistan in Environment Management. 	<ul style="list-style-type: none">PARCO proactively works to ensure that its products and fuels are environment friendly. Lead free Gasoline complies with the standard having sulfur content less than 150 ppm. With the investment of 132 million USD on a Diesel Hydro Desulfurization unit, Diesel produced by PARCO is on Euro II specifications i.e. less than 500 ppm. This positions PARCO at the top in Pakistan where the running standard is 5,000 ppm of sulfur in diesel. The extracted sulfur is solidified and sold as a byproduct. 	<ul style="list-style-type: none">Waste disposal is an elaborate activity at PARCO. Our Mid-Country Refinery (MCR) at Qasba Gujrat is the collection point for all hazardous waste from the Refinery, Stations and Terminals. The waste is stored at a hazardous waste yard. The procedure we have developed clearly defines the methodology for the management and disposal of solid waste at MCR in a manner that protects human health and the environment. It takes an inclusive approach that endeavors to protect surface/ ground-water, air, flora and fauna. It also presents best practices that make up an effective Waste Management System.PARCO's Mid Country Refinery and Stations and Terminals have designated procedures and areas for effective system of waste collection and segregation. Two drums (yellow and green) are placed in each area i.e. plant, maintenance building, truck loading and laboratory etc. Yellow drum is designated for dumping the hazardous waste and the green drum is for non-hazardous waste.The Solid Waste Management yard is the storage point for waste at MCR. It is a well-organized area catering for everything from spent catalyst and chemical drums to used batteries. A third party of international repute is contracted for disposing the waste. All types of solid wastes are collected in the waste yard and separated according to their nature. There are five separate yards according to the nature of waste.Scrap Yard is situated near the south side boundary wall of the refinery in front of Solid Waste Management Yard. All the waste generated at the Mid-Country Refinery is stored in the Solid Waste Management and Scrap yard. Environment section keeps the record of Solid Waste Management Yard. The non-hazardous waste is stored in green drums and shifted to the non-hazardous waste yard. Administration Department keeps the record of all the municipal waste and submits the record to the Environment Engineer on monthly basis for proper monitoring, treatment and/or disposal. 	<ul style="list-style-type: none">About 154 tons of hazardous waste was disposed off in 2013-14 by a certified and EPA approved third party. During hazardous waste management, around 1,700 empty metal and plastic drums were sold with safe recycling/ disposal guarantees. The payback of recycled drums contributed in disposal of hazardous waste. This is now an annual recurring activity. <p>PARCO's Guidelines for Disposal of Hazardous Waste</p> <p>The hazardous waste is disposed through Environment Protection Agency (EPA) approved third party on an annual basis through open bidding and stringent evaluation criteria to comply with all the legal requirements i.e.</p> <ul style="list-style-type: none">EPA Non-Objection Certificate (NOC) for disposal of hazardous waste.Safe handling and transportation of hazardous waste methods and statements.Incineration through EPA approved facility.Recycling of used lubricant oils through government approved reclamation plant.Safety of workers for handling of hazardous waste.Necessary packaging and labeling requirements.Provision of waste disposal/recycling certification and undertakings.

ENVIRONMENT

Principle 7 (Contd.)

BUSINESS SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES

Our Commitment

PARCO is committed to comply with the National Environment Quality Standards (NEQS) and ensures minimal impact on the environment.



Management Systems

HSE, Operations and Administration

Actions

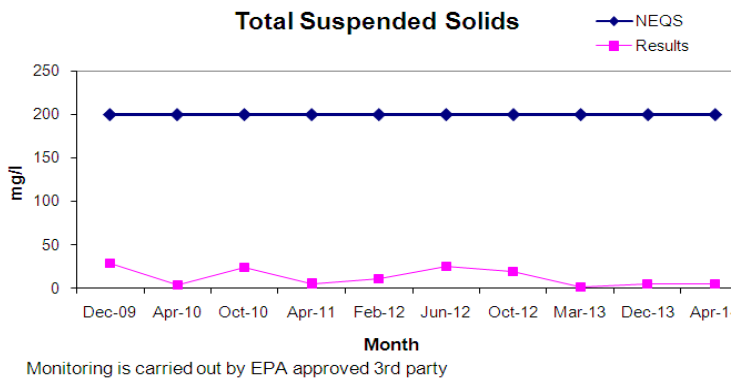
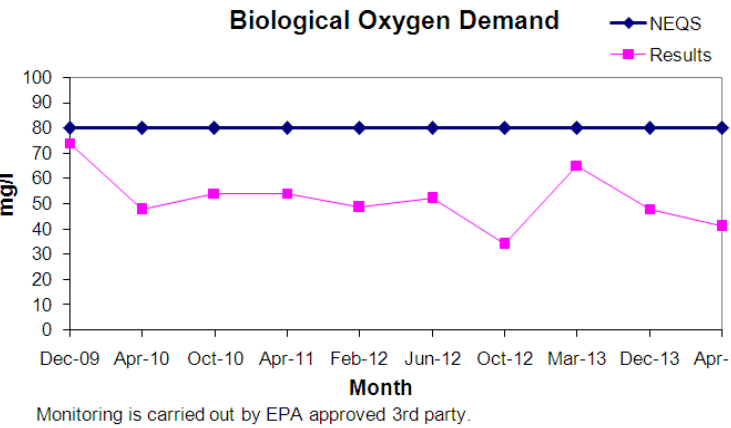
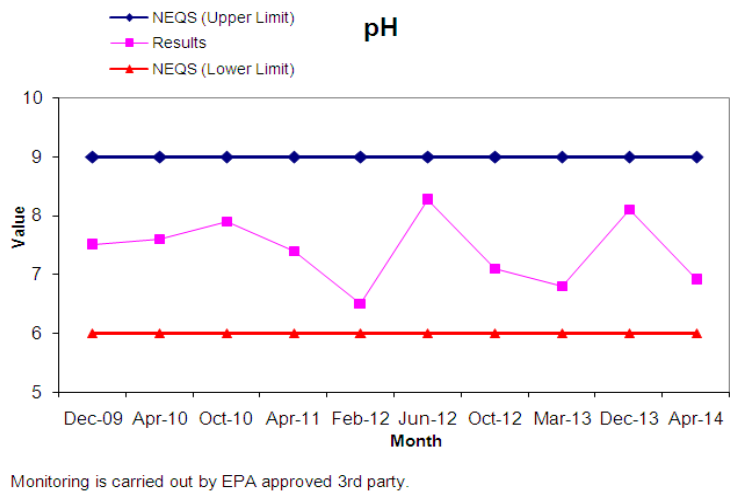
Efficient Effluent Management

Environmental Auditing, Certification and Awards

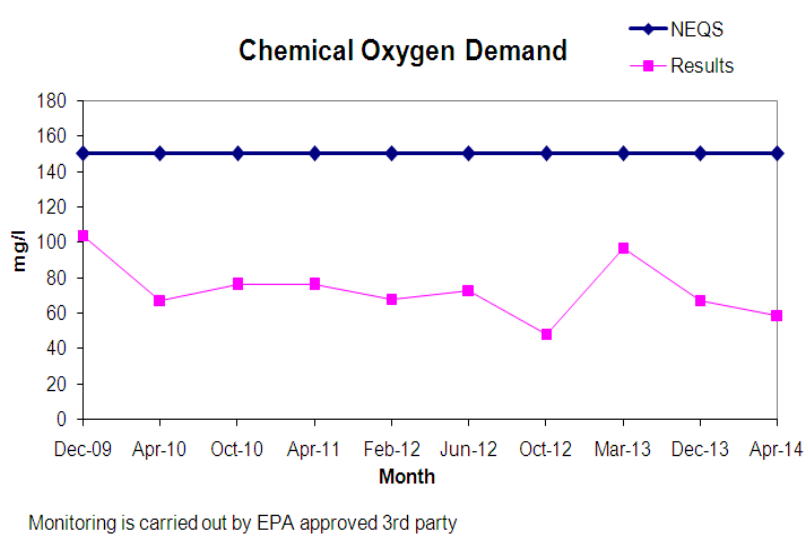
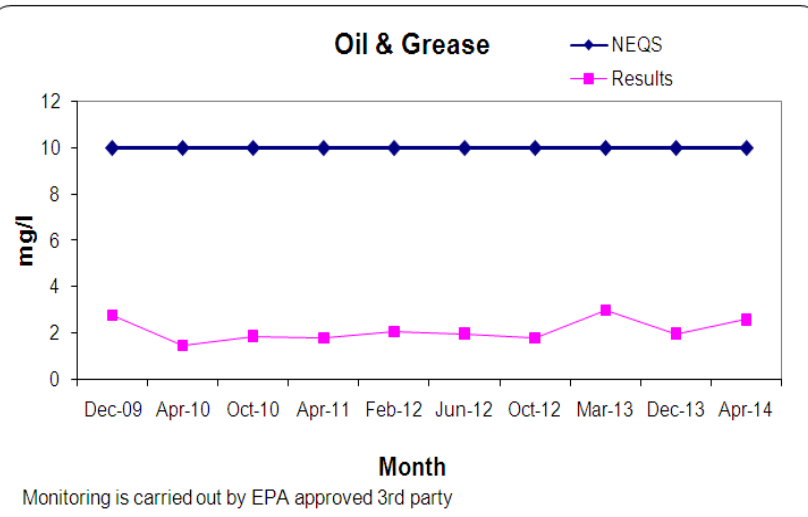
Air Emissions Monitoring

Results

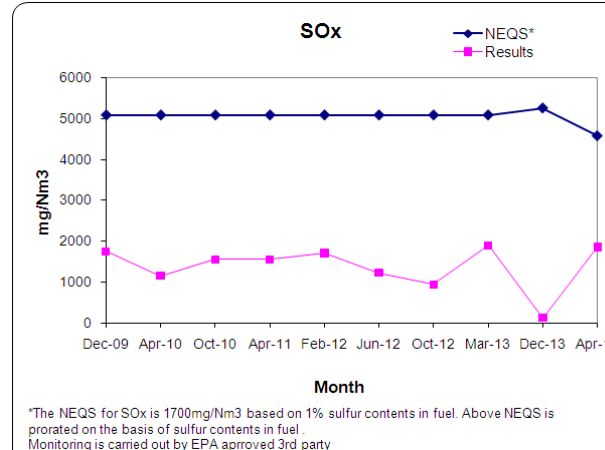
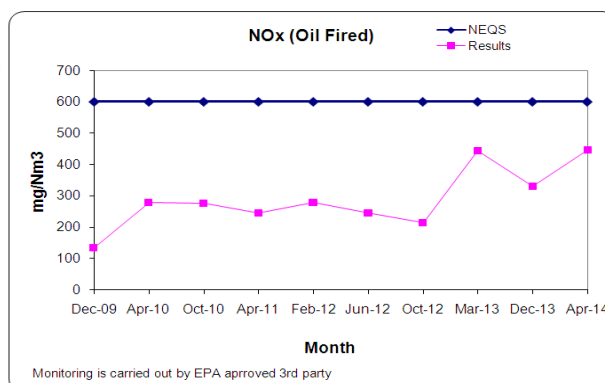
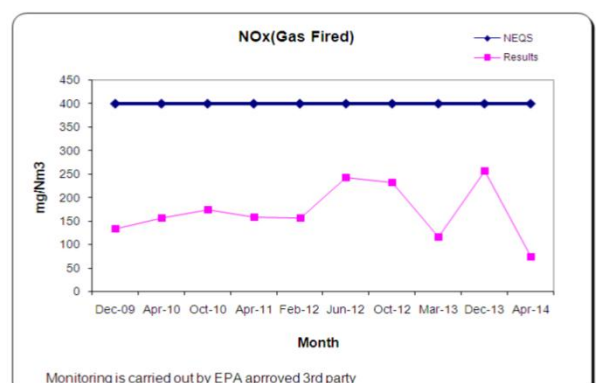
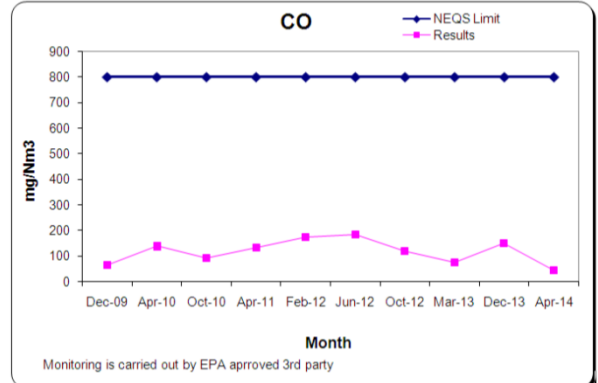
- Regular third party monitoring is done diligently, and the results are well below permissible NEQS limits. Results of some key parameters are shown below.



- Regular HSE Audits of operational areas and office buildings are carried out to ensure safe environment in the office areas. Any discrepancies found during the audit are analyzed for their risks on safety and appropriate recommendations are provided as key performance indicator. 13 HSEQ Internal Audits have been carried out at CHQ in May 2014 by our certified auditors.



- Air emissions monitoring is being carried out on monthly basis through PARCO's laboratory and bi-annually through EPA approved third party for Carbon Monoxide, NOx, SOx, and Particulate Matter etc. The result of all environmental parameters remains within NEQS limits throughout the year. Results of some key parameters are shown below.



ENVIRONMENT

Principle 8

COMPANIES SHOULD TAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY

Our Commitment

PARCO and its employees show responsibility in operations and in adjoining communities.

Management Systems

HSE, IMS, Operations, CSR

Actions

Environmental Stewardship

Increasing Health and Safety Awareness and Performance

Reduction in Pollution and Community Environment Monitoring

Initiatives Promoting Greater Environmental Responsibility

Results

- PARCO takes into account all it can to reduce emissions far below NEQS limits, develop products on Euro II standards and preserve natural habitat by diverting its oil pipeline.
- The 2,000 km of oil pipelines traversing the country, save thousands of gallons of fuel and reduce pollution that would otherwise have been caused by tank lorries traffic.
- The refining complex at PARCO's Mid-Country Refinery is equipped with a state-of-the-art effluent treatment plant, low NOx (Nitrous Oxide) and SOx (Sulphur Oxide) burners and a Sulfur Recovery Unit.

- Fire, rescue and emergency drills are conducted regularly at all PARCO locations to ensure preparedness for emergencies. Four batches of Emergency Response Team are being trained every year to ensure availability of trained manpower at all times. First Aid staff is trained by professional Fire and Rescue personnel and refresher courses are ensured periodically.
- To create a general awareness amongst the employees regarding the importance of maintaining good health; health and safety brochures were launched on subjects like importance of seat belts, safety guidelines for visitors, thalassaemia, polio, ebola, benefits of dietary fiber, etc.

- Regular lectures on various health topics (e.g., hypertension, obesity, diabetes mellitus, Polio, etc) are conducted by Company Doctors. Similarly Medical Bulletins are also issued on the Company's intranet portal as well as emailed to all employees to increase health awareness on various topics among the employees.

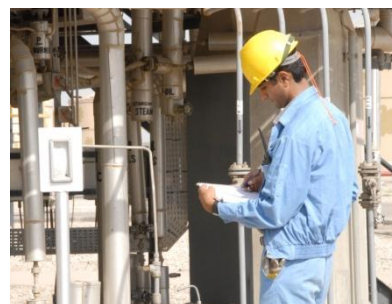
- To enhance health and safety awareness among employees, trainings like Road Safety, Fire Fighting, Emergency Response Planning, Anti-Terrorist Attack, Risk Assessment and Procedures of Waste Management, Occupational Health and Industrial Hygiene Management, First Aid, etc. are organized from time to time.

- The Company encourages employee participation and maintained in the planning and implementation of OHSE-MS activities like:
 - Job Safety Analysis for all new and critical jobs
 - Risk Assessment for Occupational Health Safety and Environment
 - Departmental Safety committee meetings
 - Incident Reporting and Investigation
 - Training and Implementation of Standard Operating Procedures (SOPs)
 - Tool Box/ Safety Talks

Contractor Safety Management

Contractors adhere to relevant health safety and environment and quality standard at PARCO facility through contractor management program.

- Pre-qualification with HSEQ requirements
- Contractor safety method statement
- HSE requirements are made part of the all types of service contract
- HSE orientation for contractor workforce
- HSE training for contractor workers
- Provision of personal protective equipments
- On site monitoring of contractors
- Contractor safety audits
- Contractor performance review meetings



Community Environment Monitoring

- The surrounding areas of PARCO's facilities have a lot of independent Service Stations for trucks, tankers and other vehicles which are potential contaminants for ground Water. Realizing this Environmental aspect we developed a comprehensive ground and soil monitoring plan to ensure that there is no contamination in soil and water is done and has developed a base line data for continuous monitoring. It includes:

- Ambient Air Quality monitoring for SOx, NOx and CO at 1 and 2 kms outside Refinery is conducted twice a year.
- Ambient Particulate Matter monitoring is also conducted twice a year.
- Offsite Ground Water monitoring is also conducted twice a year at 10 different locations.
- Noise Level monitoring at boundary wall are done periodically.

Community's Ground Water Monitoring

- We perform 3rd party (EPA certified) ground water monitoring of the surroundings of our refinery twice a year just to ensure that the community nearby is using a safe underground water. There are 15 different parameters i.e. pH, Color, TDS, Taste and Odor, Total Hardness, Faecal Coliform, Coliform Organisms, Arsenic, Chloride, Sulphate, Iron, Cyanide, Lead, Selenium and Manganese from different locations like Jamia Mosque, LalPir, PattayWala, BudhWala, ChujrayWala, Madrassa, BOC Gate, ArriLal Khan, LaluWala, Pattay Walla School, R2 Gate etc.



Community's Ambient Air Monitoring

- Ambient air monitoring at 1 Km and 2 Km distance around our refinery is also done twice a year by EPA certified third party. The parameters being monitored are NOx, SOx, CO and Particulate matter.

Community's Soil Analysis

- A total of 8 samples of soil are being collected to check oil and grease level in the soil from 1-4 feet depth. A certified third party collects these samples from various locations within MCR and service stations around MCR.

Noise Survey

- Comprehensive noise surveys are also carried out within all operational areas at Stations & Terminals and Refinery. Equipment and locations are identified where a detrimental noise level may be present. Ear muffs and ear plugs are made mandatory accordingly. Generator/ turbine housings, fired heaters, compressors and similar potentially high noise equipment are monitored periodically. Even at the boundaries, a noise survey is carried out in order to make sure that communities surrounding our facilities are not affected by any noise generated due to operations.

- Tank lorries that are received for filling are "Top loading" and of a variety of sizes and dimensions. This leads to Hydrocarbon vapor emissions that create a very hazardous environment in the truck loading area, in the explosive limit range. Apart from constant danger of fire incident due to high volatile vapors, the situation is also very serious for the environment as these vapors contribute to Global Warming. According to Environmental Impact Assessment Report, 85% of the annual hydrocarbon emissions from the refinery take place during the filling of the Truck Lorries. In order to control this hazard, a fire proof cloak was fabricated for covering the truck lorry manhole. The fugitive emissions are then collected in an overhead tank.

National Safety Council, USA Membership and Programs

- Over the past 15 years of refinery operation, PARCO has developed and implemented world class safety systems for safe operations. Safety of personnel working in refinery environment has always been our top priority. During this period these systems have been recognized within the country with "Environmental" and "Fire and Safety" awards. PARCO has recently endeavored to have its systems internationally recognized by enrolling with the National Safety Council (NSC), USA as a member organization.
- NSC is providing safety services in more than 100 countries to almost 700 organizations, having a multitude of clients from private industry (both large multinationals and small to medium-size enterprises), governments, training centers, associations, consulting firms and community groups. As per the safety programs offered by NSC, PARCO has initiated an internal *Safety Perception Survey* and *Safety System Assessment* powered by National Safety Council (NSC), USA

Safety Scouts & Guides Program at PARCO

- In order to guarantee and propel safety behavior amongst the residents of PARCO Mid-Country Refinery (MCR) – Housing Complex, a Safety Scouts & Guides Program is in place at PARCO. The Safety Scouts & Guides are selected from the pool of school-going students who are best at expressing themselves and are brimming with confidence. Gender Equality is ensured while selecting the Scouts and Guides, whose job is to ensure and enhance behavioral, kitchen, road and living-place safety in the Housing Complex. The Safety Scouts & Guides, who are twelve in number, are given a healthy stipend as a token for their services. The Safety Scouts & Guides are provided with check-lists to ensure that proper house-keeping is done in the housing complex and basic safety procedures are being followed.

PARCO – Family Safety Awareness Program

- To educate the families of employees regarding Health, Safety and Environment, HSE has recently started the CA TV presentations and videos on PARCO channel. The topics recently shared are Fire Classification, Winter Safety, Clean Environment, Importance of Seat Belt, etc. Fire fighting sessions are conducted in the Colony to boost the confidence of families to handle emergency.
- Contractor's HSE performance is monitored and feedback is shared. PARCO ensures every contractor has first aid and medical facilities for its workers. Medical fitness certificates are necessary for highly hazardous work.
- The Company conducts HSEQ Internal Audits twice a year, to ensure that defined mechanism and responsibilities for planning, conducting and reporting internal health, safety, environment and quality management systems are being followed.
- During the year 2014, emission testing and liquid effluent sampling/monitoring of 177 transport vehicles, 84 diesel generators, fire water engines, liquid effluent sampling facilities were carried out at all PARCO Stations& Terminals.
- PARCO always takes keen interest when it comes to preserving and improving the eco system. As tree plantation plays an important role in the improvement of eco system; PARCO Mid-Country Refinery keeps massive budget for Tree Plantation / Horticulture annually. In the year 2013-14, budget of PKR 13 million was allocated.
- A 'Safety Walk' was organized on 19th June 2014 at PARCO Mid-Country Refinery Housing Complex to highlight the importance of Safe Environment and Driving Safely among the employees and their families. The safety walk was followed by a gathering in which senior management highlighted importance of safety and ensured their commitment.



- The 'World Environment Day' was celebrated on 5th June 2014 at all Mid-Country Refinery, Stations & Terminals and at PARCO Pearl Gas Pvt. Ltd. (PPGL) Office in Islamabad to propagate the understanding of taking positive environmental action. The 2014 theme for World Environment Day was, "Raise Your Voice Not the SEA Level".



ENVIRONMENT

Principle 8 (Contd.)

COMPANIES SHOULD TAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY

Our Commitment

PARCO and its employees show responsibility in operations and in adjoining communities.



Management Systems

HSE, Operations, CSR

Environmental Stewardship

Health Safety Environment (HSE) Training Programs

Initiatives Promoting Greater Environmental Responsibility

- Occupational Health and Safety Management and Environment Management systems in PARCO are fully complied with the National as well as International Standards such as ISO, OSHA, NEQS, NFPA, Pak EPA, API and ASTM.
- PARCO has a very comprehensive occupational health monitoring program to manage health of employees exposed to occupational health related risks, for example:
 - Noise control program (covering area noise level monitoring, noise reduction and controls, sign posting, personal exposure assessment, audiometry). Even at the boundaries, a noise survey is carried out in order to make sure that communities surrounding our facilities are not affected by any noise generated due to operations.
 - Equipment modification to control noise from recourse by engineering means
 - Dust monitoring program
 - Volatile organic compound monitoring
 - Audiometric testing for noise
 - Employees health management program
- HAZMAT document has been prepared by MCR HSE for all the chemicals used in the plant and lab. In this regard a one page MSDS document is prepared for each chemical being used along with the face sheet of all chemicals. This provides a great ease for employees in considering the First Aid requirements, handling and storage procedures, environmental aspects, etc.

White Oil Pipeline Optimal Utilization Study

- PAPCO – a subsidiary of PARCO – owns 780 km long White Oil Pipeline (WOP), which runs from Port Qasim (near Karachi) to the South to Mahmood Kot in the North, where it ties into PARCO owned 364 km long Mahmood Kot-Faisalabad-Machike (MFM) Pipeline.
- The White Oil Pipeline was designed for transportation of Crude Oil and HSD. Presently, it is only being used for the transportation of HSD and it is operating below its design capacity. PAPCO has initiated this study to optimize the use of the WOP by using spare capacity for the batched transportation of MOGAS and Jet Fuel in addition to HSD, from South to North region.
- After incorporating modification in pipeline system as per recommendations of study, the Company will be able to enhance the utilization of the pipeline system to its maximum capacity. In addition, heavy traffic load on the roads will be alleviated as hydrocarbons will be transported safely through pipeline system which is the most efficient and safe system for transportation of flammable liquids. In this regard a detailed study has been conducted and execution will be carried out soon.

Drag Reducing Agent (DRA) Treatment

- Drag Reducing Agents (DRA) are indigenous solutions for enhancing the pumping capacity of hydrocarbon pipelines with lesser input energy. PARCO is utilizing DRA for this purpose and has successfully achieved the desired throughput of Crude Oil to meet the Mid-Country Refinery demand positively.
- DRA is a slurry type product which has chronically higher rejection rates and ends up in wastage. In order to address this issue, in-house Research and Development was carried out to recycle the hardened/unusable product. This value addition job has resulted in massive saving for the company and also addressed the environmental issues regarding disposal of wastage and rejection/wastage has been reduced to zero. Furthermore, the initiative has also reduced the import bill.

HSE Training Overview at PARCO Mid-Country Refinery

- Trainings are carried out twice a week for all PARCO employees.
- All trainings are based on the training need analysis, audits and incident reports.
- A three day session for Senior Management was also conducted as refresher on Safety Management System and its importance.
- A comprehensive two week HSE training plan is conducted for all new employees and trainees.
- A 20 day training program for Emergency Response Team members and refresher courses were conducted in 2014.
- All contractors before mobilization on site go through detailed Orientation and Training covering both aspects of Occupational Health, Safety and Environment.
- Furthermore, nominated contractual staff including labor also attend in-house HSE training program once a week. On site safety talks are carried out each morning before commencement of work. This serves as a refresher for the contract labor.

Emergency Response Team (ERT) Training

PARCO HSE conducts in-house ERT training on quarterly basis to train its employees from different engineering/technical disciplines. The aim of ERT training is to have an Emergency Crew will keep constant vigilance and respond immediately to mitigate any emergency at the very initial level. There have been remarkable achievements at many occasions when our ERT members have proved useful by using their training skills. These trainings were initiated in the year 2001 and till now 371 participants from MCR and 153 participants from Pipeline Division have been trained in the form of batches; thus creating a huge number of ERT members which is still increasing.

The participants were provided with comprehensive two weeks ERT training followed by field trainings pertaining to Fire Management System, different types of Fire Equipment installed at PARCO, use of Emergency Equipment, Personal Protective Equipment (PPE), Life Saving Emergency Equipment, Work Permit Systems implementation, classification of Hazardous Area, operation of Fire Water Suppression System, Crisis Management, Emergency Response Plan, practical Fire Fighting Training and Fire Tender Operation.



HSE Trainings for New Employees

New talent management is one of the key areas for PARCO's strategic growth and development process. In this regard, the HSE department organized one month comprehensive training program for new batch of trainees at MCR. The training program was divided in five days of class room sessions and four days of field practical training. As a result, the new inductees are now fully trained in HSE systems and procedures and able to identify potential hazards, operate firefighting equipment (portable fire extinguishers, deluge valve system, FM200 fire suppression system).

Trainings on Fire Management System, MM800, Work Permit System, Hazardous Area Classification, Office Safety, Ergonomics working at height, Scaffolding Safety, Effluent Waste Management, Emergency Response Plan and Personal Protective Equipment and Incident Reporting System. During infield practice sessions, they were trained by PARCO MCR Emergency Response Team leaders in management and operation of fire hydrants, trolley mounted breathing apparatus, self-contained breathing apparatus, etc. In future they will become part of PARCO's Emergency Response Team. For analyzing the effectiveness of training, a post training evaluation test was also arranged by HSE.

Training Statistics

- During the fiscal year 2013-14, 144 HSE training sessions were conducted in which 1,786 participants attended.
- Since the year 2009, 2,283 participants have attended HSE sessions, conducted on Environment.
- Seven IMS training sessions on EMS14001:2004 were conducted during the last one year.
- During 2014, 21 internal/external training programs were organized at CHQ for IMS, HSEQ and Firefighting. Total 1,336 man-hours were spent, and were attended by 338 employees from various departments.

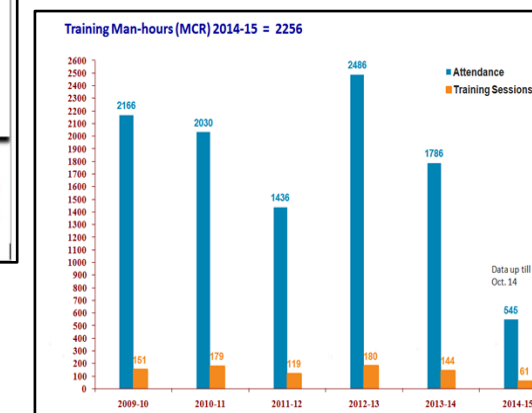
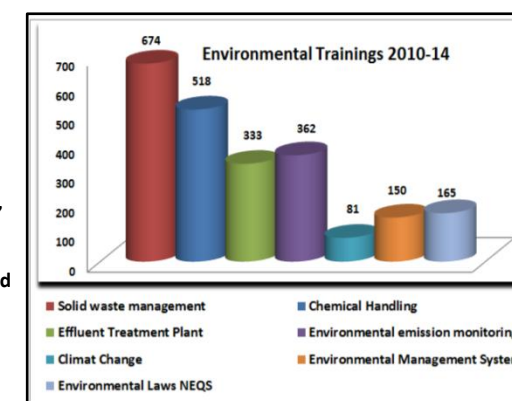
- LPG is an extremely flammable liquid, hence while transporting, the drivers have to take necessary care of their own and others safety on the road. In this regard a training session on defensive driving was conducted by PPGL HSE Department at Lahore Filling Plant. The training enabled drivers to address identified hazards in a predictable manner. These strategies go well beyond instruction on basic traffic laws and procedures.

- The defensive driving training provides learning opportunities to the drivers to improve their driving skills by reducing their driving risks through anticipating situations and making safe, well-informed decisions. Such decisions are implemented based on road and environmental conditions present when completing a safe driving maneuver.



First Aid Trainings

At PARCO, our aim is safety of our employees, and providing ample amount of training to our staff to tackle any unforeseen event is imperative due to the hazardous nature of our business. To keep employees and service provider staff abreast of First Aid concepts and providing them necessary first aid training, an in-house training session by our Company Doctor was organized at PARCO Mid-Country Refinery at Mahmood Kot. The training covered handling casualties, resuscitation, shock, choking, seizures, bleeding, cardio-pulmonary resuscitation (CPR) and common workplace injuries.



ENVIRONMENT

Principle 9

COMPANIES SHOULD ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES



Our Commitment

PARCO makes all efforts to minimize the impact of its operations on environment by utilizing technologies that are environment friendly.

Management Systems

HSE, Operations

Actions

Environmentally Friendly Technologies

Automated Incident Reporting System

Energy Conservation Program

Results

Effluent Treatment Plant

- PARCO's Effluent Treatment Plant has a capacity of 340m³/hr. Waste water from the refinery is collected and through skimming, neutralization, dissolved air floatation, aeration, clarification, filtration and drying operations, the effluent water is brought within NEQs limits before discharging into local drainage or reuse for plants. If any parameter is not within NEQS limits then the whole batch of effluent water is diverted back to diversion tank of capacity 25,400m³ and is reprocessed.
- During the year 2014, effluent water treated was 1,585,563 m³ at a rate of 180 m³/hr.



Effluent Treatment Plant at PARCO Mid-Country Refinery

Effluent Monitoring Plan

- Daily monitoring for PH, COD, temperature, sulphates, suspended solids, total dissolved solids.
- BOD monthly monitoring.
- Third party environmental monitoring (all parameters) twice a year.
- Prior permission is obtained from the concerned authorities before disposal of liquid waste after treatment into Ghazi Ghat Saim Naala. A Non-Objection Certificate has been obtained from Irrigation Department at Muzaffargarh and renewed every year. All the necessary documentations and records are maintained periodically.

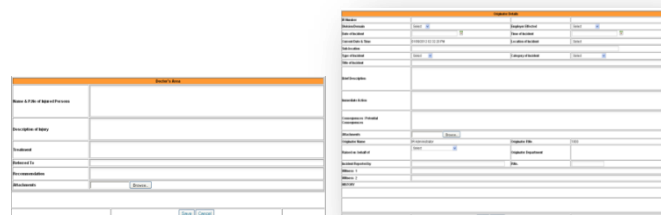
Diesel Hydro Desulphurization Plant Producing Euro II High Speed Diesel

- With commissioning of the DHDS plant at the Mid-Country Refinery in 2010, PARCO has the capability of producing High Speed Diesel conforming EURO II standards and is the only refinery in Pakistan to have achieved this capability. This product is helping EURO II compliant automobiles to perform better through fuel efficiency and low emissions. All impacts on the community, flora and fauna identified in the Environmental Impact Assessment study for the DHDS project had mitigation strategies which were implemented with meticulous care. During 2014, the DHDS plant at PARCO has processed more than 1.15 million metric tons of High Speed Diesel on EURO II specifications.

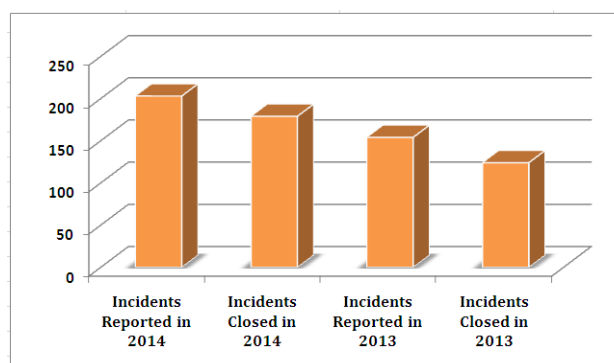


Diesel Hydro Desulphurization Plant at PARCO Mid-Country Refinery

- The Online Incident Reporting System (IRS) was successfully launched in January 2012. The purpose of the online system was to combine the IRS system of Mid Country Refinery and Pipeline Division. Furthermore, vision of paperless environment was also driving force to develop this system. Now, Incident Reporting System from "raising an incident report" till completion of "incident investigation" and "implementation of recommendations" is all carried out online with zero paper use. For the investigation of online reported near misses, accidents or injuries we have a standard operating procedure for incident investigation.
- All the incidents occurring in PARCO are reported / recorded and then investigated appropriately according to a procedure through an online IRS system company wide. Key features of the IRS System are:
 - Incident reporting criteria for major and minor incident
 - Information to the senior management within 24 hours
 - Investigation by cross functional teams
 - Root cause analysis and recommendations
 - Implementation verification through safety audits
 - Sharing of incident learning with employees
 - All major international accident investigations collected are shared with employees during training sessions and key findings are considered during incident investigation process.



- Updated reports of IRS showing outstanding/unclosed incidents are reported to the Managing Director and Senior Management so that such incidents can be closed in a timely manner and for taking suitable countermeasures to avoid recurrence.
- During 2014, 203 Incident Reports (IRs) were raised as compared to 154 last year of which 179 i.e. 88.17% have been closed-out successfully with recommendations for improvements, while investigation for 9 IRs raised have been completed and are currently being scrutinized.



- Heaters and Boilers are the major sources of energy utilization at refinery plant. PARCO has taken following steps for Energy Conservation and Energy Efficiency:
- Heaters
 - Efficient heaters are being operated at above 85% efficiency
 - Regular heater efficiency monitoring program is in place
 - Access air monitoring is done on daily basis
 - Heater efficiency monitoring on monthly basis
 - To save energy and environment we have dual fire system heater operated on furnace oil and fuel gas
- Boilers
 - Boilers are operated at highest efficiency above 90%
 - Boilers are annually inspected and certified by government agencies
- Heat Exchangers
 - All heat exchangers are monitored for their efficiency and energy consumption on daily basis and corrective actions are taken to maintain the highest level of efficiency
 - Proper schedule for equipment inspection and maintenance
 - Dismantling and overhauling of all equipment in turnaround to maintain efficiency
- PARCO Mid Country Refinery has presented its systems for international benchmarking by Solomon Associate USA in March 2013 for key performance indicators:
 - Manpower utilization
 - Energy Index
 - Operation efficiency
- Standard specification power driven motors are used to achieve highest level of efficiency and low energy losses. Carbon dioxide emission monitoring is carried out on monthly basis and data is recorded.
- The PARCO Mid-Country Refinery has installed its own weather station to keep itself updated for daily basis weather conditions and keep the record of historical data. It measures wind speed, wind direction, temperature, relative humidity, barometric pressure, solar radiation, and rain, etc.

Energy Savings at Stations and Terminals

- A phase wide replacement of conventional lights with LED lights at all Stations and Terminals is in motion. Ordinary 400 watt high pressure sodium lights installed at different stations and terminals for illumination purpose, consumes a considerable amount of electrical power and have very low optical efficacy.
- LED lights are one of the best alternate of conventional lights. These lights are more energy efficient, with low operational cost, shock proof and have excellent photometric and electric performance. Their normal working life is more than 50,000 hours while conventional lights have 5,000 hours working life. LED light color index is high without any glare due to which things look brighter. More than 17 LED lights were installed at PS-1 Korangi in the year 2013-14. Illumination level of LED lights of 180 watts is almost equal to 400 watts of high pressure sodium lights. However, 400 watts high pressure sodium light consumes 500 watts, whereas LED light consumes same amount of power as rated. Hence LED light consumes 2.5 times less power compared to high pressure sodium lights. In this way, substantial amount of electricity has been saved by replacing conventional high pressure sodium lights with LED lights. This will save PKR 40 million every year in terms of electricity bill.
- Pipeline S&T Operations ensures saving of energy resources and reduce pollution by adopting suitable economical pumping configurations, gravity transfer and load management. Energy saving on account of electricity is about 1,550,000 KWH during 2013-14.
- Modifications were conducted in Korangi-Port Qasim Link Pipeline (KPLP) for direct pumping of HSD from PS-1 tanks into WOP system. This will facilitate pumping of Oil Marketing Companies small fuel batches into WOP for timely delivery of petroleum products. There will be reduced consumption of Corrosion Inhibitor resulting in annual energy savings of about 434,000 KWH in 2014-15. SCADA system will be effectively utilized to monitor WOP system.



ANTI-CORRUPTION

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



ANTI - CORRUPTION



Principle 10	BUSINESS SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY
Our Commitment	PARCO does not allow any form of corruption and monitors its business transactions with internal and external stakeholders to eliminate this malpractice.

Management Systems

All Corporate Functions

Actions

Corporate Governance

Transactions with Suppliers, Contractors, Service Providers

Elimination of Discrimination

Results

- Compliance with Statement of Ethics and Business Practices is pursued at all levels and locations.
- All funds, assets, receipts and disbursements are properly recorded in the Books of the Company.
- Compliance with regulations of the Security and Exchange Commission of Pakistan.
- Purchase orders exceeding Rs 10 million issued include a clause which states that the supplier with the acceptance of purchase order shall submit a statement, duly signed by an authorized executive of the supplier on Rs 100 stamp paper that the supplier has not given or agreed to any individual, company or official of PARCO or Government of Pakistan within or outside Pakistan, directly or indirectly any commission, gratification, bribe, finder's fee, or kick back with the objective of obtaining the contract/purchase order or any other benefit from PARCO.
- PARCO employees, if found involved in corruption in any form or contravening with any Company Policy on Ethics, Finance, Procurement, HR, Operations or any other function, face disciplinary action. Such deviations can lead to termination of service and are reflected in the employee's performance appraisal.
- PARCO has IMS, HSE, Environment, CSR, Financial, HR and other audits done to ensure compliance with best practices and ethical standards.
- PARCO has NEVER been involved in any court case related to corporate malpractices or corruption or bribery, etc.
- We adhere strictly to the internationally accepted Accounting Principles, SECP (Securities and Exchange Commission of Pakistan); the Country's Financial/Tax/Labor/Environment and other national and provincial legislations.
- PARCO developed and implemented a comprehensive Business Continuity Management Plan (BCP). The scope of the document is to have risk assessment of core business areas, identification of contingencies that can lead to loss of business reputation, credibility, a companywide or a national crisis and resources that need to be mobilized for business continuity while establishing the structure, responsibilities and communication necessary for crisis management. Business Continuity Management is a holistic process that a framework for building organizational resilience with the capability for an effective response. It safeguards the interests of key stakeholders, reputation, brand and value-creating activities.
- BCP is a documented collection of procedures and information that is developed, compiled and maintained in readiness for use in an incident and enables PARCO to continue to deliver its critical products and services.
- At PARCO, transparency in all our operations and management systems is considered top priority and ensured at all levels.



- In PARCO's 40 years of operations there has been no instance of extortion or bribery.
- Suppliers/Service providers are required to sign integrity pact with PARCO where the amount of contract is Rs 10 million or above, to declare that the supplier/service provider has not used any external or internal influence, commission or fee in getting the contract from PARCO.
- Compliance with the Company's Financial Authority Manual specifying fiscal limits for transactions at various levels and positions.
- Company Procurement Policy is approved by Board of Directors.
- Any form of extortion and bribery, given or taken, is a very serious misconduct according to the HR Policy of the company and the concerned employee is liable to be terminated for such misconduct.
- PARCO has an Internal Audit Department which conducts periodical audits for procedural compliance and reports directly to the Audit Committee of the Board of Directors.
- Constitution of separate committees for transparent and merit-based prequalification, quotations opening, tender opening, etc.
- Development of Annual Procurement Plan and plans for contractual work and services by external Service Providers which are pre-approved by the Company and subsequently monitored in monthly and quarterly management review meetings.
- All contracts, business activities, operations, procurement, etc., are subject to Internal and External Audit.
- To ensure transparency, sealed bids are invited against request for quotations, except for proprietary items.
- Purchase Orders are issued to technically compliant commercially lowest bidders for procurement. An Internal Evaluation Committee (IEC) has been formed to evaluate proposals for orders of Rs 1 million and above.
- Centralized Procurement with due diligence.
- PARCO is not allowed to commit any terms and conditions with any Supplier/Service Provider against any law of Pakistan.
- Payment to any Supplier/Service Provider/Contractor is made after proper inspection by the concerned Department and confirmation of acceptance.
- The IMS department at PARCO takes periodical feedbacks from different vendors on PARCO's performance and their treatment. Vendor's grievances are heard and dealt with due care.
- To maintain the transparency of the process, end users are not permitted to have a direct contact with the vendors and contact is only through materials function, prior to award of procurement.
- In exceptional cases, where its deemed necessary, price negotiations are carried out by a Committee approved by Managing Director.

- Elimination of discrimination during selection of Vendors/Contractors/Service Providers by check and balances against introduction of discriminatory conditions.
- Pre-qualified Vendors/Contractors list is periodically updated through advertisements placed in newspapers and evaluations based on predetermined criteria.
- Contracts/Supplies in excess of Rs 50 million are approved by a Bid Evaluation Committee of Board of Directors while Contracts in excess of Rs 100 million are approved by the Board of Directors.
- No discrimination is made on basis of gender, religion, caste, origin, etc., while hiring an employee. HR policies are transparent and merit based where there are no influences or pressures as mentioned in Principle 6.



