

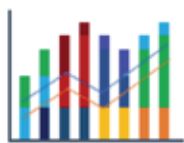
INTEGRATING STRATEGIES FOR VALUE CREATION

Twenty Sixteen

Corporate
Sustainability
Report



CONTENTS



08

PERFORMANCE HIGHLIGHTS AND
2017 OUTLOOK



18

MATERIALITY ASSESSMENT



24

GOVERNANCE



30

HOW WE CREATE AND
SHARE VALUE?

OVERVIEW AND HIGHLIGHTS

05	Letter from the Chairman
06	Letter from the CE & MD
08	Performance highlights and 2017 outlook

OUR BUSINESS

10	FFC at a glance
12	Our business model
14	External environment
15	Stakeholder engagement
18	Materiality assessment
21	Strategy and resource allocation

GOVERNANCE

23	Vision, mission, and values
24	Governance

HOW WE CREATE AND SHARE VALUE?

32	As a manufacturer of fertilizer
35	As an employer
42	As a trusted business partner
44	In our local communities, we operate
47	As a socially responsible company

FORWARD LOOKING STATEMENT

54	Forward looking statement
----	------------------------------

FACTS AND FIGURES

56	About this report
57	Definitions, scope and methodology
59	Environmental performance

APPENDICES

66	Independent external review
70	GRI content index
79	UNGC COP
80	SDGs
82	Feedback form
83	Glossary and acronyms

OVERVIEW AND HIGHLIGHTS

Letter from the Chairman	05
Letter from the CE & MD	06
Performance highlights and 2017 outlook	08

LETTER FROM THE CHAIRMAN

Dear Stakeholders

Having celebrated four years of our sustainability reporting journey, last year we stepped up our focus towards “creating future value”. I affirm our commitment to create and share future value with our shareholders, customers, employees, business partners and communities.

In line with our emphasis on value creation and transparency in corporate practices, we became the first company in Pakistan to adopt world’s first Sustainability Reporting Standards launched last year, along with the International Integrated Reporting Council’s (IIRC) Integrated Reporting (IR) framework, United Nations Global Compact “Ten Principles” and Sustainable Development Goals (SDGs). This year, we introduced targets for different sustainability areas to embed sustainability into the mainstream for effective management of our impacts and reduce our environmental footprint.

Climate change, increasing population, poverty, hunger, and consistent decline in cultivable land are driving more responsibility towards businesses to come-up with innovative products. These challenges demand collaboration among businesses and governments. SDGs developed by governments, business and civil society create opportunities for businesses to play their part and support governments in problem resolution. We support SDGs and are keen to play our active role in meeting country level goals while working as a responsible manufacturer of fertilizer products. Our established and well acknowledged sustainability practices reinforce our new role and better position us to effectively contribute towards the goals of sustainable development.

Our annual sustainability report is a reflection of our commitment to create and share value for all of our stakeholders. We value your suggestions, which we believe will help us to improve our performance and deliver to your expectations.



A stylized black ink signature of Lt Gen Khalid Nawaz Khan.

Lt Gen Khalid Nawaz Khan
HI (M), Sitara-i-Esar (Retired)
Chairman

LETTER FROM THE CE & MD

Dear Stakeholders,

The year 2016 witnessed significant strides in sustainability. The world's first Sustainability Reporting Standards were launched in October 2016 for better reporting of sustainability impacts by organizations and enhancing corporate transparency worldwide. United Nations Global Compact (UNGC) and Global Reporting Initiative collaborated to develop guidance for reporting business contributions towards Sustainable Development Goals.

The alignment around sustainability issues is expected to further increase and this will impact policy decisions in political and business fields. It will lead to calls for better economic, environmental, social performance and enhanced transparency cum accountability in the corporate sector.

Integrating sustainability into our business is fundamental to our corporate strategy. As a result, we have achieved a balanced mix between financial performance, environmental stewardship and social engagements.

As I look back on 2016, I take pride in sharing our exceptional performance in what we do best – producing quality fertilizer to enhance productive potential of lands and support healthy lives. It drives us and enables us to create and share value with our stakeholders as well as ultimately, generating value for our business.

Although conditions were challenging during the year mainly delayed implementation of subsidy mechanism and low international urea prices, we nevertheless managed considerable achievements in securing our targets in spite of certain inexorable factors, particularly price intervention by the government, levy of additional super tax, decline in dividend receipts and delayed subsidy remittances, which were beyond our control.

During the year, our original gas quota was restored resulting in new urea production benchmark of 2,523 thousand tonnes. We also achieved an increased urea market share of 52 % - highest in the last 7 years, compared to 48% last year. However, due to unfavorable market conditions, the sales revenue decreased to Rs. 72.87 billion - 14 % below compared to last year. The profitability was impacted by price constraints and an



additional tax burden resulting in net earnings of Rs. 11.78 billion. However, we are confident that our diversification strategies, operational efficiencies, restoration of fertilizer subsidy by the government and improvement in international fertilizer prices will result in improved profitability and sustained returns for our stakeholders.

We succeeded in managing our environmental footprint through continuous investments in environment friendly technologies, up-gradation and efficient plant management. In 2016, energy consumption at plant sites reduced by 602,552 GJ and water recycling increased to 60.29 % from 59.14 %. However, intake of fresh water increased by 3 % and GHG emissions increased by 1%, due to increased production levels of fertilizer. We are determined to curtail the environmental footprint in line with global standards in the coming years. Our emphasis on health and safety resulted in almost zero health and safety incidents at plant sites during the year.

We see communities as our partners in growth and therefore, remain committed to create a positive impact through our sustainable activities. During the year, we spent over 1 % of after tax earnings on our community welfare activities focused on education, health, poverty alleviation, national cause donations and socio-economic development in rural areas. In line with our commitment of shared value creation and inclusive growth, we are updating supplier selection criteria to effectively manage our supply chain impacts in areas of environment, labor practices, human rights and societal interventions.

Last year, we pioneered in adopting the International Integrated Reporting Council's (IIRC) Integrated Reporting (IR) framework for our Sustainability Report. We are continuing to use this framework along with GRI Sustainability Reporting Standards and UNGC Ten Principles to share our value creation potential over different time horizons as well as performance on economic, environment and social fronts.

In this year's report, we have aligned our material issues with the Sustainable Development Goals (SDGs) launched by the UN in September 2015. This allows us to further pave the way in ushering in sustainable development through innovative business approaches combined with partnerships in finding solutions for the world's economic, social, and environmental challenges.

We uphold our support to Ten Principles of UNGC and UN SDGs by aligning our activities and playing our role in meeting the ultimate goal of sustainable development.

Our Sustainability Report for the year 2015 secured 1st position at ICAP and ICMAP 'Best Sustainability Reporting Award' for report transparency, demonstrating our commitment to professionalism and transparency.

Finally, I thank our stakeholders for their continued trust reposed in us and I invite you all for your valuable feedback.



Lt Gen Shafqaat Ahmed
HI (M), (Retired)
Chief Executive & Managing Director

PERFORMANCE HIGHLIGHTS AND 2017 OUTLOOK

2016 HIGHLIGHTS



Rs. 72.87
billion sales



2,428
thousand tonnes Urea sold



42%
return on equity



602,552
GJ energy saved



3%
increase in fresh water usage



20,391
MT CO₂ emission increased



over 1%
of net earnings spent on CSR

2017 OUTLOOK

Sustainability area	Target year
Material 10 % decrease in paper usage 10 % increase in use of recycled material	2018
Energy 2 % decrease in energy consumption from 2014 level	2018
Emissions 2 % decrease in emissions from 2015 level	2018
Water 2% reduction in water intake from 2015 level 2% reduction in waste water from 2015 level	2018
Health and safety Zero injury	2018
Security practices 100% security personnel trained on human right policies	2018
Sustainability management Establishing sustainability data collection procedures in SAP for efficient decision making	2017

OUR BUSINESS

FFC at a glance	10
Our business model	12
External environment	14
Stakeholder engagement	15
Materiality assessment	18
Strategy and resource allocation	21

FFC AT A GLANCE

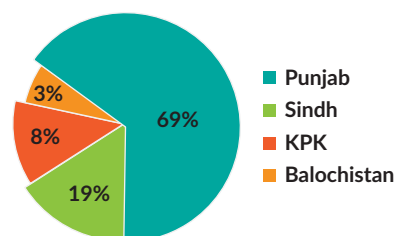
Fauji Fertilizer Company Limited is a public listed company with its business across Pakistan. Headquartered at Rawalpindi with marketing group office at Lahore, manufacturing plants at Goth Machhi, and Mirpur Mathelo, we are one of the leading fertilizer manufacturers in Pakistan. We manufacture and market our own as well as associated company's fertilizers in Pakistan. In addition to marketing of locally manufactured fertilizers Urea and DAP under the name Sona, we also import DAP, SOP, MOP, Boron and Zinc which are marketed as FFC DAP, FFC SOP, FFC MOP, Sona Boron and Sona Zinc.



Our net revenues for the year 2016 were Rs. 72.87 billion with net profit of Rs. 11.78 billion. Total capitalization was Rs. 90,709 million with owner equity of Rs. 28,211 million. During the year, there were no significant changes in size or capital structure. We market and sell products throughout Pakistan covering all four provinces. Our products are used mainly in the agriculture sector. The products are shipped to dealers, institutional customers and direct customers. FFC does not sell any product that is banned in certain markets or that is subject of stakeholder questions or public debate. Our market network includes 3 zones, 13 regions, 63 sales districts, 194 warehouses, over 3,700 dealers and five farm advisory centers which are spread in all four provinces of Pakistan to cater product sales and farm advisory services.



Geographical Breakdown of Sales



We require raw materials, packaging, capital equipment, services, and other inputs. Our suppliers consist of local suppliers and foreign suppliers, including large companies, small privately held companies, contractors and small businesses. The major raw material and other components procured locally while the materials and components which are not available in Pakistan are purchased from abroad. We are not particularly dependent on any of our suppliers. Our supply chain is mixed including labor intensive and technology intensive. The total number of our suppliers was 3,123 at the end of the year. During the year, we paid Rs. 24,258 million to our supply chain partners on account of purchases of goods and services. We have an extended network of dealers for provision of product to customers at their nearest point. There were no major changes in the location, operations, and structure of the organization and its supply chain during the year.

COMMITMENTS, MEMBERSHIPS AND AWARDS

We, being a responsible corporate citizen, not only abide legal obligations but also strive to follow several externally developed voluntary initiatives in the areas of economic, environment and social management. We support the Sustainable Development Goals (SDGs) as agreed between the nations and foresee it a step forward to resolve the world's most critical issues and support an active role of business in helping the governments to meet the targets.



Memberships

- United Nations Global Compact (UNGC)
- Marketing Association of Pakistan (MAP)
- Fertilizer Manufacturers of Pakistan Advisory Council (FMPAC)
- Fertilizer Industry Public Relation Committee (FIPRC)
- International Fertilizer Industry Association
- Arab Fertilizer Association
- Farmers Association of Pakistan
- World Wide Fund (WWF)

We do not provide substantial funding to these associations. However, events like exhibitions/seminars/workshops are sponsored. We remain engaged with these organizations on a continuous basis and actively take part in activities related to us. Our Agri. Services officers are members of the Soil Science Society of Pakistan and the annual subscription for each officer is borne by FFC. Moreover, our R&D officials also hold honorary positions with international research organizations like University of Nottingham, British Geological Survey, and Society for Environmental Geochemistry and Health (European Chapter). We participate in conferences, seminars & events organized by the Soil Sciences Society of Pakistan and give our input in public policy development.

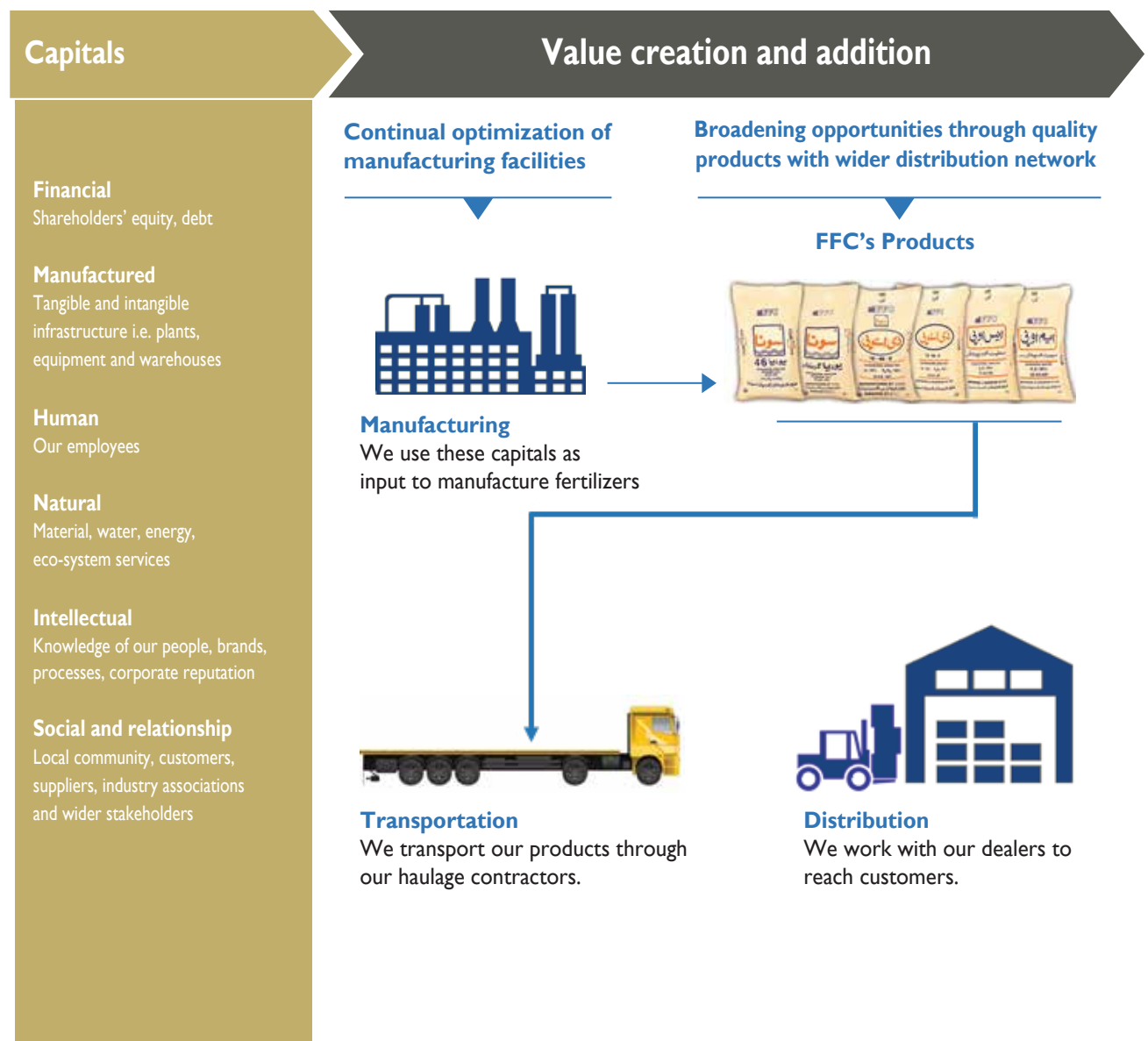
AWARDS



- Best sustainability report 2015 award by the joint committee of ICAP and ICMAP
- First position for best presented annual report 2015 in SAARC region by SAFA
- Best presented annual report 2015 award by ICAP and ICMAP
- Excellence certification for "Protect & Sustain" from the International Fertilizer Industry Associations (IFA)
- First company to consecutively win six first position placements in PSX Top 25 Companies Award
- Co-winner in the "Large National Category" of the Business Excellence Awards of UNGC (Pakistan Network)
- Management Excellence Award by the Management Association of Pakistan
- Platinum award by Rawalpindi Chamber of Commerce and Industry

OUR BUSINESS MODEL

Our business model is hub of everything we do. It defines inputs we consume, activities we carry on, the relationships we depend on and the outputs and outcomes, we desire to achieve to create sustainable value for our stakeholders in short, medium and long term.



Working with customers to enhance product utilization and farm productivity



Community engagement

We work with our employees and local community. We strive to build trust in our company to thrive business and become trusted partner for stakeholders.



Product use

We work with farmers to improve productivity.

Winning the trust of our stakeholders

Value created

Tonnes of sona urea produced

2,523 thousand

85% dividend payout

Employment

3,415

Farmers engaged

53,647

Community Spending

PKR 122 million

Contributed to National Exchequer

PKR 45 billion

Water recycling

60.29%

We create and share value with our stakeholders, which ultimately create value for us.

Shareholders

Delivering sustainable healthy returns and dividends

Employees

Rewarding our workforce, training and education to secure valuable staff

Customers

Helping customer to increase productive potential and farm earnings

Community

Uplifting the lives of community, contributing to basic public good

Environment

Protecting the environment

The FFC

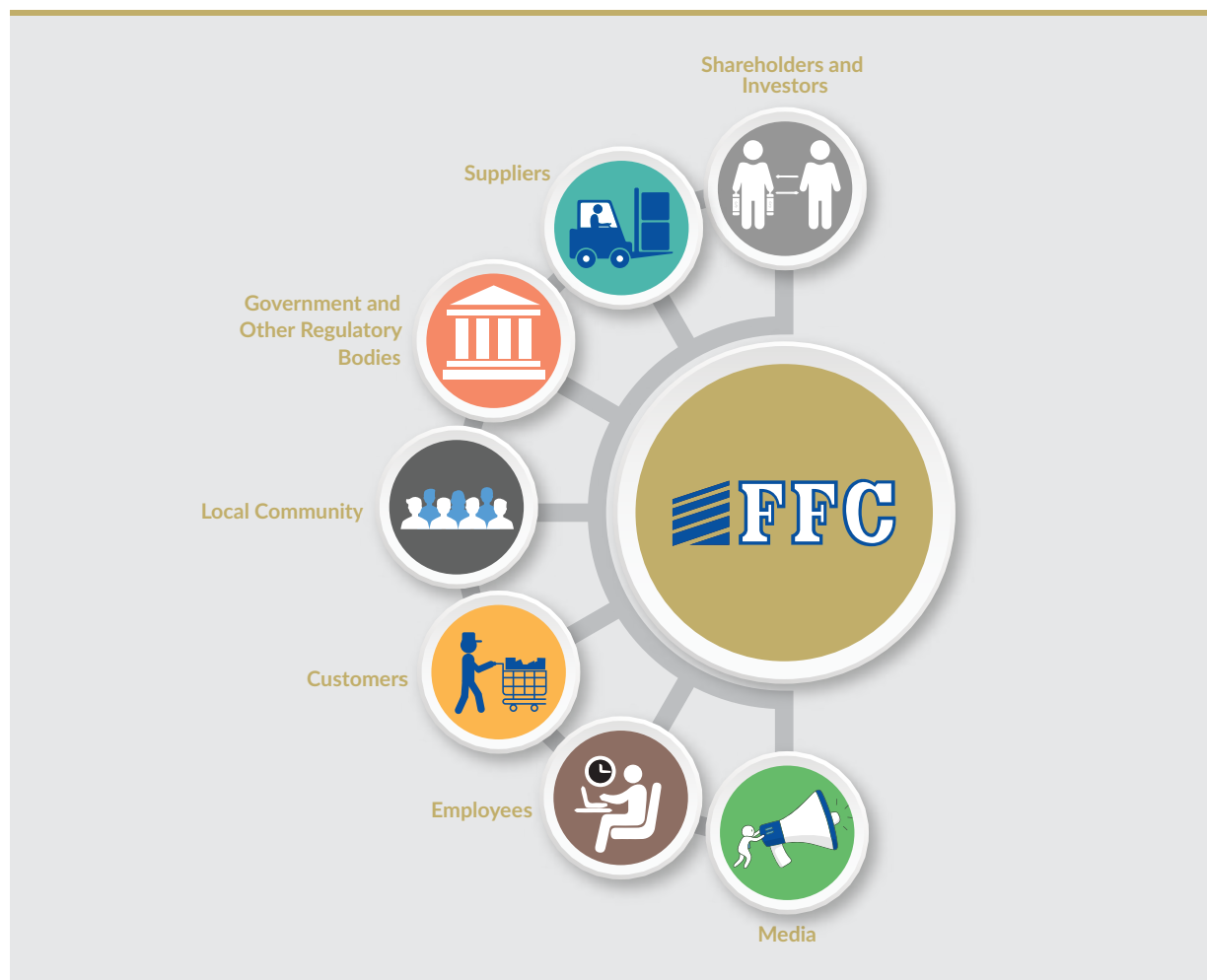
Investing in our business for smooth execution and growth

EXTERNAL ENVIRONMENT



STAKEHOLDERS' ENGAGEMENT

Value creation requires integration of expectations and interests of stakeholders in decision making. Our continuous commitment to engage with our stakeholder helps us to understand the concerns, devise appropriate strategies and deliver to the expectations of our stakeholders.



The first and significant step in an engagement process with stakeholders is the identification of relevant and important stakeholders. We identified important stakeholders by considering those groups or individuals that can be significantly affected by our business activities, outputs or outcomes, or whose actions can be expected to significantly affect our ability to create value over time. The identified stakeholders were profiled, mapped and prioritized for consultation based on factors of influence, responsibility, proximity, dependency, willingness to engage and representation. Consultation with stakeholder groups is carried out on continuous basis by the relevant departments.

Knowledge of stakeholders' concerns and exact requirements of customer base helps to respond to

their concerns and gain economic success on a sustained basis. Customers are of prime importance for us, we provide support in the use of our products and gather feedback from farmers through our extended Agri-service department. We conduct customer satisfaction survey on a biannual basis. The survey comprises of a questionnaire to measure the level of customer satisfaction on aspects of quality, operations and products offered, focusing the entire product portfolio across the marketing area network of Pakistan. During the year, two customer satisfaction surveys were carried out in January and June 2016 respectively. The surveys were conducted by selecting dealers as sample size from the entire marketing area across Pakistan, covering all 13 FFC regions.

STAKEHOLDERS ENGAGEMENT

Customer survey results show our commitment to product quality and overall customer satisfaction.

	January 2016	June 2016
Customer overall satisfaction	9.44	9.42

More than **90%**

satisfaction level with respect to quality, packaging and pricing expressed by FFC dealers in a survey on quality, packaging and pricing.

Engaging stakeholders throughout the year benefits us in timely identification of negative impacts of our activities and expectations of our stakeholders, which helps us to take appropriate steps for effective management of impacts in timely manner. We consulted the following major groups throughout the year for Sustainability Report 2016.

STAKEHOLDER GROUP	ENGAGEMENT FREQUENCY	MODE OF CONSULTATION
Shareholders / Investors	Regular	Corporate affairs department, analyst meetings, general meetings.
Employees	Regular	Annual Marketing Conference (AMCON), zonal meetings, annual recreation day, annual dinner, meetings with CBA.
Customers	Regular / Occassional	Farm advisory services, customer satisfaction measurement surveys, Kashtkar desk.
Supplies	Regular	Surveys, supplier code of conduct, request for proposal.
Local community	Regular	Plant site employees, local community meetings.
Govt. and other regulatory bodies	Regular / Case basis	Meetings with Govt. officials, representations in various events concerning company business.
Media	Regular	Media releases

In line with our previous practice of report specific stakeholder engagement, we identified important stakeholder groups, prioritized those groups for engagement, defined communication methodologies for each group and carried out engagement with them to gain insights for identification of material topics. The stakeholder groups were engaged through email, phone and a focus group meeting.



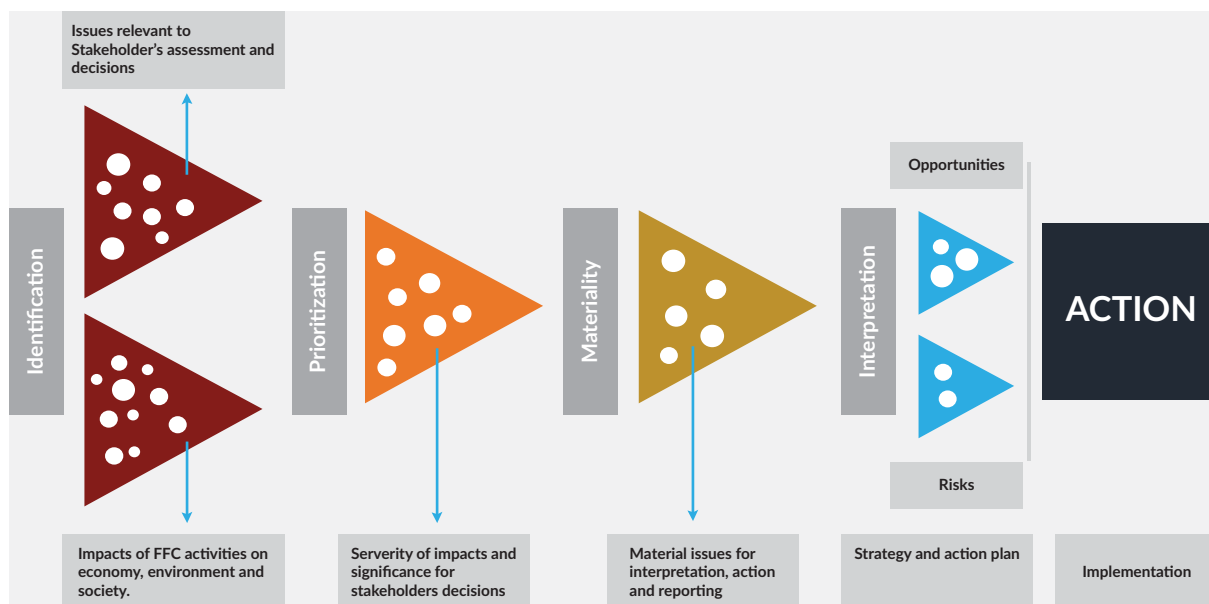
STAKEHOLDERS ENGAGEMENT

The details of stakeholder groups consulted, the topics identified by them and our response are as follows.

STAKEHOLDER GROUP	TOPICS IDENTIFIED BY STAKEHOLDERS	OUR RESPONSE
Shareholders / Investors	Sustained economic performance, efficient management of environmental impacts, and local community impacts and interventions.	Diversification of business and upgrading of plants to ensure sustained returns, continuous investment in cleaner technologies, management of impacts and investment through CSR program.
Farmers/ Customers	New products, farmers' capacity building.	Communication of new farming techniques for better farm productivity and expansion of coverage area of farmer advisory services.
Employees	Training and education to increase skill set, health and safety of workforce and families.	Extended trainings as well as increased participation in existing training programs and constant investment for better health and safety management.
Suppliers	Training/video demonstration to avoid accidents and behavioral issues.	Initiation of training program/video demonstrations to reduce accidents and training of security personnel to overcome behavioral issues.
Distributors	Dealers' capacity building on product developments.	Effective and efficient marketing communication & outreach to increase dealers' knowledge.
Local Community	Investments in education, skill development, health and infrastructure development, local community impacts.	Investment in education, skill development, health and infrastructure development through CSR program.

MATERIALITY ASSESSMENT

We aim to create value addition and benefits to all stakeholders through timely identification, prioritization and management of impacts, risks and opportunities. Our sustainability efforts are focused in areas which represent our significant impacts on the economy, environment and society, critical for our ability to create value over short, medium and long term and which have been defined as important by various stakeholders.

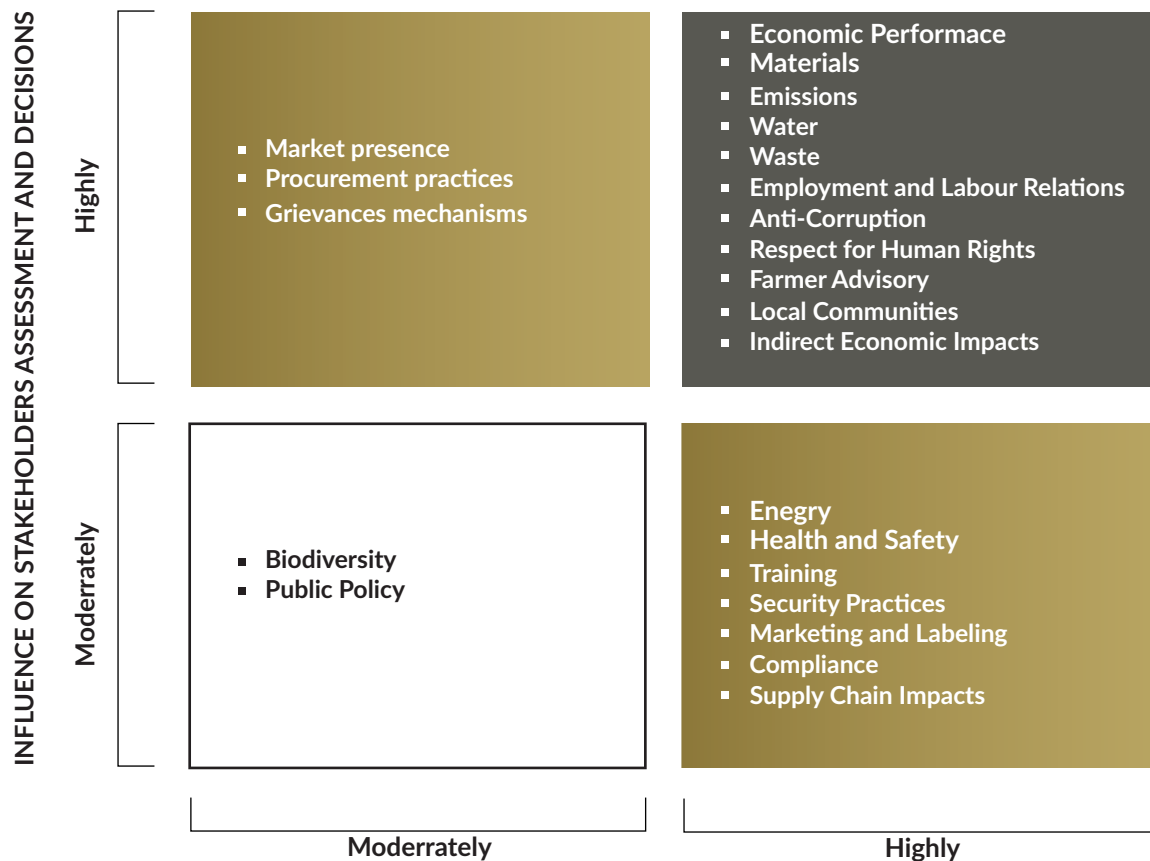


We used GRI Standard GRI 101 Foundation 2016 reporting principles of sustainability context, materiality, completeness and stakeholder inclusiveness, for defining our report contents. These principles have been consistently applied at varying degrees during identification, prioritization and validation steps, while defining material topics for this report.

Based on the results of the stakeholder engagement, review of industry specific issues, and internal analysis, a materiality analysis was carried out to produce a materiality matrix containing the material sustainability issues for our operations. This analysis has allowed us to identify the most relevant topics that reflect significant economic, environmental and social impacts and that greatly influence our value creation ability and the assessments and decisions of our stakeholders. The prioritization of the risks is based on the materiality analysis for non-financial risk as per IR framework, GRI Standards and best available practices for defining material topics. Through the materiality analysis, we consider the severity and likelihood of such a potential risk, and establish relative risk levels to guide our mitigation activities. The CSR Committee analyzes the risk identified and recommends action to the relevant departments for prevention and mitigation of the negative impacts of the operations and maximization of opportunities. Compliance with laws, international standards, internal regulations, and FFC's code of conduct is a basic requirement for all activities as part of the precautionary approach. The validation of material topics was carried out by CSR Committee which is responsible for sustainability related activities. The GRI Standard GRI 101 Foundation 2016 principles of defining report content i.e. completeness and stakeholder inclusiveness were applied while validating the material topics for the FFC 2016 sustainability report.

MATERIALITY ASSESSMENT

The resultant material topics are activities which successful chemical companies develop, such as plant, process and product safety, environmental protection, health and safety and making investment for uplift of the plant site community. Although FFC is a leader in all these areas in its sector, it is still focused to move ahead for playing its role in sustainable development.



SIGNIFICANCE OF IMPACTS ON ECONOMY, ENVIRONMENT AND SOCIETY

The matrix divides up the areas to show those which have high impacts and those which have moderate impacts of FFC's activities and which are highly relevant and those which are moderately relevant to its stakeholders. The content and scope of this report is also derived from this matrix.

The boundaries for material topics have been identified on the basis of their impacts whether lying within the organization or outside the organization. The reporting principles for defining report content from GRI Standard GRI 101 Foundation 2016 have been used while identifying the boundaries for material topics.

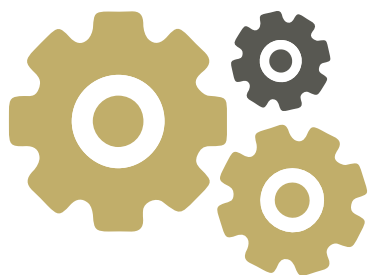
MATERIALITY ASSESSMENT

Material Topic	Why it is material	Boundary
Economic performance	Critical for economic contribution and ability to deliver value to stakeholders	FFC
Materials	Depleting raw material resources affecting finite resources	FFC
Emissions	Environmental impacts due to emission of Green House Gases (GHG)	FFC, our suppliers
Water	Environmental impacts due to depleting water reserves leading to water scarcity	FFC, our customers
Waste	Environmental impacts through incineration, dumping and discharge of hazardous and non-hazardous waste	FFC, our suppliers
Employment & labour relations	Diversified workforce for better productivity, compliance with laws and regulations, international charter and conventions	FFC
Anti-corruption	Impacts on competition, negation of competition and equal opportunity rights as defined in international charters and conventions	FFC, our suppliers
Respect for human rights	Impacts on the basic rights of people defined in international charters and conventions and FFC's commitment to internal charters and initiatives	FFC, our suppliers
Farmer advisory	Increased farm productivity through farmer capacity building leading to economic development	FFC, our customers
Local communities	Impact of operational activities and developments around plant site for economic development	FFC
Indirect economic impacts	Impacts on the surrounding communities and socio-economic development	FFC
Energy	Environmental impacts due to use of non-renewable resources for energy production	FFC, our suppliers
Health & Safety	Impacts on health of workforce affecting productivity and consumers concerns	FFC
Training	Impacts on workforce ability to effectively contribute to operational success leading to affect the organization's ability to create value	FFC
Security practices	Compliance with basic human rights as defined in international charters and conventions	FFC
Marketing and labeling	Compliance with laws and regulations	FFC
Compliance	Compliance with laws and regulations	FFC
Supply chain impacts	Impacts due to activities of supply chain partners	FFC, our suppliers
Market presence	Economic contribution and job opportunities for local community	FFC
Procurement practices	Economic contribution and creation of business opportunities through local sourcing	FFC
Grievances mechanism	Identification of negative practices and provision of advice on ethical concerns	FFC

FFC's has witnessed a positive progress on sustainability issues identified in its previous reports through more efficient water usage, improvement in energy consumption, better health and safety facilities and intervention in the fields of health, education and poverty alleviation in the local community. FFC is strongly focused to mitigate the financial impact of these risks and create shared value through focusing on the opportunities.

STRATEGY AND RESOURCE ALLOCATION

We believe that sustainable value can only be achieved through efficient use of resources, developing sustainable products, promoting responsible consumption and treating environment and people fairly and with respect. This attitude opens up opportunities and sets us apart from our competition resulting in higher level of revenues, customer appreciation, acceptance and increased demand.



“Our strategy is the corner stone of the value creation process and guides our people to deliver **sustainable value over short, medium and long-term.**”

Our active strategy and management of the value creation process helps us to achieve our reputation among investors, be they shareholders or providers of debt capital, customers, and our business partners. Our investors appreciate the fact that their investment is designed to generate value over different time horizons. Although the initial investment on sustainable value creation is higher, careful planning and implementation leads to generate higher revenues which offset or exceed the initial investments in the medium to long term. Our investment in sustainability aims to minimize the quantity of material we use and cut overall costs, make the company qualified to attract highly-skilled employees and investors, and to improve product quality and the company's image amongst its customers. As such, sustainable value creation, in its broadest sense, has become a key criterion for good corporate governance. Our governance approach for sustainable value creation is covered in the governance section of this report.

We envisage sustainable value creation as a process of change in which use of resources, goals of investment, direction of technological development, and institutional changes are not only in synchronization with each other, but also increase current and future potential to create value and meet needs of stakeholders. We are working to integrate sustainable value creation in our business processes for delivering our goal of shared value through efficient business management.

We have developed programs, initiatives, and long-term measures in all key areas as a means of achieving the goals which we have set ourselves whilst also increasing the benefit for all stakeholders. As a leading fertilizer manufacturing company, we do not limit our sustainability efforts in compliance with statutory regulations, but have also committed to ethical and sustainable conduct in all of our commercial activities. All of our actions comply with the applicable laws, principles laid down in the UN Global Compact, and our internal code of conduct. We strive for a business culture of continuous improvement, sustainable competitiveness, and top performance in line with our ethical standards. In all of our activities, we put emphasis on environmental protection and safety. Our own policies on health, safety and environment (HSE) are in line with the best practices. We are continually striving to improve in terms of economic, environmental and social sustainability to create value through efficient use of our capitals.

GOVERNANCE

Vision, mission and values

23

Governance

24



VISION

To be a leading national enterprise with global aspirations, effectively pursuing multiple growth opportunities, maximizing returns to the stakeholders, remaining socially and ethically responsible.

MISSION

To provide our customers with premium quality products in a safe, reliable, efficient and environmentally sound manner, deliver exceptional services and customer support, maximizing returns to the shareholders through core business and diversification, providing a dynamic and challenging environment for our employees.

VALUES

- Honesty in communicating within the Company and with our business partners, suppliers and customers, while at the same time protecting the Company's confidential information and trade secrets.
- Excellence in high-quality products and services to our customers.
- Consistency in our word and deed.
- Compassion in our relationships with our employees and the communities affected by our business.
- Fairness to our fellow employees, stakeholders, business partners, customers and suppliers through adherence to all applicable laws, regulations, policies and a high standard of moral behavior.

GOVERNANCE

The internally developed code of conduct, policy statement of ethics and business statement, code of corporate governance and best available practices in corporate governance are guiding pillars for us. We conduct our business in compliance with the applicable laws and rules. Extensive information regarding code of conduct and related matters can be found on page 10 of our 2016 Annual Report which is available at our website <http://ffc.com.pk/annual-report.aspx>.



“Our corporate governance principles define the managerial structure, organization and processes to provide **transparency and guaranteed sustainable long-term success.**”

BALANCED MANAGEMENT STRUCTURE

The highest management body is the Board of Directors where directors are re-elected after every three years. The Board of Directors comprises of thirteen directors; one executive director and twelve non-executive directors. Out of twelve non-executive directors four are non-executive independent directors including two directors representing minority/non-controlling interest. The independent directors do not have any material pecuniary relationship with FFC. Twelve members of the Board are male, and one board member is female.

The Chairman of the Board of Directors is non-executive. His only relationship with FFC is his role as Chairman of the Board of Directors (neither he nor any person related to him, is employed by FFC or a company that does business with FFC or is affiliated through a consultancy or similar agreement). The Chairman and members of the Board Committees are selected from the board members. The Board has constituted Committees of directors with adequate delegation of powers to effectively focus on the issues and ensure expedient resolution. These Committees meet as often as required to oversee the performance in respective areas. Each Committee has its own charter with goals and responsibilities.

The Committees of the Board are Audit Committee, System and Technology Committee, Project Diversification Committee, Human Resource & Remuneration Committee and Management Committees i.e. Executive Committee, Business Strategy Committee and CSR Committee. Extensive details on Board Committees can be found at page 21 of our 2016 Annual Report.

The Board of Directors meet at least once a quarter. The CE & MD, CFO and other members of the Executive Committee and/or other employees or third parties regularly attend the meetings of the Board of Directors at the invitation of the Chairman for the purpose of reporting or imparting information. The Committees report on their activities and results to the Board of Directors. They also prepare the business of the Board of Directors in their assigned areas.

The Board of Directors has delegated the executive management of the Company to the CE & MD for smooth operation of Company's business.

MANAGEMENT PERSONNEL

In 2016, the Board of Directors of FFC consisted of twelve Pakistani citizens and one Danish citizen. The members of the Board of Directors were all at least 50 years old except one. FFC has not introduced any specific quotas for women, specific nationalities, ethnic minorities or special age groups for the Board of Directors. The members of the Board of Directors also hold significant positions in other companies, the details can be found in "Profile of the Board" section on page 16 of the 2016 Annual Report of the company for the year ended on December 31st, 2016.

The members of the FFC Board of Directors are elected through an election at the general meeting. The existing board members were re-elected in September 2015 at an extra-ordinary general meeting. The nominated directors are appointed by the sponsoring body and financial institutions. The applicable legal and regulatory framework which defines parameters regarding qualification and composition of the Board of Directors for smooth running of the business and promotion of good corporate culture is followed. FFC is an equal opportunity employer and members of the highest governing body are selected on merit. FFC has on its Board highly competent and committed personnel with vast experience, expertise, integrity, and strong sense of responsibility required for safeguarding of stakeholders' interest. The Board is comprised of qualified directors with diverse backgrounds in the field of business, finance, engineering and other disciplines.

We avoid conflicts of interest and ensure that corporate assets are not misused. We have a formal code of business ethics and anti-corruption measures in place to avoid conflict of interest among highest governance body members as well as among employees. The code clearly refrains from conflict of interest and in case conflict of interest is not avoidable, it requires to be reported to the highest governing body for resolution.

CSR COMMITTEE

We are committed to act ethically and sustainably in all of our business activities. Key structural and control responsibilities related to sustainability have been delegated to the CSR committee which evaluates and guides all sustainability efforts as efficiently and effectively as possible at every level of the organization. The Chief Executive and Managing Director (CE & MD) chairs the committee, while the heads of the following key functions are committee members: Finance, Internal Audit, Marketing, Production, and CSR. This is designed to ensure that all relevant strategic sustainability initiatives and activities are agreed with FFC's corporate governance bodies and are in line with FFC's approach towards sustainable value creation.

The Committee evaluates challenges and trends, sets the company's medium and long-term objectives and initiates sustainability initiatives accordingly. The Committee is entrusted with the responsibility of steering the direction of CSR activities from donations and welfare activities to mainstream sustainability initiatives aligned with international guidelines and standards and review and approval of annual sustainability report. The CSR Committee ensures that the Company, being a member of the United Nations Global Compact, strictly adheres to its principles and makes a notable contribution to the Sustainable Development Goals.

MANAGEMENT'S ROLE IN SHAPING SUSTAINABILITY POLICY

The management role in shaping sustainability policy is performed through the Executive Committee and CSR Committee, which provide guidelines for sustainable operation and effective control thereof, and have the power to define guidelines. The frameworks and measures are monitored by FFC's Robust Risk Management System, a system to identify, evaluate and manage (relevant) risks to the company's operations. FFC corporate risk management is designed to:

- Coordinate and develop entire organization's risk management activities and integrate risk management into the business process. A differentiation is made between strategy, operational, financial, commercial and other corporate areas;
- Clearly allocate risk management responsibilities;
- Inform, train and motivate employees to effectively implement the risk management system;
- Identify and analyze risks reliably, carefully draw up meaningful reports, and avoid risks;
- Ensure that all significant risks and avoidance/counteractive measures are indeed reported to the respective Board Committees via the relevant managerial levels, and serious risks are presented to the Board of Directors via the CE & MD for appraisal.

The Board of Directors has delegated the responsibility to respective committees for ensuring that the Enterprise Risk Management (ERM) system is operational and working. The Committees therefore has managerial responsibility for the implementation and performance of the ERM system. The Committees also take into account stakeholder concerns identified through stakeholder engagement, while identifying and managing economic, environment and social impacts.

MONITORING SUSTAINABILITY EFFORTS

Sustainability efforts focused on reducing environmental footprint and increase of value creation potential is required to be monitored continuously to identify issues and take corrective actions. We have systems in place to ensure production safety to limit the impact of business activities on the health, safety and environment (HSE) as far as possible. Our products are environment friendly, however, we are focused to make the packaging as well as processes more environment friendly. One of the important corporate goal is to ensure human safety and protect the environment, therefore we have developed an extensive set of policies and measures as part of HSE management. Employee training sessions are held regularly in this connection and processes, procedures and measures are continually monitored, both in-house and by external audits of the management systems.

We are aware that the HSE management system is a component of process and strategy planning and includes an ongoing compliance audit of the corresponding rules and regulations. All employees are responsible for the efficiency of the HSE management system as it relates to their particular job, position, and qualifications. We observe and analyze all areas that could affect the precious capitals and the efficient use of resources, especially, material consumption, energy management, water and wastewater management, greenhouse gases emissions and potential impacts of planned activities.

All production plants are scrutinized on continuous basis for potential risks and optimization opportunities. The results of these activities are included in the risk control system, analyzed for urgency and relevance, and then implemented as per requirement. We are also making efforts to include HSE criteria in our business relationship with suppliers, contractors and service providers. The selection procedure that is part of procurement management currently takes into account only economic and UNGC Principles related aspects. We are keen to work with our supply chain on sustainability to manage our impacts in the supply chain as well as to improve the entire value chain.

REPORTING TO MANAGEMENT

The extensive information on potential dangers and opportunities relating to health, safety, environment, impacts on local community and ability to create value over time is shared with the management through the CE & MD. The Committees use the risk management system to record, analyze and present all relevant risks for consideration and action. The reporting is carried out throughout the year and discussed in the relevant Committees. The HSE related risks are communicated through the HSE department while other risks are reported separately through the Risk Management System of the company. The Audit Committee reviews major issues regarding the status of compliance with laws and regulations, and the code of conduct. The internal audit department reports to the Audit Committee with regard to the status of the compliance with laws but also with regard to the code of conduct violations that occurred in the course of the year, how they were investigated and, if necessary, how violators were disciplined and organizational measures were implemented to avoid similar violations in the future. Based on the inputs of different Board Committees, the Board of Directors formally review and discuss organizational impacts, risks and opportunities in its quarterly meetings.

EVALUATION AND DEVELOPMENT OF CORPORATE PERFORMANCE

Human Resource and Remuneration Committee of the Board of Directors evaluates on an annual basis the degree to which objectives of the company as a whole and particularly those of the Executive Committee have been met. Based on the evaluation of the performance against operational and sustainability related goals, recommendations are made for approval of the Board of Directors. This procedure ensures that bonus payments to employees, including executives, are also in line with FFC's overall performance and objectives. The members of the Board of Directors and especially the Executive Committee have expertise in managing economic, environmental and social issues. To ensure they keep abreast of current trends and developments in the aforementioned areas, FFC ensures participation of its management and staff in relevant trainings and involvements in international and national conferences and meetings.

MANAGEMENT PAY

Our remuneration policy is focused to provide remuneration, which is competitive and in line with market conditions - high performance high reward - transparent and goal oriented. Remuneration policy of directors aims at encouraging and rewarding good performance/contribution to the objectives. The directors' performance is evaluated by setting specific, measurable, achievable and realistic goals for the year and evaluation of the performance of each member against these goals. The evaluation of the Board of Directors performance is a self-assessment against defined goals, carried out quarterly and discussed in the Board meetings to take necessary actions to meet the defined objectives. There were no changes in membership or organizational practice as a result of performance evaluation. The remuneration of CE & MD is paid as recommended by the Human Resource and Remuneration Committee and approved by the Board of Directors and Shareholders. A fee is paid to the Directors to meet the expenses incurred by them in attending the Board meetings, which is also approved by the Board of Directors and is in accordance with applicable guidelines. The company does not pay remuneration to non-executive directors, except for the directors' fee.

To retain the best talent, our compensation policies are structured in line with current industry standards and business practices. FFC is a good employer with a meager turnover rate despite of industry's expansion. The appraisal system practiced is comprehensive in nature and includes a performance review on financial and nonfinancial parameters. FFC does not disclose some of the information, being sensitive and proprietary in nature, i.e. ratio of annual compensation within the organization and the ratio of percentage increase in annual compensation within the organization.

The Human Resource and Remuneration Committee analyzes and discusses market developments and their possible impact on FFC for providing recommendations to the Board. FFC's decision-making processes are very open and also involve key stakeholders in important decisions. The stakeholders input with respect to the remunerations is collected through annual meetings as well as Collective Bargaining Agents (CBA).

SHAREHOLDER AND EMPLOYEE RECOMMENDATIONS

We value the concerns/recommendations of our shareholders. The shareholders' can give their feedback/recommendation in General Meetings of the company as well as by sending letters or emails to the corporate relations department using the address available on the company's website. The concerned officials regularly evaluate the feedback and action is taken as per need.

The employees may submit requests or recommendations at any time to the company, its management, or the appropriate bodies through their supervisors or managers. The Board of Directors has delegated the collection of recommendations to the Executive Committee. FFC values the concerns of its employees with the aim to provide a balanced working environment for achieving the company's objectives. Due consideration is given and suitable actions are taken on the suggestions/ideas of the shareholders and employees. However, this is subject to the suggestion being found practicable, appropriate and in the interests of the company.

The HR department at the head office and plant level provides support in connection with issues relating to the ethically correct and legally compliant conduct of employees as per the code of conduct and company policies. In this regard, regular checks and inquiries are carried out by the HR department depending on the number of queries received in relation to compliance topics, as well as particular issues and measures. The company has a dedicated system on intranet to further facilitate the process. In addition to the reporting of breaches of the code of conduct, it provides employees with the opportunity to ask questions anonymously via an intranet portal. These questions will then be answered by the concerned officers responsible within a reasonable period of time.

Our robust governance systems support the following SDGs. Information on linkage of our activities and SDGs can be found at page 80.



Quality Education



Gender Equality



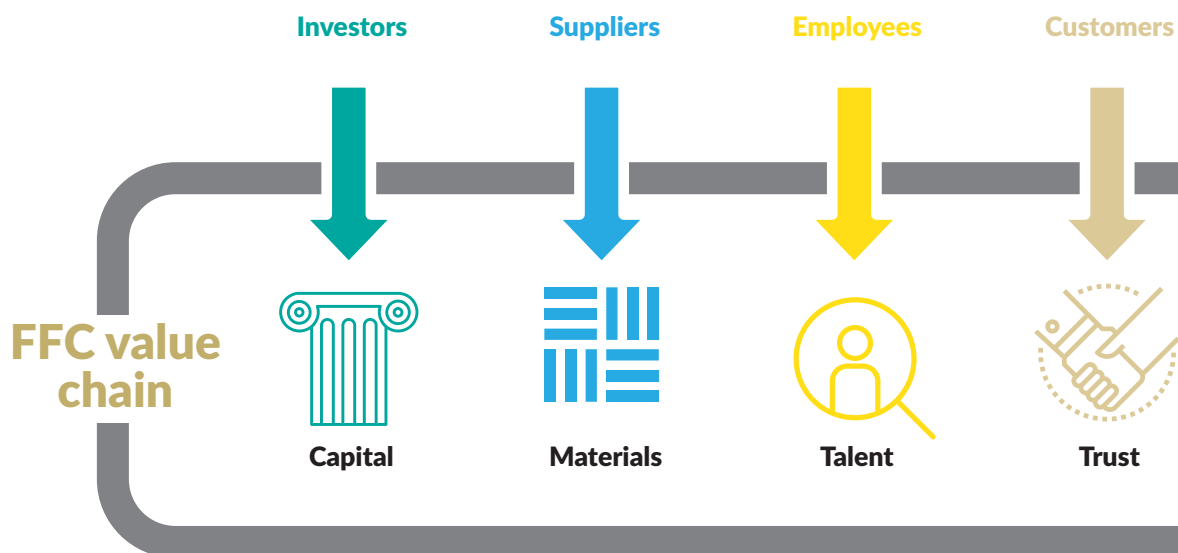
Peace, Justice
and Strong
Institutions

HOW WE CREATE AND SHARE VALUE?

As a manufacturer of fertilizer	32
As an employer	35
As a trusted business partner	42
In local communities, we operate	44
As a socially responsible company	47

HOW WE CREATE AND SHARE VALUE?

Our value creation process shows how we take in value, use our manufacturing facilities, people, systems and relationships to create additional value for our shareholders, employees and other stakeholders.



Our value chain begins with capital we require for business from shareholders, and financial institutions.

We allocate capital to run our operations and invest in areas which offer best prospects for growth and long term returns.

We source raw materials and related supplies from our reliable supply chain partners.

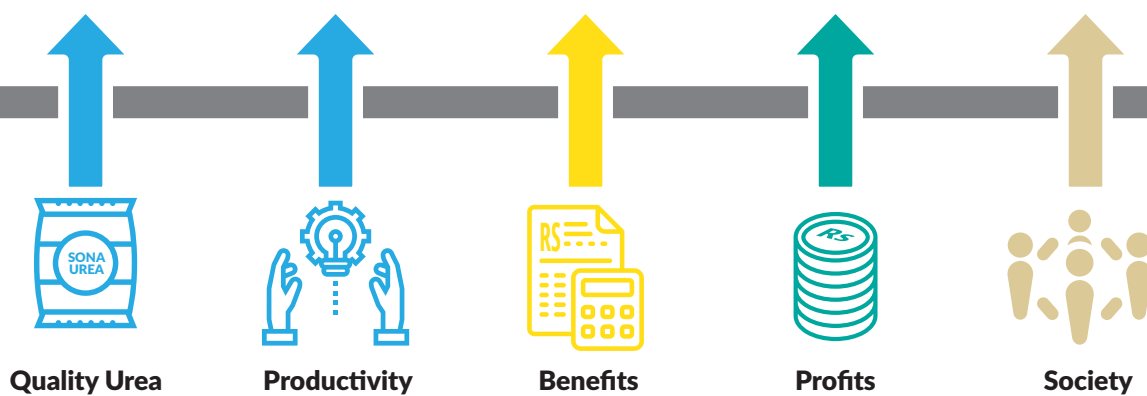
We utilize the raw materials to manufacture quality products for our customers.

We employ talented and best of class workforce. We equip them with skills, training and equipment.

We utilize their skills, and expertise to manufacture, price and market products for customers.

Our customers buy our products and entrust money to us.

We utilize this money responsibly to manufacture products and make investments.



Through our products, we help customers to increase crop yield, farm productivity and earnings to bring prosperity.

Through our Agri. Services, we disseminate complete production technology of crops and promote balanced fertilizer with provision of free of cost soil & water analysis to increase productive potential and earning.

From the profits we earn, we pay competitive salaries and benefits to our workforce.

We earn profits, which we share with our investors in form of dividends and financial charges.

We contribute to society through our tax payments, payments for goods and services we buy and our support and investment in local community.

HOW DO WE CREATE AND SHARE VALUE AS A MANUFACTURER OF FERTILIZER?

BY PRODUCING QUALITY FERTILIZER

We create and add value for our customers and economy at large by producing and marketing quality fertilizers. Our products are additives for better crop productivity and our purpose is to protect and enhance productive potential of farms and our end consumer earnings. We have millions of customers in Pakistan ranging from small farmers to large farm holdings and farm houses. To meet the expectations of our customers and in line with our strategy, we are committed to produce only quality products that correspond to the International Environment and Safety Standards. Constant monitoring and regular reviews are carried out on all business aspects and processes in order to ensure that they continue to conform our commitment to produce quality products. Quality and performance monitoring is an integral part of our business processes and strategic planning. External certification of health and safety of production systems and customer health and safety are carried out regularly. The results are used in the evaluation of our approach and related adjustments in processes are carried out. Product responsibility lies with the manufacturing department and the Chief Executive & Managing Director (CE & MD) is responsible for health and safety impacts of our products.

FFC makes sure that employees, customers, general public and the environment can rely on the safety of its products throughout the entire product lifecycle. As our products are additive for enhancing agricultural produce and due care is given to health and safety impacts. Regular trainings are conducted covering aspects related to health & safety of product and product quality to ensure quality production. Standard weight of fertilizer bags is ensured and regular quality analysis of product

samples is performed in respect of average prill size, biuret, moisture, crushing strength and total fitness. FFC made assessment of health and safety impacts of all products during the year in order to identify improvements to further support its commitment of producing customer friendly products. During the year, our products were in compliance with regulations and voluntary codes concerning health and safety impacts of products.

BY INVESTING IN BETTER FARM PRODUCTIVITY

Growers are central in our strategy to ensure a sustained long term business growth. We have built a loyal customer base through our continuous commitment and investment in farm advisory which promotes the brand in the marketplace and contributes to our overall success. We adopt an integrated approach of agronomic, extension and soil testing activities for accomplishing the objectives of advisory services. Our agronomic activities include laying-out crop demonstration plots and conducting fertilizer trials in farmers' fields while extension activities include agricultural seminars, farmer meetings, group discussions, blitz programs, field days, training programs and farm visits. Our soil testing service is a valuable tool to identify soil problems and to propagate appropriate and balanced use of fertilizers.

In order to ensure incessant support to the farming community, we continuously invest in our farm advisory services. We operate 5 farm advisory centers and 18 regional Agri. services offices. Farm advisory centers comprises a team of professionals fully equipped with modern and sophisticated computerized soil & water testing laboratory and a demonstration van with high tech audio visual equipment. It operates for 4-5 years in an area

HOW WE CREATE AND SHARE VALUE?

providing guidance in line with area crops and socio-economic position of the farmers. We maintain close liaison with research organizations to transfer the latest findings to the farming community through our farm advisory services. The experts and professionals from agricultural institutions and Govt. departments are invited to deliberate farming community problems. We are collaborating with various national and international companies on R&D activities related to slow release fertilizers, biologically enhanced fertilizers, and micronutrients impregnated fertilizers. Among others, these include NUST Islamabad, GC University Lahore, EVL Inc.-Canada, PIEAS-Nilore. Recently, we established Fertilizer Research Centre at Faisalabad as a testing and evaluation platform for newly developed fertilizer products. Moreover, we are carrying out R&D work on many improved fertilizer products that would release nitrogen from the granule in a manner that matches crop growth requirement thus directly addressing issue of Planetary Boundaries.

AGRI-SERVICES ACTIVITIES IN 2016

Farmer Meetings	297
Blitz Programs	17
Farm Visits	2,174
Training Programs	3
Crop Seminars	19
Crop Demonstrations	150
Field Days	150
Group discussions	551
Soil & Water Samples Tested	17,539
Micronutrient Samples Tested	635
Total outreach	53,647 farmers

We develop and regularly update crop literature covering complete production technology, fertilizer dosage, timing and method of application for all major crops, vegetables and fruits grown in the country in national and regional languages. In this regards, 23 booklets/flyer especially, "Fertilizer Guide Book" and "Fertilizer Recommendation Book"



87,900
booklets/flyers distributed



28,000
newsletters distributed to
farmers and other stakeholders

are valuable assets for disseminating information about fertilizers and their use for different crops. The booklets/flyers are printed in different languages to overcome language barriers and ensure mass outreach. During the year, three flyers on safe use of fertilizers were printed & distributed among stakeholders with regard to the IFA Protect & Sustain Product Stewardship Certification process.

Agriculture newsletters are published quarterly in Urdu and Sindhi Languages, to refresh farmers' knowledge regarding seasonal/on-going crop operations. During the year, brochures of various crops, orchards and vegetables were distributed among the farmers in various Agri. Services activities for their ready reference. Moreover, Short Messages Service (SMS) about different agriculture related issues and recommended practices were also sent to farmers on the mailing list.

To further strengthen FFC's contact with Farming Community, prompt interaction regarding their emergent field issues and suggesting resolution within the shortest possible time, the company has a dedicated helpline service (0800-00332).



HOW WE CREATE AND SHARE VALUE?



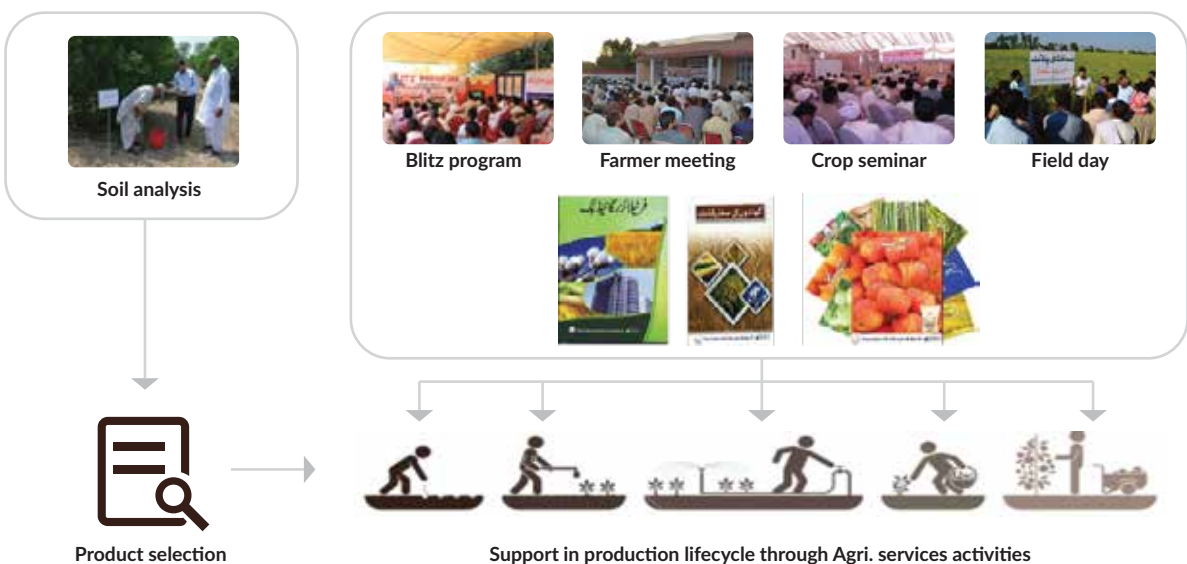
4161

calls received and advice provided

We have developed crop production documentaries to educate farmers on different farming techniques. Our Agri. Services team regularly participates in various Radio/TV Talk shows organized by Radio and TV stations to discuss production technology and balance fertilizer use for major crops. Our Agri. services team participated in various activities organized by different institutions for imparting

knowledge on fertilizer usage, its impact in overcoming soil deficiencies and better health. We have a professional, trained and experienced team to render advisory services in different agro-ecological zones and we are committed to play a leading role in the economic uplift of our key stakeholder.

We support efficient use of products and help make value of money.



Impact of use of our products, activities of Agri. services and the resultant value addition is measured through economic analysis/Value Cost Ratio (VCR) for major and minor crops which elaborate production cost and net income of the produce at our crop demonstration plots.

Value Cost Ratio (VCR)

Major crops (Wheat, Rice, Maize, Cotton, Sugarcane)	2.2 – 3.0
Minor crops (Sunflower, Tobacco, Potato, Citrus)	2.3 – 3.3

We support the following SDGs while creating value as manufacturer of fertilizers and investing for better farm productivity



HOW DO WE CREATE AND SHARE VALUE AS AN EMPLOYER?

We value human resources as an important capital, believe in fair treatment and ensuring compliance with laws, regulations and our own code of conduct. Our employees are the most important factor for our success not only in the current market environment but also in future, as their performance alone determines our economic strength and competitiveness. We have a well-defined Human Resource (HR) policy to manage HR priorities, succession planning, recognizing and rewarding the prestigious talent, and leadership development. Our aim is to bring the most talented and imaginative people on board, nurture their talent and provide the best facilities to them. We have therefore drawn up numerous employee advancement and development programs, with a wide range of services.

The most senior officer responsible for labor practices is the General Manager Human Resource. The HR heads at the manufacturing unit level report to GM-HR. All aspects of labor practices, i.e. trainings, diversity and equal opportunity etc. are closely monitored at the manufacturing unit level as well as at the corporate level. The breach of the aspects is monitored by HR department and adherence to laws and regulations is discussed frequently and reported quarterly to the HR committee of the Board. Both attracting qualified employees and ongoing employee training and development are of great importance to FFC and we provide our employees with the skills and resources they need to work in an even more efficient and innovative way. We have already set exemplary standards in this area with numerous training

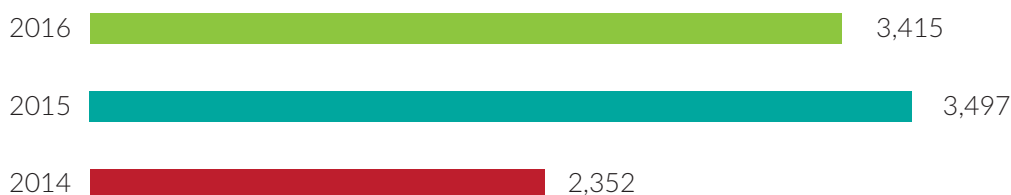
programs and best in class in house training center. We aim to become more attractive as an employer and keep employees within the company for as long as possible through better management.

Active management of the human capital is vital to ensure continuous growth and value creation potential of our business. Our approach is continuously monitored through input from employees at AMCON as well by the Board's Human Resources and Remuneration Committee and input/complaints received through our grievances mechanisms. Based on the inputs and feedback, the management approach is reviewed and updated to ensure a productive environment for our people.

BY PROVIDING EMPLOYMENT

We have employed 3,415 people in our operations including plants, marketing offices and head office. The substantial portion of work is performed by workers who are employees. We do not offer part time employment nor any supervised workers work at FFC. FFC indirectly supports jobs through our suppliers, contractors and distributors. Competent and skilled people in our workforce are required to deliver sustainable returns and to attract the competent people and to ensure that they stay with us, we offer right benefits, rewarding work and career advancement prospects. This value creation and sharing with our workforce is vital for our long term success. During the year, the new hiring rate was 5% while the turnover rate was 8%. The employment information has been compiled from management information system and no assumptions were made.

Workforce as on December 31, 2016



HOW WE CREATE AND SHARE VALUE?

Employees by employment type broken by gender

Employment type	Male	Female
Full time	3,329	86
Part-time	-	-
Total	3,329	86

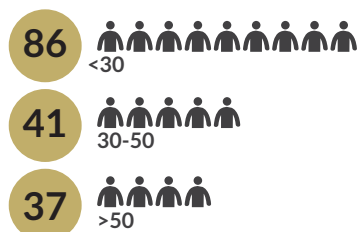
Employees by employment contract broken by gender

Employment contract	Male	Female
Permanent	3,094	76
Temporary	235	10
Total	3,329	86

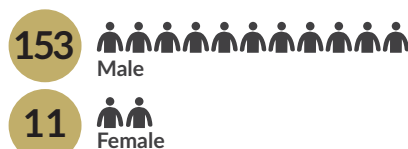
Employees by employment contract broken by region

Location	Permanent	Temporary
Head Office-RWP	813	45
Goth Machhi Plant	949	129
Mirpur Mathelo Plant	713	51
Lahore	623	14
Karachi	72	6
Total	3,170	245

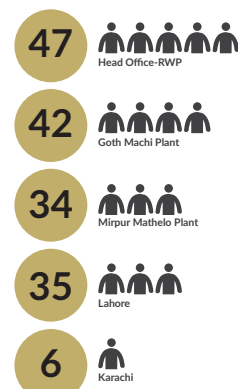
HIRING BY AGE GROUP



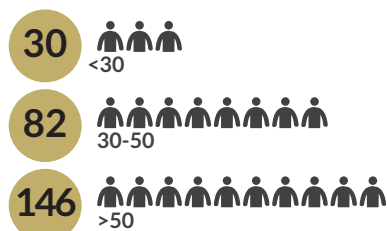
HIRING BY GENDER



HIRING BY LOCATION



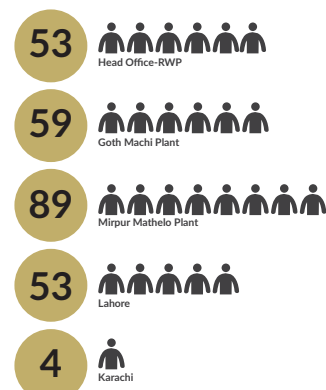
ATTRITION BY AGE GROUP



ATTRITION BY GENDER



ATTRITION BY LOCATION



BY INVESTING IN OUR WORKFORCE

We create value through use of our human capital and share the value created with our employees in shape of employees' salaries and benefits. In 2016, we paid Rs. 7,609 million as workforce salaries and benefits, which makes our workforce an important investment and valuable asset. We pay wages and salaries that are

HOW WE CREATE AND SHARE VALUE?

determined by local relevant competitive markets rather than by legally defined minimum wages. However, we exceed the minimum wage threshold at all of our operational sites. During the year, the ratio of standard entry level wage to local minimum wage was 1.27:1 across all significant locations of operations.



Rs. 7,609
million paid as workforce
salaries and benefits.



Rs. 766
million spent on defined
benefit plan obligations.

FFC does not discriminate basic salary or remuneration on the basis of gender. No intentional differentiation is made in benefits provided by FFC according to the type of employment contract. Only female employees are given maternity leave. A total of 82 female employees were eligible for parental leave, out of which six female employees availed maternity leave in 2016. The return to work and retention rate of employees after availing parental leave was 100%. Moreover, the employees who took parental leave and returned to work remained employed for more than 12 months after their return to work.

We reward employees on the basis of performance and their role in the advancement of company objectives. The ratio of basic salary and remuneration is one to one at FFC. All FFC employees received performance appraisal in 2016. We regularly monitor benefit plan obligations for relevance, compliance, costs and stability to ensure that the benefits are in line with the operating environment.

Benefits	Management	Staff
Life insurance	Yes	Yes
Health care*	100%	100%
Disability/Invalidity coverage	Yes	Yes
Parental leave	Only females	Only females
Retirement provision	Yes	Yes
Stock ownership	No	No

*Subject to company policy.



We maintain separate funded pension and gratuity schemes where all obligations of funds are financed by FFC. Our all eligible employees who complete the qualifying period of service and age are benefited by these schemes. The trustees administer these funds. The annual contribution to gratuity and management staff pension funds are based on actuarial valuation. The defined contributory provident fund is for all eligible employees for which FFC contributions are charged at the rate of 10% of basic salary. The employees also contribute 10% of basic salary to provident fund. The provident fund may be reimbursed after an employee leaves the organization or may be transferred, as per the convenience of an employee. We spent an amount of Rs. 766 million on defined benefit plan obligations in 2016. The benefits are provided to full time employees including management and staff. These benefits are not offered to contractual employees.

BY DEVELOPING SKILLS AND TALENT

We provide training to employees at all levels within the organization to nurse their talent and knowledge base. We believe that motivating and training our employees will contribute significantly to their skillset and success of our company. We consider it

HOW WE CREATE AND SHARE VALUE?

important that employees have the opportunity to realize their potential and develop a successful career. Based on this thinking and principle of equal treatment and equal rights, we offer our employees internally and externally conducted specialist and interdisciplinary training and qualification measures.



At FFC, HR development framework focuses on training and education of employees, which consists of a three-step-process, first assessing employees' competencies, training them for their job, and then encouraging the development of employees through education. This helps to identify skill gaps within the organization and looks to address those gaps; ensuring the right people are in the right jobs for ensuring long term sustainability of the company.

We provide our employees career development opportunities, which goes beyond training. We have formal talent management programs which help us map employees' skills and match them to new opportunities. This also supports effective succession planning, particularly for senior and other strategic positions within the company. The employees enhance their skill set and get lifelong learning through a management skill development program throughout the career, provision of long term leave for improving professional qualifications, offshore technical services and deputation to diversified businesses.

BY PROVIDING A DECENT, PRODUCTIVE PLACE TO WORK

We do our best to provide a decent and productive workplace to our workforce. Regular health and

safety programs and checkups are conducted for employees. These programs include initiatives to reduce injuries at workplace, plant site, and reduce stress. Regular engagement is carried out with collective bargaining agents, works councils and other employee bodies on employees concerns related to working conditions. We support rights of freedom of association and the entitled employees are free to join unions and to be represented by a representative of these unions internally and externally in accordance with applicable laws. All staff employees are covered by CBA, which covers 75.05% of total workforce strength. Fifteen days' notice period is served on relocation within plants. A three days of joining period is also given on relocation. This information is not specified in CBA agreements. FFC complies with all local statutory and operational requirements with regard to the provision of information to employee representatives and employees.

Diversity strengthens the company, brings in new perspectives, helps drive innovation and leads ultimately to better decision-making. Our employment policy strives for a diverse workforce and aims to find the candidates best suited for an open positions. We hire and promote employees based solely on the qualifications and skills required for the work. The recruitment of employees is based

HOW WE CREATE AND SHARE VALUE?

only on their suitability for the open positions and their individual potential for a successful future at FFC – in line with the corporate strategy and objectives. However, as a common practice, while hiring junior level staff/apprentices at plants, relaxation is given to the local population to encourage the locals. Likewise, in the marketing group, preference to post locals, from among the selected ones is also given due consideration to resolve communication issues/language problems. No senior management employee at locations of significant operation is hired on the basis of location or domicile. No specific quotas for women, specific nationalities, ethnic minorities or special age groups exists for senior management, Board and Executive Committee. All the candidates are evaluated and selected on the basis of the same list of criteria. However, to promote economic independence of people with disabilities, FFC extends employment opportunities to such persons along with special health care and ancillary facilities. During the year 54 people with disabilities were employed by the Company.

Individuals in governance bodies by gender, minority and age group

	Gender		Minority Group		Age Group		
	Male	Female	Muslim	Non-Muslim	<30	30-50	>50
Board of Directors	92%	8%	92%	8%	0%	8%	92%

Employees by gender, minority group and age group

	Minority Group		Age Group		
	Muslim	Non-Muslim	<30	30-50	>50
Male	98.50%	1.50%	17.35%	52.40%	30.25%
Female	94.05%	5.95%	35.71%	51.20%	13.09%

Employees by employment category, gender, minority group and age group

	Gender		Minority Group		Age Group		
	Male	Female	Muslim	Non-Muslim	<30	30-50	>50
Management	95.45%	4.55%	98.53%	1.47%	16.58%	57.49%	25.92%
Staff	98.05%	1.94%	98.35%	1.65%	18.26%	50.64%	31.10%

BY INVESTING IN HEALTH & SAFETY OF WORKFORCE

Safety of our people and processes is our top priority. FFC always endeavors to educate employees on health and safety topics to ensure maximum level of health and safety of its labor force. The protection goals as well as health and safety aspects are monitored and reviewed on an ongoing basis. The operational aspect of health and safety practices in manufacturing units are governed by the GM (M&O) of the manufacturing units. HR head at plant site is responsible for fair labor practices, policies with respect to regulations and laws as well as the other activities for the benefit of the

employees. FFC has a system in place for risk assessment of operations and committed to preserve its employees' health by avoiding accidents as much as possible. We have long standing safety culture at plant sites along with a detailed reporting of process and plant safety. We carefully track incidents, complaints received from stakeholders and take prompt action for resolution in justified cases. During the year, no complaints relating to labor practices were filed.

Continuous efforts to prevent accidents at work are an essential part of our production activities and require constant motivation of employees by line managers. As a result of the high commitment to health and safety the incidents concerning health

HOW WE CREATE AND SHARE VALUE?

and safety issues have decreased over the years and our plants are producing record of safe man hours over the years. 14.81 million Man-hours of safe operations for employees and 23.53 million Man-hours of safe operations for contractor employees were also achieved as of December 31, 2016 at our plants only through employees' commitment and safety first strategy.



14.81 million
Man-hours of safe
operations for employees



23.53 million
Man-hours of safe operations
for contractor employees

Urea manufacturing is a clean, safe and close process. Workers only come in contact with the finished product ready for shipment and there is no major risk of occupational diseases nor did any such known disease occur related to the process. However, the regular technical controls and measurements are carried out at workplace to

ensure safe working conditions and regular health checks are conducted for production employees. FFC offers discounted health programs and attaches great importance to protecting employees from workplace accidents. Line managers are responsible for training employees in safety and identify the extent to which employees are familiar with the safety procedures at processes.

Regular trainings are conducted on various safety topics including safety culture reinforcement training for management & staff, emergency response & rescue handling, general safety trainings for contracted out employees, contractor supervisor trainings, safety culture reinforcement trainings (contractor employees), safety orientation for interns and apprentices, safety orientation for plant visitors & guests, Behavior based safety training, training on job safety analysis, hazard identification risk assessment and determining control (HIRADC), noise induced hearing loss awareness, energy management, environment protection & pollution prevention, disaster response training and excavation safety. The implementation of such trainings is also a clear signal to improve workplace safety. Not only do employees learn how to behave more safely and prevent accidents through targeted training courses, but – by also involving managers in the process – a strong emphasis is placed.

A Worker's Council Committee under the Industrial Relation Act exists in which worker's representation is 50%. The functions of the committee include promotion of security of employment for workers, monitoring health & safety conditions and job satisfaction levels. Meetings of the Worker's Council Committee are organized as per Law. Moreover, a Health & Hygiene Committee also exists and the committee visits the areas periodically to improve the standards. As per industrial act, this council operates at the facility level. To promote health and safety at plant site, in addition to minimum legal requirement, the company has in place different forums and committees to discuss and take action on health and safety issues. All the workers get representation in these committees through their supervisors and line managers.

Rate of Injury by region and gender

	Organization		Contractor	
	Male	Female	Male	Female
Mirpur Mathelo plant	0.22	Nil	Nil	Not applicable
Goth Machhi plant	0.153	Nil	0.297	Not applicable
Other locations	Nil	Nil	Not recorded	Not recorded

HOW WE CREATE AND SHARE VALUE?

Occupation disease rate by region and gender

	Organization		Contractor	
	Male	Female	Male	Female
Mirpur Mathelo plant	Nil	Nil	Nil	Not applicable
Goth Machhi plant	Nil	Nil	Nil	Not applicable
Other locations	Nil	Nil	Not recorded	Not recorded

Lost days rate by region and gender

	Organization		Contractor	
	Male	Female	Male	Female
Mirpur Mathelo plant	Nil	Nil	Nil	Not applicable
Goth Machhi plant	Nil	Nil	Nil	Not applicable
Other locations	Nil	Nil	Not recorded	Not recorded

Absenteeism rate by region and gender

	Organization		Contractor	
	Male	Female	Male	Female
Mirpur Mathelo Plant	Nil	Nil	Not recorded	Not applicable
Goth Machhi Plant	Nil	Nil	Nil	Not applicable
Other locations	Nil	Nil	Not recorded	Not recorded

Works related fatalities by region and gender

	Organization		Contractor	
	Male	Female	Male	Female
Mirpur Mathelo plant	Nil	Nil	Nil	Not applicable
Goth Machhi plant	Nil	Nil	Nil	Not applicable
Other locations	Nil	Nil	Not recorded	Not recorded

The company accounts first aid injury in the injury rate and the lost days means schedule work days, lost day count begins the day after the incident.

The formal agreements with CBA covers health and safety related provisions. The extent of coverage of health and safety topics in the agreements is almost 80%. Moreover, all the employees of the company come under the umbrella of an extensive medical policy which has been formulated in the light of the health and safety requirements of The Factories Act, 1934.

We support the following SDGs while creating and sharing value as an employer. Information on linkage of our activities and SDGs can be found at page 80.



HOW DO WE CREATE AND SHARE VALUE AS A TRUSTED BUSINESS PARTNER?

BY PROCURING LOCALLY

Suppliers are strategic allies who support our success and ensure consistent provision of products to our customers. We believe that the collaboration makes the difference. Our supplier relationships go beyond the purely commercial sphere and include a mutual understanding of what it takes to promote good practices and pursue responsible and sustainable development. The procurement function at head office and plant sites is responsible for management of procurement practices in line with Company policies. The procurement policies are evaluated regularly and updates are carried out, if required.



76%
local suppliers

24%
foreign suppliers

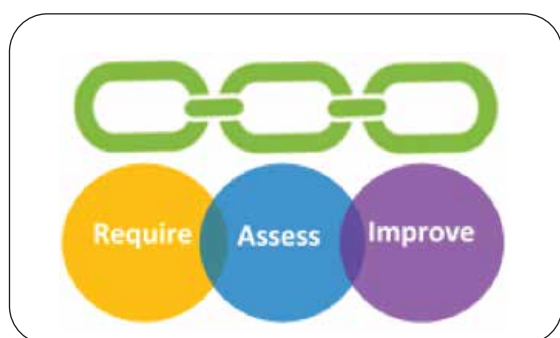
We procure most of our requirements from the locations in which our respective operating facilities are located as far as qualitatively compatible, technically feasible, and economically justifiable. This way, FFC's activities support the economic development of the areas concerned. FFC is not particularly dependent on any of its suppliers except the supplier for natural gas which is basic raw material for fertilizer manufacturing. Our suppliers consist of local suppliers and foreign suppliers. The major raw material and other components which can be easily purchased from Pakistan are procured locally while the materials and components which are not available in Pakistan are purchased from abroad. Our 76% purchases are from local suppliers and 24% from foreign suppliers. To improve our supply chain management and facilitate our suppliers, we launched eProcurement System in 2016. The suppliers and contractors can register as part of our supply chain with respect to goods and services, can gain information on opportunities and submit bids in addition to having access to other useful information.

BY WORKING ON SUSTAINABILITY IN SUPPLY CHAIN

We are well aware that today's complex business environment and management of impacts beyond organizational boundaries require leading supply chain management methods. Incorporation of sustainability criteria in selection, working with suppliers to upgrade working conditions helps to limit exposure to unexpected events, negative environmental and social impacts and supply disruption, while building long-term core competence and effective management of supply chain.

HOW WE CREATE AND SHARE VALUE?

We have a sustainability criteria to select and manage our suppliers, outsourcing partners, and service providers. This selection criteria takes into account conditions relating to sustainability factors such as, environmental management, working conditions, respect for human rights, complaint management, safety standards, and financial creditworthiness. The upgrading of the criteria is under consideration to include more comprehensive criteria by including other factors relating to labor management practices, human rights and society related practices. We plan to educate our supply chain partners by sharing the criteria through inclusion of the relevant suppliers in FFC's supplier assessment process. In order to monitor how suppliers deploy FFC's sustainability criteria, FFC will require the major suppliers to produce third party verification with respect to FFC's sustainability criteria and may also carry out on-site audits in the future, if deemed necessary. This supplier sustainability criteria will strengthen the efforts and will provide a reference framework for social and environmental protection in supply chain. As part of its supplier relationship management and to strengthen its vision and approach of sustainable supply chain, FFC regularly hosts trainings for its haulage contractors as well as dealers. Apart from creating awareness, these activities help FFC to engage with its supply chain for the deployment and realization of different activities. We are focused to work with suppliers and partners to improve the entire supply chain from a sustainability perspective.



Working in supply chain to limit exposure to unexpected events, negative environmental and social impacts and supply disruption, while building long-term core competence.

The ultimate governance of strategy in relation to supplier management lies at the highest level of the management. The respective departments deal with suppliers in line with the supplier management strategy of FFC. FFC evaluates the effectiveness of its management approach through feedback from various stakeholders and surveys conducted.

Our investment agreements include human rights clauses and undergo human rights screening. All major investments must be approved by the Board of Directors. The Board Committees recommend the investments proposal after detailed working and review which is based on financial, strategic and sustainability criteria, the last of which also include human rights aspects. Moreover, the regular procurement also takes into account the sustainability criteria to screen the new suppliers. 282 suppliers, who applied and registered during the year, were screened against existing sustainability criteria during the year.

FFC is not aware of any negative environmental impacts of supplier's operations during the year. FFC is committed to positive social impacts through its labor practices, respect for human rights, societal interventions, responsible marketing, and encourages its supply chain partners to engage in such activities. The company is not aware of any negative social impacts of its suppliers' activities during the year.

We support the following SDGs while creating and sharing value as a trusted business partner.
Information on linkage of our activities and SDGs can be found at page 80.



HOW DO WE CREATE AND SHARE VALUE IN LOCAL COMMUNITIES WE OPERATE?

BY SUPPORTING LOCAL COMMUNITIES

Sustainable Development Goals adopted by nations in 2015 at Copenhagen and the national priorities are the guiding principles for our value creation and sharing with our local communities. Our work in local communities contributes to the Sustainable Development Goals of No Poverty, Zero Hunger, Good Health and Well-being and Quality Education. We support communities through taxes, local procurement, donations, and provision of facilities around plant site. In 2016, we spent Rs. 122 million on CSR activities. Most of the spending was in the areas of education, health care, community support and uplift, relief and rehabilitation and event sponsorships. Through our sports sponsorships, we encourage healthier lifestyles and grassroot participation in sports activities.



Over 1%
of net earning spent on
CSR activities during 2016

The implementation and monitoring of social activities at all the locations are routed through Sr. Manager (CSR) who also reviews and analyzes the monthly progress of social initiatives. We use various tools to monitor and follow-up performance and commitments to society. These include independent monitors as well as in house reviews. Progress is reported to the senior management on a continuous basis. From this year, in order to effectively manage our CSR activities, Sona Welfare Foundation (SWF), a fully dedicated entity, was established for carrying out interventions in the fields of healthcare, education, sports and rural development.

Our sustainability efforts are committed to the common good at locations of our operations. Acting responsibly in all our activities, we are playing an active role towards sustainable development in areas of operations and support local economic development. The major indirect impacts are enhancing skills and knowledge, jobs in supply chain, new businesses resulting in economic development of the area. We are raising living standards of population in areas of operations, both directly and indirectly, by creating added value. Our approach is driven by the needs of targeted community, carried out through surveys, focal groups and meeting with the local community. Based on these guidelines, the interventions are devised to deliver maximum benefit & impact. We regularly engage with local communities to identify any negative effect of our operations on local communities and as result of these engagements, we identified that there were no significant negative effects on local communities during the year.

HOW WE CREATE AND SHARE VALUE?

Keeping tradition of supporting local communities

Year	Donation in millions
2016	122
2015	168
2014	188

HEALTHCARE

Good health is an important factor for society's contribution towards economic development of the country. In line with SDG 3, "Good Health and Well-being" are national priorities, we placed major emphasis on provision of health care facilities not only at our plants, adjacent localities but also nationally in collaboration with different entities. During the year, we contributed Rs. 8 million to Hazrat Bilal Trust Hospital at our Goth Machhi plant and also deputed a female doctor for taking care of female patients. We contributed Rs. 16 million to Sona Welfare Hospital at our Mirpur Mathelo plant which helped in provision of good healthcare facilities and treatment to 35,000 patients of the surrounding community. We donated ambulance and Rs. 2.85 million to various hospitals for construction/upgrading and purchase of medical equipment.

EDUCATION

Education is the most important investment for sustainable economic development. Our interventions in the field of education contribute to SDG 4 "Quality Education" and help surrounding communities' uplift and socio economic development. FFC contributed Rs. 8.1 million under its adopted schools program which included 20 annual scholarships, distribution of books and

stationery besides improvement in infrastructure and payment of salaries of government schools. We provided financial support of Rs. 3.1 million and reconstructed flood affected school at Tanda Ghambir. Realizing the importance of education of children with disabilities, we donated Rs. 2.39 million to Special Education Academy for provision of education and support equipment. We provided Rs. 19 million in shape of financial support to Sona Public School, and provided 67 new scholarships under the ward of farmer scholarships and increasing total scholarships to 164. FFC sponsored 250 students for Microsoft Office championship. Moreover, FFC provided scholarship of Rs. 5 million to 7 students over a period of four years to complete education at FC College Lahore.

SPORTS

Sports promote healthy minds and productive societies. Keeping its tradition of promoting healthy sports activities, we made donations for various sports activities and sponsored sports events. Some of the notable events where we donated or sponsored were Asian Kabaddi Championship, Sona Cup Kabaddi, Sona Hockey Tournament, Sona Volley Ball, Sona Golf Tournament, Sona Long Tennis Tournament, Sona Girls Volley Ball Tournament, Nishan -e- Haider Kabbadi, Taekwondo Championship, Tour de Pakistan Cycle Race, IC Columbus Cup Delhi and Deaf Cricket Championship 2016.

RURAL DEVELOPMENT PROGRAMS

Our rural development programs are focused to solve the severe problems faced by communities, create opportunities to overcome poverty and make contributions towards the economic development of our country. Responding to the clean drinking water problem faced by the community, we installed water pumping stations, transformers and laid underground pipeline at Jhimpir.



HOW WE CREATE AND SHARE VALUE?

NATIONAL CAUSE DONATIONS

FFC sponsored the Swat Festival to encourage tourism and build the country's soft image. We donated Rs. 5 million to the Pakistan Armed Services Board for completion of projects to facilitate ex-servicemen. The Company collaborated with Pakistan Poverty Alleviation Fund and National Rural Support Program to extend support to cotton farmers in shape of loans. During the year, loan to 300 cotton farmers were provided.

We partnered with WWF in 2015 for a two year program for conservation of Indus River blind dolphin and contributed Rs. 2 million for the program. The Project has successfully concluded its time line and worked effectively for the conservation of Indus River Dolphin and educating communities at large.



Indus River blind dolphin conservation program in partnership with WWF.

BY CONTRIBUTING TO NATIONAL EXCHEQUER

We recognize that we have a role to play in supporting public services through our tax payments and value addition in terms of foreign exchange savings. Besides corporate income tax, we pay taxes as an employer and sales tax on our products. We also act as a tax collector – through tax deduction on employees' salaries, payments to suppliers and

contractors. Our approach comprises of two principles. Firstly, we actively manage our compliance by working within the rules set by government. Secondly, we work on tax optimization. Once our business decisions are finalized, we work on optimization of our taxes. We take decisions for business reasons and not for tax advantages. However, we do take into consideration the tax incidence in decision making to avoid any disadvantage to our shareholders.

During the year, cash contribution to national exchequer comprising of taxes, levies and accrued GIDC was Rs. 45 billion, being lower than previous year due to lower profitability. Value addition in terms of foreign exchange savings was US\$474 million through import substitution of 2,428 thousand tonnes urea sold during the year.

We support the following SDGs while creating and sharing value as an employer.

Information on linkage of our activities and

SDGs can be found at page 80.



HOW DO WE CREATE AND SHARE VALUE AS A SOCIALLY RESPONSIBLE COMPANY?

We are aware of our ethical responsibility for environment friendly and fair business transactions. Our employees are educated and trained to take responsibility in line with their function, authority and qualifications to augment our corporate responsibility of ethical business. The Rio Declaration requires that countries take a precautionary approach, according to their capabilities, in order to protect the environment. Measures to prevent environmental degradation must not be postponed where there are threats of serious or irreversible environmental damage. Nevertheless, such measures should not pose an excessive financial burden as Principle 15 of the declaration combines environmental protection with a cost-benefit analysis. In order to protect the environment, we apply the precautionary approach. We have a CSR policy in place with clearly defined objectives. The CSR policy states the importance of inclusive growth as one of the key areas for sustainable development.



BY EFFICIENTLY MANAGING ENVIRONMENTAL FOOTPRINT

FFC is committed to protect nature and environment through continued investments in environment friendly technologies and production processes. In addition to the sustainable management approach, the scarce resources are also leading to intensive materials management to ensure that resources are handled as cautiously as possible. We efficiently program our production processes to ensure a continuous improvement in energy and water efficiency and lower levels of (pollutant) emissions and waste. The biodegradable packing material for Urea along with renewable resource utilization, where applicable, helps us to move forward towards establishment of a widely sustainable value chain.

FFC is continuously improving its processes and production procedures on an ongoing basis in line with its environment management approach which has helped to reduce the absolute as well as relative volume of used resources, waste, waste water and air emissions. FFC has an integrated Environmental, Health & Safety policy which is applicable to all manufacturing plants for maintaining high standards of Health, Safety and Environment (HSE). The objective is to preserve the environment from



Effective management of environmental impacts of our operations helps to reduce our environmental footprint.

HOW WE CREATE AND SHARE VALUE?

degradation and provide a safe and healthy workplace, while improving the quality of life of employees, contractors, visitors and plant site community.

The GM (M&O) at each plant is responsible for performance, regulatory affairs and monitors the compliance across the manufacturing plants for Health, Safety and Environment (HSE). FFC regularly conducts trainings for senior management of manufacturing units as well as employees working on line functions. FFC has specifically designed training modules for different internal trainings and employees are nominated for external trainings as well. HSE systems are regularly monitored for ensuring compliance with internal HSE policies and applicable laws and regulations. The manufacturing plants are certified for ISO 9001:2008 Quality Management System, ISO 140001:2004 Environmental Management System and OHSAS 18001:2007 Occupational Health & Safety Assessment Series (OH&S Management System). These management systems enable us to identify the risks and potential opportunities, improved internal data management, building the confidence of stakeholders and identify energy management spots. The SOC & EMR forums at facility level perform an internal check to find out the gaps on a regular basis.

As a result of these efforts and stringent voluntary commitments, FFC was not aware of any cases in the year under review in which it has been accused of not having acted essentially in compliance with laws, regulations and voluntary codes of practice in connection with nature and environmental protection. As such, FFC did not have to pay any fines or non-monetary penalties for non-compliance with environmental laws and regulations in 2016. FFC has environmental grievances mechanism in

place where complaints regarding negative environmental impacts of operations can be filed. The resident manager at plant site deals with such complaints and necessary actions are taken as per need. During the year, no complaint was filed.

FFC has identified that climate change may have impacts on its business in shape of physical as well as financial nature. The changing weather patterns may affect the product consumption patterns and farm productivity resulting in reduced purchasing power of end consumers. FFC is aware of this important issue and has set priorities by making sustainability an integral part of its corporate strategy, regardless of economic or seasonal fluctuations and exceptions. FFC is focused to reduce the environmental load of its operations to further decrease any possible impact in the future. However, the expected financial impact of climate change related risks on company operations is not monetized as the risks are not substantial at the moment and no systems were available. The company is planning to develop a system to calculate the financial implications of climate change related risks and opportunities on its operations.

FFC regularly makes investments for environmental protection and management. The investments and expenses incurred on environmental protection and mitigation of the impacts are recorded at respective units. The figures are consolidated at the end of each year under two broader heads i.e. prevention and management costs. The investments in the area are made as cost-effectively as possible. It is an integral part of general investment planning and subject neither to a cost-benefit analysis nor a specific return on investment period. The environmental investment totaled about Rs. 89.96 million in 2016, of which 94.46% was spent on environmental protection, approximately 4.25% on monitoring and 0.29% on certification and trainings.

We support the following SDGs through efficient management of our environmental footprint.

Information on linkage of our activities and SDGs can be found at page 80.



HOW WE CREATE AND SHARE VALUE?

BY RESPECTING HUMAN RIGHTS

Respecting internationally proclaimed human rights are fundamental to our corporate values and we put great emphasis on upholding human rights. We support and abide International Charters on Human Rights in our sphere of influence. We have in place a number of internal policies to safeguard basic human rights as defined in the legislation and International Charters.

Some of the policies in relation to human rights management are nondiscrimination policy, forced and compulsory labor policy, child labor policy and anti-sexual harassment policy. Once again, we are not aware of any activity, work related incidents or business transactions in this reporting year concerning the violation of human rights. The code of conduct for employees provides basic guidance on human rights, non-discrimination and freedom of association. A varied workforce is of great value to us, consequently, we do not tolerate any discrimination based on the race, ethnicity, sex, religion, views, disability, age or sexual identity of employees. During the year we have carried out training on anti-sexual harassment policy. Sixty employees participated in the training. No training of security personnel on human rights policies or procedures was carried out. However, we have chalked out a comprehensive plan for training our security personnel on human rights policies and a specific goal has been included in this year's report. No complaint was received for discrimination during the reporting period.

FFC has a notification and reporting system in place for taking action on complaints with respect to human rights violations. The most senior officer responsible for managing human rights issues and implementation of various policies related to human rights is the General Manager (GM) HR. FFC adopts a culture of trust and feedback. Complaints are received via line managers or works councils within the relevant statutory framework. Beyond this, if the aforementioned procedure does not achieve the

desired outcome, complaints can also be made through HR department. The legal department reviews the complaints filed for amicable solution and possible legal impacts. In 2016, no complaints were received. Keeping in view, the level of compliance, we have not carried out any evaluation of our approach of managing and respecting human rights.

All significant investment agreements have been scanned for human rights issue while performing due diligence for that specific agreement. FFC is a member of UNGC and strictly adheres to the human rights charter and applicable laws. However, the screening of new suppliers was not carried out against human rights criteria. FFC is in process of developing a criteria, keeping in view the local conditions, for screening of suppliers on social impacts. FFC carries out regular review of the operations for human right impacts and in the year 2016, FFC carried out a review of 100% of operations for human rights impact assessments. We have not carried out any screening of significant suppliers, contractors and other business partners during the year.

FFC respects the freedom of association right of entitled employees. FFC knows of no cases in which freedom of association or the right to collective bargaining have been seriously endangered or even breached – not even by suppliers. We reject any form of child labor and strictly comply with local regulations concerning legal minimum age requirements for work permits. We are not aware of cases of child labor in the company or with our suppliers. Similarly, we reject any form of forced labor or slavery. Nor are we aware of any cases of forced labor or slavery in the company. We are aware of the fact that the non-compliance with minimum human rights regulations by the supply chain partners may have material impacts and we support and encourage our supply chain partners to obey the human rights laws and adopt best available practices in this area.

Our approach and activities towards human rights management support the following SDGs.
Information on linkage of our activities and SDGs can be found at page 80.



HOW WE CREATE AND SHARE VALUE?

BY PROVIDING RETURNS FOR OUR INVESTORS

Sustainable returns to our shareholders and providers of capital is one of the primary functions of our business and supports our sustainability initiatives. We have well defined goals, objectives, policies, procedures, and resources supported by state of the art business management systems for operational management and delivering exceptional results. The boundary for the financial impacts is within the Company and FFC is directly responsible for economic impacts as a result of its financial performance. The Chief Executive and Managing Director (CE & MD) is responsible for operational management and economic performance of the Company, The Board of Directors has delegated the day to day management to the CE & MD. The Board of Directors reviews the performance quarterly and evaluates the management approach for economic management against set targets. The changes, if required, are decided by the Board and implemented by the CE & MD. The results of the evaluation are shared through the review of the Chairman, the CE & MD, and the CFO in Annual Report. The detailed information can be found at page 48-58 of the 2016 Annual Report.

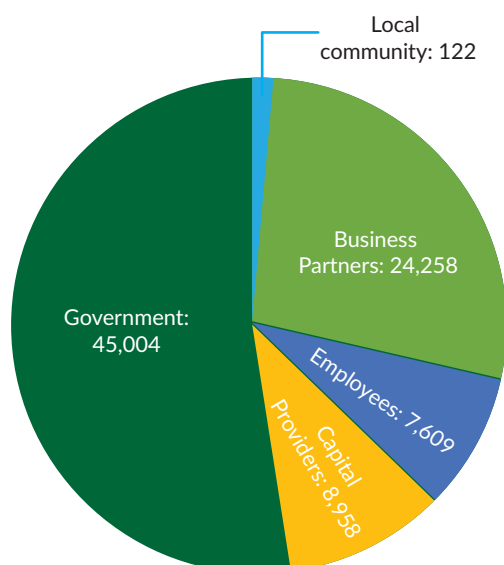
Despite slow global recovery, the overall economic indicators for Pakistan were positive this year. However, this year was another challenging year for us coupled with pricing pressure from Government and delayed implementation of fertilizer subsidy which resulted in net profit of Rs. 11.78 billion, 30% below compared to last year, Net revenue for the year was Rs. 72.88 billion with 14% decrease, while cost of sales also decreased by 2% on account of less repair and maintenance and absorption of overheads by higher production. The net impact was decrease in profitability as a result of increase in distribution and finance costs and imposition of super tax. The contribution to National Exchequer also dropped this year by 25% due to lower profitability. We paid dividends of Rs. 10,903 million in the year 2016. Total earning per share for 2016 was 29.74% lower compared to the previous year, which is in line with the decreased profitability. Keeping in view, the consistent decline in net profit over the years due to increased raw material prices, the company is taking measures to reduce the costs and diversify its business to ensure sustained returns to our investors.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

The value added through the activities of FFC and distributed to its various stakeholders in 2016 totaled Rs. 85,951 million.

	2016	2015	2014
Direct economic value generated	(Rs. in millions)		
Revenues	91,202	106,414	100,149
Value generated	91,202	106,414	100,149
Direct economic value distributed			
Business partners	24,258	26,249	24,679
Employees	7,609	7,908	8,136
Capital providers	8,958	12,213	18,336
Government	45,004	53,782	43,552
Local community	122	168	188
Value distributed	85,951	100,320	94,891
Direct economic value retained			
Value retained	5,251	6,094	5,258

HOW WE CREATE AND SHARE VALUE?



Direct economic value distribution for the year 2016

Sustainable value creation means sustainable operations independent of any subsidy or other public funding. In 2016, FFC did not receive any direct or indirect financial assistance from the government.

We contribute to the following SDGs by generating and distributing economic value. Information on linkage of our activities and SDGs can be found at page 80.



BY INVOLVING STAKEHOLDERS IN OUR DECISIONS

Stakeholders' input is vital for effective sustainability management and creating shared value. Their feedback and input help to improve our products and decision-making process. Our stakeholders include shareholders, customers, local community, regulator and our business partners. Our engagement with stakeholders varies depending upon the stakeholder groups and its relation with FFC and includes, face-to-face, group discussions, meetings, surveys and seminars.

Our engagement helps identify possible risks and new opportunities in areas like product quality, pricing, Agri. Services and, more broadly, in terms of our reputation as a responsible manufacturer and marketer of fertilizer products. More details on our involvement with stakeholders are available on Page 15-16 of this report.

BY AVOIDING CORRUPTION, BREACHES OF CODE OF CONDUCT & LAWS

Smooth functioning of economic systems and availability of equal opportunities are crucial for social balance in the society. Corruption leads to distortions in the economic systems and creates social unbalance in the society. The impacts occur at FFC and our suppliers through our business relationship. We have a strict policy of zero corruption in its operations. We are strict on combating corruption in all of our business areas including our dealings with the suppliers. We have a strict code of conduct containing organizational policy on corruption and effective risk management system for identification of corruption risks. We investigate corruption risks through ongoing internal auditing activity.

HOW WE CREATE AND SHARE VALUE?

We carried out risk assessment for corruption risk covering all of our operations and there were no incidents of corruption identified and reported during the year. We have not conducted any specific training on anticorruption policies and procedures during the year.



“To ensure honesty, integrity and transparency in all business processes and activities, we actively implement internally developed policies in addition to legal requirements”

We have an official slogan “Say no to corruption” in all our official correspondence reinforcing our commitment towards zero tolerance to corruption. FFC was not aware of any cases in the year under review in which FFC was accused of not having acted essentially in compliance with laws, regulations and voluntary codes of practice in the economic or social areas. Consequently, no corresponding fines or non-monetary penalties for failure to comply with legal regulations are known either. FFC attaches particular importance to fair interaction with competitors, suppliers and customers.

In 2016, FFC did not have to pay significant fines or suffer non-monetary penalties for failure to comply with legal regulations. FFC has developed formal procedure for dealing with such complaints at each location of operation, where interest groups may contact the resident managers of the relevant location at any time to lodge complaints, if any. Bodies also exist to deal with specific issues, e.g. works councils, which address workforce concerns. In the year in question, FFC was not aware of any complaints by interest groups or institutions at the relevant locations regarding issues of public or social concern.

BY RESPECTING OUR COMMITMENTS

Complying with applicable laws and respecting and honoring commitments is corner stone of corporate

governance. We adhere to laws, regulations and code of corporate governance as applicable in Pakistan. In addition to adherence to laws, our own system of governance, we have international commitments in shape of memberships and compliance with International Charters. We are member of UN Global Compact which is a strategic initiative for companies that voluntarily commit to ensure that their business activities and strategies are in line with ten universally recognized principles relating to human rights, labor standards, environmental protection and fight against corruption. Being a signatory, we have underscored our comprehensive commitment to sustainable development and responsible corporate governance. FFC commits that, within its sphere of influence, it will work for protection of human rights, create working conditions which at minimum meet the legal requirements, protect the environment and combat corruption. The membership enables the company to share information and ideas with other stakeholders on sustainability efforts.

We are also member of Business for Peace (B4P) group of UNGC. The vision behind B4P is to build a sustained network among participating members to carry their CSR interventions into high risk areas and work in collaboration to build peace across the Globe. We also support the recently introduced Sustainable Development Goals which will stimulate businesses to actively contribute to the sustainable development and help governments to meet National Level Goals leading to Global Goals.

HOW WE CREATE AND SHARE VALUE?

BY RESPONSIBLY MARKETING PRODUCTS

We market our products through our distribution channel to make it as easy and convenient as possible for our customers to buy our products. We have in place basic standards for marketing our products to ensure that our products meet the expectations what we've led our customers to expect from us. FFC constantly monitors and carries out regular reviews of all business aspects and processes in order to ensure that they continue to conform to our commitment to sustainability. We aim to produce only quality products that correspond to the International Standards and are accompanied by the required labeling information. The product marketing responsibility lies with the marketing department and the Chief Executive & Managing Director (CE & MD) is responsible for the impacts and marketing of products.

We are aware of the fact that innovation, customer focus, customer facilitation and provision of genuine products are extremely important to meet and exceed the customer demands. Last year, we initiated SMS service to give information about pricing and shipments and revolutionized order placement and payment processes by introducing an electronic payment mechanism in collaboration with associated company Askari Bank Limited through ASKSONA Card. We also introduced security labels (Pehchan Sticker) and special colored stitching

thread, which is changed after a specific time to control dumping, malpractices and pilferage of product.

The Provincial Fertilizer Control Order requires printing of information about net weight of the bag, chemical name of the fertilizer inside the bag, chemical composition of the fertilizer, manufacturer and marketer and price. We have dedicated staff trained on labeling as per applicable laws and regulations. During the year, all products were in compliance with labeling requirements specified by the laws and regulations.

FFC adheres to laws, standards and voluntary codes related to advertising, promotion and sponsorship. The voluntary codes include but are not limited to fair competition, ethics, social norms, cultural values and honest disclosure of benefits/features of the product. The company reviews its compliance with the laws, standards and voluntary codes on a regular basis which are dependent on the nature of the activity. There were no incidents – neither offenses nor criminal investigations – on account of breaches against applicable law and voluntary codes of practice in relation to information about the labeling of products and services. Similarly, FFC is not aware of any incidents in which there have been infringements of laws/regulations in terms of the procurement, use or supply of products and services.

We contribute to the following SDGs by respecting our commitments and responsibly marketing our products. Information on linkage of our activities and SDGs can be found at page 80.



FORWARD LOOKING STATEMENT

Our approach to create shared value for our stakeholders over different time horizons requires effective management of our capitals on which we depend and use for running our business. We are determined to refine the value creation process as we move forward to reduce impairment of our capitals, enhance our capital stocks by effective management of our operations, and increase the value creation ability of our Company. This year, we defined goals for some of our most material topics which will help us in efficient management of our material impacts and playing our role in sustainable development.

Economic stability is vital for creating and sharing value over different time horizons. Pricing pressure, higher cost absorption, decreasing gas pressures due to diminishing gas reservoirs of Mari Petroleum Limited, low agricultural growth along with changing climate patterns affecting crops production patterns will remain challenges for our growth. However, predicating forecasted increase in global fertilizer prices and demand of fertilizers, we are confident of achieving future targets. We are also exploring use of alternate fuel options for our sustained operations along with prospects of exporting surplus urea in liaison with Government, which will not only result in selling the surplus quantities but also strengthen the foreign exchange reserves of the country. The progress at our offshore fertilizer initiative is satisfactory and we are exploring and analyzing the opportunities under CPEC projects. We are committed to improve the way we work, reduce our costs, strive to be more professional, efficient and profitable to deliver sustained returns to our shareholders in a well-diversified manner.

Efficient natural capital management helps us to reduce our environmental footprint. We are committed to manage our footprint through continuous upgrades and investments in cleaner technologies at our plants. Moreover, introduction of environmental goals this year will help to effectively track progress, manage impacts and reduce the footprint.

Human capital is an important element of our value creation process. To better manage our precious capital, we are committed to have high quality diversified workforce, manage our human capital through trainings and education to cultivate a culture of belonging by encouragement, support and reward. We commit to abide by all human rights laws, regulations, and voluntary commitments for better human capital management. Provision of competitive wages and benefits, decent and productive place to work, and trainings, will remain our priority.

In line with our tradition of excellence in corporate governance, we aim to embrace the best corporate governance practices in addition to compliance with applicable laws/codes to bring transparency and accountability towards our stakeholders. We commit to continue stakeholder engagement on issues of interest to stakeholders and company including engagement for our Annual Sustainability Report to get valuable insights.

Farmers' prosperity is not only important for us but also helps in improving quality of life for larger community. We are committed to expand our outreach program for capacity building on efficient farming, introduction/demonstration of new farming techniques, farm mechanization, and balanced fertilizer use, which will result in poverty alleviation and bring socio-economic stability in the farming community. Plant site communities are companions in our growth and we aim to continue to carry out intervention in defined fields in line with our CSR policy and support socio-economic development around plant sites.

FACTS & FIGURES

About this report	56
Definitions, scope and methodology	57
Environmental performance	59

ABOUT THIS REPORT

<i>Reporting period</i>	Financial year 2016 (January 1 st , 2016 to December 31 st , 2016)
<i>Reporting cycle</i>	Annual
<i>Date of publication of previous report</i>	June 10, 2016
<i>Available versions</i>	Online Pdf version is available in English. Pdf version can be accessed from www.ffc.com.pk/publications
<i>Report content</i>	The contents of this report are based on the results of our engagement with stakeholders, International Integrated Reporting Council (IIRC) Integrated Reporting (IR) Framework and the Global Reporting Initiative (GRI) Sustainability Reporting Standards requirements. All material topics, which are of interest to different stakeholders and which reflect significant impacts of our activities on economy, environment and society are included in this report.
<i>Global Reporting Initiative (GRI)</i>	This report has been prepared in accordance with the GRI Standards: Comprehensive option. The GRI content index is available on page 70.
<i>Independent external review</i>	The report was externally reviewed by BSD Consulting, an independent reviewer, in compliance with IR Framework, GRI Standards and principles of inclusiveness, materiality and responsiveness. The senior executives were involved in the review process through involvement in selection of the reviewer, discussing and responding to reviewer's observations and providing management representations. The statement of the independent external reviewer describing the activities carried out and the expression of opinion is provided on the page 66.
<i>Contact for feedback</i>	We value your feedback. Please connect with the sustainability team for questions or suggestions. Ms. Sadaf Khan AE - CSR Phone: +92-51- 111-332-111 Email: sadaf_khan@ffc.com.pk

DEFINITIONS, SCOPE & METHODOLOGY

The sustainability report, now in its 6th edition, is a voluntary document issued by FFC according to International Integrated Reporting Council (IIRC) Integrate Reporting (IR) framework, Global Reporting Initiative (GRI) GRI Standards, and United Nations Global Compact (UNGC) “Ten Principles” requirements to provide stakeholders a comprehensive picture of the activities carried out, results achieved and commitments made in the economic, environmental and social spheres. This section provides definitions and methodology guide. Unless otherwise specified or required by the context in which they are used:

- The terms “FFC” or “the company” refer to the Fauji Fertilizer Company Limited for accounting purposes and does not include its subsidiaries or associated companies.
- The term “marketing region” refers to the distinct areas/provinces in which the products of the company are sold out.

Unless otherwise indicated or required by the context, the information and data contained in this report relates to financial year 2016 (1st January 2016 to 31st December 2016). The economic and social data presented in the report includes data on FFC’s manufacturing plants, marketing offices and head office, while the environmental data relates to plant sites and does not include the environmental impact of other locations except for the environmental impacts of fuel used in company vehicles. The report does not include information on subsidiaries or associated companies mentioned at page 10 of the report.

The quality of the information contained in the report is in compliance with the following principles:

- Sustainability Context: presenting the performance in wider context of sustainability disclosing our performance in local, national, regional and global context;
 - Stakeholder Inclusiveness: involvement of stakeholders in identification, prioritization and validation of material sustainability topics affecting our ability to create value over different time horizons;
 - Materiality: inclusion of all information which can substantially influence the decision making of stakeholders and reflect organization’s significant impacts on economy, environment and society;
 - Completeness: inclusion of all material topics and performance indicators;
 - Balance: coverage of both positive and negative impacts of performance;
 - Comparability: ability to compare between time periods and with similar organizations;
 - Accuracy: provision of adequate levels of detail;
 - Reliability: reporting process subject to independent external review by an independent organization;
 - Timeliness: report to be presented within the time frame relevant to stakeholders’ decision making;
 - Clarity: the language used addresses all stakeholders.
- The compilation of data has been done on the basic scientific measurement and mathematical calculus methods on actual basis, but in some cases where actual data is unavailable due to some reasons; different logical methodologies are used for calculations. The usage of any such method is mentioned at respective places in the report. The data measurement techniques are same as used for previous year.

DEFINITIONS, SCOPE & METHODOLOGY

Quantified values as well as estimated values have been used for representing the data. Standard protocols/ guidelines have been used for calculation of specific data. There has been no change in the reporting period, scope, boundary or measurement methods applied in the report. There are no changes that can significantly affect the comparability of data from period to period. Previous years' figures have been regrouped/ rearranged wherever found necessary to conform to this year's classification.

Preparation of the sustainability report is part of annual reporting process subject to independent review, analysis and approval of a number of approving authorities. FFC makes every effort to ensure the accuracy of the sustainability information contained in this report. From time to time, however, figures may be updated. The online pdf version of the sustainability report will be considered the most current version and takes precedence over any previously printed version.

The document is:

- examined by the relevant sustainability reporting team;
 - approved by the CSR Committee, the highest decision making body headed by CE & MD, consisting of, Chief Financial Officer, Chief Internal Auditor, General Manager Marketing, General Manager (M&O), Company Secretary, and Senior Manager (CSR);
 - subject to an independent review by BSD Consulting an independent reviewer, in compliance with the International Integrated Reporting Council (IIRC) Integrated Reporting (IR) framework, GRI Sustainability Reporting Standards, and adherence to AA1000 Assurance Standard (2008) principles of inclusivity, materiality and responsiveness;
 - published and freely available for download from the publication section of the company website (www.ffc.com.pk).
- prepared by the FFC sustainability reporting team that coordinates and engages relevant functions;



ENVIRONMENTAL PERFORMANCE

MATERIAL CONSUMPTION

Material	Unit	2016	2015	2014	2013	2012	2011
Natural gas	MMSCF	47,140	45,653	44,288	43,897	45,708	44,339
Lubricant	Liter	247,718	306,761	189,807	177,205	168,786	175,855
Chemicals	KG	7,760,589	8,705,435	6,800,104	9,224,965	7,534,815	Not reported
Packing bags (150 gm each)	Bags	49,825,330	49,533,564	47,605,000	48,163,000	47,757,240	48,149,600
Packing bags (95 gm each)	Bags	1,105,500	837,847	909,500	773,000	650,000	Not reported

The packing bags of 95 gm each were used on GM plant during the year.

RECYCLED MATERIAL CONSUMPTION

	2016	2015	2014	2013	2012	2011
Recycled material	0%	0%	0%	0%	0%	0%

FFC tries, wherever possible, to use recycled materials but due to the nature of the production process, recycled raw materials cannot be used. Moreover, the cleanliness requirements does not allow the use of such materials. However, during the year urea dust of 5,438 MT was recovered and used in the process. Our products are dissolved during use and are not reclaimable. Moreover, the packaging material is biodegradable. We have not reclaimed product or packaging materials.

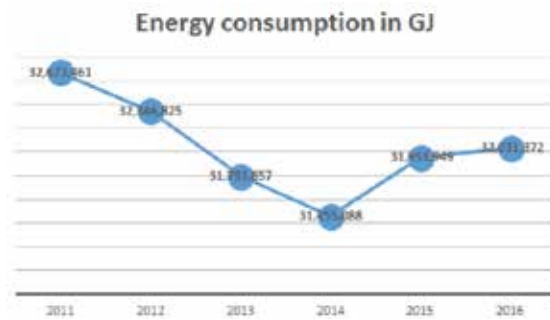
ENERGY CONSUMPTION WITHIN ORGANIZATION

FFC's plants primarily need energy in the form of steam, electricity and natural gas. FFC uses natural gas for heating, and generating electricity and steam in its own power plants. Main primary energy source is natural gas. FFC endeavors, however, to explore the possibilities of renewable energy generation and increase the share of energy obtained from renewable sources on an ongoing basis.

	2016	2015	2014	2013	2012	2011
Total Energy consumption in GJ	32,031,372	31,953,949	31,455,088	31,793,657	32,346,825	32,673,461

FFC uses self-generated electricity for heating and cooling purposes. No electricity, heating or cooling is purchased or sold from/to external parties. The conversion factors were sourced from Energy Information Administration USA.

ENVIRONMENTAL PERFORMANCE



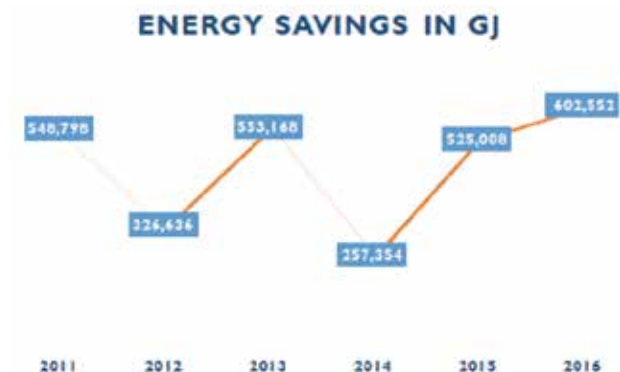
ENERGY CONSUMPTION OUTSIDE ORGANIZATION

FFC does not purchase electricity or steam from external sources. There is no indirect energy use resulting from purchase of electricity, heat or steam. However, other indirect energy use from operations are measured and recorded, where possible.

We have identified that the indirect energy used by us is not significant in the overall context. For example, energy consumption caused by travelling of FFC employees is insignificant in relation to overall consumption. Moreover, with more than 3,200 staff, the cost of determining the indirect energy consumption by employees traveling to the company would not be appropriate given the level of insight this would provide. As such, an investigation of this kind will not be conducted. However, the company has made an effort in determination of energy consumption relating to the fuel used in company vehicles at plant sites, head office, and plant site employees' air travelling during the year. The energy consumption as a result of these activities is 34,717 GJ.

ENERGY REDUCTIONS

FFC product is dissolved in soil during usage and not energy intensive. However, the company has been striving to reduce the energy consumption requirement during production process through implementation of programs and projects aimed at reducing energy consumption for a number of years. These measures are bearing fruit and FFC's production is becoming significantly more energy-efficient over the years. The energy consumption has decreased by 0.26 GJ/MT in the year 2016 as compared to 0.14 GJ/MT reduction in previous year.



	2016	2015	2014	2013	2012	2011
Energy savings in GJ	602,552	525,008	257,354	553,168	326,636	548,798

The company uses previous year as a base year to measure energy savings.

FFC runs three plants located at two manufacturing sites. The plants having different technologies have different energy intensity ratio. The overall energy intensity ratio was 12.69 GJ/MT urea as compared to last year intensity ratio of 12.95 GJ/MT. The energy intensity ration includes only scope I energy consumption figures.

Energy intensity 12.69 GJ/MT

Energy consumption data is recorded in relevant conventional unit, for instance MMSCF in the case of natural gas and kWh for electricity. These units are converted into the consolidation unit, gigajoules (GJ), to obtain the mean energy content. This is then used as a standard measure for representing energy consumption. The energy consumption and energy sources in this report have been determined from the data provided by the production sites. They therefore provide a consolidated and comprehensive picture of

ENVIRONMENTAL PERFORMANCE

FFC's energy usage in manufacturing operations. The heating values were calculated on the basis of laboratory analysis and standard heating values for natural gas and diesel.

WATER USE

FFC mainly needs water for, production of steam and cooling purposes. The water requirements are met for the most part by canal water. Before the water flows into the piping system of plant site, the canal water is cleaned according to its intended purpose using various filter systems. FFC's both plants withdraw canal up to maximum 18 cusec during the year. The canal is managed by the irrigation department and this withdrawal is not significant keeping in view the annual flow of the canal. FFC has an agreement with irrigation department and the meters installed by the department measures the water inflow. There are no protected species found in the canal and the canal water is mainly used for irrigation purposes. The tube wells are used occasionally when the canal water is not available. The company has a large area where tube wells are installed and the water withdrawal from tube wells does not significantly impair the water system.

Water use in m ³ /year	2016	2015	2014	2013	2012	2011
Canal water	7,776,630	7,197,949	7,616,053	7,391,818	7,875,587	7,353,253
Ground water	6,909,311	7,005,255	6,715,122	5,846,074	6,655,757	7,184,607

FFC uses the state of the art machinery to continuously circulate and capture the water after use in order to re-cool it for reusing. This environmentally friendly cooling method is used where technically possible.

Water recycled/ reused m ³ /year	2016	2015	2014	2013	2012	2011
Total water recycled/reused m ³ /year	8,854,161	8,400,441	9,044,195	8,278,852	8,794,369	-
% of water recycled/reused	60.29%	59.14%	63.10%	62.54%	60.52%	-



WASTEWATER

FFC uses water for a variety of purposes in the production process, and the water is partly polluted as a result. Therefore the production wastewater is treated to reduce the pollutant to acceptable limits, prescribed by NEQS, before using and discharging to canal water. FFC uses oil skimming and neutralization method for waste water treatment. In

the season, when canal is closed, the water is stored in evaporation ponds. In contrast, cooling water along with rain water can be fed into canal without cleaning as it does not come into contact with chemicals. The wastewater is also used for horticulture purpose at plant sites.

Wastewater in m ³ /year	2016	2015	2014	2013	2012	2011
Waste Water	3,676,550	2,858,473	2,506,100	2,631,990	2,819,790	2,533,097

The waste water figures are estimated figures. Flow rate is estimated from the operating pumping capacity of waste water disposal plant. The discharged water contained Chemical Oxygen Demand (COD) value of 32 ppm and Biological Oxygen Demand (BOD5) value of 18 ppm.

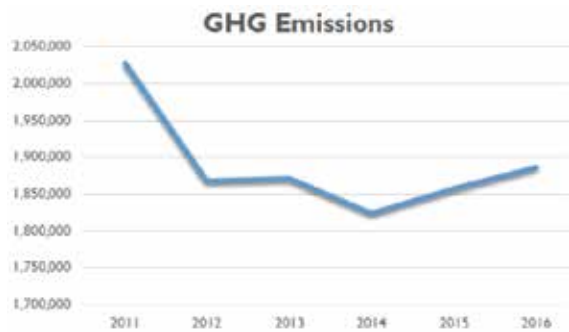
ENVIRONMENTAL PERFORMANCE

FFC’s plant sites are certified against environmental standard ISO-14001:2004. All the emissions are within the prescribed NEQS limits and regularly reported to EPA under SMART reporting program. The wastewater discharged by FFC is largely cleaned and therefore does not burden the environment excessively.

DIRECT GHG EMISSIONS

Emissions of greenhouse gases are side effects of production process and have a major environmental impact which cannot be completely avoided, despite of all environmental protection efforts. The emissions are subject to the control limits laid down by the environmental protection agency of the country. FFC monitors compliance with these limits by taking environmental protection measures and is moving further to reduce the emissions up to maximum possible limit.

FFC determines the total emissions for each plant site at regular intervals and makes regular checks to control variations, if any. The direct carbon dioxide (CO₂) emissions are the result of the combustion processes for the generation of electricity, heat and steam. The greenhouse gases emissions are directly proportional to the amount of carbon in the employed fuels. The emissions of the greenhouse gases mainly CO₂ is measured on continuous basis at each plant site and then integrated to reach total figure. Emissions of other greenhouse gases like methane and nitrous oxide (N₂O) are measured and integrated into the consolidated calculation of greenhouse gas emissions. The GHG figures do not include GHG emissions of subsidiary or associates companies. The global warming potential of the respective gaseous emissions were sourced from United Nations Framework Convention on Climate change (UNFCC).



Direct GHG emissions (MT)	2016	2015	2014	2013	2012	2011
CO ₂	1,887,042	1,860,241	1,823,418	1,870,489	1,867,672	2,028,646

FFC has no biogenic emission of CO₂ at its operations.

INDIRECT GHG EMISSIONS

FFC does not have any indirect greenhouse gases (scope II) emissions which are predominantly generated by external energy procurement, usually in the form of electricity and steam.

FFC identified that the indirect greenhouse gas emissions caused by FFC is not significant in the overall context; CO₂ emissions caused by the travelling of FFC employees are insignificant in relation to overall emissions. Moreover, with more than 3,400 staff, the cost of determining the CO₂ emissions generated by employees traveling to the company would not be appropriate given the level of insight this would provide. As such, an investigation of this kind will not be conducted. However, the company has made an effort in determination of emissions relating to the fuel used in company vehicles at plant sites, head office and plant site employees’ air travelling during the year.

The indirect emissions (scope III) due to fuel used in company vehicles at plant site, head office and plant site employees’ air travelling is 2,486 MT of CO₂. The company does not have systems in place for identification, accounting for and reporting of upstream or downstream emission. However, keeping in view the supply chain impact of emissions, the company is in process to develop and implement the systems, where possible.

GHG EMISSIONS INTENSITY & REDUCTION IN GHG EMISSIONS

The emission per metric ton of the Urea produced for the year were 0.75 MT CO₂/MT of Urea produced. The emissions per MT include only direct scope I emissions.

FFC reduces carbon dioxide emissions by continuously optimizing production processes to make them more environmentally friendly. FFC is reducing air emissions by using innovative technologies and modernization of its plants. The results of the emissions reduction are small but in total lead to significantly lower emissions of pollutants. During the year, Scope-I CO₂ emissions increased by 20,391 MT as compared to previous year, which is used as base year as per company practices.

GHG emissions intensity
0.75 MT CO₂/MT urea

The company products are environmental friendly products and are additive for increasing farm productivity. The only negative environmental impact is release of N₂O during mixing in the soil. However, we are carrying out R&D work on many improved fertilizer products to release nitrogen from the granule in a manner that matches crop growth requirement and reducing the negative environmental impacts. The only environmental impact of transporting products, material and members of the organization is emission of greenhouse gases. The company does not have system in place to identify, measure and report the total environmental impact of these activities. However, the company is in process for development of system for identification, measurement and reporting of such impacts in future.

There were no emissions of ozone depleting substance during the year. The company is committed to non-use of ozone depleting substances as a part of its environmental management policy.

Emission of gases in MT

	2016	2015	2014	2013	2012	2011
Nitrogen Oxide	1,186	929	1,053	1,651	2,977	Not reported
Ammonia NH ₃	-	-	-	-	1,970	Not reported
Particulate matter	1,212	1,166	930	908	1079	Not reported

The significant emissions of other inorganic pollutants such as NOX and particulate matter have significantly increased during the reporting year while there were no emissions of NH₃ during the reporting year. The company uses previous year for comparison as a general practice. The emissions are recorded on the basis of laboratory analysis and actual fuel flow.

EFFLUENTS AND WASTE

FFC focuses on prevention of waste as a priority over recovery or disposal. However, unavoidable production waste is recycled or disposed of properly. FFC procedures require that each type of waste is recorded and precisely analyzed and described. Waste is properly documented in internal records, including where the waste originated, which quantities have arisen during the year, the classification of the waste as hazardous/non-hazardous and the possible disposal method. Waste is accumulated and dumped at the plant site and when the waste quantity reaches at a significant level, it is disposed of according to best available option.

ENVIRONMENTAL PERFORMANCE

Material	Unit	2016	2015	2014	2013	2012	2011
Recycling							
Urea dust solution	MT	-	-	-	-	19,766	10,418
Landfill							
CaCO ₃ and waste lime stone	MT	2,344	5,603	4,621	4,150	4,100	2,340
Incineration (mass burn)							
Papers, cloths, etc	MT	59.11	77.03	592	593	646	646
On-site storage							
Waste water	m ³	1,516,550	1,526,000	1,409,260	350,000	591,582	425,000
Other							
Damaged urea bags, iron scrap etc.	MT	481	715	309	511	3,946	13,460

The urea dust solution is excluded from the recycling figure after deliberation that recovery is part of normal manufacturing process. However, the dust solution sold to external parties is reported under others.

The first priority is to recycle or treat the waste, and only unsuitable waste is disposed in landfills, which is then sold to the carefully selected supplier. The company carried out incineration under controlled conditions and specifically required high temperatures for incineration. The company sold estimated 10.5 MT of hazardous waste to locally approved supplier. FFC does not transport waste to cross borders. FFC strives to prevent spills at its plant sites as spills not only lead to waste generation but further costs in shape of cleaning measures. During the year, one spill occurred at Goth Machhi plant site where natural gas condensate spilled in open channel from NG knockout vessel. The condensate quantity was about 2,500 liters. However, it was curtailed and no significant environmental impact occurred. FFC treats waste handling very carefully and no incidence has been recorded, where the waste was not disposed of properly, leading to adverse impact on the biodiversity and habitats around plant sites.



APPENDICES

Independent external review	66
GRI content index	70
UNGC COP	79
SDGs	80
Feedback form	82
Glossary & acronyms	83

INDEPENDENT EXTERNAL REVIEW

BSD Consulting performed an independent review of the Fauji Fertilizer Company Limited (FFC) Sustainability Report 2016, which was prepared in accordance with Global Reporting Initiative's (GRI) Standards' Comprehensive option and was also guided by the Integrated Reporting framework. The objective of the critical review is to provide FFC's stakeholders with an independent opinion about the quality of the report and the adherence to the AA1000 Accountability Principles of Inclusivity, Materiality and Responsiveness, as well as an evaluation against principles of the Integrated Reporting (<IR>) framework and the associated capital concepts.

INDEPENDENCE

We work independently and ensure that none of the BSD staff members maintains business ties with FFC. BSD Consulting is licensed by Accountability as an assurance provider (AA1000 Licensed Assurance Provider), registered under No. 000-33.

OUR QUALIFICATION

BSD is a consulting firm specialized in sustainability.

The review process was conducted by professionals with long-standing experience in independent assurance and sustainability reporting.

RESPONSIBILITIES

FFC has prepared the Sustainability Report and is responsible for all its content. BSD was responsible for the independent review of the report.

SCOPE AND LIMITS

The scope of our work covers all information included in the FFC 2016 Sustainability Report, full version, referring to the period from January 1st, 2016, through December 31st, 2016 (presented as 2016). The verification of financial figures and sustainability performance data was not object of BSD's work.

METHODOLOGY

The methodology applied was a desk review of the final draft report, and the following approach and procedures were developed during the review process:

- Critical review of the Sustainability Report 2016 and respective Content Index to check consistency and adherence to GRI's Universal and Topic-Specific Standards.
- Evaluation of report's adherence to the in accordance: Comprehensive option
- Analysis against Integrated Reporting principles and the concept of the six capitals
- Elaboration of an adjustment report
- Final review of the report content
- Analysis of the report content against Accountability Principles of Inclusivity, Materiality and Responsiveness
- Elaboration of Independent Review Statement.

GRI STANDARDS IN ACCORDANCE OPTION

FFC declares the report to be in accordance with the GRI Standard: Comprehensive option. BSD evaluated the quality of the application of the GRI Standards Universal and Topic-Specific Standards. Based on the analysis, a series of recommendations to complete the content or to adjust the disclosure level in the Content Index have been made and accepted by the company. Based on the rectifications, we can confirm that the report is attending the above mentioned in accordance option, giving a complete overview of FFC's sustainability governance and management systems in place to report on a relevant set of disclosures related to the identified material topics.

ANALYSIS AGAINST <IR> FRAMEWORK PRINCIPLES AND CAPITALS

For the second time, BSD has evaluated the application of IIRC Guiding Principles, Content Elements and Capitals in FFC's report. For this report, the main conclusions of this analysis were the following:

- The report addresses how the organization articulates its efforts to guarantee the availability,

quality and accessibility in relation to all capitals, except with regard to natural capital where the problem of decreasing gas pressure is recognized but no specific measure to address it was presented.

- The report demonstrates the existence of connections between FFC's material topics, the SDGs and Global Compact. The connections between capitals are shown in the chapters "Value Generation" and "Business Model". But the specific actions of the company are not shown in connection to the SDGs and the Global Compact Principles. The connectivity principle should be stronger visible and show the connections between actions affecting different capitals at the same time.
- Stakeholder relationships are clearly presented in the report and are related with all the capitals.
- The "Highlights" section focuses on some social and environmental goals, linked to the organization's strategy, but goals do not address all the capitals. In general, when mentioning strategy, the report focuses on Social and Relationship capital, Financial capital and, to a less extent, on Natural and Human capital.
- The organization performs risk analysis, and in the "Forward Looking" section, the company briefly describes the existence of financial, environmental, human (OSH) and social (community, regulatory, corruption) risks. The report also presents a system, "Enterprise Risk Management" (ERM) for Risk Management, but overall, the report does not detail risks identified by the company and the actions taken in response to the analysis.
- Although initial, it is possible to identify the attendance of the conciseness principle in the reporting of all capitals, except in Manufactured and Intellectual capitals that are not addressed directly in the report. Additionally, the report is separated into sections that facilitate the reading of stakeholders interested in specific issues.

MAIN CONCLUSIONS ON ADHERENCE TO AA1000 ACCOUNTABILITY PRINCIPLES

Inclusivity – addresses the stakeholders' participation in the process of developing and implementing a transparent and strategic sustainability management process.

- The report addresses how the company engages with different stakeholders, including how their demands are addressed and responded. Nevertheless, the report should recall what FFC has done in relation to previous demands, so that effective progress can be measured.
- The stakeholder consultation process rolled out for the preparation of the sustainability report has similar features to former years' process. It is reasonable to change the composition of the panel from time to time in order to identify hidden stakeholder concerns and respond to them accordingly.
- The company states that no significant issues have been observed regarding suppliers, but the company still does not disclose with more detail where major risks could be identified.

Materiality – issues required by stakeholders to make decisions on the organization's economic, social and environmental performance.

- Material issues have been identified by FFC in a Materiality Matrix which considers the influence on stakeholder perceptions and decisions and the significance of environmental, social and economic impacts, using a commonly accepted approach. Parameters such as risks and opportunities were considered in the evaluation undertaken, which makes the process more focused on prioritizing issues related to the company's value creation.
- With regard to some important material topics

such as Farmer Advisory, Procurement Practices and Waste Management, the company does not disclose goals or objective commitments, which would be necessary to manage the topics in an efficient way.

- Some material topics such as Respect for Human Rights, Health & Safety or Employment and Labor Relations are not fully monitored and the company is recurring to the fact that no occurrences have been brought to attention.

Responsiveness – addresses the actions taken by the organization as a result of specific stakeholders' demands.

- FFC has maintained its externally certified Quality, Environmental, and Health & Safety management systems, which entail a high level of analysis of risks, non-compliances and corrective actions.
- Sustainability management maintains its high level support, attesting FFC's commitment to address sustainability challenges, stakeholder concerns and expectations, as well as contributing to company's robust responsiveness in terms of compliance.
- A clear set of goals and targets, as well as specific actions undertaken or planned would be helpful for stakeholders to be able to monitor the company's commitments and achievements related to major sustainability issues.
- The company identified decrease of gas pressure as a business risk which needs to be monitored. FFC does report in its Forward Looking-statement that alternative fuel solutions are discussed to sustain operations. But in fact, the company does not address if any changes in the production process or business model need to be implemented to maintain the business of the company sustainable in a changing environment.

FINAL CONSIDERATIONS

After careful revision of the FFC Sustainability Report 2016, we can confirm that the company has successfully applied the newly released GRI Standards and reports its material topics in an adequate manner. The company provides a transparent reporting about its sustainability performance and has policies and procedures in place to analyze sustainability related risks, seeking continuous improvement. While FFC is integrating the UN's Sustainable Development Goals into its sustainability strategy, a more tangible evaluation of its impacts on the six capitals and a stronger reflection about its Business Models is necessary to advance in its roadmap to an Integrated Reporting process.

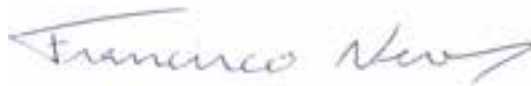
São Paulo/Lisbon, April 11, 2017

BSD Consulting



Beat Grüninger,

Certified Sustainability Assurance Provider



Francisco Neves,

Certified Sustainability Assurance Provider



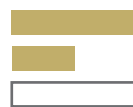
GRI CONTENT INDEX

The following table has been provided to help the reader in locating content within the document, and specifies each of the GRI Standards used and lists all disclosures included in the report. Each disclosure is

followed by reference to the appropriate pages in the 2016 Sustainability Report or other publicly available sources.



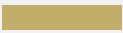

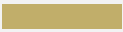













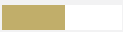

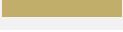


Key

SR = Sustainability Report 2016
AR = Annual Report 2016



Fully disclosed
Partially disclosed
Not disclosed

GRI STANDARD	DISCLOSURE	PAGE #	OMISSION AND REASON	
GRI 101: FOUNDATION 2016	GRI 101 contains no disclosures.			
GENERAL DISCLOSURES				
GRI 102: GENERAL DISCLOSURES 2016	ORGANIZATIONAL PROFILE			
	102-1	Name of the organization	10	<div></div>
	102-2	Activities, brands, products, and services	10	<div></div>
	102-3	Location of headquarters	10	<div></div>
	102-4	Location of operations	10	<div></div>
	102-5	Ownership and legal form	10	<div></div>
	102-6	Markets served	10	<div></div>
	102-7	Scale of the organization	10	<div></div>
	102-8	Information on employees and other workers	35,36	<div></div>
	102-9	Supply chain	10	<div></div>
	102-10	Significant changes to the organization and its supply chain	10	<div></div>
	102-11	Precautionary Principle or approach	47	<div></div>
	102-12	External initiatives	11	<div></div>
	102-13	Membership of associations	11	<div></div>
	STRATEGY			
	102-14	Statement from senior decision-maker	6-7	<div></div>
	102-15	Key impacts, risks, and opportunities	14	<div></div>

GRI STANDARD	DISCLOSURE	PAGE #	OMISSION AND REASON
ETHICS AND INTEGRITY			
I02-16	Values, principles, standards, and norms of behavior	AR 10-11, SR 23	
I02-17	Mechanisms for advice and concerns about ethics	28	
GOVERNANCE			
I02-18	Governance structure	SR 24-25, AR 25	
I02-19	Delegating authority	25	
I02-20	Executive-level responsibility for economic, environmental, and social topics	25, 26	
I02-21	Consulting stakeholders on economic, environmental, and social topics	28	
I02-22	Composition of the highest governance body and its committees	SR 24, AR 16-24	
I02-23	Chair of the highest governance body	24	
I02-24	Nominating and selecting the highest governance body	25	
I02-25	Conflicts of interest	SR 25, AR 10	
I02-26	Role of highest governance body in setting purpose, values, and strategy	26	
I02-27	Collective knowledge of highest governance body	27	
I02-28	Evaluating the highest governance body's performance	27	
I02-29	Identifying and managing economic, environmental, and social impacts	26	
I02-30	Effectiveness of risk management processes	26	
I02-31	Review of economic, environmental, and social topics	27	
I02-32	Highest governance body's role in sustainability reporting	25	
I02-33	Communicating critical concerns	26	
I02-34	Nature and total number of critical concerns	27	
I02-35	Remuneration policies	27	
I02-36	Process for determining remuneration	27	
I02-37	Stakeholders' involvement in Remuneration	27	
I02-38	Annual total compensation ratio		 Sensitive and proprietary

GRI STANDARD	DISCLOSURE	PAGE #	OMISSION AND REASON
	I02-39 Percentage increase in annual total compensation ratio		<input type="checkbox"/> Sensitive and proprietary information
STAKEHOLDER ENGAGEMENT			
	I02-40 List of stakeholder groups	16	<input type="checkbox"/>
	I02-41 Collective bargaining agreements	38	<input type="checkbox"/>
	I02-42 Identifying and selecting stakeholder	15	<input type="checkbox"/>
	I02-43 Approach to stakeholder engagement	16	<input type="checkbox"/>
	I02-44 Key topics and concerns raised	17	<input type="checkbox"/>
REPORTING PRACTICE			
	I02-45 Entities included in the consolidated financial statements	10, 57	<input type="checkbox"/>
	I02-46 Defining report content and topic boundaries	18-20, 57	<input type="checkbox"/>
	I02-47 List of material topics	20	<input type="checkbox"/>
	I02-48 Restatements of information	58	<input type="checkbox"/>
	I02-49 Changes in reporting	58	<input type="checkbox"/>
	I02-50 Reporting period	56	<input type="checkbox"/>
	I02-51 Date of most recent report	56	<input type="checkbox"/>
	I02-52 Reporting cycle	56	<input type="checkbox"/>
	I02-53 Contact point for questions regarding the report	56	<input type="checkbox"/>
	I02-54 Claims of reporting in accordance with the GRI Standards	56	<input type="checkbox"/>
	I02-55 GRI content index	70-78	<input type="checkbox"/>
	I02-56 External assurance	56	<input type="checkbox"/>

MATERIAL TOPICS

ECONOMIC PERFORMANCE

GRI 103: MANAGEMENT APPROACH 2016

I03-1	Explanation of the material topic and its boundaries	20, 50	<input type="checkbox"/>
I03-2	The management approach and its components	50	<input type="checkbox"/>
I03-3	Evaluation of the management approach	SR50, AR 48-58	<input type="checkbox"/>

GRI 201: ECONOMIC PERFORMANCE 2016

201-1	Direct economic value generated and distributed	50	<input type="checkbox"/>
201-2	Financial implications and other risks and opportunities due to climate change	48	<input type="checkbox"/>
201-3	Defined benefit plan obligations and other retirement plans	37	<input type="checkbox"/>

GRI STANDARD	DISCLOSURE	PAGE #	OMISSION AND REASON
	201-4 Financial assistance received from government	51	
MARKET PRESENCE			
GRI 103: MANAGEMENT APPROACH 2016	103-1 Explanation of the material topic and its boundaries	20, 35	
	103-2 The management approach and its components	35	
	103-3 Evaluation of the management approach	35	
GRI 202: MARKET PRESENCE 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	37	
	202-2 Proportion of senior management hired from the local community	39	
INDIRECT ECONOMIC IMPACTS			
GRI 103: MANAGEMENT APPROACH 2016	103-1 Explanation of the material topic and its boundaries	20, 44	
	103-2 The management approach and its components	44	
	103-3 Evaluation of the management approach	44	
GRI 203: INDIRECT ECONOMIC IMPACTS 2016	203-1 Infrastructure investments and services supported	45	
	203-2 Significant indirect economic impacts	44	
PROCUREMENT PRACTICES			
GRI 103: MANAGEMENT APPROACH 2016	103-1 Explanation of the material topic and its boundaries	20, 42	
	103-2 The management approach and its components	42	
	103-3 Evaluation of the management approach	42	
GRI 204: PROCUREMENT PRACTICES 2016	204-1 Proportion of spending on local suppliers	42	
ANTI-CORRUPTION			
GRI 103: MANAGEMENT APPROACH 2016	103-1 Explanation of the material topic and its boundaries	20, 51, 52	
	103-2 The management approach and its components	51, 52	
	103-3 Evaluation of the management approach	51, 52	
GRI 205: ANTI-CORRUPTION 2016	205-1 Operations assessed for risks related to corruption	52	
	205-2 Communication and training about anti-corruption policies and procedures	52	
	205-3 Confirmed incidents of corruption and actions taken	52	

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	PAGE #	OMISSION AND REASON
FARMER ADVISORY			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its boundaries	20, 32 
	103-2	The management approach and its components	32-34 
	103-3	Evaluation of the management approach	32-34 
MATERIALS			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its boundaries	20, 47-48 
	103-2	The management approach and its components	47-78 
	103-3	Evaluation of the management approach	47-48 
GRI 301: MATERIALS 2016	301-1	Materials used by weight or volume	59 
	301-2	Recycled input materials used	59 
	301-3	Reclaimed products and their packaging materials	59 
ENERGY			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its boundaries	20, 47-48 
	103-2	The management approach and its components	47-48 
	103-3	Evaluation of the management approach	47-48 
GRI 302: ENERGY 2016	302-1	Energy consumption within the organization	59 
	302-2	Energy consumption outside of the organization	60 
	302-3	Energy intensity	60 
	302-4	Reduction of energy consumption	60 
	302-5	Reduction in energy requirements of products and services	60 
WATER			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its boundaries	20, 47-48 
	103-2	The management approach and its components	47-48 
	103-3	Evaluation of the management approach	47-48 
GRI 303: WATER 2016	303-1	Water withdrawal by source	61 
	303-2	Water sources significantly affected by withdrawal of water	61 
	303-3	Water recycled and reused	61 

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE		PAGE #	OMISSION AND REASON
EMISSIONS				
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its boundaries	20, 47-48	<div></div>
	103-2	The management approach and its components	47-48	<div></div>
	103-3	Evaluation of the management approach	47-48	<div></div>
GRI 305: EMISSIONS 2016	305-1	Direct (Scope 1) GHG emissions	62	<div></div>
	305-2	Energy indirect (Scope 2) GHG emissions	62	<div></div>
	305-3	Other indirect (Scope 3) GHG emissions	62	<div></div>
	305-4	GHG emissions intensity	63	<div></div>
	305-5	Reduction of GHG emissions	63	<div></div>
	305-6	Emissions of ozone-depleting substances (ODS)	63	<div></div>
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	63	<div></div>
WASTE				
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its boundaries	20, 47-48	<div></div>
	103-2	The management approach and its components	47-48	<div></div>
	103-3	Evaluation of the management approach	47-48	<div></div>
GRI 306: EFFLUENTS AND WASTE 2016	306-1	Water discharge by quality and destination	61	<div></div>
	306-2	Waste by type and disposal method	64	<div></div>
	306-3	Significant spills	64	<div></div>
	306-4	Transport of hazardous waste	64	<div></div>
	306-5	Water bodies affected by water discharges and/or runoff	61, 64	<div></div>
SUPPLY CHAIN IMPACTS				
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its boundaries	20, 42-43	<div></div>
	103-2	The management approach and its components	42-43	<div></div>
	103-3	Evaluation of the management approach	42-43	<div></div>
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016	308-1	New suppliers that were screened using environmental criteria	43	<div></div>
	308-2	Negative environmental impacts in the supply chain and actions taken	43	<div></div>
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016	414-1	New suppliers that were screened using social criteria	43	<div></div>
	414-2	Negative social impacts in the supply chain and actions taken	43	<div></div>

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE		PAGE #	OMISSION AND REASON
EMPLOYMENT AND LABOR RELATIONS				
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its boundaries	20, 35, 49	
	103-2	The management approach and its components	35,49	
	103-3	Evaluation of the management approach	35,49	
GRI 401: EMPLOYMENT 2016	401-1	New employee hires and employee turnover	36	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	37	
	401-3	Parental leave	37	
GRI 402: LABOR/ MANAGEMENT RELATIONS 2016	402-1	Minimum notice periods regarding operational changes	38	
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1	Diversity of governance bodies and employees	39	
	405-2	Ratio of basic salary and remuneration of women to men	37	
GRI 406: NON-DISCRIMINATION 2016	406-1	Incidents of discrimination and corrective actions taken	49	
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	49	
HEALTH AND SAFETY				
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its boundaries	20, 32, 39-40	
	103-2	The management approach and its components	32,39-40	
	103-3	Evaluation of the management approach	32, 39-40	
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016	403-1	Workers representation in formal joint management–worker health and safety committees	40	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work- related fatalities	40-41	
	403-3	Workers with high incidence or high risk of diseases related to their occupation	40	
	403-4	Health and safety topics covered in formal agreements with trade unions	41	
GRI 416: CUSTOMER HEALTH AND SAFETY 2016	416-1	Assessment of the health and safety impacts of product and service categories	32	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	32	

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE		PAGE #	OMISSION AND REASON
TRAINING				
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its boundaries	20, 35	<div></div>
	103-2	The management approach and its components	35, 37-38	<div></div>
	103-3	Evaluation of the management approach	35	<div></div>
GRI 404: TRAINING AND EDUCATION 2016	404-1	Average hours of training per year per employee	38	<div></div>
	404-2	Programs for upgrading employee skills and transition assistance programs	38	<div></div>
	404-3	Percentage of employees receiving regular performance and career development reviews	37	<div></div>
RESPECT FOR HUMAN RIGHTS				
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its boundaries	20, 49	<div></div>
	103-2	The management approach and its components	49	<div></div>
	103-3	Evaluation of the management approach	49	<div></div>
GRI 408: CHILD LABOR 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	49	<div></div>
GRI 409: FORCED OR COMPULSORY LABOR 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	49	<div></div>
GRI 412: HUMAN RIGHTS ASSESSMENT 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	49	<div></div>
	412-2	Employee training on human rights policies or procedures	49	<div></div>
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	49	<div></div>
SECURITY PRACTICES				
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its boundaries	20, 49	<div></div>
	103-2	The management approach and its components	49	<div></div>
	103-3	Evaluation of the management approach	49	<div></div>
GRI 410: SECURITY PRACTICES 2016	410-1	Security personnel trained in human rights policies or procedures	49	<div></div>
LOCAL COMMUNITIES				
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its boundaries	20, 44	<div></div>
	103-2	The management approach and its components	44	<div></div>
	103-3	Evaluation of the management approach	44	<div></div>

GRI CONTENT INDEX

GRI STANDARD		DISCLOSURE	PAGE #	OMISSION AND REASON
GRI 413: LOCAL COMMUNITIES 2016	413-1	Operations with local community engagement, impact assessments, and development programs	44, 45	
	413-2	Operations with significant actual and potential negative impacts on local communities	44	
MARKETING AND LABELING				
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its boundaries	20, 53	
	103-2	The management approach and its components	53	
	103-3	Evaluation of the management approach	53	
GRI 417: MARKETING AND LABELING 2016	417-1	Requirements for product and service information and labeling	53	
	417-2	Incidents of non-compliance concerning product and service information and labeling	53	
	417-3	Incidents of non-compliance concerning marketing communications	53	
COMPLIANCE				
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its boundaries	20, 48	
	103-2	The management approach and its components	48, 51-52	
	103-3	Evaluation of the management approach	48, 51- 52	
GRI 307: ENVIRONMENTAL COMPLIANCE 2016	307-1	Non-compliance with environmental laws and regulations	48	
GRI 419: SOCIOECONOMIC COMPLIANCE 2016	419-1	Non-compliance with laws and regulations in the social and economic area	52	

UNGC - COP



United Nations
Global Compact

PRINCIPLE	STATEMENT	PAGE NO.	GRI STANDARDS DISCLOSURE
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	44, 45, 49	410-1, 412-1, 412-2, 413-1, 413-2
Principle 2	Businesses should make sure that they are not complicit in human rights abuses	43, 44, 45	413-1, 414-1, 414-2
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	38, 49	102-41, 402-1, 407-1
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labor	49	409-1
Principle 5	Businesses should uphold the effective abolition of child labor	49	408-1
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	36, 37, 38, 39, 49	102-8, 202-1, 202-2, 401-1, 401-3, 404-1, 404-3, 405-2, 406-1,
Principle 7	Businesses should support a precautionary approach to environmental challenges	48, 59, 61, 62, 63	201-2, 301-1, 302-1, 303-1, 305-1, 305-2, 305-3, 305-6, 305-7
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility	43, 48, 59, 60, 61, 62, 63, 64	301-1, 301-2, 302-1, 302-2, 302-3, 302-4, 302-5, 303-1, 303-2, 303-3, 305-1, 305-2, 305-3, 305-4, 305-5, 305-6, 305-7, 306-1, 306-2, 306-3, 306-4, 306-5, 307-1, 308-1, 308-2
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies	60, 63	302-4, 302-5, 305-5
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	23, 28, 52	102-16, 102-17, 205-1, 205-2

SUSTAINABLE DEVELOPMENT GOALS

SDGs		PAGE NO.	GRI STANDARDS DISCLOSURE
	End poverty in all its forms everywhere	37, 44	202-1, 203-2, 413-2
	End hunger, achieve food security and improved nutrition and promote sustainable agriculture	50, 45, 44	201-1, 203-1, 203-2, 413-2
	Ensure healthy lives and promote well-being for all at all ages	44, 62, 63, 61, 64, 41, 40	203-2, 305-1, 305-2, 305-3, 305-6, 305-7, 306-1, 306-2, 306-3, 306-4, 403-2, 403-3
	Ensure inclusive and quality education for all and promote lifelong learning	27, 38	102-27, 404-1
	Achieve gender equality and empower all women and girls	24, 25, 37, 45, 36, 38, 39, 49, 43	102-22, 102-24, 201-1, 202-1, 203-1, 401-1, 401-3, 404-1, 404-3, 405-1, 405-2, 406-1, 414-1, 414-2
	Ensure access to water and sanitation for all	61, 64	303-1, 303-2, 303-3, 306-1, 306-2, 306-3, 306-5
	Ensure access to affordable, reliable, sustainable and modern energy for all	50, 45, 59, 60	201-1, 203-1, 302-1, 302-2, 302-3, 302-4, 302-5
	Promote inclusive and sustainable economic growth, employment and decent work for all	36, 38, 50, 37, 39, 44, 59, 60, 61, 49, 43	102-8, 102-41, 201-1, 202-1, 202-2, 203-2, 301-1, 301-2, 301-3 302-1, 302-2, 302-3, 302-4, 302-5, 303-3, 401-1, 401-2, 401-3, 402-1, 403-1, 403-2, 403-3, 403-4, 404-1, 404-2, 404-3, 405-1, 405-2, 407-1, 408-1, 409-1, 414-1, 414-2
	Build resilient infrastructure, promote sustainable industrialization and foster innovation	50, 45	201-1, 203-1

SUSTAINABLE DEVELOPMENT GOALS

SDGs		PAGE NO.	GRI STANDARDS DISCLOSURE
	Reduce inequality within and among countries	44, 37	203-2, 405-2
	Make cities inclusive, safe, resilient and sustainable	45	203-1
	Ensure sustainable consumption and production patterns	42, 59, 60, 61, 62, 63, 64, 53	204-1, 301-1, 301-2, 301-3, 302-1, 302-2, 302-3, 302-4, 302-5, 303-3, 305-1, 305-2, 305-3, 305-6, 305-7, 306-1, 306-2, 306-3, 306-4, 417-1
	Take urgent action to combat climate change and its impacts	48, 59, 60, 62	201-2, 302-1, 302-2, 302-3, 302-4, 302-5, 305-1, 305-2, 305-3, 305-4
	Conserve and sustainably use the oceans, seas and marine resources	62, 63, 61, 64	305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-1, 306-3, 306-5
	Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss	62, 63, 64	305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-3, 306-5
	Promote just, peaceful and inclusive societies	23, 28, 24, 25, 26, 27, 51, 48, 43, 49, 32, 53, 52	102-16, 102-17, 102-21, 102-22, 102-23, 102-24, 102-25, 102-29, 102-37, 205-1, 205-2, 205-3, 307-1, 414-1, 414-2, 406-1, 408-1, 410-1, 416-2, 417-2, 417-3, 419-1

FEEDBACK FORM

Sustainability Report 2016

Details of information provided on issues covered in the report.

☐ Comprehensive ☐ Adequate ☐ Not adequate

Clarity of the information provided in the report.

☐ Hight ☐ Medium ☐ Low

The quality of design and layout of the report.

☐ Excellent ☐ Good ☐ Average

Your comments for adding value to the report.

Name :

Designation :

Organization :

Contact Details :

Tel :

Please mail your feedback to:

Ms. Sadaf Khan

AE - CSR

Fauji Fertilizer Company Limited

156 - The Mall, Rawalpindi Cantt.

Phone: +92-51- 111-332-111

Email: sadaf_khan@ffc.com.pk

GLOSSARY AND ACRONYMS

AMCON	Annual Management Conference
CBA	Collective Bargaining Agent
CPEC	China-Pakistan Economic Corridor
CSR	Corporate Social Responsibility
DAP	Di-ammonium phosphate, a chemical composition of Nitrogen (18%) and Phosphorus (46%) fertilizers
GIDC	Gas Infrastructure Development Cess
GRI	Global Reporting Initiative
GHG	Green House Gases
HSE	Health Safety and Environment
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost & Management Accountants of Pakistan
IFA	International Fertilizer Association
KSE	Karachi Stock Exchange
MMSCF	Million Standard Cubic Feet
M&O	Manufacturing and Operations
MW	Mega watt
NEQS	National Environmental Quality Standards
MEID	Mountain Institute of Educational Development
NGO	Non-Government Organization
OHSAS	Occupational Health and Safety Management System
PSX	Pakistan Stock Exchange
SAARC	South Asian Association for Regional Cooperation
SAFA	South Asian Federation of Accountants
SOP	Sulphate of Potash. Primarily a Potassic fertilizer
UNGC	United Nations Global Compact

