

Sustainability

Report - Twenty Seventeen

**Using our position and expertise to
create and share value**



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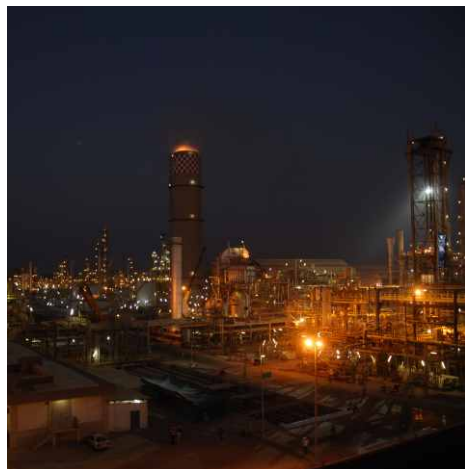
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Read page 35 onwards to explore cover story by reading how we create and share value?

How to read this report?



Our report provides information about our ability to create and deliver sustainable value with our stakeholders. It enables our stakeholders to make informed decisions about our value creation potential. The objective of this report is to concisely share our story, who we are, what we do and how we utilize capitals to create value over different time horizons. This report documents our strategy for resource allocation, risks and opportunities connected with external environment, our business model, governance, value creation and delivering value with our stakeholders, our performance and future prospects. The report is presented in four sections, each of which discusses a specific value creation element.

Positioned for value creation contains an overview of FFC, our vision, mission, and values, our governance structure for guiding value creation strategies and protecting our ability to create value in sustainable manner over different time horizons, our goals and shares details of our business model.



Creating value in a sustainable manner discusses our external environment and related risks and opportunities affecting our business, our stakeholder concerns and material topics which show our major impacts on economy, environment and society and add or deteriorate value. This section also discusses our strategy and resource allocation for enhancing our value creation potential, our work to inspire corporate sector in Pakistan to adopt sustainable Development Goals in business strategies and our value creation model depicting the value created for different stakeholders.

Creating and sharing value describes how we created and shared value in 2017 through our robust financial performance and our work on other dimensions of sustainability. This section discusses our value creation and delivery for important stakeholders in our role as a manufacturer of fertilizer, as an employer, as a trusted business partner, as a contributor for local community and as a socially responsible company.

Forward looking statement discusses future prospectus of value creation potential and our commitment to sustainable use of capitals to enhance the stock of capitals by effectively managing our impacts on economy, environment and society.

Additional information is comprised of appendices containing independent review statement on our report, GRI content index to help locate information on GRI disclosures, our COP to UNGC, mapping our activities against SDGs and glossary.

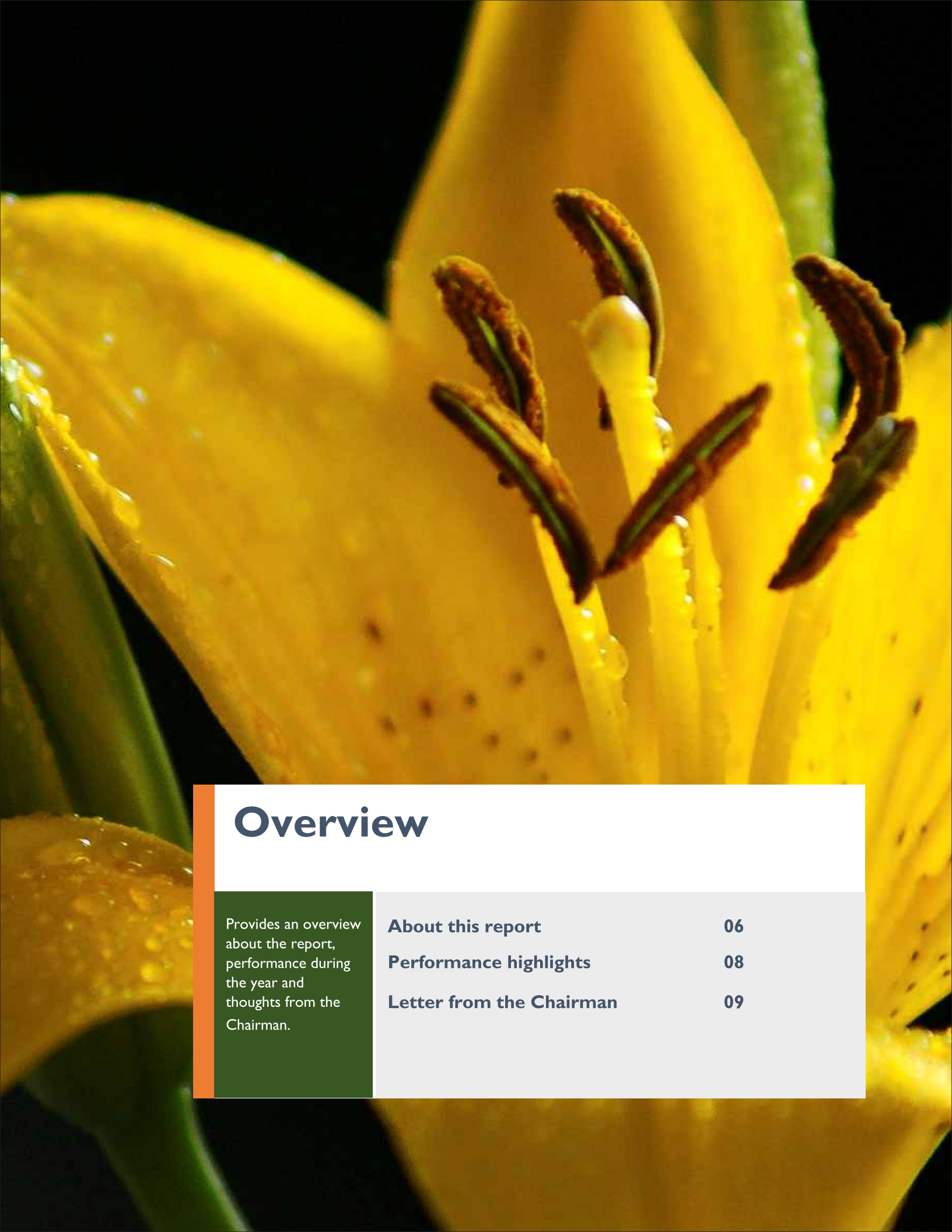
We value your feedback. Please connect with the sustainability team for questions or suggestions.

Ms. Sadaf Khan

AE - CSR

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Overview

Provides an overview about the report, performance during the year and thoughts from the Chairman.

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About this report



Scope and boundary

Reporting Period

The report is produced and published annually. The 2017 report covers the period 1 January to 31 December 2017. The last year's report was published on June 08, 2017.

Operating businesses

The report covers the activities of FFC only and does not include information about subsidiary and associated companies. The economic and social data presented in the report includes data of 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 information about the impacts of our activities – while creating value - beyond FFC operations is not discussed due to non-availability of reliable and verifiable data.

Financial and non-financial reporting

The reports include both financial and non-financial performance, risks and opportunities and information on impacts which are important to our stakeholders or which significantly influence our ability to create and deliver value with our stakeholders.

Reporting framework

Our report is a voluntary document issued in accordance with International Integrated Reporting Council (IIRC) Integrated Reporting (IR) framework, Global Reporting Initiative (GRI) GRI Standards: comprehensive option, and United Nations Global Compact (UNGC) "Ten Principles" requirements to provide stakeholders a comprehensive picture of the activities carried out to create value, value created during the year and commitments made in the economic, environmental and social spheres.

This report has been prepared in accordance with the GRI Standards: Comprehensive option.



Report content and methodology

Report content

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.

Report methodology

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 the same as used for previous year.

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 this report is part of annual reporting process subject to independent review, analysis and approval of a number of approving authorities. The report is approved by CSR Committee, the highest decision making body headed by CE&MD. 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 online PDF as well as HTML version can be assessed at <http://www.ffc.com.pk/sustainability/>.

Independent external review

The report was externally reviewed by BSD Consulting, an independent reviewer, in order to check 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 70.

Board's responsibility

Board of Directors' Statement

The Board acknowledges its responsibility to ensure integrity of this integrated report, which in Board's opinion addresses all material issues and presents Company's integrated performance in accordance with Regulatory Framework, Sustainability Reporting Standards and Integrated Reporting Framework.

PERFORMANCE HIGHLIGHTS

2017



Sales

Rs. 90.71 billion



Fertilizer sold

3,223 thousand tonnes



Return on
Equity 37%



Energy
consumption

154,593 GJ increased



Water use

6% increase



Emissions

4,876 MT CO₂ decreased



CSR spending

89 million rupees

LETTER FROM THE CHAIRMAN

Dear stakeholders,

It gives me great satisfaction to share FFC's value creation story with all our stakeholders. I am proud that our integrated sustainability report broadly demonstrates the value which we create through manufacturing and marketing quality fertilizer while playing a meaningful role in the lives of our stakeholders.

In the Year 2017, the companies globally have shown growth in a volatile, uncertain and constrained environment and it has been not different for us at FFC. The oversupply faced by the global fertilizer industry started to diminish and a modest growth is expected for next five years. Despite challenging environment at national level, FFC remained at forefront by delivering exceptional performance on sales and revenue fronts, ensuring sustainable returns to stakeholders.

Problems faced by humanity are challenging businesses' traditional role. Businesses are expected to be more proactive and play a dynamic role in solving the problems faced by the mankind. We, apart from aligning our business to play an active role, joined hands with our partners to organize Corporate Leadership Conversation on Sustainable Development Goals in order to create awareness and encourage corporates to enter in collaboration for larger benefit of society. We are committed to playing this dynamic role through awareness, collaboration and action to meet the country level goals while creating value for our stakeholders.

At FFC, we have well established sustainability practices and goals to manage our impacts and contribute towards the goal of sustainable development. Our integrated sustainability report for the third consecutive year has been ranked "Best Sustainability Report" at ICAP and ICMAP "Best Sustainability Reporting Awards" which shows our commitment to sustainability and transparency.

I affirm our commitment to create and share future value with our shareholders, customers, employees, business partners and communities.



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

Chairman





Positioned for value creation

Provides an overview of FFC, our vision, mission and values, details about governance, our goals and our value creation business model.

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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.



There were no significant changes in size or capital structure during the year. 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 which are a subject of stakeholder questions or public debate.



We require raw materials, packaging material, capital equipment, services, and other inputs for our operations. 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 are 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. 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 by 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 as 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.

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 and events organized by the Soil Sciences Society of Pakistan and give our input in public policy development.



Membership

- United Nations Global Compact (UNGC) – Membership obtained on March 23, 2010
- Marketing Association of Pakistan (MAP)
- Fertilizer Manufacturers of Pakistan Advisory Council (FMPAC)
- Fertilizer Industry Public Relations Committee (FIPRC)
- International Fertilizer Industry Association
- Arab Fertilizer Association
- Farmers Association of Pakistan

Net sales Rs. 90,714 m	
Net profit Rs. 10,711 m	Total capitalization Rs. 108,631 m
Owner equity Rs. 29,352 m	Production 2,513 thousand tonnes
Employees 3,364	52%* market share
<small>*combined FFC and FFBL</small>	
3 Zones	13 Regions
63 Sales districts	194 Warehouses
3,700 Dealers	5 Farm advisory centers
1,715* Suppliers	Payment to suppliers Rs. 24,258 m

*The number of suppliers have significantly decreased due to removal of dormant suppliers from the procurement system with the objective to make the system more efficient.



Awards

- Best sustainability report 2016 award by the joint committee of ICAP and ICMAP
- Best presented report 2016 award by ICAP and ICMAP
- Excellence certification for "Protect & Sustain" from the International Fertilizer Industry Associations (IFA)
- First company to consecutively win seven first position placements in PSX Top 25 Companies Award
- Management Excellence Award by the Management Association of Pakistan for the year 2016
- Platinum award by Rawalpindi Chamber of Commerce and Industry

VISION, MISSION, AND VALUES



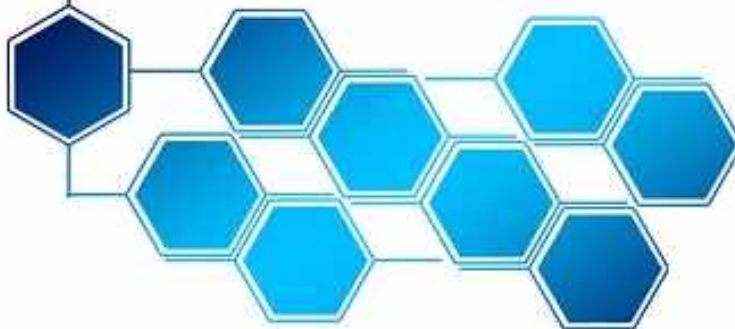
VISION 

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 and policies and a high standard of moral behavior

GOVERNANCE

Our governance structure is central to our ability and positions us to create value for our wide range of stakeholders. 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 02 of our 2017 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 a 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 2017 Annual Report.

The Board of Directors meets 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 2017, 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 of which can be found in "Profile of the Board" section on page 16 of the 2017 Annual Report of the company for the year ended on December 31st, 2017.

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 with a strong sense of responsibility required for safeguarding stakeholders' interest. The Board is comprised of qualified directors with diverse backgrounds in the field of business, finance, engineering and other disciplines.

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 a conflict of interest is not avoidable, it requires it 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 Boards' role in setting company's purpose, values and strategy is implemented through Board Committees which provide input in development, approval and updating of Company's purpose, values, mission statement, strategic policies and goals in respective areas. The Executive Committee and CSR Committee provide guidelines for sustainable operation and effective control thereof, and have the powers 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 to reduce negative impacts and increase value creation potential require continuous monitoring. We have systems in place to ensure production safety to limit the impact of manufacturing operations on the health, safety and environment (HSE) as far as possible. One of the important corporate goals 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. The processes, procedures and measures are continually monitored, both in-house and by external audits of the management systems.

We are aware that the sustainability management system is a component of strategy planning, objectives and processes. It includes an ongoing review of the activities undertaken to ensure that planned sustainability activities are effectively implemented and the impacts are being properly managed. We observe and analyze our operations to ensure efficient use of resources, effective waste handling, management of human rights impacts and societal impacts of our operations. The implementation is carried out through line manager and reviewed at departmental level. The final results are deliberated at CSR Committee meetings. 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 sustainability 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 risks and opportunities, environment and social impacts and factors affecting 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 during 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 reviews and discusses organizational impacts, risks and opportunities in its quarterly meetings.

EVALUATION 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. In order to ensure that 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 on to providing remuneration, which is competitive and in line with market conditions - high performance high reward - transparent and goal oriented. The 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. FFC 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. 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.

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 of providing 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 plants provide 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.








Through our robust governance systems, we support the following SDGs. Detailed information on linkage of our activities and SDGs can be found at page 82.



OUR GOALS

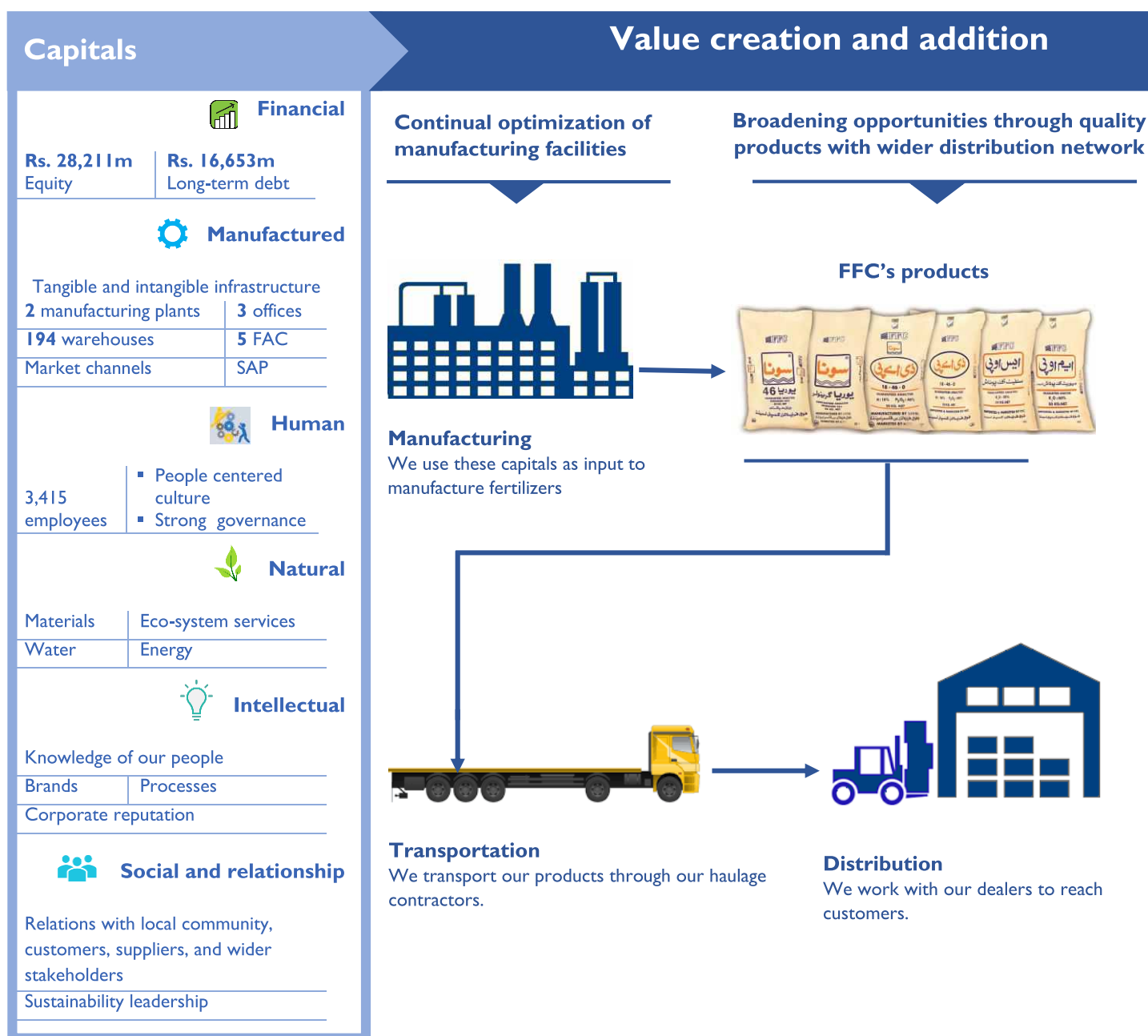
To create and sustain value over the long run, the external environment and the socio-economic context in which we operate matters immensely. We are aware that our future business prospectus are dependent on depleting natural resources, changing climate patterns and a thriving society and economy. We understand that to retain value creation ability for long term, we need to use the available resources cautiously and manage our activities affecting natural eco-systems and society adversely.

As a first step, we defined our medium-term targets last year. These targets help us to measure our progress towards the goals to become a sustainable organization delivering value with minimal impacts.

	Sustainability area	Target year	Progress
	Material		
	10% reduction in paper usage	2018	Measures defined and implemented
	10% increase in usage of recycled material	2018	
	Energy		
	2% reduction in energy consumption from 2014 level	2020	Energy consumption increased
	Emissions		
	2% reduction in emissions from 2015 level	2018	Emissions decreased
	Water		
	2% reduction in water intake from 2015 level	2018	Water intake increased
	2% reduction in waste water from 2015 level	2018	Waste water disposal increased
	Health and safety		
	Zero injury	2018	Minor injury rate during the year
	Security practices		
	100% security personnel trained on human right policies	2018	Training program planned and implementation is being carried out
	Sustainability management		
	Establishing sustainability data collection procedures in SAP for efficient decision making	2017	Achieved

VALUE CREATION BUSINESS MODEL

Our value creation 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 while creating 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 enhance business and become trusted partner for stakeholders.



Product use

We work with farmers to improve productivity.

Winning the trust of our stakeholders

Financial outcome FFC

Owner's equity



4.04% to 29,352m

Long-term debt



6.49% to 15,572m

Property, plant & equipment



5.09% to 22,312m

Stock in trade



90.68% to 395m

Sales



24.48% to 90,714m

Cost of sales



32.45% to 72,621m

Operating expenses



19.50% to 5,417m

Other income



3.20% to 10,324m

Taxation



10.37% to 5,030

Net Profit



9.09% to 10,711m

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

Shareholders

- Delivered strong and healthy 37% return on equity
- 83% payout ratio

Employees

- Paid Rs. 8,309m as salaries and wages
- Provided 35,340 man hours training to enhance workforce skills
- A thriving culture for nourishing valuable human capital

Our work for creating value for employees at page 41.

Customers

- Advising farmers to increase productive potential and farm earnings.

Our work for customers at page 37.

Community

- Spent Rs. 89m on CSR to uplift the lives of community, and contributing to basic public good.

Our work in communities at page 50.

Environment

- Protecting the environment through reduced impacts

Our work as socially responsible company at page 53.



Creating Value in Sustainable Manner

Describes the context in which we operate, our stakeholders' engagement practices, how we determine material topics, develop strategy and allocate resources and work on promoting SDGs.

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LETTER FROM THE CE & MD

Dear Stakeholders,

It gives me immense pleasure to share our Integrated Sustainability Report 2017 which reviews our value creation potential, how we create and share value with our stakeholders and our management approach for the most material economic, environmental and social impacts of the activities.

Given the evident economic and social benefits of sustainability and significant development in the field, the expectations are growing from business to align their strategies with sustainable development. The recent launch of Global Compact 3.0 by the UNGC and development of business reporting on SDGs is a call for business to use its position and expertise to not only deliver the financial returns but also to contribute in resolving greatest challenges faced by the world.

Though the year 2017 was full of challenges, however we managed considerable achievements and made new records of highest ever product off take and revenue in spite of certain inevitable factors, particularly reduction in urea subsidy per bag and change in taxation regime for imported fertilizer, which were beyond our control.

During the year, we achieved our second highest ever production of 2,500 thousand tonnes, only 10 thousand tonnes below record output of the previous year. Our urea market share remained at 52%. Through realignment of our strategies, which included export of urea and marketing of imported fertilizer, the sales revenue increased to Rs.97.31 billion – which is 24 % higher than the previous year. Despite price constraints, increase in gas prices and inflationary impact of input costs, we managed to surpass the targets and achieved net earnings of Rs. 10.71 billion. Notwithstanding the challenging environment, we are focused on exploring new opportunities, optimizing cost and efficiencies and diversifying in order to keep providing sustainable returns to our stakeholders.

We continuously invest in environment friendly technologies and up-gradation of our plants to reduce our environmental footprint. However, in 2017, the environmental impact of our operations slightly increased as compared to previous year on account of due plant turnaround. During the year, energy consumption at plant sites increased by 154,593 GJ and water recycling decreased to 56.81 % from 60.29 %. Intake of fresh water increased by 6.4% due to reduction in water recycling however, the GHG emissions decreased by 4,876 MT. We are determined to curtail the environmental footprint in line with global standards and our targets in the coming years. Our emphasis on health and safety resulted in almost zero health and safety incidents at plant sites during the year.

Our stakeholders are vital for our success and we are committed to creating and share value with them through our activities and impacts. During the year, we spent almost 1 % of our after tax earnings on our community welfare activities focused on education, health, poverty alleviation, national cause donations and socio-economic development. In order to strengthen our value creation potential and manage our impacts in supply chain, we are working with our partners in the areas of environment, labor practices, human rights and societal interventions.



In line with our commitment to transparency, we are continuing to use the IR framework along with the GRI Sustainability Reporting Standards and the UNGC Ten Principles to share our value creation potential and performance on economic, environment and social fronts. Our report is also aligned with Sustainable Development Goals demonstrating our contribution towards SDGs.

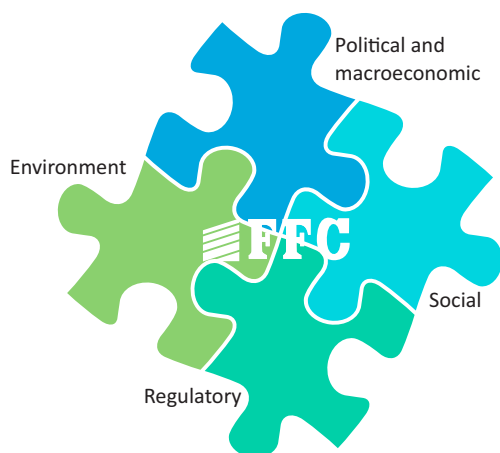
We uphold our support to the Ten Principles of UNGC and UN SDGs by aligning our activities and playing our role in meeting the ultimate goal of sustainable development.

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

EXTERNAL ENVIRONMENT



Our external environment is constantly changing and has resulted in volatility on the political, economic, technological, environmental and social fronts.

Political and macroeconomic

Global growth outlook during the last year remained dull, with increasing protectionist measures by US and ongoing Brexit talks with EU. However, growth in Pakistan's economy is on the rise for the last four years due to economic turnaround and ongoing China Pakistan Economic Corridor (CPEC) projects. The GDP grew at 5.28%, the highest during the last ten year. However, the increasing government borrowings, declining foreign exchange reserves, weak political situation and upcoming elections portray a risky picture for business due to possible further depreciation of Pakistan rupee, increasing inflation, and increasing interest rates.

The agriculture sector's performance remained slow but due to timely implementation of supportive government policies and increased credit disbursement for agriculture sector helped in stable growth in this sector. However, the ongoing payment crises faced by farmers may limit the purchasing power of the farming community and affect fertilizer uptake for the upcoming sowing season.

Social

Despite stable growth over the years, rising per capita income and growing middle class in Pakistan, social, environmental and economic challenges, such as poverty, limited resource, climate change, inequality and unemployment existed. The employable youth lack access to employment opportunities, people lack access to food, clean water, basic health facilities, education and sanitation. Existence of under-privileged and deprived population poses a challenge for Government to provide basic facilities for uplifting the lives of these communities. At the same time it places a responsibility on businesses to support government and reap the dividends by aligning business strategies to solve these problems.

Environmental

Protecting the environment - reducing negative impacts of operations - contributing to the development of renewable energy resources, sustainable food and clean water are vital. If we do not act now, we could compromise the ability of future generations to meet their needs. Globally as well as in Pakistan, climate change is causing devastating floods, droughts and affects crops' growing patterns resulting in productivity loss and pushing up food inflation. The decreasing water level in most parts of Pakistan, resulting in water scarcity, is an important issue which requires immediate steps. The increasing use of renewables and decrease in cost of clean technologies has helped in managing energy crises in Pakistan. However, plants running on coal will lead to affect the climate adversely.

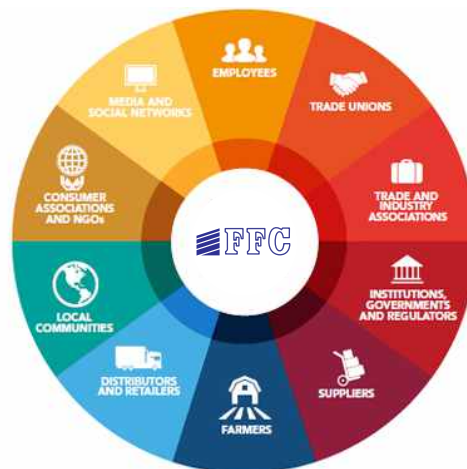
Regulatory

The recently introduced Companies Act 2017 and the Code of Corporate Governance for listed companies, along with ongoing directives by the regulator, are increasing the compliance requirements for the corporate sector in Pakistan. The ongoing international debate on non-financial reporting, investor specific reporting, is expected to introduce new codes and regulations in Pakistan. The increased regulatory requirements in this regard will shape the agenda for corporate sector and will increase the cost of compliance.

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 their 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 which 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 stakeholders' 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 to us as 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 on 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 2017 respectively. The surveys were conducted by selecting dealers as sample size from the entire marketing area across Pakistan, covering all 13 FFC regions.

	January 2017	June 2017
Customer overall satisfaction	8.71	9.00



Engaging stakeholders throughout the year benefits us in 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 as well as for Sustainability Report 2017.

STAKEHOLDER GROUP	ENGAGEMENT FREQUENCY	MODE OF CONSULTATION
Shareholders/ Investors	Regular	Corporate Affairs Department, general meetings
Analysts	Regular/Occasional	Analyst meetings, Corporate Affairs Department
Employees	Regular	Annual Marketing Conference (AMCON), zonal meetings, annual recreation day, annual dinner, meetings with CBA
Customers	Regular/Occasional	Farm Advisory Services, customer satisfaction measurement surveys, <i>Kashtkar</i> desk
Suppliers	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 government 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.

This year, we carried out a report specific engagement with investors, analysts, financial institutions and Pakistan Stock Exchange to get investors' perspective to inform materiality determination and our value creation. The investor community along with analyst showed keen interest in the engagement and actively participated in the discussion on Sustainability Report 2016 and the additional disclosures for the report 2017.



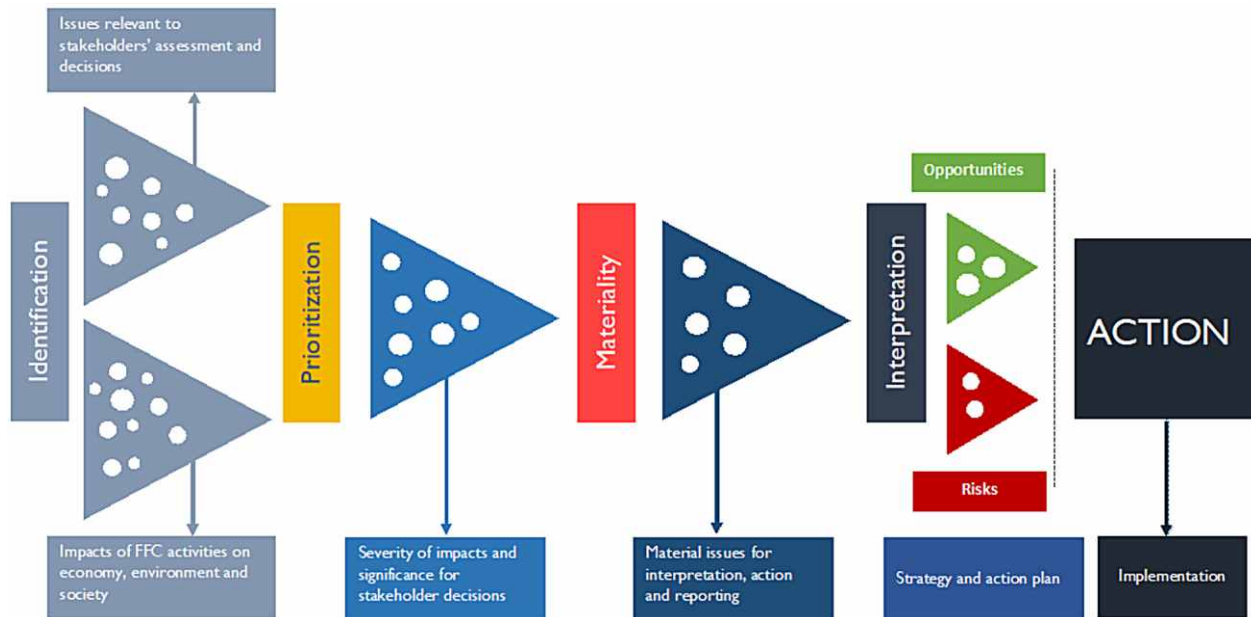
Stakeholder meeting with investors, analysts, financial institutions and Pakistan Stock Exchange

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

STAKEHOLDERS	TOPICS IDENTIFIED BY STAKEHOLDERS	OUR RESPONSE
Shareholders/ Investors	Sustained economic performance, effective management of impacts, and for local community interventions.	Diversification of business and upgrading of plants to ensure sustained returns, continuous investment in cleaner technologies and investment through CSR program.
Analysts	Environmental impacts especially greenhouse gases, diversity and inclusion.	Defined targets for reducing environmental impacts and inclusion of more women in workforce.
Farmers/ customers	New products, farmers' capacity building.	Communication of new farming techniques for better farm productivity and expansion of coverage area of Famer 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 to avoid accidents and behavioral issues.	Provision of training program to reduce accidents and training of security personnel to overcome behavioral issues.
Distributors	Dealers' capacity building on product developments.	Effective and efficient marketing communication and outreach to increase dealers' knowledge.
Local Community	Investments in education, skill development, health and infrastructure development.	Investment in education, skill development, health and infrastructure development through CSR program.

MATERIALITY ASSESSMENT

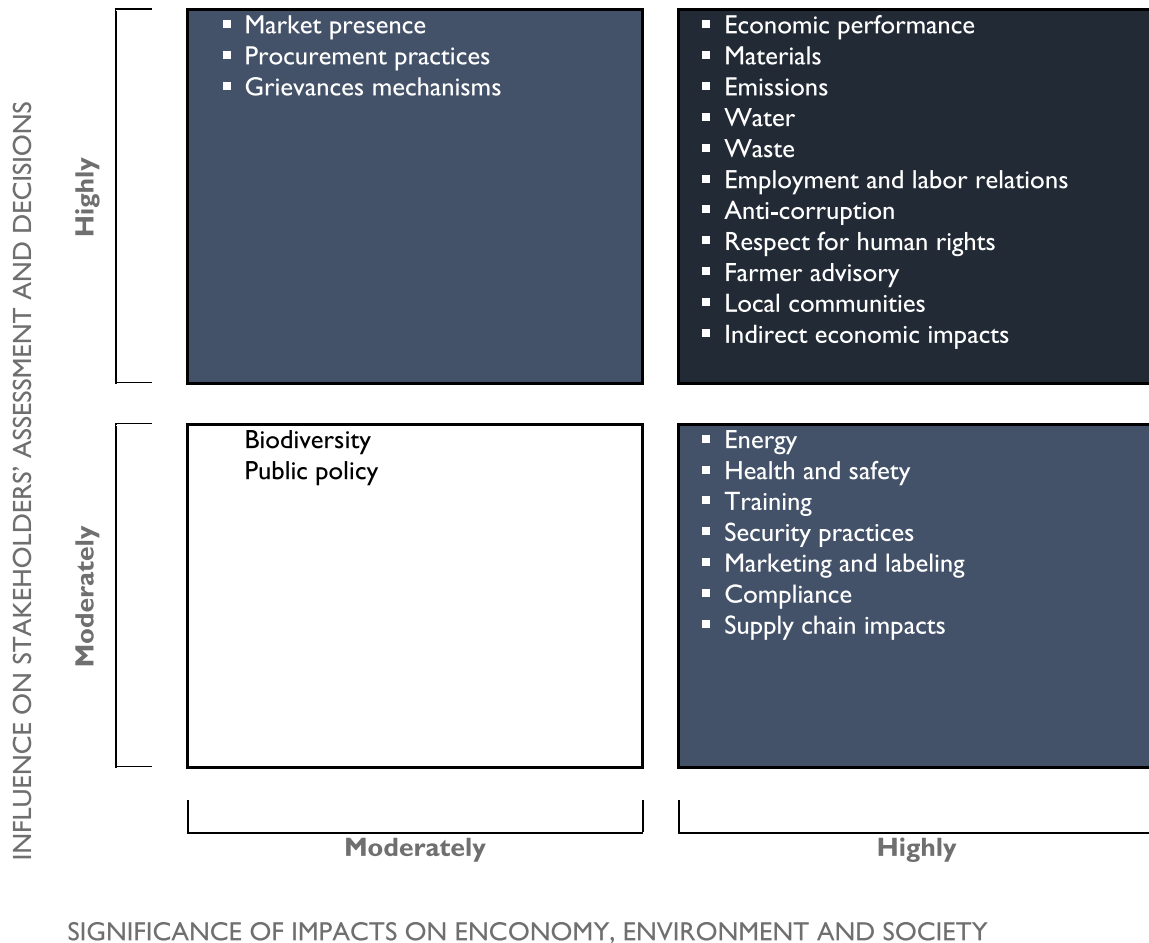
We aim to create value addition and benefits to all stakeholders through timely identification, prioritization and management of impacts, risks and opportunities. Our sustainability efforts are focused in areas which represent our significant impacts on the economy, environment and society, critical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



The reporting principles of sustainability context, materiality, completeness and stakeholders' inclusiveness were used for defining our report content. 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 stakeholders' 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 which reflect significant economic, environmental and social impacts and 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 analyses 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 reporting principles of defining report content i.e., completeness and stakeholders' inclusiveness were applied while validating the material topics for the FFC 2017 Sustainability Report.

The resultant material topics are the typical kind of 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 on moving ahead for playing its role in sustainable development.



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 or outside the organization. The reporting principles for defining report content have been used while identifying the boundaries for material topics.

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 and labor relations	Diversified workforce for better productivity, compliance with laws and regulations and international charter and conventions	FFC
Anti-corruption	Impacts on competition and 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 the effectiveness of 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 material sustainability issues over the period 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. However, the environmental impact for the current year increased on account of the planned plant turnaround. We are 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 competitors 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 strategy and management of the value creation process help us to achieve our reputation among investors, be they be 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. We are working to integrate sustainable value creation in our business processes for achieving 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 for 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 an ethical and sustainable conduct in all of our commercial activities. All 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. We are continually striving to improve in terms of economic, environmental and social sustainability to create value through efficient use of our capitals.

CORPORATE LEADERSHIP CONVERSATION ON SDGs

The 17 Sustainable Development Goals (SDGs) were formally adopted by the UN member states during the SDGs Summit at the UN on 25-27th September 2015. Pakistan is one of the first countries in the world to have adopted the SDGs through a unanimous resolution of the parliament. The 17 SDGs aim to leverage the linkages between economic development and human well-being to improve the situation of People (human development), Planet (environment), Prosperity (economic development and poverty alleviation) and Peace (peaceful and tolerant societies) by 2030.

The Sustainable Development Goals (SDGs) embrace a universal approach to the sustainable development agenda and explicitly call on business to use creativity and innovation to address development challenges.

FFC, recognizing the importance of SDGs and role of corporate sector in 2030 Agenda of Sustainable Development, organized a corporate leadership conversation on SDGs at Karachi. The purpose of the conversation was to initiate a discussion on alignment of business strategies with SDGs and reporting business contribution in meeting SDGs. The event was organized in collaboration with Corporate Social Responsibility Centre Pakistan (CSRCP), Pakistan Stock Exchange and United Nations Global Compact, Pakistan Network.



The corporate leadership conversation on SDGs engaged corporate leaders, UNGC representatives, government officials and non-profits to discuss as to how corporate sector can align its business to support sustainable development and report its contributions to SDGs in order to monitor the progress and take appropriate strategic and operational decisions.

Eminent speakers and panelists discussed aligning business activities to support the global goals and tap the multi-trillion USD opportunities in shape of revenues and cost saving offered by the SDGs. The need of reliable, comparable and transparent information representing impacts and contribution of business activities on the SDGs was also emphasized.

FFC is committed to not only aligning its business activities in line with the SDGs but also playing a wider role to inspire corporate sector to follow the agenda of sustainable development for a better and a prosperous world.







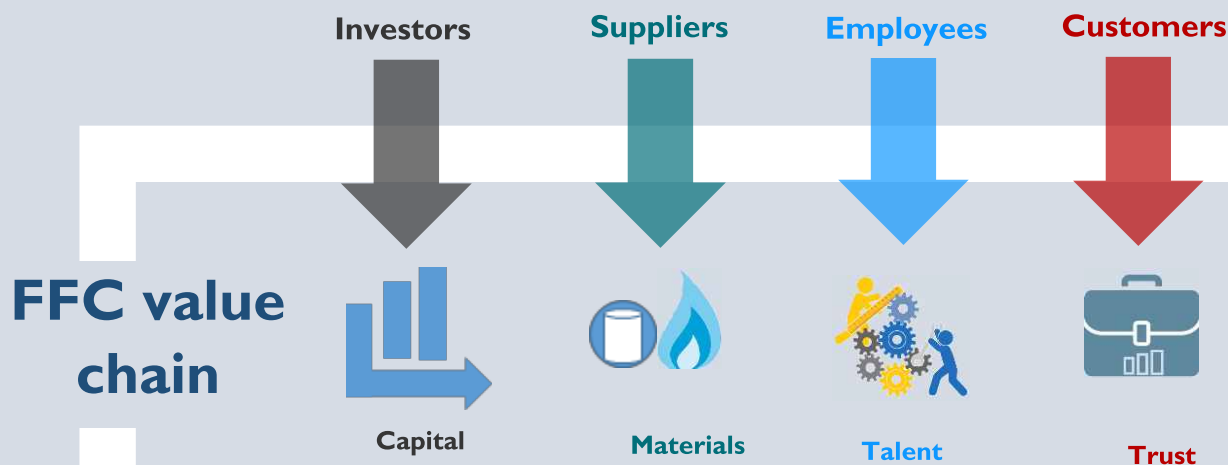
How we create and share value?

Describes how we create and share value with our stakeholders through our different roles as a manufacture, employer, business partner, and socially responsible company.

As a manufacturer of fertilizer	38
As an employer	42
As a trusted business partner	49
In local communities we operate	51
As a socially responsible company	54

HOW WE CREATE AND SHARE VALUE?

Our value creation business model and 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.

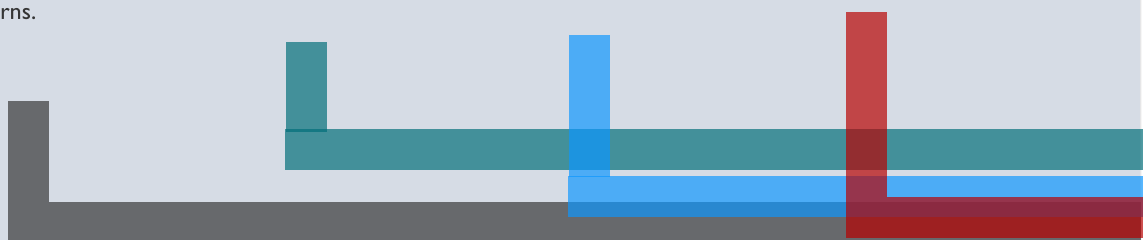
materials to manufacture quality products for our customers.

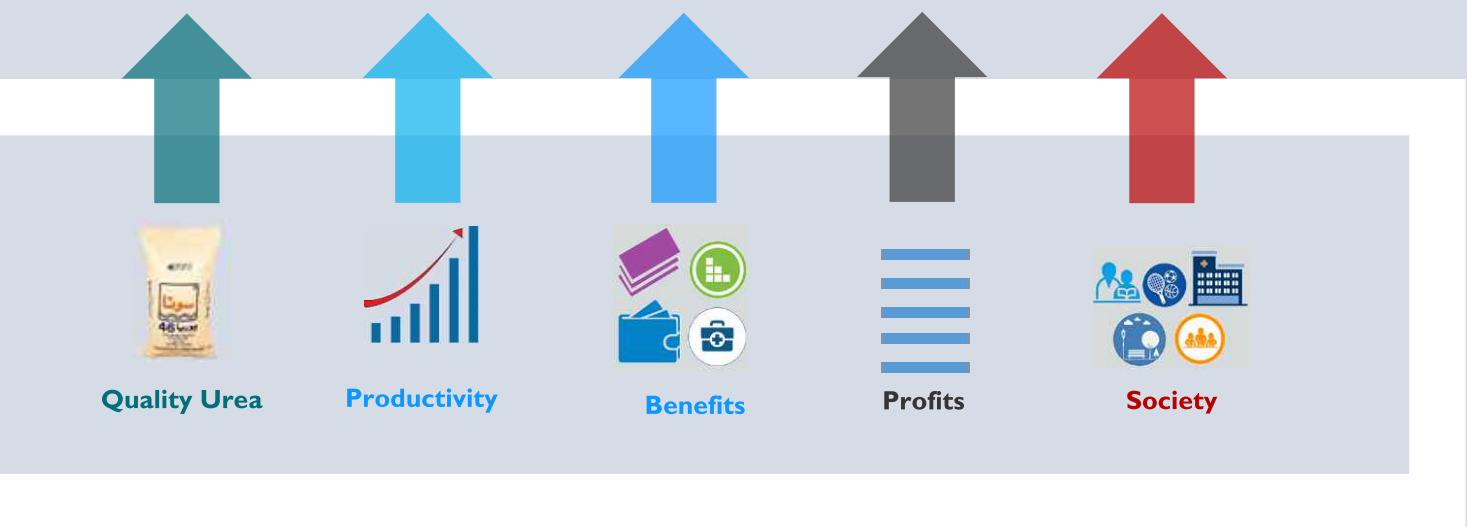
We employ talented and best of class workforce. We equip them with skills, training and equipment.

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 and 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 the form of dividends and financial charges.

We contribute to the 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 consumers' 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 producing only quality products which 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 to 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 performed regularly. The results are used in the evaluation of our approach and related adjustments in processes are carried out, where required. Product responsibility lies with the manufacturing department and the Chief Executive & Managing Director 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. Regular training are conducted covering aspects related to health & safety of product and product quality. 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 and 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 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 Farm 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. A Farm advisory Center comprises of 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 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 government departments are invited to deliberate upon problems of the farming community. 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 and HarvestPlus. FFC has 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 which would release nitrogen from the granule in a manner that matches crop growth requirement thus directly addressing the issue of Planetary Boundaries. The planetary boundaries concept presents a set of nine planetary boundaries within which humanity can continue to develop and thrive for generations to come. Crossing these boundaries could generate abrupt or irreversible environmental changes. Respecting the boundaries reduces the risks to human society of crossing these thresholds.

NUMBER OF FARMERS REACHED BY AGRI-SERVICES ACTIVITIES IN 2017	
Farmer Meetings	355
Blitz Programs	37
Farm Visits	4,074
Training Programs	3
Crop Demonstrations	110
Field Days	98
Group discussions	562
Soil & Water Samples Tested	12,490
Micronutrient Samples Tested	184
Total outreach	45,046 farmers

We develop and regularly update crop literature (in national and regional languages) covering complete production technology, fertilizer dosage, timing and method of application for all major crops, vegetables and fruits grown in the country. In this regard, 23 booklets/flyers especially, the “Fertilizer Guide Book” and “Fertilizer Recommendation Book” are valuable assets for disseminating information about fertilizers and their use for different crops. The booklets/flyers are printed in difference languages to overcome language barriers and ensure mass outreach.



75,700

booklets/flyers
distributed



36,000

newsletters distributed
to farmers and other
stakeholders

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.

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



884

calls received and advice provided



44,000

Growers were briefed in Urdu on crops' cultivation methods

We have developed crop production documentaries to educate farmers on different farming techniques. Our Agri. Services teams regularly participate in various Talk shows organized by Radio and TV stations to discuss production technology and balance fertilizer use for major crops. Our Agri. services teams also participate 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 playing a leading role in the economic uplift of our key stakeholder.

Development of Soil Fertility Atlas of Pakistan



FFC collaborated with FAO, USDA, PARC, Punjab and Sindh Governments in the development of Soil Fertility Atlas of Pakistan (Punjab and Sindh Provinces) through data sharing for the development of Atlas. Atlas is an important tool for better management of land, enhances productive potential, increases incomes of small scale farmers and reduces food insecurity and hunger directly contributing to **SDG 2 "Zero Hunger"**.

Agriculture Value Chain Project



FFC joined hands with Micro Finance Investment Company (MFIC) to implement an Agriculture Value Chain in district Bahawalpur for 1,000 subsistence farmers. The value chain includes capacity building of the farmers, creation of backward and forward linkages, informational messaging service and cotton-picking trainings for women cotton pickers. FFC provided farmer trainings through farmer meetings, field trainings, group discussions, farm visits, soil sampling, cotton demonstration plots, showing cotton crop documentary and distribution of crop literature/brochure.

The project goals are to improve productive potential of land, increasing farmers' capacity, improved access to information and markets leading to increase in subsistence farmers' income contributing to **SDG I "No Poverty"**

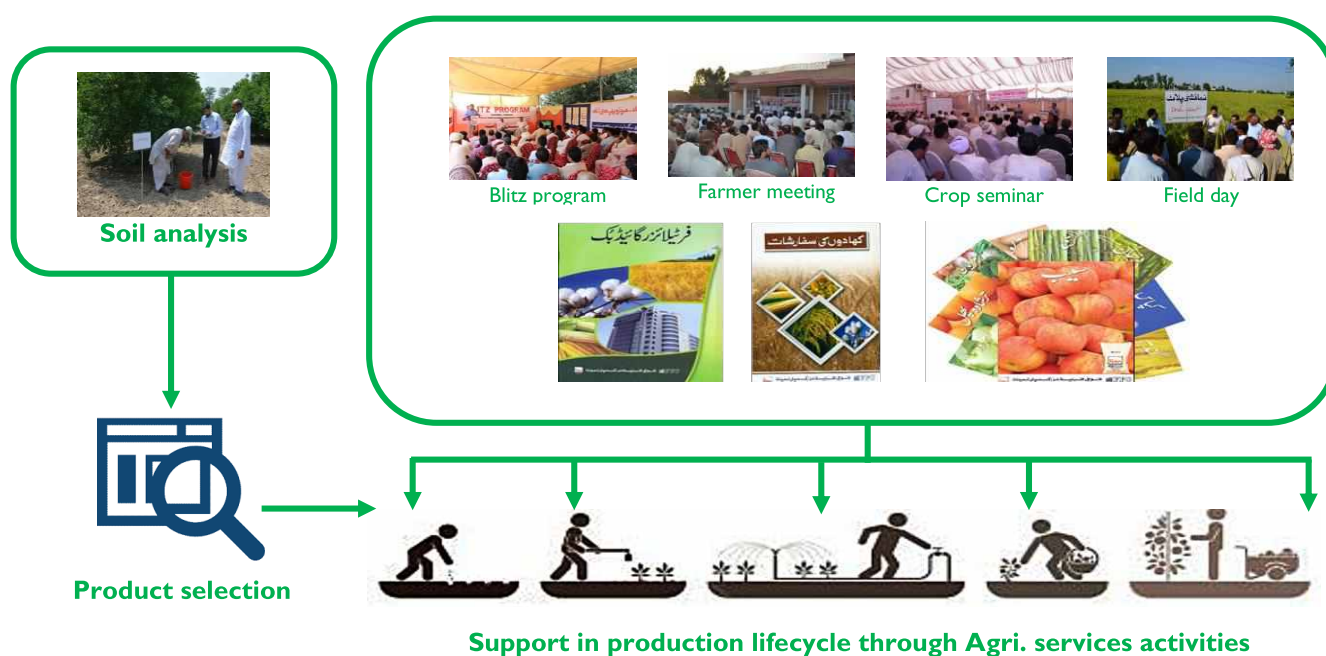
WWF-Pakistan Sustainable Agriculture and Food Program

FFC joined hands with WWF-Pakistan for training of WWF's Production Unit Managers and Farmer Facilitators. Farmer Advisory Centers at Bahawalpur and Sukkur delivered lectures on "Balanced fertilizer use in cotton crop for better yield and quality". WWF-Pakistan is running the "Sustainable Agriculture and Food Program" for the implementation of Better Cotton Standard System through global cotton standards organization "Better Cotton Initiative" (BCI).

Propagation of Zincol

Zinc is an important nutrient for human life which is missing in the diet of many people in Pakistan. In order to overcome Zinc deficiency, offer improved food security and higher incomes, a nutrient fortified wheat variety “Zincol” was introduced by the government in the year 2016. FFC coordinated and collaborated with HarvestPlus to propagate nutrient (Zinc) fortified Wheat Variety Zincol in the country. This year, three demonstrations of Zincol Biofortified Wheat varieties were organized to promote this seed in the country. FFC has organized total 16 demonstration of Zincol till 2018.

We support efficient use of products to increase production and returns.



The 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 which are laid in the entire marketing area.

Value Cost Ratio (VCR)

	2017	2016
Major crops (Wheat, Rice, Maize, Cotton, Sugarcane)	2.6 – 3.4	2.2 – 3.0
Minor crops (Sunflower, Tobacco, Potato, Citrus)	1.5 – 3.9	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?

Human capital is vital to create and deliver value to our stakeholders. We value human resources as an important asset, by believing 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, non-discrimination, 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 the 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. 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 a best in class in house training center.

Active management of the human capital is critical to ensure continuous growth and retain 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 3,364 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. To attract the competent people and to ensure that they stay with us, we offer right benefits, rewarding work and career advancement prospects.

During the year, the hiring rate was 5% while the turnover rate was 7%. The employment information has been compiled from management information system and no assumptions were made.

Total number of employees

3,364 
2017

3,415 
2016

3,497 
2015

Employees by employment type broken by gender

Employment type	Male	Female
Full time	3,274	90
Part-time	-	-
Total	3,274	90

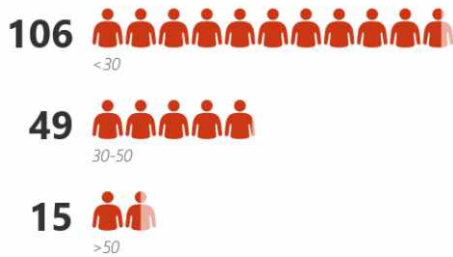
Employees by employment contract broken by gender

Employment contract	Male	Female
Permanent	3,069	79
Temporary	205	11
Total	3,274	90

Employees by employment contract broken by region

Location	Permanent	Temporary
Head Office-Rawalpindi	810	24
Goth Machhi Plant	936	114
Mirpur Mathelo Plant	709	67
Lahore	618	7
Karachi	75	4
Total	3,148	216

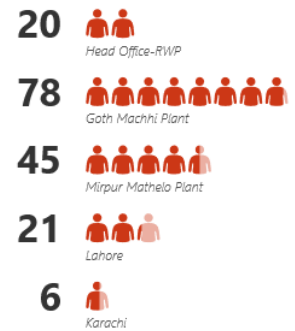
HIRING BY AGE GROUP



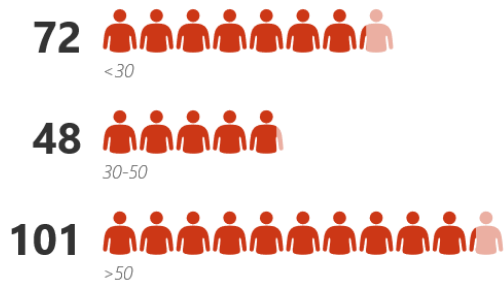
HIRING BY GENDER



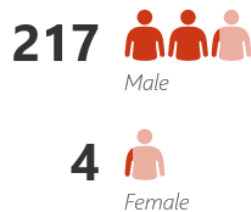
HIRING BY LOCATION



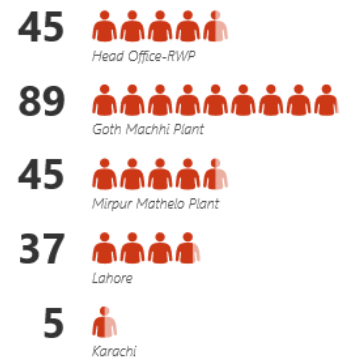
ATTRITION BY AGE GROUP



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 the shape of employees' salaries and benefits. In 2017, we paid Rs. 8,309 million as workforce salaries and benefits, which makes our workforce an important investment and valuable asset. We pay wages and salaries that are determined by local relevant competitive markets rather than by legally defined minimum wages. However, we exceed the minimum wages threshold at all of our operational sites. Where work is performed through contractors' workers, payment of minimum wages to the contractors' workers is ensured through direct transfer into the accounts of the workers which is duly verified by the bank. During the year, the ratio of standard entry level wages to local minimum wages was 1.27:1 across all significant locations of operations.



Rs. 8,309 million paid as workforce salaries and benefits.



Rs. 624 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 80 female employees were eligible for parental leave, out of which three female employees availed maternity leave in 2017. Two female employees returned to work in 2017 after parental leave ended. The return to work and retention rate of employees after availing parental leave was 67%. 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 of women to men is one to one at FFC. All FFC employees received performance appraisal in 2017. 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. All eligible employees who complete the qualifying period of service and age are benefited by these schemes. The trustees administer these funds. The annual contributions 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. 624 million on defined benefit plan obligations in 2017. 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 nurture their talent and knowledge base. We believe that motivating and training our employees will contribute significantly to their skill set and success of our company. We consider it 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 safeguarding long term sustainability of the company.

Career development opportunities are provided to employees, which go 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. Consistent 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 75.41% of total workforce strength.

Fifteen days' notice period is served on relocation within plants and 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 position. The recruitment of employees is based only on their qualification, skills, suitability for the open position 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 and 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.

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	98.53%	1.47%	16.68%	51.00%	32.32%
Female	94.44%	5.56%	32.22%	64.45%	13.33%

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	95.04%	4.96%	98.55%	1.45%	12.45%	60.46%	27.09%
Staff	98.07%	1.93%	98.38%	1.62%	18.25%	48.40%	33.35%

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. Health and safety aspects are monitored and reviewed on an ongoing basis. The operational aspect of health and safety practices in manufacturing units is 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 other activities for the benefit of the employees. FFC has a system in place for risk assessment of operations and committed to preserving its employees' health by avoiding accidents as much as possible. We have a 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 a high commitment to health and safety, the incidents concerning health and safety issues have decreased over the years and our plants are producing records of safe Man-hours over the years. 9.90 million Man-hours of safe operations for employees and 18.66 million Man-hours of safe operations for contractor employees were achieved as of December 31, 2017 at our plants only through employees' commitment and safety first strategy.



9.90 million

Man-hours of safe operations for employees

18.66 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 when it is 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 trainings employees in safety and identify the extent to which employees are familiar with the safety procedures at processes.

Trainings are conducted on various safety topics which are 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 Works Council Committee under the Industrial Relation Act exists in which workers' representation is 50%. The functions of the committee include promotion of security of employment for workers, monitoring health and safety conditions and job satisfaction levels. Meetings of the Works Council Committee are organized as per law. Moreover, a Health and Hygiene Committee also exists and the committee visits the specific areas periodically to improve the standards. As per the Industrial Relation Act, this council operates at the facility level. In order to promote health and safety at plant site and in addition to the 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	0.16	Nil	0.02	Not applicable
Goth Machhi plant	0.08	Nil	0.05	Not applicable

Other locations	Nil	Nil	Not recorded	Not recorded
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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	0.02	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 injury and lost day rates for Company and Contractor are calculated by taking into consideration the number of recordable injuries/lost days multiplied by 200,000 and divided by Man-hours worked. In the calculation, 200,000 are the hours worked by 100 employees, averaging 40 hours per week over a 50 weeks span.

The formal agreements with CBA cover 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 82.



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 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 updated on need basis. During the year the evaluation of the procurement policy was carried out and as a result the dormant suppliers or supplier not meeting the procurement criteria were removed from the system.

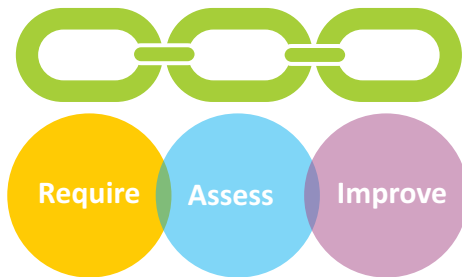


We procure most of our requirements from the locations in which our respective operating facilities are located as far as qualitatively compatible, technically feasible, and economically justifiable. This way, FFC's activities support the economic development of the surrounding areas. FFC is not particularly 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. 62% of our purchases are from local suppliers and 38% from foreign suppliers.

BY WORKING ON SUSTAINABILITY IN THE 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 and working with suppliers to upgrade working conditions help 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.

We have sustainability criteria to select and manage our suppliers, outsourcing partners, and service providers. The 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 evaluation of the procurement selection criteria was carried out during the year. Based on the evaluation results, 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 on 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. The suppliers' 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 on working with suppliers and partners to improve the entire supply chain from a sustainability perspective.



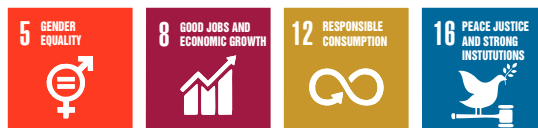
Working in supply chain to limit exposure to unexpected events, negative environmental and social impacts and supply disruption, while building long-term core competence.

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.

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. 450 suppliers (100%), who applied and registered during the year, were screened against existing sustainability criteria during the year.

FFC does not collect data of environmental and social impacts in supply chain thus is not aware of any negative impacts of supplier's operations during the year. FFC is committed to creating 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.

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 82.



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

BY SUPPORTING LOCAL COMMUNITIES

Sustainable Development Goals and the national priorities are the guiding principles for us while creating and sharing value with our local communities. We have well defined CSR policy in place which serves as a guiding document and encompasses commitments, targets and responsibilities for effective management of our CSR activities. 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 the plant site. In 2017, we spent Rs. 89 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.



Rs. 89

million spent on CSR activities during 2017

The implementation and monitoring of the social activities 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. Our work in communities is implemented through Sona Welfare Foundation (SWF), which is a fully dedicated entity to carry out interventions in the fields of healthcare, education, sports and rural development.

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 the supply chain and 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 the targeted community, carried out through surveys, focal groups and meetings with the local community. Based on these guidelines, the interventions are devised to deliver maximum benefit and 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.

We have carried out local community engagement, impact assessment and development programs at all operational locations. As a result of these engagements and assessments, the activities in defined areas are planned and implemented.

Keeping tradition of supporting local communities

Year	Donation in millions
2017	89*
2016	122
2015	168
2014	188

The donations decreased during the year due to decrease in profitability over the years.

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" and 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. 24 million to Hazarat Bilal Trust Hospital and Sona Welfare Hospital located at Goth Machhi and Mirpur Mathelo plants. These hospitals provide good healthcare facilities and treatment of approximately 150,000 patients annually of the surrounding community. FFC donated a sum of Rs 0.7 million to Smile Again Foundation, a Non-Governmental Organization. The organization is helping female survivors of acid and kerosene burns not only with medical care and assistance but also by making them productive members of the society. FFC launched program to curb Hepatitis 'C', a life threatening disease, prevailing in a large portion of population. The program includes scanning for Hepatitis 'C' among general public, treatment and mass awareness through engagement of local government and civil society to mitigate this deadly tide sweeping across Pakistan. First phase of program started from District Ghotki in Punjab which will be spread to other areas in future.

EDUCATION

Education is a significant investment for sustainable economic development. Our interventions in the field of education contribute to SDG 4 "Quality Education" and help in uplifting education level and the socio economic development of the surrounding communities. FFC contributed Rs. 5.6 million under its adopted schools programs which included 20 annual scholarships, distribution of books and stationery besides improvement in infrastructure and payment of salaries of government schools. Rs. 19 million was provided in shape of financial support to Sona public school and 165 new scholarships were provided under the 'Ward of Farmer Scholarship' increasing total scholarships to 260. During the year, FFC contributed an amount of Rs. 10 million to build administrative block at RBT School Jehlum. FFC signed MoU with NUST to establish FFC permanent scholarship at NUST for deserving talented students and an amount of Rs. 2 million was donated for endowment fund. FFC also undertook to support eleven students including MBBS and undergraduate program at Foundation University in 2017 in line with its mission to promote education.

SPORTS

Through our sports sponsorships, we encourage healthier lifestyles and grassroots participation in sports activities which lead to productive minds and societies. Keeping its tradition of promoting healthy sports activities, we made donations for various sports activities and sponsored sports events. During the year, FFC took initiative to support Pakistan Hockey Federation for revival of Hockey in Pakistan. The MoU was signed between FFC and PHF for supporting, uplifting and promotion of hockey and emerging talent in the country. A contribution of 2.4 million was made during the year.

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 Sauwal Village in district Jehlum, FFC initiated a village uplift program covering areas including education, clean drinking water and cleanliness drive. In order to develop skilled workforce and empower women, FFC undertook to build a Vocational Training Centre at Goth Machhi, district Ghotki. The centre will impart modern and specialized tailoring and stitching skills through custom designed courses. Under family assistance program run by FFC, families in Mirpur Mathelo and Goth Machhi are donated special packages of household utilities and cash.

NATIONAL CAUSE DONATIONS

FFC actively donates for national causes to play its part in nation development. During the year, honoring the sacrifices of the brave soldiers of our soil, FFC sponsored nation-wide programs to celebrate Youm-e-Shuhada.

BUILDING PARTNERSHIPS

In line with SDG 17 Partnerships for Sustainable Development, FFC strongly believes in partnerships to promote the goal of sustainable development through shared resources and expertise. During the year, MOUs were signed with Hashoo Foundation for Technical Training and Skill development, with Kaus-e-Kazah for Women Empowerment and Vocational Trainings and RCCI for raising resources for the welfare of the underprivileged.

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 and on 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 reason not based on tax advantages only. 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. 41 billion, being lower than previous year due to lower profitability. Value addition in terms of foreign exchange savings was US\$534 million through import substitution of 2,475 thousand tonnes urea sold during the year.

We support the following SDGs through our work in communities. Information on linkage of our activities and SDGs can be found at page 82.



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. Thus, 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 in our operations. Our sustainability policy clearly defines objectives and states the importance of inclusive growth as one of the key areas for sustainable development.



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

BY EFFICIENTLY MANAGING ENVIRONMENTAL FOOTPRINT

FFC is committed to protecting 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, is helping 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 & Environment (HSE). The objective is to preserve the environment

from 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 & 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 14001:2004 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. The environmental management approach is evaluated regularly based on the results of the internal checks and external certifications of the management systems. The required adjustments are made to reduce the environmental footprint of our operations.

As a result of these efforts and stringent voluntary commitments, there was no violation of laws, regulations and voluntary codes of practice in connection with nature and environmental protection. Moreover, FFC did not have to pay any fines or non-monetary penalties for non-compliance with environmental laws and regulations in 2017. 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 on reducing 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 to compile such data 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 occurred on environmental protection and mitigation of the impacts, are recorded at respective units, where these occur. 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. 87.67 million in 2017, of which 94.46% was spent on waste disposal, emission treatment and remediation and approximately 0.57% on environmental management.

Detailed information on our environmental impacts is available at page 63.

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 82.



We put great emphasis on respecting internationally proclaimed human rights which are fundamental to our corporate values. We support and abide by international charters on human rights in our sphere of influence.

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 2017, 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.

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, there was no 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, a disability, age or sexual identity of employees. 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 exists in our report with target line of 2018. The training of security personnel provided by third parties will be carried out in the next phase. During the year, no complaint was received for discrimination.

All significant investment agreements have been scanned for human rights issues 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. FFC carries out regular review of the operations for human right impacts and in the year 2017, 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. There were no cases in which freedom of association or the right-to-collective-bargaining were seriously endangered or breached. However, we are not aware of breach of right to collective bargaining at suppliers. We reject any form of child labor, forced labor or slavery and strictly comply with local regulations concerning legal minimum age requirements for work permits. There were no cases of child labor or forced labor in the Company. However, we are not aware of cases of child labor or forced labor with our suppliers due to non-availability of reliable data. 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 partner to obey the human right 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 82.



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 support our sustainability initiatives. We have well defined goals for revenue, costs, production, sales and profit along with 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 & Managing Director 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 on quarterly basis 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 Directors' Report. The detailed information can be found at page 71-84 of the Annual Report 2017.

The overall economic indicators for Pakistan remained positive during the year. However, this year was another challenging year for us coupled with subsidy reduction, change in taxation of imported fertilizer to final tax and continuation of super tax for third consecutive year which resulted in net profit of Rs. 10.71 billion, 9% lower compared to last year. Net revenue for the year was Rs. 90.71 billion with 24% increase, while cost of sales also increased by 32%. The net impact was a 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 8.35% due to lower profitability. We paid dividends of Rs. 5,088 million in the year 2017. Total earning per share for 2017 was 9.07% 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, 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

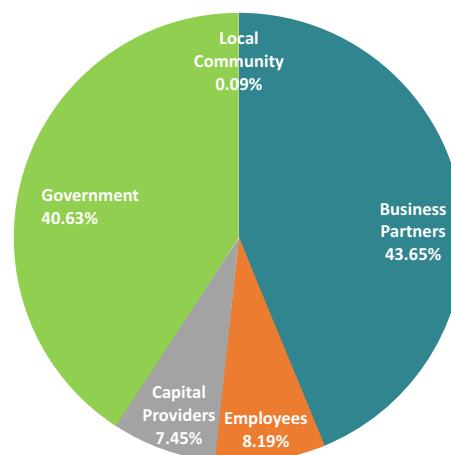
The value added through the activities of FFC and distributed to its various stakeholders in 2017 totaled Rs. 101,498 million.

	2017	2016	2015
Direct economic value generated	(Rs. in millions)		
Revenues	106,139	91,202	106,414
Value generated	106,139	91,202	106,414
Direct economic value distributed			
Business partners	44,299	24,258	26,249
Employees	8,309	7,609	7,908
Capital providers	7,559	8,958	12,213
Government	41,242	45,004	53,782
Local community	89	122	168
Value distributed	101,498	85,951	100,320
Direct economic value retained			
Value retained	4,641	5,251	6,094

Value distribution for the year 2017

Sustainable value creation means sustainable operations independent of any subsidy or other public funding.

In 2017, FFC did not receive any direct or indirect financial assistance from the government except the reduced gas tariff provided to fertilizer industry, subsidy and tax credits as per applicable laws.



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 82.



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 26-27 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 are strict on combating corruption in all of our business areas including in dealings with the suppliers. We have a strict code of conduct containing organizational policy on corruption and effective risk management system to identify of corruption risks. We investigate corruption risks through ongoing internal auditing activity.

Risk assessment for corruption risk covering all of our operations was carried out during the year according to our risk management system. No significant risk related to corruption or incidents of corruption were identified and reported. No

specific training on anticorruption policies and procedures was conducted during the year. The Company's anticorruption policies and procedures have been communicated to all directors and employees at all location of operations. The new hires receive orientation at the time of joining the Company which includes brief about Company anti-corruption policies and procedures. Moreover, the Company ant-corruption policies and procedures are also communicated to all business partners at the time of engagement.



“To ensure honesty, integrity and transparency in all business process 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 of corruption. During the year, there was no violation of laws, regulations and voluntary codes of practice in the economic or social areas and no fines or non-monetary penalties for failure to comply with legal regulations were paid. FFC attaches particular importance to fair interaction with competitors, suppliers and customers. FFC has developed formal procedure for dealing with complaints, if any, at each location of operation, where interest groups may contact the resident managers of the relevant location at any time to lodge complaints. Bodies also exist to deal with specific issues, e.g., works councils, which address workforce concerns. In the year in question, there was no complaint by interest groups or institutions at the relevant locations regarding issues of public or social concern.

BY RESPECTING OUR COMMITMENTS

Complying with applicable laws, respecting and honoring commitments are corner stones of corporate governance. We adhere to laws, regulations and code of corporate governance as applicable in Pakistan. In addition to adherence to laws and our own system of governance, we have international commitments in the shape of memberships and compliance with international charters. We are member of UN Global Compact which is a strategic initiative for companies which 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 sustainable development goals which stimulate businesses to actively contribute to the sustainable development and help governments to meet national level goals leading to global goals.

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 standards for marketing our products to ensure that our products meet the expectations what we have 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 lies with the marketing department and the Chief Executive & Managing Director is responsible for the impacts and marketing of products.

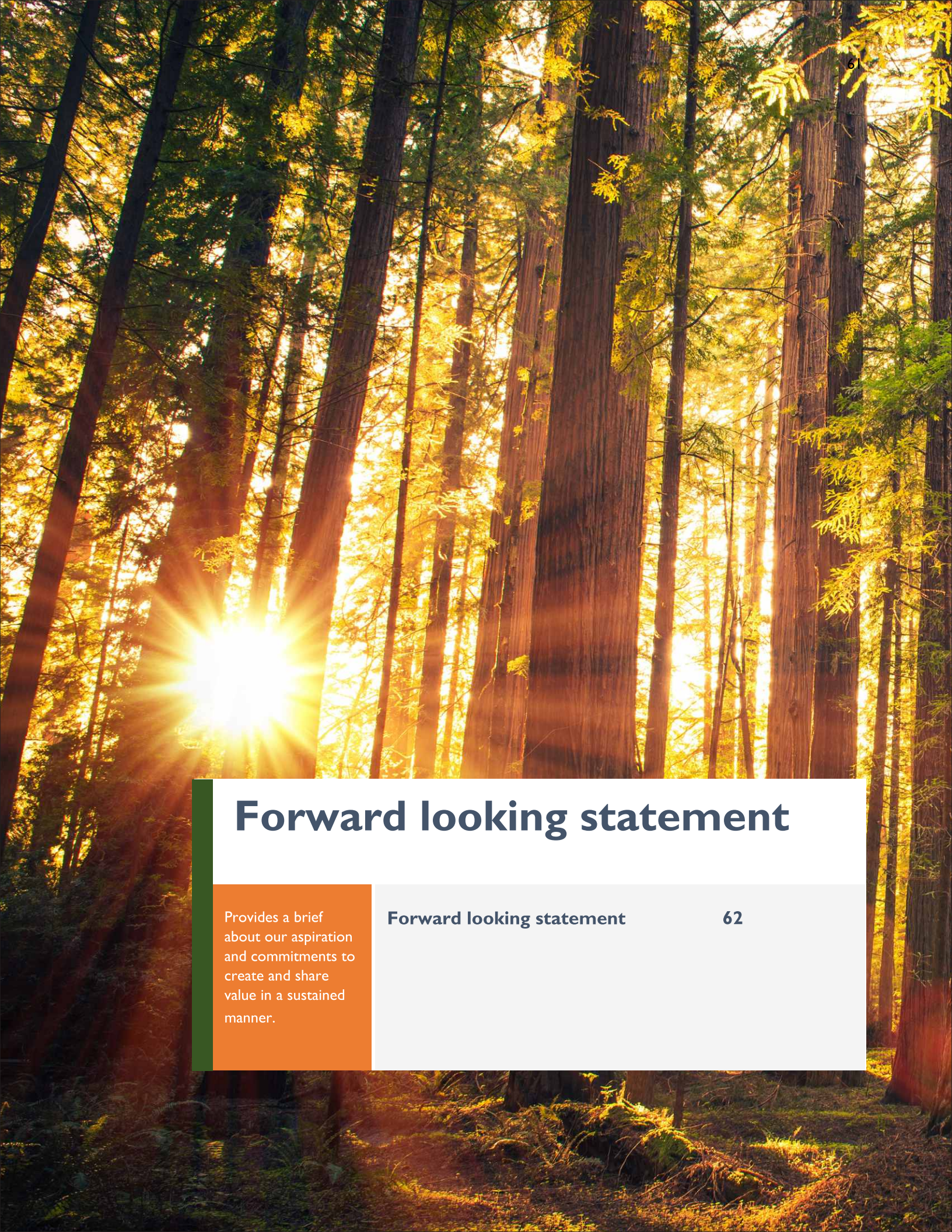
We are aware of the fact that innovation, customer focus, customer facilitation and provision of genuine products are extremely important to meet and exceed the customer demands. SMS service, which gives information about pricing and shipments and online order placement and payment processes through ASKSONA Card, keep our dealers and customers up to date on product availability and pricing. Security labels (Pehchan Sticker) and special colored stitching thread are used, which get 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 –either offenses or 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, there were no 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 82.





Forward looking statement

Provides a brief about our aspiration and commitments to create and share value in a sustained manner.

Forward looking statement

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FORWARD LOOKING STATEMENT

In a challenging environment faced by the fertilizer industry in Pakistan, value creation over different time horizons entails efficient capital management to offer sustained returns to stakeholders. We are focused to make effective use of our available stocks of capitals, reduce impairment, and enhance our capital stocks through management of our operations and increase value creation ability of our company. The goals defined last year have helped us to chalk out strategies to efficiently manage our impacts in material sustainability areas and we are confident to meet the defined targets.

Economic stability is essential to provide returns to stakeholders and plays an effective role for sustainable development. Pricing pressure on account of fixed price, higher costs absorption, higher taxation regime for imported fertilizer, decreasing gas pressure, low agricultural products prices globally, along with changing climate affecting crops production patterns and output will be major challenges for our growth in the near future. However, with the expected increase in global fertilizer prices along with demand, we are confident to achieve our future targets. Moreover, we are also exploring options for alternative resources for raw material and installing additional gas compressors to keep sustained gas pressure for our plants. The progress at our offshore fertilizer is satisfactory and we are partnering with national and international partners to construct coal- to-energy project from indigenous coal reserves of Thar Coal mines under CPEC project. We are committed to reducing our costs, striving to be more efficient and profitable and pursuing diversification to deliver sustained returns to our shareholder.

Natural capital management entails efficient use of scarce resources, energy, water and decrease in greenhouse gases emissions and waste. In line with our commitment to be socially responsible company, we are committed to managing our environmental footprint through continuous upgrades and investments in cleaner technologies at our plants. We are confident to achieve our environmental goals through efficient management of environmental footprint.

Our workforce is a vital component of our value creation process. It enables us to deliver exceptional results in marketplace. We are committed to having a high quality diversified workforce, managing our human capital through training, providing them productive work environment to create a culture of belonging and encouragement and supporting them with competitive benefits. We commit to abide by all human rights laws, regulations, and voluntary commitments for better human capital management.

To keep tradition of excellence in corporate governance, we aim to continuously embrace best corporate governance practices in addition to compliance with applicable laws/codes to remain transparent and accountable towards our stakeholders. We commit to continue stakeholder engagement on issues of interest to stakeholders and company including engagement for our annual Integrated Sustainability Report.

Better farm productivity and healthy returns are vital to uplift lives of millions of farmers. We are committed to expanding our outreach program for capacity building on efficient farming, introducing/demonstrating new farming techniques, farm mechanization, and balanced fertilizer use, which will result in poverty alleviation and bring socioeconomic stability in the farming community. We envisage plant site communities as companions in our growth and we aim to continue to carry out intervention in defined fields in line with our policy and support socio economic development around plant sites as well as for larger society.



Appendices

Contain additional information about environmental performance, independent review, GRI content index, UNGC index, SDGS and glossary.

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Glossary & acronyms	85

ENVIRONMENTAL PERFORMANCE

MATERIAL CONSUMPTION

Material	Unit	2017	2016	2015	2014	2013	2012
Natural gas	MMSCF	46,174	47,140	45,653	44,288	43,897	45,708
Lubricant	Liter	202,721	247,718	306,761	189,807	177,205	168,786
Chemicals	KG	7,144,239	7,760,589	8,705,435	6,800,104	9,224,965	7,534,815
Packing bags (150 gm each)	Bags	40,564,775	49,825,330	49,533,564	47,605,000	48,163,000	47,757,240
Packing bags (95 gm each)	Bags	1,178,325	1,105,500	837,847	909,500	773,000	650,000
Liners and thread	KG	1,480,076	1,844,867	1,827,689	-	-	-
The packing bags of 95 gm each were used on GM plant during the year.							

FFC does not use renewable material in the production processes.

RECYCLED MATERIAL CONSUMPTION

	2017	2016	2015	2014	2013	2012
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 do not allow the use of such materials. However, during the year urea dust of 9,866 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.

	2017	2016	2015	2014	2013	2012
Total Energy consumption in GJ	32,185,965	32,031,372	31,953,949	31,455,088	31,793,657	32,346,825



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.

Moreover, with more than 3,300 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 travelling by air during the year. The energy consumption as a result of these activities is 36.926 GJ.

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. However, the energy consumption has increased by 0.26 GJ/MT in the year 2017 as compared to 0.14 GJ/MT reduction in previous year due to upcoming plant turnaround.

Year	Number of Employees
2012	326,636
2013	553,168
2014	257,354
2015	525,008
2016	602,552
2017	(559,120)

[illegible]

FFC runs three plants located at two manufacturing sites. The plants having different technologies, which have different energy intensity ratios. The overall energy intensity ratio was 12.81 GJ/MT urea as compared to the last year intensity ratio of 12.69 GJ/MT. The energy intensity ratio includes only scope I energy consumption figures.

Energy intensity
12.81 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 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

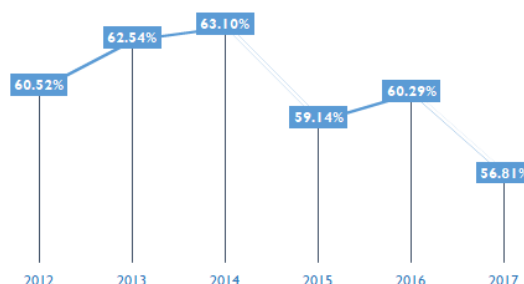
FFC mainly needs water for production of steam and cooling purposes. The water requirements are met for the most part by canal water. Before the water flows into the piping system of plant site, the canal water is cleaned according to its intended purpose using various filter systems. FFC's both plants draw canal water 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 the Irrigation Department and the meters installed by the department measure 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	2017	2016	2015	2014	2013	2012
Canal water	6,377,222	7,776,630	7,197,949	7,616,053	7,391,818	7,875,587
Ground water	9,248,451	6,909,311	7,005,255	6,715,122	5,846,074	6,655,757

Water recycled/ reused	2017	2016	2015	2014	2013	2012
Total water recycled/reused m ³ /year	8,876,219	8,854,161	8,400,441	9,044,195	8,278,852	8,794,369
% of water recycled/reused	56.81%	60.29%	59.14%	63.10%	62.54%	60.52%

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 recycling reduced during the year due to leakage in exchanger which resulted in steam venting causing low recovery. The problem was identified during detailed inspection of the exchanger and has been fixed during the year.

WATER RECYCLING



WASTEWATER

FFC uses water for a variety of purposes in the production process. The water is partly polluted as a result therefore the production wastewater is treated to reduce the pollutants to acceptable limits, prescribed by NEQS, before using and discharging in 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 purposes at plant sites.

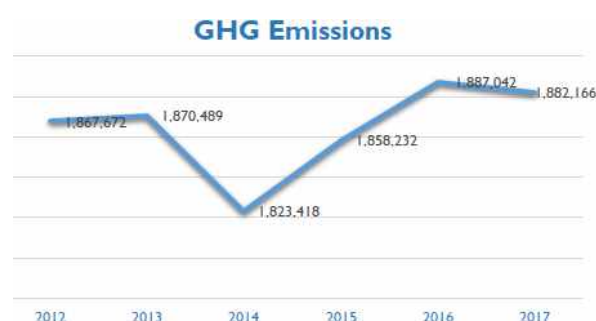
Wastewater in m³/year	2017	2016	2015	2014	2013	2012
Waste Water	4,231,216	3,676,550	2,858,473	2,506,100	2,631,990	2,819,790
The waste water figures are estimated figures. Flow rate is estimated from the operating pumping capacity of waste water disposal plant. The discharged water contained Chemical Oxygen Demand (COD) value of 32 ppm and Biological Oxygen Demand (BOD5) value of 18 ppm.						

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 the 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 the production process and have a major environmental impact which cannot be completely avoided despite 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. The direct carbon dioxide (CO₂) emissions are the result of the combustion processes for the generation of electricity, heat and steam. The emissions of greenhouse gases 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 a 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)	2017	2016	2015	2014	2013	2012
CO₂	1,882,166	1,887,042	1,860,241	1,823,418	1,870,489	1,867,672
FFC has no biogenic emission of CO ₂ 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 are 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 3,300 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 air travel of plant site employees during the year.

The indirect emissions (scope 3) due to fuel used in company vehicles at plant site, head office and air travel of plant site employees is 2,484 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 of developing and implementing the systems, where possible.

GHG EMISSIONS INTENSITY & REDUCTION IN GHG EMISSIONS

The emissions per metric ton of the Urea produced for the year were 0.75 MT CO₂/MT of Urea produced which are at the same level as for the previous year. The emissions per MT include only direct scope I emissions.

**GHG emissions
intensity
0.75 MT CO₂/MT
urea**

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 reductions in emissions are small but in total lead to significantly lower emissions of pollutants. However, during the year, Scope-I CO₂ emissions increased by 66,781 MT as compared to previous year, which is used as base year as per company practices.

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 a system in place to identify, measure and report the total environmental impact of these activities. However, the company is in process of developing a 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

	2017	2016	2015	2014	2013	2012
Nitrogen Oxide	1,208	1,186	929	1,053	1,651	2,977
Ammonia NH ₃	-	-	-	-	-	1,970
Particulate matter	1,220	1,212	1,166	930	908	1079

The significant emissions of other inorganic pollutants such as NO_x and particulate matter have slightly increased during the reporting year while there were no emissions of NH₃ during the reporting year. The company uses previous year's results 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.

	Unit	2017	2016	2015	2014	2013	2012
Recycling							
Urea dust solution	MT	-	-	-	-	-	19,766
Landfill							
CaCO ₃ and waste lime stone	MT	6,392	2,344	5,603	4,621	4,150	4,100
Incineration (mass burn)							
Papers, clothes, etc	MT	134.23	59.11	77.03	592	593	646
On-site storage							
Waste water	m ³	2,045,204	1,516,550	1,526,000	1,409,260	350,000	591,582
Other							
Damaged urea bags, iron scrap etc.	MT	262.75	481	715	309	511	3,946
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 of in landfills, which is then sold to a carefully selected supplier. The company carried out incineration under controlled conditions and specifically required high temperatures for incineration. During the year, 1.3 Ton hazardous waste was sold to government approved contractor for onward disposal as per approved method. 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 incur further costs in the shape of cleaning measures. During the year, no spill 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.

INDEPENDENT EXTERNAL REVIEW

BSD Consulting performed an independent review of the Fauji Fertilizer Company Limited (FFC) Sustainability Report 2017, which was prepared in accordance with Global Reporting Initiative's (GRI) Standards' Comprehensive option and was also guided by the Integrated Reporting (<IR>) 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 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 maintained or maintains business ties with FFC.

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 2017 Sustainability Report, full version, referring to the period from January 1st, 2017, through December 31st, 2017 (presented as 2017). 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 2017 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's Principles of Inclusivity, Materiality and Responsiveness
- Elaboration of the 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 third 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 demonstrates the connections between relevant topics, the SDGs and the Global Compact principles. All over the report, a strong emphasis is given on the relation of the capitals and their use and impact on the value creation of the company. There is still room to improve and demonstrate in a more tangible way, by crossing data, the connectivity of social and environmental with the financial and economic performance.

The report addresses comprehensively how the company engages with different stakeholders, listing their main issues and how the company is treating each issue. There is also a clear line to explain that the company wants to create value for all stakeholders and takes stakeholder visions into account in its decision making process.

The report describes a complete materiality process, and provides an insight in how it has been conducted. We also could identify that the alignment with the GRI topics was consistent.

The report is entering into risk mapping, risk mitigation in the companies operation, but there is still opportunity to improve the analysis of existing and new opportunities of value creation. For example, the increase of participation of women in management and operations can lead to much more productivity, as evidenced by many cases worldwide.

The report addresses comprehensively how the organization articulates to guarantee the availability, quality and accessibility in relation to all capitals, except with regard to natural capital where we still miss a long term analysis of the context and the challenges of the company in terms of climate change and resource restrictions (energy, water).

Main Conclusions on Adherence to 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. The company lays out which different channels it uses to collect stakeholder demands. It would be recommendable to exemplify how stakeholder inputs have effectively been taken into account in the strategic decision making process.
- The stakeholder panel to evaluate materiality for this report has been focused on financial institutions and investors. With this, the company gathered the inputs needed to add a new perspective to the process which will add to the approach of Integrated Reporting that demands a stronger financial view on sustainability data.
- It is important that FFC presents a deeper report of the concerns that arouse and the discussions that occurred in the engagement process. Once its materiality matrix is the same from previous years, a better understanding of how issues are settled and addressed over a longer term can corroborate the effectiveness of the stakeholder engagement processes.
- 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 in the supply chain could be identified and therefore a recommendation for a future report is to minimally include supplier data or assessment results to corroborate the statement given.

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, which makes the process more focused on prioritizing issues related to the company's value creation process.

- Some material topics with outreach in the supply chain such as Respect for Human Rights, Health & Safety or Employment and Labor Relations are not fully monitored by FFC and the company is recurring to the fact that no occurrences have been brought to attention, therefore the report of these topics has partially been downgraded in the Content Index.
- Regarding the company's supply chain impacts, it is necessary to address the topic in a way that the company obtains more knowledge about the current status of its suppliers towards the material topics in order to be able to manage its impacts properly.
- Once the forward looking statement indicates that there will be an intervention in an indigenous coal reserve, topics such as indigenous rights, environmental and social impacts related to this intervention will probably raise its materiality and FFC should consider including affected stakeholders in the engagement process and also consider the impact of coal on its long term effort to reduce the environmental footprint.

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 reinforces its commitment with the UNGC-principles and demonstrates its effort to align internal goals with wider societal goals such as the UN Sustainable Development Goals.
- In terms of economic performance, the company has registered a decrease in profitability and has consequently reviewed its strategy in order to operate in the next years in a more efficient way, reducing costs without undermining the current sustainability efforts.
- The company has addressed the decrease of available gas to sustain its operations and is working on alternatives. The current evaluation around coal reserves may help to respond to the energy challenged, but eventual social and environmental impacts must be carefully balanced out in the decision to choose a different energy provision.

Final Considerations

After careful revision of the FFC Sustainability Report 2017, we can confirm that the company has successfully applied the GRI Standards and delivers a report which corresponds to the requirements of the underlying standards. Compliance with GRI Standards has been disclosed in more detail in the attached GRI Content Index which provides an overview of which standards have been fully and which have been partially responded. In terms of the principles of the IR-Framework, FFC has advanced adhesion and provides a clear business model and value creation process which takes into account inputs of all six vital capitals. For the next report, we recommend the company to disclose further information on supply chain impacts and the methodology applied to assess its suppliers against the most important social and environmental topics.

São Paulo/Lisbon, May 11th, 2018



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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 2017 Sustainability Report or other publicly available sources.

Key























SR = 2017 Sustainability Report
AR = Annual Report 2017

	Fully disclosed
	Partially disclosed
	Not disclosed


























GRI STANDARD	DISCLOSURE	PAGE NUMBER (S)	OMISSION AND REASON
GRI 101: FOUNDATION 2016	GRI 101 contains no disclosures.		
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	I02-2 Activities, brands, products, and services	11	<div></div>
	I02-3 Location of headquarters	11	<div></div>
	I02-4 Location of operations	11	<div></div>
	I02-5 Ownership and legal form	11	<div></div>
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	I02-7 Scale of the organization	12	<div></div>
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	I02-10 Significant changes to the organization and its supply chain	12	<div></div>
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	I02-12 External initiatives	12	<div></div>
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	I02-14 Statement from senior decision-maker	9,23-24	<div></div>
	I02-15 Key impacts, risks, and opportunities	25	<div></div>




















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I02-23 Chair of the highest governance body	14	<div></div>
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	I02-42 Identifying and selecting stakeholder	26	<div></div>
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UNGC - COP










United Nations
Global Compact

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Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	50, 52-53	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.	46, 56	102-41, 402-1, 407-1
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labor.	56	409-1
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Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	42-43, 44, 45, 56	102-8, 202-1, 202-2, 401-1, 401-3, 404-1, 404-3, 405-2, 406-1,
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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

