



# Engro Corporation Limited Communication on Progress (COP) 2021





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August 17, 2022

H.E. António Guterres  
Secretary General  
United Nations  
New York, NY 10017  
USA

Dear Mr. Secretary General,

I am humbled to share that 2021 was a year of accomplishments and growth for Engro Corporation and its group companies. Despite the challenges that came our way, the Group posted healthy business results and achieved significant milestones.

Throughout the year, continuous efforts were directed toward tackling and recovering from the problems posed by the COVID-19 pandemic. Uncertainty associated with the health and well-being of people, inflation spurred by monetary and fiscal stimuli, supply chain limitations, and commodity cycle volatility were a few of the challenges faced during the year. Together, we managed to rise above these challenges, stronger and more united than before. Apart from playing an integral role in producing value for the Country, we also made continued efforts to protect our people alongside proactive contributions to support the wider communities in which we operate and beyond. Engro continued to fulfill its role in combating COVID-19 under the banner of the PKR 1 billion Hussain Dawood Pledge, which focuses on disease prevention, enabling healthcare practitioners, enabling patient care, and bolstering livelihood & sustenance. To date, total spend under the Hussain Dawood Pledge stands at PKR 498 million.

At Engro, we believe that our people are the cornerstone to our success, and we are driven to facilitate their development while protecting their health. During these testing times, several emotional and physical wellbeing programs were introduced to assist our colleagues in tackling the various challenges faced during these unprecedented times. Engro is further determined to create an inclusive work environment and has identified diversity as a key focus area to improve the participation of women in the workforce. We have taken various steps to adhere to our commitment by introducing family-friendly policies such as day care solutions at all our working locations and going beyond legally mandated parental leaves to support our employees.

In today's rapidly evolving world, we believe that shareholder value maximization is only possible by ensuring sustainability and implementation of the best-in-class ESG standards in our processes and practices. Therefore, one of our key strategic imperatives going forward will continue to be the transition to sustainability. As a member of the World Economic Forum and the only Pakistani company to sign WEF's Stakeholder Capitalism



Metric pledge, we have demonstrated increasing commitment in this space in the past and present and will continue to do so in the future.

I am delighted to acknowledge that the constant efforts made by our teams to achieve excellence were lauded at various national and international forums. Among numerous achievements, Engro Corporation secured the UN Global Compact Business Sustainability Award (third year in a row).

We, at Engro, remain a dedicated supporter and champion of the UNGC principles, which encompass human rights, labor, environment and anti-corruption. We continuously strive to integrate these principles in our business operations and the overarching strategic growth plan with the broader development goals of United Nations, including the Sustainable Development Goals as well as the UNGC Principles.

We strongly support public accountability, and our annual Integrated Review is a testament to our commitment to reporting in accordance with the requirements of the UNGC. With this Communication on Progress (COP), we reiterate our intent to continue upholding the UNGC Principles.

Kind regards,

A handwritten signature in blue ink, appearing to read "Ghias Khan", with a stylized flourish at the end.

Ghias Khan  
President & CEO



## United Nations Global Compact Principles

### 2. Human Rights

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

Engro seeks to ensure that we safeguard human rights across our diverse business operations, and make our work environment safe, inclusive, and diverse. Our workforce benefits directly from flexible hours, mandatory local and international trainings, maternity and paternity leave, among other benefits.

Health, Safety & Environment (HSE) is a core value at Engro and we remain fully committed to the best practices across our vast operational footprint in Pakistan. Our approach builds on continuous learning from our own experience and best-in-class industry practices. With the drive to continually excel, we have embarked on a journey to move from a compliance-based approach to a proactive risk-based approach in partnership with DuPont Sustainable Solutions (DSS), a longstanding partner of Engro. We envision and work towards zero occurrence of occupational injuries and illness as well as safety and environmental incidents. We are duty-bound to practice inherent safety in design, deployment and compliance with regulatory requirements of the Government of Pakistan as well as the provinces in which the Company operates. A comprehensive framework is in place to identify, prevent and mitigate threats that can adversely affect PEAR (People, Environment, Assets, Reputation) through effective safeguards and work processes. The Group HSE team works with its affiliates to drive the implementation of health, safety and environmental initiatives and provide continuous oversight and guidance. The team maintains corporate HSE standards by reinforcing our agenda of safety for all through compliance audits, performance tracking, gap analysis and incident investigations. The Company will pursue these obligations based on enforcement of a goal-oriented HSE Management System derived from International Standards and Industry Best Practices. Compliance with HSE standards is a part of our Leadership Competency Model that is used for the evaluation and appraisal of our employees.

In 2021, work related injuries decreased significantly by almost 69 % from 39% in 2020 to 12% in 2021, six Engro subsidiaries posted Zero Total Recordable Work-Related Injuries (TRWRI), resulting in the average TRWRI decreasing significantly from 0.24 in 2020 to 0.0647 in 2021.

### 3. Labor

Principle 3	Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.
Principle 4	Businesses should work towards the elimination of all forms of child labor.
Principle 5	Businesses should ensure effective abolition of child labor.
Principle 6	Businesses should uphold elimination of discrimination in respect of employment and occupation.

“Putting People First” is at the core of our philosophy. We remain committed to fostering an ideal culture by attracting the right people, enhancing their engagement, and developing their technical and leadership skills. This is reinforced through our Performance Management and Goal Setting system, Leadership Competency Model, and the newly launched Learning Management System. Our learning and development frameworks are designed to promote collaboration, encourage problem solving and critical thinking, and make data-driven decision-making the norm.

Diversity and inclusion are fundamental parts of our culture. We strive to enable an inclusive culture by offering equal opportunity to all candidates, irrespective of their gender, religion and backgrounds. Our DE&I framework is geared towards embedding Diversity, Equity and Inclusion into our culture which symbolizes our commitment towards levelling the playing field for all. We take immense pride in our highly qualified and diverse human capital, which drives Engro to new heights each year and helps us maintain our position as one of the leading employers in Pakistan.

Our actions and impact are not limited only to the workforce, but also extend to the communities in which we operate. Diversity at Engro is spread across the entire organization, with 3 women on its Board, increase in the upper management positions – which are currently at 6.67% at C-1 level (considering C-1 as Heads of Department reporting directly to the CEO) and 18.8% at C-2 level (considering C-2 as the employees directly reporting to the Heads of Department) – and a commitment at the Management Committee level to continue improving year-on-year. At the Workplace, since the past two years, Engro has focused on policies and procedures to create a gender diverse and inclusive leadership pipeline, workforce, and culture. These include talent acquisition guidelines for 50% gender diversity based on meritocracy, travel policies, maternity and paternity leaves (being amongst the first to give 6 months of maternity leave), and a strict Anti-Harassment Policy with trained committees in place. For cultural transformations, it is critical to provide support groups for women. This not only creates a sense of inclusion but also assists their career growth. Women in leadership can prove to be the best influence on younger women. For the last 2 years, WE Thrive, as a networking & capability development program for Women of Engro (WE), has provided a platform for women to connect across seniority levels, departments, subsidiaries, and Engro Corp locations for authentic, trustworthy, and supportive connections.



Having the challenges of being a manufacturing concern, Engro has made a conscious effort to create a talent pipeline by capitalizing on the untapped potential of women graduating from STEM institutes. These highly qualified women in engineering are hired in Annual GTE Program across Engro group. Another intervention to enrich the talent pool is the flagship program called *Break Ke Baad*, which is designed to hire women re-entering the workforce after a career break. Through this program, Engro has created opportunities for women who have taken career breaks to pursue other important milestones in their lives. The goal is to enable them to contribute to the corporate sector through their immense intellectual capital and emotional intelligence.

In 2021, Engro invested approximately PKR142 million to train and develop our employees across all subsidiaries. Gender diversity ratio in 2021 has levelled down by 4.25% vs 2020, while Board diversity ratio in 2021 has levelled up by 10% vs 2020. Moreover, 38 % trainees inducted through the Engro Enablers Program were women.

Our progressive attitude towards union activity stems from our understanding of the fact that companies best serve their interests by working with unions rather than against them. A healthy relationship with unions can result in a balance of accountability between the management and employees' interests. Unionisation also connects well with our aim of inclusiveness, with employee interest being represented at every level of decision-making in the organisation. In addition, we also remain committed to curtailing the implementation of child labor or compulsory labor across any of our business subsidiaries.

We do not discriminate on the basis of race, culture, ethnicity, religion, gender, or place of residence, and adhere strictly to the principles of merit. This strategy has yielded considerable success over the years, and we have emerged as a Top Employer in the country. We adhere to the strictest principles of merit in recruitment, compensation, and promotion to ensure that all employees feel fairly treated and compensated. We also aim to provide recognition for superior effort through an awards program that seeks to retain the best of our talent by providing them with leadership opportunities.

That Engro has been able to consistently come ahead of top multinational conglomerates for the title further serves to cement Engro's reputation as a globally competitive organization that seeks to uphold the highest standards in labor practices and rights. Additional details may be viewed in the **Human Capital** section of our [Integrated Review 2021](#).



#### 4. Environment

Principle 7	Businesses should support precautionary approach to environmental challenges.
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.

At Engro, we have consistently maintained a multi-layered approach for environment management, comprising our operations, impacts, and commitments. We believe that responsible operations will always result in sustained and improved environmental outcomes. Caring deeply about environmental impacts and safety of people is a core value at Engro, and our employees embody this spirit in the work they do.

We are constantly reflecting upon the intended environmental impacts and risks associated to the external and internal environment. We also strive to monitor and reduce our negative impacts and bring sustained improvement in our positive impacts with an active commitment and governance structure at each tier of management. This includes a structured approach on adherence to all local laws and applicable standards, classification and regular appraisal of our environmental footprints, and to continuously endeavour towards conservation of natural resources through efficient technology and behavioral change.

2021 was a year of learning and impact assessment. Engro Corporation became Pakistan's first conglomerate to be a signatory to the WEF stakeholder capitalism metrics and aims to manage our environmental footprint based on the requirements of these metrics in the short, medium and long term. We have already embarked on this strategic transformation, both at corporate and subsidiary level, to align with, and fulfill the requirements and recommendations that it entails.

Our total energy consumption stood at approximately 95 million GJ with an adjustment of energy parameter's calculation for lignite coal utilized by Engro Powergen Thar Limited. Our total GHG emissions have been summed up to approximately, 7.821 million tCO<sub>2</sub>e, a moderate increase of 3.2% or 0.242 million tons. However, we are committed to managing and reducing our GHG footprint as part of our long-term emission reduction strategy through technology upgrades, forestation, and renewable energy initiatives. We are also proud of the fact that Engro Enfrashare produced 3,310,000 of clean energy units by solarizing 40% of its operations. Our focus remains on reducing our total environmental footprint by enhancing our ecological impact through preservation of terrestrial and aquatic biodiversity.

In the year 2021, we invested approximately PKR745 million in our natural capital, which included the following initiatives:

1. Investment and monitoring of Corporate and Subsidiary wise environmental footprint and its benchmarking with global industrial averages and necessary adjustments are planned and executed as a matter of routine.



2. Resource Efficiency initiatives in materials, energy, water, and waste reduction throughout the subsidiaries.
3. Investments in renewable technologies like Carbon Dioxide Capture and utilization, Hybrid Solarization, Hydrogen Venting, optimization of Diesel Genset operation, and other initiatives for efficiency and emissions reduction.
4. Bio-diversity parks are initiated to protect endangered species.

Some key accomplishments in the area of environment are listed below:

1. Engro Enfrashare produced 3,310,000 kWhr of clean energy units by solarizing more than 40% of the network.
2. Engro was able to recover around 36% of H<sub>2</sub>SO<sub>4</sub> from its operations and reduced approx. 4.7% GJ of energy compared with the base year (i.e., 2018) via Hydrogen Venting project.
3. Engro Fertilizer (Daharki) recovered approximately 74,000 tCO<sub>2</sub> and utilized it in urea production in 2021.
4. More than 26,000 trees we planted by Engro subsidiaries in the year 2021.
5. An estimated 42 million cubic meters of water meeting all regulatory specifications was safely disposed through are state of the art water treatment facilities.

We are proud of the fact that the company's policies with respect to environmental sustainability have yielded outstanding results. As one of the largest conglomerates in the country, our environmental footprint is highly complex and, therefore, requires a multifaceted strategy to confront the challenge of an environmentally sustainable business model.

Our facilities are frequently audited by third parties to ensure that we are holding ourselves to the standards we have committed ourselves to. We are also actively engaged in inculcating a culture of environmental responsibility amongst our employees, by launching campaigns to conserve energy, save paper, and travel less. We seek to ensure that our employees become environmentally conscious citizens. Additional details may be viewed in the **Natural Capital** section of our [Integrated Review 2021](#).

## 5. Anti-corruption

Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.
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Ethics and Integrity is a core value at Engro, and our people are expected to demonstrate an impeccable character and to live by the highest standards of integrity and accountability. Therefore, pursuit of profit is underlined by a pervasive commitment to be ethical in all that we do. As a result, Engro's work ethos embodies some of the highest standards of corporate governance in Pakistan, which is in line with the commitment to responsible business as exhibited by the world's leading organizations.

We firmly believe in creating economic value only if it creates value for society, and this continues to define how Engro does business. This means we will not decouple business



results from the wellbeing of people, will continuously measure and improve our green footprint and commit to “shared value” with the communities we operate in

Our governance policy begins with a very simple and basic premise: all of Engro’s workings, ranging across all stakeholders, must and do comply with the laws and regulations of Pakistan. However, as with everything that is Engro, we aim to go beyond just mere legal compliance and hold ourselves to an even higher standard.

Engro’s system of internal controls comprises of clear governance structures, authority limits and accountabilities, well understood policies, procedures and a budgeting process. The Board meets quarterly to consider Engro’s financial performance, financial and operating budgets, business growth and developmental plans, capital expenditure proposals and other key performance indicators. The Board Audit Committee receives reports on the system of internal financial controls from the external and internal auditors and reviews the process for monitoring the effectiveness of internal controls.

In 2021, the Ethics and Compliance team at Engro engaged 1,800+ employees through more than 40 interactive sessions nationwide. The objective was to share insights and code of conduct relating to compliance issues and receive feedback from employees. Moreover, the Ethics and Compliance team engaged 1,200+ dealers in 27 cities across Pakistan to ensure that our vendors remain ethical in all their dealings and are strictly adhering to Engro’s ethics and compliance guidelines.

We also continue to encourage use of our *SpeakOut* policy, through which employees can report on violations of the code of corporate governance or ethics and have an active whistleblower protection policy. This ensures that our employees are cognizant of their duty in reporting any ethics violations, including bribery, extortion, etc.

Furthermore, our governance framework allows for a stringent, frequent, and thorough audit of every department where financial transactions are scrutinized and system compliance audits are conducted. Each department is regularly audited and issued audit reports.

## **6. About this Report**

The primary purpose of the Engro Integrated Review 2021 is to explain how we create value over time for our stakeholders – be they our employees, customers, suppliers, business partners, local communities, regulators, providers of financial capital, and policymakers.

It is important to note that value is not created by or within an organization alone and is, therefore, influenced by the external environment, created through relationships with stakeholders and dependent on various resources. These resources and relationships used and affected by the organization are collectively referred to, as per the Integrated Reporting (IR) Framework, as the capitals and are broadly categorized as financial, human, social and relationship, natural, manufactured and intellectual capitals. Our report seeks to provide an



insight on how Engro creates value over time by interacting with its environment and these capitals over the short-, medium- and long-term. To find out more about the Integrated Reporting Framework please visit [www.theiirc.org](http://www.theiirc.org).

For the purpose of this report, the aspects and disclosures of GRI and IR have been mapped with the material aspects which have been mapped considering our business strategy, internal management reporting and the outcomes of engagement process with our stakeholders through the year. In addition, the report serves as supplementary document to our *Annual Report 2021* which provides detailed insight into our financial performance and operations.

Our commitment to maintain the highest levels of transparency and accountability continue to take us to the next level in reporting year on year. This report is a reflection of our beliefs and principles and provides the platform from where we will build our reporting for the future. This report is part of our *Communication on Progress* and highlights our financial performance and our social endeavors as a responsible corporate citizen.

## **7. About Engro Corporation Limited**

Engro Corporation is one of Pakistan's largest conglomerates with subsidiaries in diverse sectors. Engro Corporation's portfolio includes fertilizers, chemical storage & handling, trading, energy, petrochemicals, telecommunications and dairy. Fueled by the vision of becoming the premier Pakistani enterprise with a global reach and passionately pursuing value creation for all stakeholders, Engro's investments are designed to deploy inclusive business models to pursue an integrated and inclusive growth for all who interact with our businesses.

Engro Corp, as the holding company, is responsible for the long-term vision of the company, overseeing the performance of the subsidiaries and affiliates, allocation of capital, management of talent, leadership development, HR guiding policies, leadership role in public relations and CSR activities, control structures, legal and IT support. Engro's subsidiaries and affiliates include Engro Fertilizers Limited, Engro Polymer & Chemicals Limited, Engro Energy Limited, Engro Eximp Agriproducts Limited, Engro Elengy Terminal Limited, Sindh Engro Coal Mining Company Limited, Engro Vopak Terminal Limited, Engro Powergen Qadirpur Limited, Engro Powergen Thar Limited, Engro Enfrashare and FrieslandCampina Engro Pakistan Limited. Additionally, Engro Foundation and Thar Foundation serve as platforms for social and community work for Engro's subsidiaries and affiliates.

For more information, please visit our website [engro.com](http://engro.com).