engro corp

together, we will change the world

Integrated Review 2014

111-211-211
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DGP|THE D'HAMDI PARTNERSHIP-DESIGN

together, for the next 50 years

This year, Engro marks the beginning of a new chapter. A chapter that appears after 50 stellar years of a national success story and a household name. Over five decades, Engro's hard work and collective achievements highlight how together we are changing and will change the world. The cover features a commemorative gold crest with fifty years emblazoned on it in both English and Urdu. A unique visual ligature that speaks in both languages, simultaneously.

By using circles as our primary design element, in this report, we showcase the unity in our organization, the focus of our vision, the revolution from our innovations, and the wholeness of our community that enables us to change the world, together.

The report also reflects the challenges and victories that make Engro a force for good and an organization that has a head for business and many tales of change across the entire spectrum of leadership. Together, for the next 50 years, we are already poised for greater promise, growth and prosperity.

about this report

The primary purpose of this Integrated Review 2014 is to explain to stakeholders how Engro creates value over time. The Integrated Review will benefit all our stakeholders who are interested in our ability to create value including employees, customers, suppliers, business partners, local communities, regulators, providers of financial capital and policy makers.

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.

This report presents the strategy, governance, business model, performance and future outlook covering different forms of capitals (financial capital, human capital, natural capital and social and relationship capital) together creating value for the group. In future, we also aim to report on 'Intellectual Capital' and 'Manufactured Capital'. This report does not cover the uncontrollable economic, social and environmental footprints due to the activities and operations of other businesses connected with our upstream and downstream value chains (for example impacts due the operations and activities of our suppliers, distributors, retailers and consumers etc.).

We have ensured implementation of all reporting principles of GRI and <IR> through our effective and efficient internal controls around corporate reporting. There has been no change in the report boundary against last year.

Report Content:

The contents of this report have been determined considering the materiality of different aspects and issues. The materiality consideration has been made surrounding the following three questions:

What is the regulatory requirement?

What is material for our stakeholders and their interest?

What is material for the group's business?

The materiality assessment has been made by considering our business strategy, internal management reporting and the outcomes of extensive engagement process with our stakeholders.

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 2014, which provides detailed insight into our financial performance and dynamics. In addition, you can also access a digital version of this report by visiting the link:
www.engro.com/integratedreview2014

Our commitment to maintain the highest levels of transparency and accountability continue to take us to the next level in reporting year on year. In case you have any queries about the report and its contents, please feel free to contact me as per the details below.

I wish you all a pleasant read.

Naila Kassim

Manager HR & Corporate Communications

nkassim@engro.com

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contents

company information

Board of Directors
Hussain Dawood, Chairman
Muhammad Aliuddin Ansari -President & Chief Executive
Abdul Samad Dawood
Shahzada Dawood
Shabbir Hashmi
Khawaja Iqbal Hassan
Frank Murray Jones
Ruhail Mohammed
Shahid Hamid Pracha
Saad Raja
Sarfaraz A. Rehman
Khalid S. Subhani

Company Secretary
Andalib Alavi

Bankers
Allied Bank Limited
Askari Bank Limited
Bank Al Islami Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Burj Bank Limited
Citi Bank Limited
Dubai Islamic Bank Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Samba Bank Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
United Bank Limited

Auditors
A.F. Ferguson & Company
Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road
Karachi-74000, Pakistan
Tel: +92(21) 32426682-6 / 32426711-5
Fax +92(21) 32415007 / 32427938

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Fax:+92(21) 35810669
e-mail: info@engro.com
Website: www.engro.com

key figures

Total Assets
(Rs. in million)
217,087 — 2014
207,163 — 2013
189,708 — 2012

Sales Revenue
(Rs. in million)
175,958 — 2014
155,360 — 2013
125,151 — 2012

Weighted Average
number of ordinary shares (in thousands)
518,513 — 2014
512,729 — 2013
511,269 — 2012

Profit After Tax
(Rs. in million)
7,801 — 2014
8,325 — 2013
1,797 — 2012

Earnings Per Share
(Rupees)
13.59 — 2014
15.29 — 2013
2.61 — 2012

Market Capitalization
(Rs. in million)
116,024 — 2014
80,975 — 2013
47,057 — 2012

Dividends Paid
(Rs. in million)
1,218 — 2014
170 — 2013
796 — 2012

Capital Expenditure
(Rs. in million)
9,433 — 2014
8,845 — 2013
6,025 — 2012

Total Equity
(Rs. in million)
68,025 — 2014
55,683 — 2013
43,065 — 2012

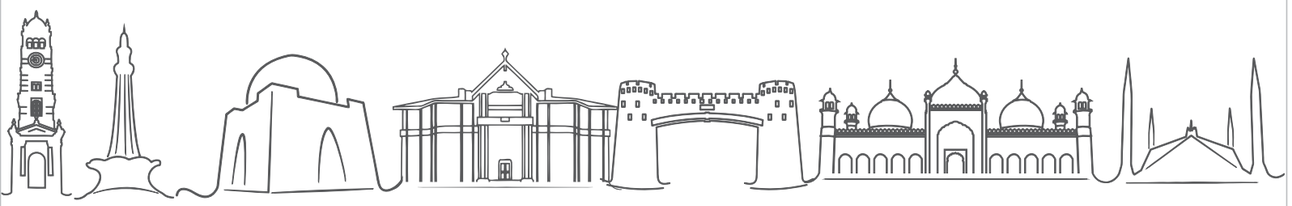
EBITDA
(Rs. in million)
32,306 — 2014
37,030 — 2013
26,330 — 2012

Price to Earnings Ratio
16.3 — 2014
10.36 — 2013
35.26 — 2012

Closing Price
(Rs. per share)
221.51 — 2014
158.38 — 2013
92.04 — 2012

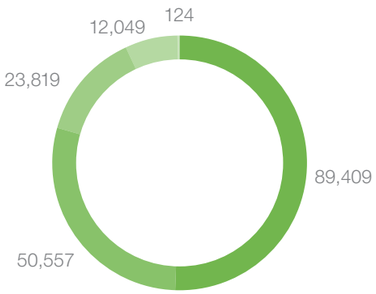
our vision

to be the premier pakistani enterprise with a global reach passionately pursuing value creation for all stakeholders.



engro at a glance

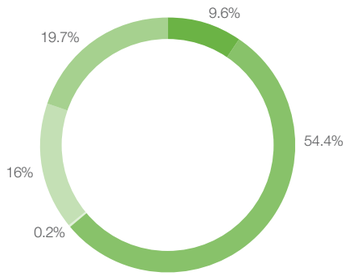
Business Revenues (Rs. in million)



Consolidated Revenue (Rs. in million)
175,958

Fertilizers · Polymer · Others · Foods · Powergen

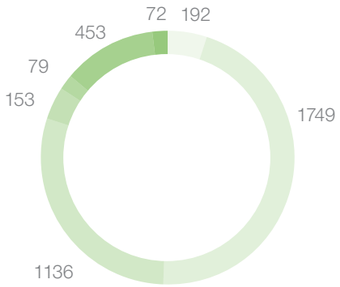
Wealth Generated



Wealth Generated (Rs. in million)
80,215

To Employees · To Society · Retained for reinvestment and future growth · To Government · To Providers of Capital

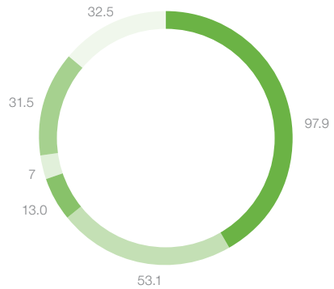
Employees



Total Employees
3,834

Eximp · Foods · Fertilizer · Powergen · EVTL · Polymer · Corp

CSR (Rs. in million)



Total Social Spend in 2014 (Rs. in million)
234.57

Livelihoods · Health · Others · Education · Infrastructure · Fixed Cost

core values

Innovation & Risk Taking

Success requires us to continually strive to produce breakthrough ideas that result in improved solutions and services. We encourage challenges to the status quo and seek organizational environments in which ideas are generated, nurtured and developed. Engro appreciates employees for well thought out risks taken in all realms of business and for the results achieved due to them, cknowledging the fact that not all risks will result in success.

Health, Safety & Environment

We will manage and utilize resources and operations in such a way that the safety and health of our people, neighbors, customers and visitors is ensured. We believe our safety, health and environmental responsibilities extend beyond protection and enhancement of our own facilities.

Ethics & Integrity

We do care how results are achieved and will demonstrate honest and ethical behavior in all our activities. Choosing the course of highest integrity is our intent and we will establish and maintain the highest professional and personal standards. A well-founded reputation for scrupulous dealing is itself a priceless asset.

Community & Society

We believe that a successful business creates much bigger economic impact and value in the community, which dwarfs any philanthropic contribution. Hence, at Engro, sustainable business development is to be anchored in commitment to engage with key stakeholders in the community and society.

Our People

We strongly believe in the dignity and value of people. We must consistently treat each other with respect and strive to create an organizational environment in which individuals are fairly treated, encouraged and empowered to contribute, grow and develop themselves and help to develop each other. We do not tolerate any form of harassment or discrimination.

chairman's message

The year 2014 has been a big year – we delivered strong results, continued turnaround in certain business segments and positioned Engro for the next growth momentum.

It has been my responsibility to continuously develop Corporate Governance systems and monitor the performance of the Board of our Company. We chalked out improvement plans as a result of which, we were honoured with the award for "Best Corporate Governance in Pakistan" for 2014 by World Finance – an accolade that recognizes us as a reliable and trusted partner for our stakeholders.

Through the year our top-line continued to demonstrate its upward trajectory and registered a 13% increase and closed at PKR 176 billion while delivering positive returns for our investors, enhancing capital efficiency and distributing value to a vast ecosystem of partners.

The year 2014 was a year of execution for Engro. Last year we had communicated our resolve to apply our engineering and management capabilities to develop short, medium and long term solutions for the debilitating energy crisis. This year we delivered on that commitment by constructing the fastest LNG terminal in the world – an engineering feat that speaks volumes of our ability and our willingness to identify with national challenges and help resolve them. The LNG terminal – built at a cost of USD 135 million – has a regasification capacity of up to 600mmcfd and would lead to a savings of approximately USD 1.0 billion per annum to the national exchequer.

In the long term we aim to develop the indigenous energy resources to guarantee economic security for the country – and we believe that Thar Coal deposits will prove to be the most crucial game-changing variable in this equation. In 2014 we demonstrated our resolution to help build this key project by on boarding Thal Ltd (House of Habib) & Hub Power Co Ltd as shareholders in the project with an aggregate equity investment of PKR 600 million – an ground breaking step in ensuring that we lead in developing a shared ownership among Pakistani Cos to build this important national project.

Engro we have always believed in championing sustainable business practices and going beyond the call of duty to help the communities that we interact with.

We have always believed in championing sustainable business practices and going beyond the call of duty to help the communities that we interact with. In 2014 we held the first of a series of "Sustainability Exchange" which brought together – on a single platform – the public, the private, and the education sectors to emphasise the relevance of technical & vocational education and training (TVET), and advocate a policy framework to stimulate inclusive growth, livelihood opportunities and sustainable investment. Through the year we have enhanced our focus on social interventions in and around the communities that host us through the provision of education, capacity building, vocational training, health services and infrastructure development. During 2014 we increased our social spend to ensure that across all our companies we continued to improve lives, empower livelihoods and inspire meaningful change across these communities and beyond – details of these programs and initiatives can be found in the 'Social Capital' section of this digital report.

During the year our commitment to eco-efficiency was recognized by World Wildlife Fund (WWF) Finland which declared Engro as the "Best Green Office Coordinator".

We were recognized as being the "Top Employer" in Pakistan showcasing our status as being the preferred and the referred employer for not only new graduates but also working professionals around the country.

At the heart of all these successes lie our people – our enduring advantage. As one of the recognised conglomerates of the country we continued to build on our reputation of hiring and training leaders for tomorrow and providing them with unmatched career growth and experience – a fact reflected in our strong engagement indicators which stood at 62% for the year. Moreover, through the year we were recognized as being the "Top Employer" in Pakistan evidencing our status as being the preferred, and the referred, employer for not only new graduates but also working professionals around the country.

The Engro team has worked assiduously to bring us here and it is my privilege, on behalf of the shareholders, to appreciate their achievements. I am indeed grateful to our shareholders for their unwavering support. It is my earnest hope that you share our excitement about your company's path and the immense opportunities that lie ahead.

HUSSAIN DAWOOD
Chairman

president's message

2014 has been a year of strong progress for Engro in our aim of creating value for our stakeholders. We delivered double digit revenue growth closing the year with a record turnover of PKR 176 billion – up by 13% from last year. There was a major challenge to profitability from a sharp appreciation of the rupee and a crash in commodity prices which affected our rice and polymer businesses. We were able to overcome this as the fertilizer business posted the highest ever topline in its history of PKR 61 billion declaring a record-breaking profit of PKR 8.2 billion – up by almost 33% from last year. Our foods business continued to reflect a strong turnaround demonstrating 36% volumetric growth ultimately becoming the market leader in the Ambient UHT category for its brand Olper's and posting excellent 4th QTR results pointing to better times ahead.The energy business remained an area of development throughout the year where a series of successes were achieved. In 2014 we remained on-track on our contractual agreement of constructing an LNG terminal in record time – an investment that will bring in much needed LNG into the country and help alleviate the debilitating energy crisis. Excellent progress was made on Thar coal mining and power projects with initiation of work on the ground. We commissioned our first overseas project which is a power plant for Nigeria's largest refinery.

Together for Change

In the fast changing global environment successful companies like ours, increasingly have a dual role. We must continue to deliver positive returns to our shareholders and be a force for good which reinforces the returns to shareholders through greater sustainability and opportunity.

In the fast changing global environment successful companies like ours, increasingly have a dual role. We must continue to deliver positive returns to our shareholders and be a force for good which reinforces the returns to shareholders through greater sustainability and opportunity.

At Engro, we believe that we are very well placed to be the catalysts for creating impact as we know how to strategize, plan and execute through a strong enterprise culture which creates benefits for a wide category of stakeholders. Thus we are capable of addressing the big problems affecting society like the energy crisis, food security and consumer nutrition facing Pakistan and other emerging countries.

It is by finding the solutions to these big problems that we will together change the world.

> "we believe that we are well placed to be the catalysts for creating impact"

Together Through Leadership

I believe that if we are to remain true to our purpose of being a change agent then our leadership must evolve with the changing world. Throughout the year we remained committed to our people and we strengthened our investments in training, personal development, safety and other employee support programs.

It was heartening to see employee engagement at historically high levels which stood at 62% at the end of 2014 – up by 11% from last year and 32% from 2012.

Through the year our female and People with Disabilities (PWD) employee strength registered an increase of 19% and 10% respectively. We understand the importance of diversity and inclusiveness within the workforce and the wider value chain on the basis of fairness and equity as well as access to a larger talent pool. The progress made in employee diversity over recent years has been among the best in our sector and led us to being recognized as "Leaders of Change" by Mehergarh in 2014.

It is this ability to develop leaders and provide unmatched career and growth prospects that has made us emerge as the Top Employer in Pakistan. Throughout 2014, we received over 80,000 applications from across the country as more and more people expressed their desire to work for an organization that provides much more than a job, one which provides a mission. This was amply demonstrated during the year as our employees contributed over 11,000 hours of service to their communities through our Envison Volunteer Program and at the organizational level we contributed approximately PKR 205 million in terms of CSR contributions including donor spend.

Together Through Opportunities

At Engro we have always remained mindful of the fact that as leaders in our domain, we must continue to innovate and drive focus on the adjacencies which can fuel our next growth momentum so that together we can tap the great opportunities which lie ahead.

Through the year we recalibrated our strategic growth orientation to focus on the key external themes that will formulate our vision for 2020. These themes stem directly from global challenges which include energy crisis; food insecurity and rising world population.

Presently out of 7.3 billion people in the world today approximately 1.2 billion people live without electricity – with the most deprived region being South Asia. In Pakistan alone 9% of the total population does not have access to electricity which translates into approximately 16 million people countrywide.

Given this scenario we have re-evaluated the energy landscape and believe that we have the expertise to increase our global footprint by gearing ourselves as an energy solutions provider.

As of today almost 11% of the world population lacks access to food; and Pakistan being the 6th most populous country in the world, will acutely feel the effects of food shortage. The country has an alarmingly high ratio of under-nourished population – as high as 22% compared to the global average of 11%. Based on projected population growth rates, Pakistan will have to increase its food production to feed its entire population.

Given this scenario we aim to supplement our product offerings to increase productivity and provide best in class farming agricultural advisory to farmers to boost their yields.

Together Through Future

As we celebrate our 50th year we look to the future. Over the course of the past five decades we have crafted strategies and provided solutions that have mutually benefitted the shareholders, customers, communities, and society at large.

Over the course of the past five decades we have crafted strategies and provided solutions that have mutually benefitted the shareholders, customers, communities, and society at large. Now in our 50th year, we stand re-energized and are very fortunate to be critically positioned to provide leadership for tomorrow's issues.

On behalf of the Executive Committee, I would like to thank our board members, shareholders, employees, investors, bankers, customers, suppliers, CSR partners and the other stakeholders who have demonstrated faith & trust in us throughout the year.

I have never been more convinced about our ability to create lasting impact. Through the multitude of reasons that makes Engro a force for good, we find that together we will make a difference in order to create sustained value for all the lives we touch. In fact, we find that the power of this belief also holds together a fundamental insight: That is, if we want to go far, we must go together. Because it is only by going together that we will touch lives across the globe, and in doing so together we will change the world.

ALI ANSARI
President & CEO

together for leadership

corporate governance

board of directors

Left to Right

Front:
Khawaja Iqbal Hassan
Hussain Dawood (Chairman)
Shabbir Hashmi

Back:
Shahid Hamid Pracha
Abdul Samad Dawood
Saad Raja
Sarfaraz A. Rehman
Muhammad Aliuddin Ansari (President)
Khalid S. Subhani
Francis Murray Jones
Ruhail Mohammed
Shahzada Dawood

directors' profiles

Hussain Dawood

Chairman

Hussain Dawood is the Chairman of Dawood Hercules Corporation Ltd, Engro Corporation Ltd, The Hub Power Company Limited, Pakistan Poverty Alleviation Fund, Karachi Education Initiative, Karachi School for Business & Leadership and The Dawood Foundation.

The Dawood Foundation has contributed to the establishment of many institutions in Karachi and Lahore including the Karachi School for Business & Leadership; Dawood College of Engineering and Technology; the Dawood Public School for Girls; the Aga Khan University Hospital; the Lahore University of Management Sciences; the Beaconhouse National University; the Shaukat Khanum Cancer Hospital; the Al-Shifa Eye Hospital, Rawalpindi; Citizen Foundation Schools at Sheikhupura and Daharki; the GIK Institute of Engineering Sciences and Technology, Topi; the FG Dawood Public School, Muzaffarabad; the Cradle to Cradle Institute in San Francisco; and the Acumen Fund; New York.

His social responsibilities include memberships of the World Economic Forum and its Global Agenda Councils of Anti-Corruption and Education, and the Asia House in London. He is the Honorary Consul of Italy in Lahore and was conferred the award "Ufficiale Ordine Al Merito Della Repubblica Italiana" by the Republic of Italy. Hussain Dawood is an MBA from the Kellogg School of Management, Northwestern University, USA, and a graduate in Metallurgy from Sheffield University, UK. He joined the Board in 2003.

Muhammad Aliuddin Ansari

President & Chief Executive

Muhammad Aliuddin Ansari is the President and Chief Executive Officer of Engro Corporation since May 2012. He is a graduate of Business Administration with a specialization in Finance & Investments.

Ali started his career as an Investment Manager at Bank of America in London, which later became Worldinvest after a management buyout. Prior to joining Engro, he has also worked as CEO Pakistan and later as COO Emerging Europe for Credit Lyonnais Securities Asia (CLSA). He has also worked as CEO AKD Securities and was instrumental in launching Online Trading, Venture Capital and Private Equity investments. In 2006 he partnered with an Oil & Gas company to form Dewan Drilling, Pakistan's first independent Drilling company which he led as its CEO before joining Engro.

Ali is a member of the Board of Directors of Engro Corporation Limited and the Chairman of Engro Corporation's subsidiaries along with being a member on Sindh Engro Coal Mining Company, Dewan Drilling Limited, Pakistan Chemical & Energy Sector Skill Development Company and Pakistan Business Council. He has chaired a number of SECP committees, NCCPL and also served on the Boards of the Karachi Stock Exchange, Dawood Hercules Corporation Limited, Hubco, Lucky Cement and Al Meezan Investment Management amongst others. He joined the Board in 2009.

Abdul Samad Dawood

Director

Abdul Samad is a graduate in Economics from University College London, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance. He is the CEO of Dawood Corporation (Private) Limited and Patek (Private) Limited. He is also a Director on the Board of Dawood Hercules Corporation Limited, The Hub Power Company Limited, Dawood Lawrencepur Limited, Engro Foods Limited, DH Fertilizers Limited, Tenaga Generasi Limited, and Pebbles (Private) Limited. He is a member of Young President Organization, Pakistan Chapter. He joined the Board in 2009.

Shahzada Dawood

Director

Shahzada Dawood serves as a Director on the Boards of Dawood Hercules Corporation Ltd, Engro Corporation Ltd, DH Fertilizers Ltd, Dawood Corporation (Pvt) Ltd, Engro Foods Ltd, Engro Powergen Ltd, Engro Powergen Qadirpur Ltd, Engro Vopak Terminal Ltd, Pebbles (Pvt) Ltd, Patek (Pvt) Ltd, Engro Polymer & Chemicals Limited, Sirius (Pvt) Ltd and Tenaga Generasi Ltd. He also serves as a Director of Dawood Lawrencepur Ltd and Engro Fertilizers Ltd. He is a Trustee of The Dawood Foundation, which is one of the largest public charitable trusts in Pakistan, supporting education and health initiatives. He serves as a Member of the Board of Governors of the National Management Foundation, the sponsoring body of Lahore University of Management Sciences (LUMS). He is an M.Sc. in Global Textile Marketing from Philadelphia University, USA, and an LLB from Buckingham University, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance. He joined the Board in 2003.

directors' profiles

Shabbir Hashmi

Director

Shabbir Hashmi is an engineer from DCET, Pakistan and holds an MBA from J.F. Kennedy University, USA. He has more than 25 years of project finance and private equity experience. Until recently he led the regional operations of Actis Capital (formerly CDC Group Plc) for Pakistan and Bangladesh. Prior to joining Actis he worked for 8 years with the World Bank and USAID specializing in the energy sector.

He is also Chairman of Cyan Limited. A CDC nominee in 2001-02 on the Engro Board, he has been serving as an independent Director on the Board since 2006.

Khawaja Iqbal Hassan

Director

Khawaja Iqbal Hassan graduated cum laude from the University of San Francisco with majors in Finance and Marketing. He started his career with Citibank N.A. where he held key positions including Regional Business Head and Vice President in Saudi Arabia, Turkey and Pakistan. He is the founder and former Chief Executive Officer of Global Securities Pakistan Limited and NIB Bank Limited. He currently serves as a member on the Board of Directors of The State Bank of Pakistan, ICI Pakistan Limited and the Karachi Grammar School. He has also served on the boards of the Civil Aviation Authority of Pakistan (CAA), Pakistan Steel Mills, NIB Bank Limited, Habib Bank Limited, National Fullerton Asset Management Company Limited, Global Securities Limited, Citicorp Investment Bank Pakistan, The Pakistan Fund, The Lahore School of Management Sciences and the Central Depository Company of Pakistan. Mr. Hassan has also been a member of the Prime Minister of Pakistan's Task Force on Foreign Exchange Reserves Management, Corporate Tax Reform and Capital Markets Reform. He was awarded the Sitara-i-Imtiaz by the Government of Pakistan for meritorious contribution to national interests. He joined the Board in 2012.

Frank Murray Jones

Director

Francis Murray Jones is a researcher working on producing algorithms for use in different regional world economies. He has an Honors degree in Physics from University of Sheffield. Mr. Jones started his career in 1972 as a Management Sciences Manager and later assumed the responsibility of Corporate Planning Manager at Guest, Keen and Nettlefolds Steel Division in Birmingham and London. He has extensive experience of working in Client Services, Marketing and Econometrics and has worked for a diversified portfolio of companies (and countries) including Corn Products Corporation (Belgium), Cadbury Schweppes (UK), Anglo American Corporation (South Africa), South African Breweries, Eternit and the Governments of Hungary and Burundi, amongst others.

Mr. Jones has also worked as a consultant for economic development for the World Bank; the Common Wealth Secretariat and the Governments of the Sultanate of Oman, Yemen and Sri Lanka; National Development Company, UAE; Central Bank of Oman; and the National Institute of Cultural Organizations, Abu Dhabi.

In 2009, Mr. Jones, along with co-workers at the University of Cambridge conducted research on factors that affect the success & failure of startup enterprises. The formal results were published by the Royal Society of Arts and Manufacturers, London. He continues to fund and participate in formal research with colleagues at the University of London on self-referencing perception systems and language structures. He joined the Board in 2013.

Ruhail Mohammed

Director

Ruhail Mohammed is currently the Chief Executive Officer of Engro Fertilizers Limited. Prior to his current position, he was the Chief Financial Officer of Engro Corporation Limited and also the Chief Executive Officer of Engro Powergen Limited. He holds an MBA degree in Finance from the Institute of Business Administration Karachi, and is also a Chartered Financial Analyst (USA).

Ruhail has 25 years of Financial & Commercial experience and prior to becoming CEO has worked in areas such as treasury, commodity & currency trading, derivatives, merger & acquisitions, risk management, strategy & financial planning. He has worked in these areas in Pakistan, UAE and Europe.

He is on the Board of Engro Corporation Limited and its various subsidiaries. In addition, he is also on the Boards of Hub Power Company Limited, Sindh Board of Investment and Pakhtunkhwa Energy Development Organization.

directors' profiles

Shahid Hamid Pracha

Director

Mr. Pracha chairs the Board of DH Fertilizers Limited, Dawood Lawrencepur Limited, Tenaga Generasi Limited and Reon Limited. In addition to Engro Corporation Limited, he is a Director on the Boards of Engro Fertilizers Limited, Hub Power Company Limited, Engro Powergen Limited, Engro Powergen Qadirpur Limited, and e2e Business Enterprises (Private) Limited. He recently retired as Chief Executive of Dawood Hercules Corporation Limited and has also served as the CEO of The Dawood Foundation, the philanthropic arm of the Dawood Hercules Group. Whilst in that role, he was concurrently the first CEO of The Karachi Education Initiative, the sponsoring entity of the Karachi School for Business & Leadership.

Mr. Pracha is a graduate electrical engineer from the University of Salford, UK and prior to joining the Dawood Hercules Group, spent a major part of his career with ICI Plc's Pakistan operations in a variety of senior roles including a period of international secondment with the parent company in the UK. He joined the Board in 2012.

Saad Raja

Director

Saad Raja is an engineer from UET, Lahore and with an MBA from the London Business School. He joined DFJ ePlant ventures in 2002, prior to which he had worked at senior management levels in the international asset management and investment sector. His diverse experiences have included tenures with Diachi Life Mizuho Asset Management and Industrial Bank of Japan – Asset Management International. He joined the Board in 2009

Sarfaraz Ahmed Rehman

Director

Sarfaraz is a chartered accountant by qualification and has 30 plus years of professional work experience, mainly in the FMCG industry. He commenced his career with Unilever in 1983 and spent time in Finance, Marketing Services, Management Accounting and Cost Saving projects. Moving on to Smithkline Beecham, he was involved in the Merger and Strategic Planning at the time of the merger. Later, he spent several years abroad with Jardine Matheson/Olayan mainly in Finance and Business Development. He set up the first Logistics Service Provider in the Middle East. Sarfaraz then moved to PepsiCo, managing the Pakistan/Afghanistan Business Unit. In 2000, Sarfaraz received the Chariman's Award, whereas under his leadership the company won the Franchise of the Year in 2001. Later postings and consultancy assignments were outside Pakistan between 2003-2005. On his return to Pakistan, Sarfaraz launched Engro Foods Limited (EFL) in 2005, and for over six years he was in the position of CEO. Under his leadership the company won the G20 World Top 15 company award in early 2012, as a leader in innovation worldwide. Sarfaraz then moved out of commercial operations into CSR with Dawood Foundation in November 2011. Recently Sarfaraz moved back to Engro Foods Limited as Chief Executive Officer with the Company winning the prestigious FT/IFC Transformational Business Award 2014 under his leadership. He joined the Board in 2012.

Khalid Siraj Subhani

Director

Khalid S. Subhani is the Chief Executive Officer for Engro Polymer & Chemicals Limited, and Senior Vice President for Engro Corporation Limited.

He is a Director on the Boards of Engro Corporation Limited, Engro Fertilizers Limited, Engro Eximp (Private) Limited, Engro Polymer & Chemicals Limited, The Hub Power Company Limited and Laraib Energy Limited. He is Chairman of the Board of Engro Polymer Trading (Private) Limited. He has also served as Chairman of the Board of Avanceon in the past. Mr. Subhani began his career in the Manufacturing Division at Exxon Chemical Pakistan Limited in 1983 and has held a variety of leadership roles within the Company, including long term assignment with Esso Chemical Canada. He has served as Manager for New Projects, General Manager for Operations, Vice President for Manufacturing, Senior Vice President for Manufacturing and New Ventures and as Chief Executive Officer for Engro Fertilizers Limited.

He is a member of the Pakistan Engineering Council, Business Advisory Council of the Society for Human Resource Management (SHRM) Forum Pakistan, Academic Council of Institute of Business Administration – Sukkur, Faculty Selection Board of Institute of Business Administration - Sukkur, and Standing Committee on Environment of Federation of Pakistan Chambers of Commerce & Industry. He has recently been elected Vice President of the Overseas Investors Chamber of Commerce & Industry (OICCI).

He graduated from NED University of Engineering and Technology, Pakistan with a degree in Chemical Engineering and has completed programs on advance management from MIT and Hass School of Business Management, University of Berkeley, USA. He joined the Board in 2006.

governance framework

Internal Control Framework

Responsibility

The Board is ultimately responsible for Engro's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board, whilst maintaining its overall responsibility for managing risk within the Company, has delegated the detailed design and operation of the system of internal controls to the Chief Executive.

Framework

The company maintains an established control framework comprising clear structures, authority limits, and accountabilities, well understood policies and procedures and budgeting for review processes. All policies and control procedures are document in manuals. The Board establishes corporate strategy and the Company's business objectives. Divisional management integrates these objectives into divisional business strategies with supporting financial objectives.

Review

The Board meets quarterly to consider Engro's financial performance, financial and operating budgets and forecasts, business growth and development 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.

There is a companywide policy governing appraisal and approval of investment expenditure and asset disposals. Post completion reviews are performed on all material investment expenditure.

Audit

Engro has an Internal Audit function. The Board Audit Committee annually reviews the appropriateness of resources and authority of this function. The Head of Internal Audit functionally reports to the Audit Committee.

The Board Audit Committee approves the audit program, based on an annual risk assessment of the operating areas. The Internal Audit function carries out reviews on the financial, operational and compliance controls, and reports on findings to the Board Audit Committee, Chief Executive and the divisional management.

Directors

As at December 31, 2014, the Board comprises of one executive director, four independent directors and seven non-executive directors of whom three are executives in other Engro Group Companies. The Board has the collective responsibility for ensuring that the affairs of Engro are managed competently and with integrity.

A non-executive Director, Mr Hussain Dawood, chairs the Board and the Chief Executive Officer is Mr. Muhammad Aliuddin Ansari. Biographical details of the Directors are given previously in this section.

A Board of Directors' meeting calendar is issued annually which schedules the meetings of the Board and the Board Audit Committee. The full Board met 8 times including meetings for longer term planning, giving consideration both to the opportunities and risks of future strategy.

All Board members are given appropriate documentation in advance of each Board meeting. This normally includes a detailed analysis on businesses and full papers on matters where the Board will be required to make a decision or give its approval.

Board Induction, Training and Support

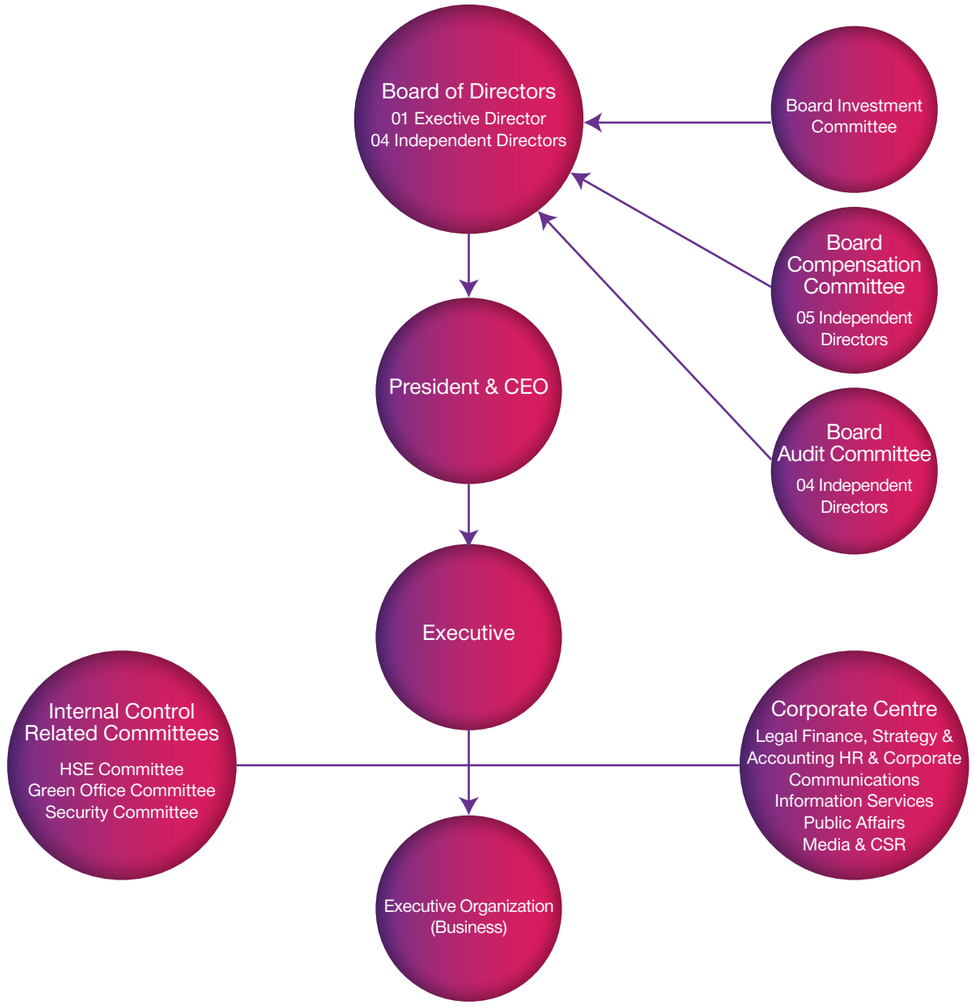
Upon election, Directors receive a comprehensive Directors' Information Pack and are briefed thoroughly on their responsibilities and the business with a tailored induction program. The Chairman ensures that ongoing training is provided for Directors by way of site visits, presentations and circulated updates at Board and Board Committee meetings on, among other things, Engro's business, environmental, social and corporate governance, regulatory developments and investor relations matters. In 2013 an executive Director, Ruhail Mohammad, attended the PICG Directors training while two non-executive Directors Abdul Samad Dawood and Shahzada Dawood have already completed this training previously.

Board Evaluation

Engro's Chairman, in conjunction with the CEO and other Director, leads the process whereby the Boards formally assess their own performance, with the aim of helping to improve the effectiveness of the Boards and their Committees. The evaluation process consists of an internal self-assessment evaluation exercise which was instituted for the first time in 2013. A rigorous assessment provided insight into the performance of our Board, CEO and Chairman's, hosted for the first time using online facilities. The detailed questionnaire invited comments on a number of key areas including board responsibility, operations, effectiveness, training and knowledge.

our governance structure

Our governance framework is designed to ensure that the company lives up to its core values and principles, institutionalizing Engro's commitment to enabling excellence in everything we do. Through concrete processes and mechanisms, we fulfill our responsibilities with everyone we interact with whether it be our customers, suppliers, communities or the government.



Board of Directors' Advisory Bodies:

Engro has a Board Compensation Committee, Investment Committee and an Audit Committee which acts in an advisory capacity to the board. These committees comprise of independent directors with the exception of Board Compensation Committee which has the President of the Group as a member on invite basis only.

The Board Compensation Committee meets multiple times through the year to review and recommend policies and all elements of compensation relating to the senior executives' remuneration and of all members of the executive committee.

The Board Investment Committee assists the Board in reviewing the Company's investment transactions and performances, and in overseeing the Company's financial and capital resources. The Board Audit Committee meets atleast every quarter and assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to shareholders, systems of internal control and risk management through the audit process. It has the power to call for information from the management and to consult directly with the external auditors or their advisors as considered appropriate.

Board & Board Committees Meetings and Attendance

In 2014, the Board of Directors held 8 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows;

Director's Name	Meetings Attended
Mr. Hussain Dawood	8
Mr. Muhammad Aliuddin Ansari	8
Mr. Abdul Samad Dawood	8
Mr. Shahzada Dawood	8
Mr. Shabbir Hashmi	7
Mr. Khawaja Iqbal Hassan	7
Mr. Francis Murray Jones	8
Mr. Ruhail Mohammed	8
Mr. Shahid Hamid Pracha	8
Mr. Saad Raja	5
Mr. Sarfaraz A. Rehman	8
Mr. Khalid S. Subhani	8

The Board Audit Committee held 8 meetings during 2014. The attendance record of the Committee is as follows:

Director's Name	Meetings Attended
Mr. Shabbir Hashmi	8
Mr. Khawaja Iqbal Hassan	7
Mr. Shahid Hamid Pracha	8
Mr. Shahzada Dawood	7

The Board Investment Committee met 8 times during 2014. The attendance record of the Committee is as follows:

Director's Name	Meetings Attended
Mr. Abdul Samad Dawood	8
Mr. Khawaja Iqbal Hassan	6
Mr. Shahid Hamid Pracha	8
Mr. Saad Raja	7

The Board Compensation Committee met 4 times during 2014. The attendance record of the Committee is as follows:

Director's Name	Meetings Attended
Mr. Hussain Dawood	4
Mr. Abdul Samad Dawood	4
Mr. Shahzada Dawood	4
Mr. Shabbir Hashmi	3
Mr. Saad Raja	2
Mr. Muhammad Aliuddin Ansari (by invite)	4

together for direction

strategic way forward

our integrated business model

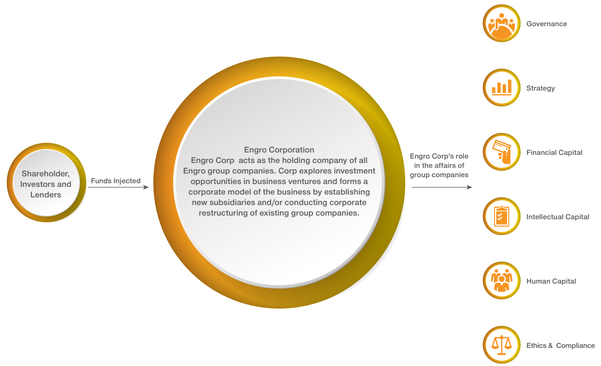
Effectiveness and business growth. The separate value creation business models of each group company are integrated with Engro Corporation's business model which provides strong support to the group Engro's integrated business model is the underlying secret of our structural stability, operational on the following six pillars:

Governance structure
Strategic support
Acquisition and allocation of financial capital
Holding of intellectual capital (brand, policies, systems, standards, patents, copyrights, licenses)
Human Capital Management
Ethics and compliance frameworks

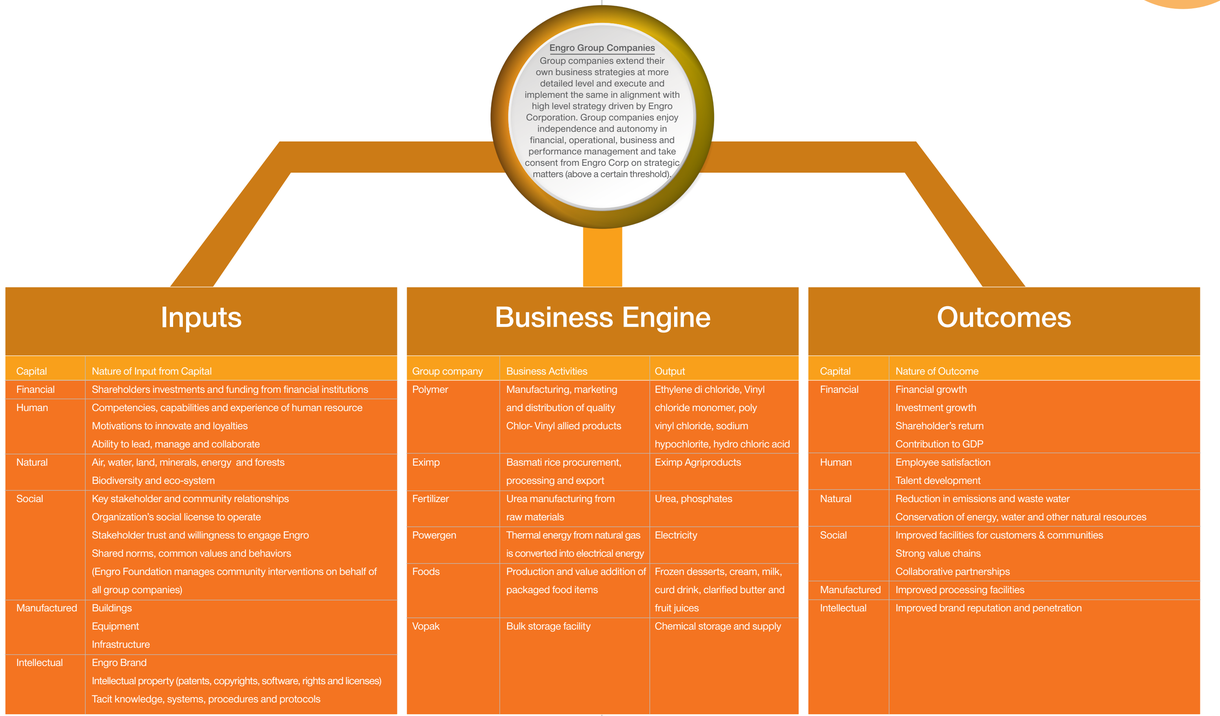
The value creation business models of all group companies have been developed on a common theme, which is as follows:

- Take input from six forms of capitals; financial, human, natural, social & relationship, manufactured and intellectual capitals. The inputs from these capitals are derived in a responsible manner with the realization of the fact that the cost of these capitals is jointly shared by Engro, our society and environment
- Engro business engines (activities and processes) transform these inputs into the outputs (products and services provided of Engro) in a way to
- Create and maximize value (outcome) for all capitals and stakeholders in the short, medium and long term

We believe that while we aspire to deliver value and achieve excellence in our core businesses, the seeds we sow through our diverse outreach today will pave the way for meaningful success tomorrow. We ensure that our business model is geared towards creating sustainable value for a wide spectrum of stakeholders.



By ensuring that our business model is geared towards creating value for a wide spectrum of stakeholders, we create socio-economic opportunities for a far wider community than our direct customers and suppliers – we help fulfil the economic promise of all those that interact with our businesses.



Inputs

Capital	Nature of Input from Capital
Financial	Shareholders investments and funding from financial institutions
Human	Competencies, capabilities and experience of human resource Motivations to innovate and loyalties Ability to lead, manage and collaborate
Natural	Air, water, land, minerals, energy and forests Biodiversity and eco-system
Social	Key stakeholder and community relationships Organization's social license to operate Stakeholder trust and willingness to engage Engro Shared norms, common values and behaviors (Engro Foundation manages community interventions on behalf of all group companies)
Manufactured	Buildings Equipment Infrastructure
Intellectual	Engro Brand Intellectual property (patents, copyrights, software, rights and licenses) Tacit knowledge, systems, procedures and protocols

Business Engine

Group company	Business Activities	Output
Polymer	Manufacturing, marketing and distribution of quality Chlor- Vinyl allied products	Ethylene di chloride, Vinyl chloride monomer, poly vinyl chloride, sodium hypochlorite, hydro chloric acid
Eximp	Basmati rice procurement, processing and export	Eximp Agriproducts
Fertilizer	Urea manufacturing from raw materials	Urea, phosphates
Powergen	Thermal energy from natural gas is converted into electrical energy	Electricity
Foods	Production and value addition of packaged food items	Frozen desserts, cream, milk, curd drink, clarified butter and fruit juices
Vopak	Bulk storage facility	Chemical storage and supply

Outcomes

Capital	Nature of Outcome
Financial	Financial growth Investment growth Shareholder's return Contribution to GDP
Human	Employee satisfaction Talent development
Natural	Reduction in emissions and waste water Conservation of energy, water and other natural resources
Social	Improved facilities for customers & communities Strong value chains Collaborative partnerships
Manufactured	Improved processing facilities
Intellectual	Improved brand reputation and penetration

our key risks & mitigating actions

Risk	Mitigating Actions
Gas shortage at production sites due to curtailment, gas reserve depletion or revision in gas allocation policy	Long-term solution for gas supply shortages to fertilizer already identified and agreed with government. Gas from Reti Maru and Mari SML has started flowing to the urea plant and gas supply from KPD field is being actively worked upon. Engro has been receiving additional gas supply from Mari since July 2013 enabling the company to operate both plants. The company is also actively seeking to invest in energy projects in the country. In this direction, Engro completed construction of its LNG import facility during first quarter of 2015. Thar coal project is also nearing financial close. Such projects will not only ease risk of energy faced by the company but also help the country achieve its economic potential.
Loss of trained and high potential employees, and employees in critical positions	Strategy developed and rolled out for top talent hiring and retention. Succession planning strategy put in place throughout the organization. As a result of measures put in place, employee engagement index improved further over the last year.
Dilution of Company values, standards of governance, risk and control due to induction of new resources and high pressure on the business	Rigorous training programs are in place for orienting new inductees. Moreover, refresher training programs are in place to re-emphasize company values, internal controls and company policies. Hotlines have been set up to register and address complaints of dealers, customers, donors, suppliers and employees.
Pressure on contribution margin resulting from surge in raw material/commodity prices	Respective commodity and pricing committees monitor international and local market scenarios and prices regularly and where possible hedge the risk or pass it to the customer. The trading businesses make calls based on information received from a variety of international sources. Our wide range of businesses also leads to risk diversification. Worldwide decline in commodity prices during 2014 has further reduced the extent of risk.
Safety Risk	Safety at Plant Sites Safety, along with ethics, remains top priority of the organization. Engro's plants and operations are aligned with international safety standards including DuPont and OSHA. Employees are regularly trained in maintaining the highest safety standards and the organization continuously strives to meet ever higher benchmarks. Engro Fertilizers' Daharki plant achieved rating of 4.25 in DuPont audit and Engro Foods achieved DuPont's level 3.4 for its Sahiwal plant and level 3.3 for its Sukkur plant.

Risk	Mitigating Actions
	Food Safety The company has put in place rigorous systems to ensure food safety and has obtained quality certifications including OHSAS-18001, ISO-22000, ISO-9001, ISO-14001 and British Retail Consortium Certification (received highest possible A grade for second year in a row).
Unstable plant operations	Maintenance & inspection strategies in place across all facilities. The organization continues to carry out necessary capital expenditure for plant reliability enhancement. Stringent monitoring mechanisms are in place to avoid plant issues. Personnel are routinely trained both in-house and internationally to help them develop the best possible skillset.
Exchange Risk Exposure	The company has developed policies to manage foreign exchange risk and hedges exchange rate risk wherever necessary. The exposure is monitored regularly and our treasury teams keep an active watch on international developments which could lead to unpredictable moves in the exchange rates.
Increase in interest rates	Each company's management maintains a close watch on macro-economic indicators. A good information network of bankers and financial market analysts is in place to enable timely configuration and implementation of hedging strategies.

strengthening our impact – swot analysis

Strengths

As demonstrated by the accounts for the year 2014, Engro Corporation continues to deliver strong financial performance and value creation for the shareholder while upholding its core values of innovation & risk taking, health safety & environment, ethics & integrity, positive impact on community & society and value of our people. The company has a very strong skillset in functional areas ranging from engineering and marketing to financial and human resource management.

Engro has a five decade long engineering experience including setting up new and relocated plants and capacity enhancement and site optimization. During this period, Engro Fertilizers' urea production capacity increased to more than thirteen folds as compared to 1960s. The company diversified into new businesses of chemical terminal and PVC production, the only such facilities in the country today. In 2000s, Engro not only expanded and back-integrated its Polymer plant, it also setup a gas fired power plant, dairy plants, ethylene handling facility and a rice processing plant. Recently, the Company setup Pakistan's first LNG facility and is currently leading development of country's first Thar coal mine and power plant. Engro's fertilizer marketing experience spans a similar period. The company offers the widest slate of fertilizers in the country.

Engro, through its subsidiary Engro Foods has successfully become the UHT market leader in just a decade through quality brands like Olpers and innovative products like Tarang and Omung, helping make Engro a household brand. The company's financial management is unparalleled in terms of raising large sums from a variety of sources including local and foreign lenders, issuance of Engro Rupiya Certificates and Engro Islamic Rupiya and selective off-loading of stake to fund its growth. The company emerged from brink of default in 2012 through successful debt restructuring. As a result of a diligent financial management, Engro's consolidated debt to equity ratio has declined from 3.07 in 2010 to 1.08 at end of 2014.

Over the years, Engro has had lasting partnerships with reputed international organizations. These include partnership with Asahi Glass and Mitsubishi of Japan for our Polymer business, Royal Vopak of Netherlands as a joint venture partner in Engro Vopak and IFC as an equity/quasi-equity investor and key lender in our Qadirpur power plant, the urea expansion project and now the LNG facility.

Recently, various leading companies of Pakistan have joined hands with Engro for its Thar coal and power projects. Engro has aligned its systems and processes with some of the most stringent standards from around the World including OSHA, ISO, DuPont and OHSAS. Engro's Executive team and management continues to seek new investment opportunities which have enormous potential to add value for the stakeholders including the country. Even though Engro started out as only a urea manufacturer, we have also been successful in setting up businesses in new sectors, each of which enjoys industry leadership.

Weaknesses

The Company's major risk factor was high financial leverage, which has now substantially declined. Engro's growth aspirations in the three strategic verticals are dependent on economic growth in the country. Although Pakistan shows promise in terms of improving purchasing power of the consumer class, we believe that it remains well below potential because of political and economic uncertainty and shortage of power. Hence, our strategic pillar of energy and related infrastructure will help boost consumption which in turn will drive demand for farm inputs.

Threats

Although energy situation has improved over the last year, aided by collapse of international oil price, the country still faces a significant shortfall and requires substantial investment in achieving energy security. The company continued to receive additional gas supply from Mari during 2014 enabling operation of both the plants at partial load. Engro believes in playing an important role in contributing towards alleviation of country's energy shortage. Setup of Pakistan's first LNG facility and continued focus on development of the Thar coal mine and power project are steps in this direction.

Opportunities

Engro believes in the consumer sector's large potential for growth and the Company's ability to meet consumer's needs. This has already been demonstrated by the unmatched success of Engro Foods within a decade. Engro's strengths in setting up new businesses, project management, building brands and winning customer's confidence make it well placed to capture the opportunities. To do so in a prudent manner, the Company sets up pilot projects to validate business case before investing significant financial and human capital. During 2014, the Company carried out fresh dairy, chilled & retail meat and some commodity trading pilot projects. Similary, Engro will continue to evaluate opportunities through pilot projects and pilot product launches in 2015 and beyond in search of next Engro Foods. Growth in consumer sector will inevitably drive growth in agri-inputs sector. While Engro Fertilizers already boasts a wide spectrum of quality fertilizers, the Company is evaluating viability of benefiting from its country-wide reach and farmer connect by entering into other farm inputs such as seeds and pesticides. International investments in fertilizer manufacturing are also being sought which will leverage upon Engro's world class engineering capability in the sector.

Country's shortage of energy presents Engro with opportunities in terms of potential new projects. The gap between supply and potential demand is very large and growing. This, along with Engro's broad experience setting up and operating gas fired power plant, LNG terminal and soon coal mining, place Engro at an advantageous position. The company will seek to add value in all three verticals to manage a balanced portfolio in terms of dividends and growth and sector exposure.

corporate objectives

Financial Objectives	Status
Ensure at least 20% annualized shareholder return over a 3 year period starting Jan 1, 2013	Met
Manage E-Corp investment portfolio as approved by the Board (seed, nurture, prune & harvest)	Met
Energy value chain development initiatives: Steer the LNG project, raise requisite financing Manage the Thar project as per Board guidelines	Met
Agricultural/Food value chain development Initiatives: Complete business feasibility studies for the wheat and maize value chains Undertake a pre-feasibility study for retail sector in Pakistan Undertake the meat pilot project	Met
Scale up monetization of human capital particularly in the Fertilizer and Energy Sectors based on initial studies conducted	Met

Organizational Health Objectives	Status
Human Resource Management: Implement strategy to improve Top Talent pool (Tier-I / Top Talent ratio) from YE 2013 target of 1:2.1 on a consolidated basis to 1:2.8 at YE 2014 and 1:3.5 at YE 2015 Improve Employee Engagement Index (EEI) from YE 2013 target of 47% at E-Corp to 55% by YE 2014 and support subsidiaries to achieve the same Develop a Diversity plan to increase women and PWD's in the workforce Develop a comprehensive training plan & further enhance the mentoring program	Met
Develop risk framework to manage financial risk and implement processes for reduction of operational risks/fraud management	Met
Scale up CSR in business inclusiveness and facilitate development of a 3-year sustainable & inclusive CSR strategy for each affiliate - Envison program to clock 10,000 man-hours across Engro	Met
Initiate a world class operational excellence program covering procurement and HR	Met

our strategy 2020

Our Vision

To be a leading provider of world class products and services in the emerging and frontier economies in the energy, consumer and agricultural inputs businesses delivering a triple bottom line and creating value for all.

The Challenge

Driven by the aim of being a catalyst of positive change in the communities we operate in and the society at large, we continue our commitment towards innovation while seeking the adjacencies which can fuel the next growth momentum.Through the year we recalibrated our strategic growth orientation to focus on the key external themes that formulate our vision for 2020. These themes stem directly from global challenges which include energy crisis; food insecurity and rising population.

Energy Vertical

Presently out of 7.3 billion people in the world today approximately 1.2 billion people live without electricity – with the most deprived region being South Asia. In Pakistan alone 9% of the total population does not have access to electricity which translates into approximately 16 million people countrywide.

As the world copes with rising energy demand, we are striving to increase our global footprint by gearing ourselves as a power generation and solutions organization that is set to solve the growing energy challenge. We aim to enhance our interventions in the energy landscape through targeted investments in international grid connected thermals; provision of LNG & coal to power sector; local and global acquisitions & heightened focus on renewables.

Consequently, by 2020 we plan to add 1,500 MW to the national grid, thereby creating up to 1500 jobs and adding approximately USD 1.25 billion EVA to the country's economy. Through our interventions, therefore, on both the local and global front we aim to touch and empower lives of 60 million individuals each day.

USD 1.2 bn
economic value addition

1500 mw
added to the grid by 2020

1500
direct jobs

Farm and Agri Vertical

As of today almost 11% of the world population lacks access to food with at least 1 out of 9 being chronically malnourished. Coupled with changes in demographic patterns such as urbanization and decline in rural population, agricultural activities continue to witness a decline, posing a significant threat to the challenge of feeding the world.

By 2020, we aim to enhance our engineering and marketing efforts to help deal with the challenge of feeding the world and enhancing productivity and farm yields. We plan to achieve this by supplementing product offerings to increase farm productivity and provide best in class farming agricultural advisory to farmers to boost their yields. By eliminating middlemen and establishing direct farmer links we aim to provide farmers with add-on benefits such as agri-credits, market information, soil sampling facility and precise agri-farming advisory amongst other services.

On the other side of the continuum, we aim to capitalize on our engineering expertise and world-class experience of over five decades of managing fertilizer businesses by venturing in to O&M services to the fertilizer sector worldwide.

We believe that through these dedicated efforts, by 2020 we will be able to increase our rural farmer outreach to 2.2 million and provide them with up to PKR 416 billion in aggregate incomes, in addition to contributing in excess of PKR 15 billion to the agricultural economy as direct farmer benefit. Moreover, by 2020 through our interventions in the rural-agri sphere we aim to touch and improve lives of approximately 13 million people as direct beneficiaries of the farm-agri vertical.

2.2 mn
farmers to be engaged

Rs. 146 bn
aggregate farmer incomes

Rs. 15+ bn
estimated contribution to agricultural economy

Consumer Vertical

As Pakistan's consumer market grows 1.5 folds over the next 5 years, we plan to grow into adjacencies in the dairy & beverages sector and steward milk conversion to packaged dairy whilst also enriching our product offerings in the powder and beverages category.

As the consumer market develops in the country, we foresee increased need for products that offer hygiene, care and convenience to a rising population in the country.

Consequently, we aim to enhance our presence in the consumer foods category by moving in to staples and grains category encompassing wheat, rice and cooking oil.
By 2020, we aim to include increased number of dairy farmers into our folds and help provide them with a total benefit of PKR 76 billion whilst the produce from our consumer business will help provide nourishment and convenience to over 26 million lives each day across the length and breadth of the country.

Consequently through our varied interventions across the aforementioned landscapes we aim to fuel the ambitions of a multitude of individuals across the country & beyond whilst executing meaningful impact across sectors that will fuel the future of our growth momentum.

Rs. 76 bn

total farmer benefit

touch 26 million lives each day across the length and breadth of the country by 2020.

together for returns

financial capital

our financial capital

The Directors of Engro Corporation Limited are pleased to submit the annual report and audited accounts for the year ended December 31, 2014.

Principal Activity

The principal activity of the company is to manage investments in subsidiary companies and joint ventures, which are engaged in fertilizers, food, energy, and chemical businesses. This is achieved through a holistic strategy encapsulating capital allocation and ensuring high levels of organizational health.

Economic Environment

The global economy continued to struggle in 2014 with growth remaining subdued at 2.6%. According to the World Bank US and UK economies showed some improvement as monetary policies remained accommodative and labor markets improved. However, the legacy of the earlier financial crisis continued to plague other larger economies such as Europe and Japan whilst China was engaged in a carefully managed slowdown.

> In fiscal year 2014 Pakistan posted an improved GDP growth of 4.1%, up from 3.7% in fiscal year 2013, primarily driven by industrial sector growth but still constrained by the energy crisis.

The year also saw a major correction in commodity prices including a rapid decline in oil prices, weak international trade and a persistently low interest rate environment but divergent responses in monetary policy by Central banks contributed to currency volatility.

Pakistan entered 2014 with high interest rates and an unstable currency but witnessed a dramatic turn as the currency surged against the dollar after several years and interest rates softened on the back of lower inflation. To achieve macroeconomic stability and structural reforms in the economy, the Government of Pakistan entered into a 36-month extended arrangement with IMF to obtain funding of USD 6.68 billion in September 2013. Improving domestic macroeconomic environment and increased frontier market flows also allowed the Government to tap into the international capital markets through Eurobonds and secondary share offerings. In fiscal year 2014 Pakistan posted an improved GDP growth of 4.1%, up from 3.7% in fiscal year 2013, primarily driven by industrial sector growth but still constrained by the energy crisis.

Agricultural & Dairy Environment

According to the Food and Agriculture Organization (FAO) of United Nations, the world wheat production for 2014-15 is expected to increase to 727 million tons from 717 million tons for 2013-14, on prospects for exceptional yields in US and Europe. North America and EU constitute 33% of the global wheat production. During the year, the oversupply has resulted in strong pressure on prices. In Pakistan, the Federal Committee on Agriculture has set a production target of 26 million tons for 2014-15 vs. 25 million tons in 2013-14.

According to the FAO, global rice production in 2014-15 is estimated at 496 million tons, a decrease of 1 million tons from last year's estimate on account of poorer crop prospects for India, Thailand and Guinea. According to United States Department of Agriculture (USDA), Pakistan's rice production is expected to increase to 6.7 million tons in Market Year 2014-15, up about 1.5 percent from previous year. This year has witnessed a 'black swan" event with basmati rice prices crashing by 50% following global commodity price trends, excess regional supply and curtailed demand from Iran.

Additionally, according to USDA, global cotton production is forecasted at 119.24 million bales for 2014-15 which is slightly lower than 120.4 million bales of 2013-14 largely due to fewer incentives for planting cotton in China, world's largest producer. Furthermore, USDA has forecasted Pakistan's cotton production at 10.5 million bales for 2014-15, an increase of 11% YoY. Cotton prices in Pakistan decreased significantly over the course of 2014, starting with PKR 7000/maund and closing the year at PKR 5000/maund following the global cotton price decrease trend.

Pakistan was awarded GSP plus status by EU in 2013 granting it tax free access to the EU markets, which has boosted the textile exports for the country by around 20% in the very first year.

According to USDA, international dairy prices have fallen significantly in 2014, due to increased global production and lower global trade. The drop in the prices was evident in Whole Milk Powder which decreased by more than 50% in 2014. Milk production of EU and United States, two major exporters, jumped from 231.4 million metric tons in 2013 to 240.2 million metric tons in 2014. In the domestic market the local powder producers are unable to match the imported powder prices and have temporarily exited the market, resulting in increased raw milk supply in the local market and hence, lower prices.

Energy Environment

The global oil market dynamics changed dramatically in 2014 as the US overtook Saudi Arabia in global oil supply on the back of an oil and gas boom in the US. Coupled with lower demand and OPEC's decision to not curb oil production, crude oil prices declined rapidly in the second half of the year to close at a 5 year low of $ 57.33 a barrel.

> For Pakistan, the lower oil prices provide an ideal window of opportunity to usher in structural reforms in the energy sector to position for long term economic growth of the country.

Pakistan continued to be marred by energy shortages during the year as the government failed to implement structural reforms in the sector. The silver lining on the energy front was the signing of the fast track LNG agreement with Engro which has resulted in an LNG facility being built at Port Qasim and expected to be commissioned by the end of March 2015. This facility will help in reducing the current gas shortage by over 25% and can immediately alleviate the power shortage, particularly in the central part of the country, where it is most needed.

For Pakistan, the lower oil prices provide an ideal window of opportunity to usher in structural reforms in the energy sector to position for long term economic growth of the country.

Fertilizer Environment

Despite the meltdown in global oil prices, international urea prices remain largely stable where the swing factor for global urea prices is now China coal-based producers.

International urea prices averaged USD 322/ton in 2014 (CFR Karachi), translating into local cost of Rs. 2,264/bag (inclusive of all ancillary charges) as against average 2014 local price of Rs. 1,793/bag. The fertilizer industry continues to make significant contribution to the agricultural economy by keeping domestic prices substantially lower than international prices. In 2014, the industry provided a net benefit to farmers of approximately Rs. 39 billion.

Pakistan's 2014 urea industry shrank by 4.5% vs. 2013 to 5,629 KT. The decline was mainly attributable to lower application of urea on rice due to poor farmer economics, a delay in wheat sowing in 4Q 2014 and dealer unwillingness to take delivery of product in 2Q 2014 on account of interim uncertainty on dealer margins. Though the industry shrank, share of locally produced branded urea marginally increased to 86.6% as compared to 81.8% last year. Domestic urea production increased to 4,891 KT primarily due to higher production by Engro Fertilizers Ltd.

Domestic urea prices were largely stable in 2014 rising by only 5 % in 2014 despite the sharp increase in Gas Infrastructure Development Cess (GIDC), where GIDC on feed and fuel gas was raised by Rs. 103/MMBTU and Rs. 100/MMBTU respectively during the course of the year. The domestic fertilizer industry continues to absorb a substantial portion of the cost increase.

In 2014 international DAP prices averaged USD 463/Ton (CFR), 4% lower compared to last year. Due to lower phosphate prices and increased demand driven by a healthy Rabi season, the local phosphates industry grew by 4% and recorded sales of 1,659 KT vs. 1,597KT last year.

Chemicals Environment

PVC, Caustic Soda and Allied Products

The PVC market remained well supplied throughout the year with China leading the world in terms of capacity growth. Overall the industry operated at approximately 66% of installed capacity vs. 70% in 2013. In terms of consumption, Asia remained the largest PVC consumer in the world accounting for approximately 64% of total global demand with China alone accounting for almost 40%.

PVC prices declined sharply from July 2014 and ranged from $1060/ton to $795/ton. The decline was attributable to weakening demand in the region and then to a sharp decline in upstream Naphtha and Ethylene prices. However, Ethylene prices held firm at levels of $1450/ton for most part of the year due to supply side constraints, before plunging sharply in 4Q. This price volatility forced manufacturers to carry high value inventory in the latter part of 2014, hence exerting pressure on margins.

During the year, global caustic soda supply outpaced growth in demand. Prices were stable for most of the year, but declined in the last quarter following a broad based decline in commodity prices globally.

The PVC market remained well supplied throughout the year with China leading the world in terms of capacity growth.

business overview

Engro Corporation continued to exhibit a strong underlying performance, despite major challenges faced due to sharp commodity price declines and Rupee appreciation. The company registered record revenue of PKR 175,958 million vs. PKR 155,360 million in 2013, on a consolidated basis, achieving a 13% YoY top line growth. The consolidated profit-after-tax (attributable to owners) was PKR 7,007 million as opposed to PKR 7,818 million during 2013. Profitability was led by Engro Fertilizers, which benefited from improved capacity utilization with both plants operating throughout the year. Engro Eximp achieved healthy trading margins in DAP fertilizer, despite the volatility in the international commodity price, due to correctly timing the purchases when international market prices were low. Engro Foods during the year continued to build on its growth story by achieving its highest ever UHT market share. Engro Powergen and Engro Vopak continued to perform in line with expectation, given their stable business models. The overall profitability, however, was negatively impacted by losses in rice business owing to lower international prices, coupled with an unprecedented Rupee appreciation earlier in 2014.

Our petrochemicals business, in line with the bearish global commodity prices, also suffered losses due to declining Ethylene-PVC price delta and was further adversely affected by the imposition of 5% regulatory duty on its imports of Ethylene and EDC, after mid-year, which increased its raw materials costs.

Engro Corporation's newest venture – the fast-track LNG terminal made tremendous progress against a very tight deadline and is on schedule to achieve commissioning by the due date of March 31, 2015. During the year, Engro also successfully commissioned its Nigerian venture, a 72MW captive power plant thereby laying the foundations for its international aspirations in the power sector.

Engro Corporation has again out-performed the KSE Index by posting an annual adjusted return of 46% as compared to the KSE index return of 27%. During the year, IFC has fully exercised its option and accordingly 12.5 million shares were issued to IFC.

Consolidated Revenue
(Rs. in million)
175,958
2014

Consolidated Profit After Tax*
(Rs. in million)
7,007
2014
*attributable to the owners of the holding company

Engro Corporation continued to exhibit a strong underlying performance, despite major challenges faced due to sharp commodity price declines and Rupee appreciation.

engro fertilizers

The performance was fundamentally led by the continuous operation of both urea plants, since the company continued to receive temporary gas allocation of 60 MMSCFD from Mari throughout 2014 resulting in an overall urea capacity utilization of 80%.

Following the turnaround in 2013, Engro Fertilizers Limited delivered another year of robust operational and financial performance in 2014 on the back of the first full year of 2 plant operations in the company's history. Sales during 2014 were PKR 61,425 million, up by 23% from PKR 50,129 million in 2013. The company posted a profit after tax of PKR 8,208 million in 2014 representing an increase of 49% over PKR 5,497 million posted in 2013. The performance was fundamentally led by the continuous operation of both urea plants, since the company continued to receive temporary gas allocation of 60 MMSCFD from Mari throughout 2014 resulting in an overall urea capacity utilization of 80%.

The company achieved a record production of 1,819KT, which is 16% higher than the 1,562KT produced in 2013. Further, the company produced its fastest ever million tons of urea in 211 days. The sales volume stood at 1,818KT in 2014, 16% higher than in 2013. As a result, EFert's domestic Urea market share increased to 32% from 26% last year. The company's blended fertilizers (Zarkhez & Engro NP) sales for the year increased by 32% to 125KT compared to 95KT during 2013. The increase in the sales was directly attributable to the company's focus on exploring new markets, innovative mix and cost-driven initiatives. The company ended 2014 with an overall potash nutrient market share of 42%, slightly lower than 50% share in 2013 given higher competition vs. low priced imports.

Revenue
(Rs. in million)

61,425

2014

Despite the formal approval of the ECC in January 2014 and best efforts by the company, concessionary feed gas pricing (at USD 0.70/MMBTU) was not implemented in 2014. The company has formalized the commercial agreement regarding the same with key stakeholders and awaited OGRA ratification of the same which has been received post year end.

In August 2014, the Supreme Court deemed the GIDC Act of 2011 as unconstitutional, subsequent to which, the Government appealed the decision and also re-imposed GIDC under a Presidential Ordinance. The company has challenged the validity and promulgation of GIDC Ordinance, 2014 before the Honorable High Court of Sindh, wherein the Court has been pleased to grant a stay order.

Profit After Tax
(Rs. in million)

8,208

2014

With improved profitability, the company also managed to de-lever its balance sheet by implementing its cash sweep to lenders well ahead of the agreed timeline as per the terms of restructuring. . This sweep was applicable on December 31, 2014, however, on account of improved cash inflows, the company implemented the cash sweep in June 2014 resulting in long-term borrowings at year end 2014 of PKR 44,003 million vs. PKR 58,821 million in 2013.
As part of debt re-profiling, the Inter-Creditor Agreement (ICA) was also amended. The amended ICA allowed dividend payment only after the repayment of 33% of the senior loans outstanding as at June 30, 2012. During the year, the company has fulfilled this condition by making the required repayments.

PACRA has upgraded the long term credit rating of Engro Fertilizers from 'A' to 'A+' during the year, while the short term rating is A1. The ratings reflect the company's financial and management strength and denote a low expectation of credit risk and the capacity for timely payment of financial commitments.

During the year, the Karachi, Lahore and Islamabad Stock Exchanges approved the company's application for formal listing and quotation of shares. Accordingly, shares of Engro Fertilizers are now listed at all three stock exchanges of the country.

The company and IFC, during 2010, entered into a loan agreement for US$ 30 million. IFC has an option to convert a part of its loan amounting to US$ 9 million into shares of the company. IFC has exercised its option to convert during the year US$ 5 million and post-year-end US$ 3 million into shares of the company. Accordingly 33.1 million shares have been issued to IFC.

engro foods

In terms of operations, the company successfully restored its distribution network and significantly increased its milk collection.

In 2014, the company focused on further strengthening its position by gaining market share in the UHT category. During the year, the country as well as the local foods industry faced numerous challenges. The energy crisis, security and political situation continued to exert significant pressure on the economy and business operations. Despite these challenges, the company registered double digit revenue growth with positive long-term outlook, while testing opportunities for business expansion through diversification into new product lines and brand extensions.

In terms of operations, the company successfully restored its distribution network and significantly increased its milk collection. Further, it commissioned a new powder plant, which, the management believes, will help reduce volatility in margins over long-term and enable the organization in achieving its strategic growth objectives.

The company reported PKR 43,422 million in consolidated revenue vs. PKR 37,929 million reported in 2013, exhibiting a growth of 14%. Effective investment on brands and efficient product mix management remained key elements in the achievements of growth in topline of 2014. Gross margin declined from 22% to 19% on account of higher milk prices in the first half of the year, which were not passed on to consumers in the competitive market environment. The company also recorded an impairment charge of PKR 596 million on sale of its Canadian operations. During the year, based on the advice of tax consultant, a tax credit amounting to PKR 667 million has been recorded on account of balancing, modernization, replacement, extension and expansion of plant and machinery. On an overall basis, the company's profit increased from PKR 211 million in 2013 to PKR 889 million in 2014.

Dairy and Beverages:

During the year, the company achieved its highest ever UHT market share of 56% in November 2014 as compared to 48% in December 2013 as per A.C. Nielsen.

The key highlight of 2014 was Olper's significant volume growth which was led by continuous investment on brand and introduction of new innovative packaging in 2013 which yielded results in the current year. Tarang was under volumetric pressure during first half of 2014, ascribed to vigorous competitive environment. With the support of price promotions and consumer centric campaigns, Tarang reclaimed its market share and has surpassed historical volumes in the last quarter of 2014 growing 35% over the previous quarter.

During the year, two new products were launched, Olper's Lassi and Y Frooter, to tap into the growing beverage category. Olper's Lassi continued to reflect strong performance in its newly formed category, whereas Y Frooter provided immense learning to the company in the kids segment of the beverages category.

The Dairy and Beverages segment reported a topline of PKR 40,019 million registering a growth of 14% over last year. Segment contributed PKR 1,711 million to the company's profitability this year registering a growth of 9%.

Ice Cream and Frozen Desserts:

During 2014, the ice-cream business witnessed significant growth in volume. Almost half of the industry growth this year was fuelled by Omore, driven by improved sales efficiency, new innovations and selective price revisions. Innovations played a major role in achieving growth in 2014 with products such as Funties and Tutti Frutti, which were well received by the consumers. Furthermore, the company continued to invest in the market by deploying new freezers and entering new geographical territories, while continuing focus on retailer and distributor ROI. The segment reported revenue of PKR 2,936 million recording a growth of 11% over last year, while reducing its loss from PKR 320 million in 2013 to PKR 293 million in 2014.

Dairy Farm:

Our Nara Dairy Farm currently produces 33,108 (2013: 24,874) liters per day with a total herd size of 4,726 animals of which 1,942 are part of the milking cycle. Due to improved production yield the farm significantly reduced its losses from PKR137M in 2013 to PKR 32 million in 2014.

Revenue
(Rs. in million)
43,422
2014

engro eximp

During the year, the Board took certain corrective and mitigation actions whereby the rice business commodity risk profile has now been greatly reduced and the business is being restructured.

During the year, EXIMP was able to achieve healthy margins on phosphates due to favorable trading calls. EXIMP sold 405KT of DAP during 2014 vs. 401KT sold last year achieving a market share of 24%.

EXIMP's revenue increased by 7% to PKR 35,119 million in 2014 from PKR 32,853 million while its consolidated loss for 2014 stood at PKR 2,961 million as compared to a profit after tax of PKR 60 million in 2013. The profitability of fertilizer trading business was more than offset by the rice business losses.

In 2014, the rice business suffered a significant loss as commodity prices crashed and margins were adversely impacted by an appreciating rupee. Operationally, the processing plant delivered an Average Service Factor of 84%, with an improvement of 10% from last year. The average Capacity Factor during the year was 81%, an improvement of 4% as compared to last year.

The company sold 59,300 tons of rice of which 34,300 were exported. However, the supply overhang in the international rice market led to depressed prices and the company accordingly marked down its year-end inventory to net realizable value.

During the year, the Board took certain corrective and mitigation actions whereby the rice business commodity risk profile has now been greatly reduced and the business is being restructured. Rice business pre-paid its entire external long term debt of PKR 1,227 million.

Revenue

(Rs. in million)

35,119

2014

engro powergen

Engro Corporation along with Engro Powergen Limited offered 25% shares of EPQL to institutional investors and general public at a price of Rs. 30.02 per share. These were significantly oversubscribed demonstrating the investor confidence in the company.

Engro Powergen (EPL) is a wholly owned subsidiary of Engro Corporation and a power holding company whose primary objective is to analyze potential opportunities in the Energy and Power sector and undertake Independent Power Projects based on the feasibilities of new ventures. Engro Powergen owns and operates Engro Powergen Qadirpur Limited (EPQL) - a 217 MW combined cycle power plant, and has ventured into the Thar Coal Mining project with the Government of Sindh. Engro Powergen is also a 45% equity partner in GEL Utility Limited (GEL), Nigeria, which was formed with the objective of generation and distribution of energy, power and other related services and has undertaken a project of 72MW triple redundancy captive power plant. Further, during the year, a new company - Engro Powergen Thar (Private) Limited - was incorporated to establish a 2 x 330 MW power plant based on Thar coal.

Engro Powergen Qadirpur Limited:

For 2014, EPQL's revenue was PKR 12,041 million compared to PKR 8,665 million last year. The company earned a profit-after-tax of PKR 2,021 million for 2014 as compared to PKR 1,458 million in 2013. The increase is attributable to higher plant availability in the current year.

During 2014, EPQL demonstrated a Billable Availability of 99.9% compared to 83.1% last year. It dispatched a total Net Electrical Output of 1,722 GwH to the National Grid with a load factor of 92.6% as compared to 71.7% in 2013.

The plant also successfully completed planned Combustion Inspection in 2014. The maintenance activity was completed well within the planned time allowing the power plant to come back online well before schedule. The company continues to focus on plant performance improvement initiatives to ensure its reliability and availability to the national grid and ensure maximum benefit for all stakeholders.

Circular debt remained a persistent problem in the domestic energy sector and a cause of concern for all IPPs, including EPQL. The Government of Pakistan announced a bailout of PKR 480 billion in June 2013 to help address the issue but due to lack of structural reforms, the buildup of receivables throughout 2014 forced IPPs, including EPQL, to call upon the Sovereign Guarantee for settlement of outstanding dues. This Guarantee call was withdrawn by IPPs after the Government of Pakistan settled all outstanding capacity payments and gave positive assurance for settlement of outstanding interest payments by April 2015.

During 2014, Engro Corporation along with Engro Powergen Limited offered 25% shares of EPQL to institutional investors and general public at a price of Rs. 30.02 per share. These were significantly oversubscribed demonstrating the investor confidence in the company. EPQL was formally listed on the Karachi Stock Exchange (KSE) and Islamabad Stock during the year.

GEL Utility Limited (Nigeria):

Commercial operations of GEL were achieved in November 2014, following successful test run of turbines and dispatch of power to Port Harcourt Refinery, Nigeria. Engro's O&M team took control of the facility as well as the remaining construction jobs in end October and closed 2014 with zero TRIR and 99.98% plant availability over and above the target.

Sindh Engro Coal Mining Company (SECMC):

During the year, Engro Powergen signed a revised Joint Venture Agreement (JVA) with Government of Sindh (GoS), under which GoS shall have minimum shareholding of 51% (to account for the provision of Sovereign Guarantee by GoP for debt financing of the Project) in SECMC while EPL along with its affiliates will retain the management with minimum shareholding of 26%. Near the end of December 2014, equity investment of PKR 360 million and PKR 240 million has been injected by Thal Limited & Hub Power Company Limited (affiliates), respectively, with shares allotted to them subsequently.

The process of removing over-burden at site has been initiated through a local contractor and 2 Million BCM overburden was removed by December 2014. All HSE systems for monitoring & reporting activities have been implemented to ensure injury-free work environment. 449,663 man-hours have been completed without loss work injury (LWI). LBOD water scheme work is being carried out by GoS and the site for effluent disposal pond has also been finalized by GoS. Additional mining land lease of 15.9 Sq Km has been granted to SECMC. The current mining lease area with SECMC is now 95.5 Sq Km. Additional PKR 250 million has been deposited with Land Acquisition Officer thus making the total deposit for private land owners to PKR 450 million. Out of this PKR 167 million has been paid to land owners.

Engro Powergen Thar (Private) Limited:
The project is intended to be a 660(2x330)MW mine mouth power plant at Thar. Letter of intent (LoI) has been issued for the project by the Private Power and Infrastructure Board (PPIB).

Subsequent to LOI, an application for Generation License has been filed with NEPRA. During the year, NEPRA notified the upfront tariff for Thar coal based power plants. The company has filed a review petition for clarification of certain items. Total estimated project cost of power plant is USD 1,100 million. Discussions are underway with Chinese and local banks for raising the requisite debt financing.

Revenue
(Rs. in million)
12,049
2014

engro polymer & chemicals

On the production front, the company remained focused on its strategy of converting maximum VCM to PVC and meeting all its PVC production requirements through in house VCM

In 2014 Engro Polymer witnessed one of its most difficult years with challenges across multiple fronts. While the company continued to improve operational efficiencies at its production facility, external factors exerted pressure on its overall performance. The volatility of the commodity markets and its subsequent impact on margins, an appreciating rupee, imposition of GIDC, market contraction due to duty on PVC pipes by Govt. of Afghanistan and imposition of 5% duty on primary raw materials were all factors that combined to impair the results of the company. In revenue terms, the company maintained the top line. However, after posting the highest ever profitability of PKR 707 million in 2013, the company posted a loss after tax of PKR 1,109 million in 2014. The loss includes a revaluation of its finished goods inventory at net realizable value. The broad fundamentals of the business remain intact, but vulnerability to commodity prices and a rise in the price of natural gas have the potential to hurt profitability.

On the production front, the company remained focused on its strategy of converting maximum VCM to PVC and meeting all its PVC production requirements through in house VCM. During 2014, the company produced the highest level of PVC i.e. 153 KT, while the VCM production stood at 168 KT and Caustic soda at 114 KT. In addition, debottlenecking initiatives taken in 2014 were completed on time and enhanced the plant capacities of PVC by 22 KT. Investments to the tune of USD 10 million were made as a part of debottlenecking and reliability enhancement initiatives that are expected to result in higher volumes and ensure safer and more sustainable site operations. To improve reliability of the plant, a major overhaul of one of the gas turbines was completed safely, along with successful replacement of the last two sets of membranes at the Chlor-alkali plant. VCM plant turnaround was conducted successfully in June 2014.

Pakistan's PVC market size stood at 162KT in 2014. Domestic PVC is manufactured solely by Engro Polymer and sells under the brand name of "SABZ". In 2014, the company's market share remained at 77% as compared to 81% in 2013. The decline is attributable to higher import of PVC resin during the year.

The company is channelizing its efforts to enhance PVC pipes demand in the country and is working with private and public sectors to encourage use of PVC pipes in new product developments and spreading awareness about advantages of PVC over competing materials.

Country's Caustic Soda market stood at approximately 260 KT in 2014. The company sold 93 KT in domestic market, maintaining a market share of around 36%. Most of the demand in Pakistan is generated by textile and soap & detergent segments. Growth in these segments can propel growth in Caustic Soda demand, however, considering the current situation of textile industry in Pakistan, overall demand growth is expected to remain modest.

During the year, new investment activities were financed through a new long-term loan of PKR 1,700 million. The long-term loan enabled the company to carry out CAPEX which will result in volumetric growth, improved plant reliability and operational efficiency. On a holistic level, during 2014, the company retired a debt of PKR 2,254 million resulting in net deleveraging of PKR 554 million.

Revenue

(Rs. in million)

23,819

2014

engro vopak

During the year, Engro Vopak completed 17 years of safe operations without any Lost Time Injury. On the operational front, during the year, 250MT excess stock of Para Xylene and 30MT excess stock of Acetic Acid were delivered

During the year, Engro Vopak completed 17 years of safe operations without any Lost Time Injury. On the operational front, during the year, 250MT excess stock of Para Xylene and 30MT excess stock of Acetic Acid were delivered along with maintaining uninterrupted Ethylene supply exceeding yearly planned volumes by 72KT. Actual throughput for the year was 1,172KT vs. 1,135 KT in 2013. The company continued its stable financial operations with revenues of PKR 2,168 million vs. PKR 2,052 million in 2013, posting profit after tax of PKR 1,419 million vs. PKR 1,219 million in 2013.

Revenue
(Rs. in million)
2,168
2014

engro elengy

Elengy Terminal (Private) Limited was formed to construct the new jetty besides Engro Vopak's existing jetty for handling, storage and regasification of LNG, utilizing Engro Vopak's existing trestle and utilities

Elengy Terminal Pakistan Limited, a subsidiary of Engro Corporation won the tender floated by Government of Pakistan for fast track LNG terminal in November 2013. As per the agreement, a Special Purpose Vehicle, Engro Elengy Terminal (Private) Limited was formed to construct the new jetty besides Engro Vopak's existing jetty for handling, storage and regasification of LNG, utilizing Engro Vopak's existing trestle and utilities. The project progress has been in line with plan and is expected to be commissioned as per schedule by the end of March 2015 which would make it one of the fastest implementations in the world.

Engro Islamic Rupiya

During the year, Engro Corporation repaid the entire amount of PKR 6,920 million pertaining to Engro Rupiya Certificates (Issue I & II) on their maturity. The company issued Islamic Sukuks to target individual investors during the year. Branded as Engro Islamic Rupiya Certificates (EIRC), the Sukuks offer an expected rate of return of 13% and 13.5% per annum, over a period of 3 years and 5 years respectively, with semi-annual profit payments. EIRC was successfully received by the investor market and company raised Rs. 4 billion by July 2014. The instrument is secured on certain assets of the company and its subsidiaries and has been rated AA by PACRA. The proceeds from the EIRC were utilized to pay-off conventional liabilities, meet funding requirements of its subsidiaries and finance new projects.

Capital Investment, Capital Structure and Finance

Consolidated shareholders' equity at the end of the year increased by PKR 12,342 million to stand at PKR 68,025 million. Owners' portion accumulates to PKR 57,193 million. This increase is mainly due to profits for the year.

During the year, additions to property, plant and equipment stood at PKR 12,430 million mainly representing additions to LNG plant and machinery. Other additions/ modifications are in respect to fertilizers, polymer and foods plants expansion.

Long-term borrowings at year end decreased to PKR 73,325 million from PKR 93,076 million at 2013 year end, primarily due to the net debt repayments of PKR 20,554 million during the year by the company's Fertilizers, Foods, Rice, Powergen and Petrochemicals businesses as well as ERC repayment by Engro Corp.

Adverse profitability of some of the businesses had a toll on their cash flows but effective financial management enabled them to sustain operations without compromising on debt obligations. The cash flows were carefully allocated for required Capex throughout the year to ensure plants reliability, volumetric growth and operational efficiency.

The balance sheet gearing (company's long term debt to equity ratio) for the year ended 2014 is 52:48 vs. 63:37 as at 2013 year end.

Credit Rating

As a result of the improved financial performance, Pakistan Credit Rating Agency in its annual review of the company's credit worthiness has maintained Engro Corp's long-term rating as "AA-" and short-term rating as A1+, and upgraded the outlook to 'positive' from 'neutral'. These ratings reflect the company's financial and management strength and denote a low expectation of credit risk and the capacity for timely payment of financial commitment.

Major Judgment Areas

Main areas related to Group relief & Group tax, GIDC, Sales tax, Alternate Corporate tax, Minimum tax on Turnover and apportionment of expenses etc. in the subsidiaries are detailed in Notes to the Accounts (Note 39).

Treasury Management

The treasury activities are controlled and carried out in accordance with the policies approved by the Board. The purpose of the treasury policies is to ensure that adequate cost-effective funding is available at all times and that exposure to financial risk is minimized. The risks managed by the Treasury function are liquidity risk, interest rate and currency risk. We use derivative financial instruments to manage our exposure to foreign exchange rate, interest rate, and the objective is to reduce volatility in cash flow and earnings. The treasury function does not operate as a profit center.

Interest Rate Management

At the end of 2014, Engro Corp's consolidated borrowings were PKR 73,325 million. A significant portion of this amount is of foreign currency, which is linked to LIBOR (note 24 of the accounts). Interest rates on foreign currency borrowings are hedged through fixed interest rate swaps for the entire tenor of the loans (note 15 of the accounts). The local currency borrowings are all based on KIBOR which is monitored regularly for adverse movements which may be mitigated by fixing the same.

Risk Management Framework

Engro Corporation launched the Lean Enterprise Risk Management framework in 2011, across its subsidiaries. It is our policy to view risk management as integral to the creation, protection and enhancement of shareholder value by managing the uncertainties and risks that could possibly influence the achievement of our corporate goals and objectives. The businesses mandate assessment of their strategy and quantum of risk that the entity is willing to accept by adequately assigning responsibilities throughout the organization. Risks are identified from across the organization and are ranked based on their impact and probability. Risks are broadly categorized between Strategic, Commercial, Operational and Financial risks. Upon identification of risks, a strategy is devised to mitigate its impact which is regularly monitored by the senior management.

Liquidity Risk

In order to maintain adequate liquidity for its working capital requirements, the Boards of each subsidiary have approved adequate short term facilities. Engro's policy is to ensure that adequate short term funding and committed bank facilities are available to meet the forecast peak borrowing requirements. We mitigate liquidity risk by careful monitoring of our cash flow needs, regular communication with our credit providers, and careful selection of financially strong banks to participate in our operating lines.

Foreign Currency Risk

Where deemed appropriate, we eliminate currency exposure on purchases of goods and foreign currency loans through the use of forward exchange contracts and options as permitted by the prevailing foreign currency regulations.

Some of the businesses have natural hedges for their foreign currency exposures - for e.g. the power business foreign currency exposure is taken by WAPDA, polymer's has a natural hedge due to its product pricing being on imported parity basis while Engro Vopak has certain dollar denominated contracts, and for the fertilizers business we have hedged USD 93.6 million out of its total foreign currency borrowings of USD 122.6 million. We continue to monitor foreign currency trends and take appropriate actions when required.

Management Information Systems

We continue to enhance efficiencies by increasing the SAP footprint in the company from the existing implementation of financial, accounting and human resource applications. During the year, we implemented Ariba e-procurement solution across our manufacturing subsidiaries. Ariba provides 'Spend Management solutions' which helps companies to analyze, understand, and manage their corporate spending to achieve cost savings and business process efficiency. The Company embarked on a major IT project "MyEngro" covering all HR activities of which two modules were operationalized.

Accounting Standards

The accounting policies of the company fully reflect the requirements of the Companies Ordinance 1984 and such approved International Accounting Standards and International Financial Reporting Standards as have been notified under this Ordinance as well as through directives issued by the Securities and Exchange Commission of Pakistan.

Risks are broadly categorized between strategic, commercial, operational and financial risks. Upon identification of risks, a strategy is devised to mitigate its impact which is regularly monitored by the senior management.

Pension, Gratuity and Provident Funds

Engro Corporation maintains plans that provide post-employment and retirement benefits to employees across the Group. These include a contributory provident fund, a defined contributory (DC) pension plan, a non-contributory gratuity scheme for all employees and a defined benefit (DB) pension scheme for the annuitants retired before July 1, 2005.

The above mentioned plans are funded schemes recognized by the tax authorities. The latest actuarial valuation of management pension and gratuity schemes was carried out at December 31, 2014 and the financial statements of these have been audited up to December 31, 2013. The latest audited accounts for the provident fund cover year ended June 30, 2014. The company has fully paid all its obligations on all the above schemes.

Audited Upto	Provident Fund June 30, 2014	Pension Fund December 31, 2013	Gratuity Fund December 31, 2013
	----------Rupees in million----------		
DSCs/PIBs/RICs/SSCs	1,191	491	895
TFCs	291	-	47
Quoted Shares	228	110	177
Bank Deposits/T-Bills	151	28	52
Receivables	230	65	92
Payables	54	42	46
Total Net assets	2,037	652	1,217

Auditors

The existing auditors, A.F. Ferguson & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment. The Board Audit Committee has recommended their re-appointment as statutory auditors for the year ending December 31, 2015 and the Board has endorsed the communication.

Shares Traded and Average Prices

The company's stock is amongst the actively trades shares on all the Stock Exchanges of the country. During the year 837.4 million shares of the company were traded on the Karachi Stock Exchange. The average price of the company's share based on daily closing rates was PKR 187.12, while the 52 week low - high during 2014 was PKR 154.99 – 232.00 per share respectively.

Pattern of Shareholding

Major shareholders of Engro Corporation Limited are The Dawood Group including Dawood Hercules Corporation Limited (DH). Other shareholders are Engro group company employees, annuitants and their relatives, local and foreign institutions and the general public.

A statement of the general pattern of shareholding along with pattern of shareholding of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by Directors, company Secretary and their spouses including minor children during 2014 is shown in the shareholding section of this report.

Board of Directors

The Board of Directors reviews all significant matters of the company. These include company's strategic direction, annual business plans and targets, decision on long term investment and borrowings.

The Board of Directors is committed to maintain high standards of Corporate Governance. Three of the directors attended the directors' training course conducted by the Pakistan Institute of Corporate Governance this year. Three other directors have already completed this course earlier.

Statement of Director Responsibilities

The directors confirm compliance with Corporate and Financial Reporting Framework of the SECP Code of Governance for the following:

- The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements except for changes resulting on initial application of standards, amendments or interpretations to existing standards and reclassification of capital spares. Accounting estimates are based on reasonable prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures there from have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There is no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Board & Board Committees Meetings and Attendance

In 2014, the Board of Directors held 8 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows;

Director's Name	Meetings Attended
Mr. Hussain Dawood	8
Mr. Muhammad Aliuddin Ansari	8
Mr. Abdul Samad Dawood	8
Mr. Shahzada Dawood	8
Mr. Shabbir Hashmi	7
Mr. Khawaja Iqbal Hassan	7
Mr. Francis Murray Jones	8
Mr. Ruhail Mohammed	8
Mr. Shahid Hamid Pracha	8
Mr. Saad Raja	5
Mr. Sarfaraz A. Rehman	8
Mr. Khalid S. Subhani	8

The Board Audit Committee held 8 meetings during 2014. The attendance record of the Committee is as follows:

Director's Name	Meetings Attended
Mr. Shabbir Hashmi	8
Mr. Khawaja Iqbal Hassan	7
Mr. Shahid Hamid Pracha	8
Mr. Shahzada Dawood	7

The Board Investment Committee met 8 times during 2014. The attendance record of the Committee is as follows:

Director's Name	Meetings Attended
Mr. Abdul Samad Dawood	8
Mr. Khawaja Iqbal Hassan	6
Mr. Shahid Hamid Pracha	8
Mr. Saad Raja	7

The Board Compensation Committee met 4 times during 2014. The attendance record of the Committee is as follows:

Director's Name	Meetings Attended
Mr. Hussain Dawood	4
Mr. Abdul Samad Dawood	4
Mr. Shahzada Dawood	4
Mr. Shabbir Hashmi	3
Mr. Saad Raja	2
Mr. Muhammad Aliuddin Ansari (by invite)	4

Dividend

The Board is pleased to propose a final cash dividend of PKR 4 per share, for the year ended December 31, 2014. The total dividend attributable to the year is PKR 6 per share including the interim cash dividend of PKR 2 per share during the year.

future outlook

Engro Corporation is well placed to grow in the Agri, Foods and Energy verticals. Profitability should rise significantly barring any unforeseen events. Our focus remains on domestic growth and EFoods is well placed to capitalize on the growth in the middle class and is expected to post a robust performance in 2015.

We remain committed to our mission of helping solve the country's energy crisis and shall soon be delivering an LNG terminal at one of the lowest rates in the world and in the shortest possible time. The company is at the forefront of developing Pakistan's largest hydrocarbon reserves - Thar coal, through an integrated mining and power generation project. This together with Government of Sindh will be a major milestone for the country. in the Energy-Power vertical we will look at other expansion opportunities with a long-term vision of international expansion.

EFert is well placed to improve its profitability and grow its foot-print in other agri-inputs. Restructuring measures at EXIMP will see all non-DAP trading activities being curtailed and the unit is proposed to be consolidated with EFert thereby bringing all fertilizer activities under one roof. The company has also proposed to delink the rice business from Engro EXIMP and bring it directly under Engro Corp, and operate it on a reduced scale.

Engro Fertilizers

Global urea demand in 2015 is expected to remain steady to moderately high, while supply is expected to trend higher, with new capacity coming on stream in Algeria and Egypt. Global urea prices are expected to remain stable in 1H 2015 and could dip somewhat in 2H 2015 as supply additions ramp up. While urea prices have so far not mirrored the downtrend of international oil prices, continued softness of the latter could pose a risk to international urea prices. Significant gap between prices of locally produced and imported urea is expected to continue in 2015.

Local urea demand for 2015 is expected to remain stable, even though farmer income on rice and cotton has taken a dip in 2014. Gas curtailment issues are likely to continue in 2015, hence the network based fertilizer plants will continue to face challenges due to intermittent supply. Given the above limitation on domestic production, local urea producers should be able to replicate 2014 performance and sell all they produce while imports by the Government will be needed to meet the gap between local production and demand.

The company will look to maximize production in 2015 subject to gas availability. In December 2014, the ECC approved the continuation of temporary allocation of 60 MMSCFD additional gas to Engro Fertilizers in respect of the company installing gas compressors for Guddu Power Plant (GENCO II) at its own cost. It is understood that as a result of the above agreement, 60 MMSCFD gas will flow to the company till December 2015. In addition, the ECC has also approved the allocation to the company of 3MMSCFD of gas from the Maru East field.

Post year end, the company has received confirmation from SNGPL that the relevant agreements have been duly executed (following OGRA approval) and billing at concessionary pricing for the feed portion of gas being supplied shall commence in March 2015. Further, the company proposes to acquire Engro EXIMP commodity trading business, including its UAE based subsidiary, subject to shareholder approval. This acquisition will contribute to additional revenue and profitability to the company, in addition to consolidating its position in the fertilizer industry.

Engro Foods

The company continues to maintain a strong positive outlook on the country due to improved macroeconomic indicators and declining international fuel prices. With a burgeoning population and rise of the middle class on the back of demographics, the company is optimistic of the potential that the country holds. Engro Foods will continue to live its purpose-inspired growth strategy and bring to the fore affordable and nutritious products that guarantee wholesome goodness to its consumers.

Based on the 4th quarter performance we are confident that volume and sales growth journey of the company will continue in 2015. With a constant stream of innovation and customer related improvements, the company will continue to expand its market share in all categories by exploring untapped markets within the country and outside. Declining raw material and fuel prices are expected to result in margin expansion for the company in 2015.

Engro EXIMP

Imported fertilizer remains a key value driver for the company. Given the relatively stable DAP prices and declining energy costs the domestic industry size is expected to remain healthy at around 1.5m tons. Moving forward the Company will continue its trading operations in DAP and micro-nutrients while all other trading activities will be curtailed.

International rice prices are expected to remain soft in near term thereby affecting Rice business margins. Due to uncertain business conditions the company will procure only limited volumes of rice, while, continuing to restructure and optimize the business operations.

Going forward, the management is developing a comprehensive strategy to overcome challenges that surfaced in the year.

To enhance value creation in the various business segments, Engro Corp proposes, subject to shareholder approval, the delinking of the rice business (EEAP) and manage it directly to bring focus on the business moving forward. Additionally, Engro Fertilizer proposes, subject to shareholder approval, to acquire the trading business (EXIMP) to solidify its position in the fertilizer industry.

Engro Polymer

The company anticipates stable supply of Ethylene but the prices will remain volatile owing to uncertainty in the global commodity prices due to crude oil price volatility. Political developments, decision of OPEC on supply and progresses on shale gas remain the key triggers for crude oil prices.

On the domestic front, PVC market faced a setback in 2014 after the imposition of a duty on PVC by Afghanistan government. Going forward, we expect the private housing activity and public sector development program to determine market dynamics. The company is pursuing an aggressive marketing strategy and is working extensively with its customers, government agencies, architects and construction consultants for PVC market development and to increase domestic sales of the company. The company is hopeful that these efforts will continue to bear fruit for the stakeholders in times to come.

The domestic Caustic Soda market remained competitive during 2014. GSP plus status given to the country did not fulfill the associated expectations and hence caustic demand growth remained muted. We expect the market to rationalize in the coming years and the sector is likely to be a beneficiary of promising textile and consumer goods segment.

The company is confident and will exhibit resilience to setbacks faced in 2014. The stability on the operational front has enabled the company to capitalize market opportunities, however, economic value creation of the company will continue to be influenced by uncontrollable factors such as vinyl chain prices, energy prices, duty on primary raw materials and currency volatility.

Currently, the company's debt profile is heavily skewed towards repayments in 2015-16. To allow the company to maintain focus on managing and improving operations during the commodity downturn, it proposes to restructure its balance sheet through issuance of preference shares, subject to shareholder approval.

Engro Powergen

The company continues to seek new opportunities in energy sector both domestically and around the world in partnership with domestic/international players to utilize Engro's unique engineering and project management skillset. Engro Powergen Thar is in the process of finalizing the draft coal agreement whereby SECMC, on commencement of commercial production of its Thar mining project, will supply 3.8 million tons per annum of coal to the power company. In partnership with Government, the Thar mining and power projects are expected to remain on track for completion in next four years to help resolve the energy crisis in the country.

Despite the ongoing gas shortage, EPQL plant is expected to receive unhindered fuel supply as the plant runs on permeate gas which is likely to remain available in the near term. Moreover, the plant expects to maintain a high dispatch rate due to its higher

rank in PEPCO's merit order. In spite of assurances from the Government of Pakistan regarding settlement of outstanding dues, in the absence of any concrete measures to address its root cause, circular debt will remain a challenge for the IPP industry going forward in the short-term.

EPQL plans to undertake its first major turnaround activity in 2015 and is expected to complete the activity within available allowance of 60 days under the Power Purchase Agreement. The company will continue to focus on the plant operations, equipment reliability and other performance improvement initiatives to ensure uninterrupted power supply to the national grid for the benefit of all stakeholders.

Engro Vopak

The company expects Engro Vopak to perform well and maintain its operations and profitability in a stable fashion due to its unique and leading position in liquid chemicals handling industry.

Engro Elengy

Work on the fast track LNG terminal is on schedule to achieve commissioning by the due date i.e. March 31, 2015. This is expected to be one of the fastest implementations of a LNG terminal anywhere in the world and at one of most competitive rates available globally. The project will play a significant role in alleviating some of the energy shortage faced by the country and it will place Engro at the forefront for other such projects in the future. We are proud of this achievement which has been motivated by solving the country's energy woes as expediently as possible. The terminal is expected to come on-stream and provide 200mmscfd into the network and thereafter risie to its contracted quantity of 400mmscfd. The terminal has a further capacity of 200mmscfd which it will market to third part buyers.

horizontal analysis – balance sheet

(Rs. in million)	2014 Rs.	14 Vs. 13 %	2013 Rs.	13 Vs. 12 %	2012 Rs.	12 Vs. 11 %	2011 Rs.	11 Vs. 10 %	2010 Rs.	10 Vs. 09 %	2009 Rs.	09 Vs. 08 %
EQUITY AND LIABILITIES												
EQUITY												
Share Capital	5,238	2	5,113	-	5,113	30	3,933	20	3,277	10	2,979	40
Share Premium	13,068	24	10,550	-	10,550	-	10,550	-	10,550	-	10,550	47
Unappropriated Profits	33,997	27	26,833	47	18,268	(4)	18,986	49	12,776	52	8,388	35
Reserves	4,874	(1)	4,913	11	4,420	3	4,312	8	3,995	(5)	4,202	(15)
Non-Controlling Interest	10,847	31	8,274	76	4,714	16	4,080	16	3,516	9	3,225	4
	68,025	22	55,683	29	43,065	3	41,861	23	34,115	16	29,344	25
NON-CURRENT LIABILITIES												
Borrowings	55,380	(29)	78,321	7	73,257	(11)	82,560	(7)	89,152	6	84,142	107
Derivative Financial Instruments	51	(97)	1,611	152	640	(9)	702	(13)	805	27	633	(35)
Deferred Taxation	6,558	4	6,301	21	5,191	3	5,046	104	2,471	46	1,687	(33)
Others	198	(11)	222	1	220	10	201	(58)	484	47	329	(56)
	62,187	(28)	86,455	9	79,309	(10)	88,510	(5)	92,912	7	86,791	93
CURRENT LIABILITIES												
Current portion of												
- Borrowings	17,945	22	14,755	(46)	27,437	27	21,566	39	15,544	554	2,376	638
- Others	43	(6)	46	9	42	13	37	2	36	(12)	41	3
Trade and Other Payables	53,498	33	40,113	32	30,499	30	23,420	86	12,614	31	9,608	71
Accrued Interest / Mark up	2,068	(8)	2,252	(14)	2,614	(16)	3,114	19	2,619	45	1,800	47
Short-term Borrowings	11,765	84	6,380	9	5,828	36	4,284	(25)	5,716	339	1,303	(72)
Others	1,556	5	1,479	62	914	(29)	1,284	5	1,221	45	842	78
	86,875	34	65,025	(3)	67,334	25	53,706	42	37,751	136	15,970	30
TOTAL EQUITY AND LIABILITIES	217,087	5	207,163	9	189,708	3	184,077	12	164,778	25	132,105	63
ASSETS												
NON-CURRENT ASSETS												
Property, Plant and Equipment	134,507	2	131,969	(0)	132,553	(2)	135,092	5	129,068	17	110,504	90
Long-term Investments	2,735	46	1,874	48	1,268	(26)	1,717	234	515	3	500	2
Biological Assets	859	20	716	7	668	35	497	16	428	(2)	439	43
Intangible Assets	296	(63)	808	3	783	6	738	(16)	877	50	585	3
Others	2,399	21	1,979	5	1,883	54	1,224	533	193	26	154	(68)
	140,796	3	137,347	0	137,156	(2)	139,267	6	131,082	17	112,182	87
CURRENT ASSETS												
Store, Spares and Loose Tools	7,547	7	7,039	8	6,508	5	6,195	26	4,911	238	1,452	30
Stock-in-Trade	11,567	(44)	20,700	25	16,591	43	11,604	31	8,844	132	3,820	(46)
Trade Debts	4,615	52	3,033	(71)	10,638	71	6,215	21	5,131	45	3,537	366
Advances, Deposits and Prepayments	1,708	18	1,451	35	1,073	(47)	2,017	(18)	2,474	80	1,372	19
Other Receivables	5,317	6	4,996	62	3,088	36	2,265	76	1,288	13	1,136	(70
Taxes Recoverable	3,253	5	3,086	(22)	3,966	30	3,056	23	2,494	140	1,041	20
Cash and Bank Balances	12,245	77	6,899	48	4,663	6	4,418	7	4,120	(40)	6,880	213
Short-term Investments	28,987	36	21,366	256	5,998	(28)	8,332	88	4,426	764	512	(75)
Others	1,052	(16)	1,246	4,633	26	(96)	708	8,779	8	(95)	174	(89)
	76,291	9	69,816	33	52,552	17	44,810	33	33,696	69	19,924	(4)
TOTAL ASSETS	217,087	5	207,163	9	189,708	3	184,077	12	164,778	25	132,105	63

vertical analysis – balance sheet

(Rs. in million)	2014		2013		2012		2011		2010		2009	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
EQUITY AND LIABILITIES												
EQUITY												
Share Capital	5,238	2	5,113	2	5,113	3	3,933	2	3,277	2	2,979	2
Share Premium	13,068	6	10,550	5	10,550	6	10,550	6	10,550	6	10,550	8
Unappropriated Profits	33,997	16	26,833	13	18,268	10	18,986	10	12,776	8	8,388	6
Reserves	4,874	2	4,913	2	4,420	2	4,312	2	3,995	2	4,202	3
Non-Controlling Interest	10,847	5	8,274	4	4,714	2	4,080	2	3,516	2	3,225	2
	68,025	31	55,683	27	43,065	23	41,861	23	34,115	21	29,344	22
NON-CURRENT LIABILITIES												
Borrowings	55,380	26	78,321	38	73,257	39	82,560	45	89,152	54	84,142	64
Derivative Financial Instruments	51	0	1,611	1	640	0	702	0	805	0	633	0
Deferred Taxation	6,558	3	6,301	3	5,191	3	5,046	3	2,471	1	1,687	1
Others	198	0	222	0	220	0	201	0	484	0	329	0
	62,187	29	86,455	42	79,309	42	88,510	48	92,912	56	86,791	66
CURRENT LIABILITIES												
Current portion of												
- Borrowings	17,945	8	14,755	7	27,437	14	21,566	12	15,544	9	2,376	2
- Others	43	0	46	0	42	0	37	0	36	0	41	0
Trade and Other Payables	53,498	25	40,113	19	30,499	16	23,420	13	12,614	8	9,608	7
Accrued Interest / Mark up	2,068	1	2,252	1	2,614	1	3,114	2	2,619	2	1,800	1
Short-term Borrowings	11,765	5	6,380	3	5,828	3	4,284	2	5,716	3	1,303	1
Others	1,556	1	1,479	1	914	0	1,284	1	1,221	1	842	1
	86,875	40	65,025	31	67,334	35	53,706	29	37,751	23	15,970	12
TOTAL EQUITY AND LIABILITIES	217,087	100	207,163	100	189,708	100	184,077	100	164,778	100	132,105	100
ASSETS												
NON-CURRENT ASSETS												
Property, Plant and Equipment	134,507	62	131,969	64	132,553	70	135,092	73	129,068	78	110,504	84
Long-term Investments	2,735	1	1,874	1	1,268	1	1,717	1	515	0	500	0
Biological Assets	859	0	716	0	668	0	497	0	428	0	439	0
Intangible Assets	296	0	808	0	783	0	738	0	877	1	585	0
Others	2,399	1	1,979	1	1,883	1	1,224	1	193	0	154	0
	140,796	65	137,347	66	137,156	72	139,267	76	131,082	80	112,182	85
CURRENT ASSETS												
Store, Spares and Loose Tools	7,547	3	7,039	3	6,508	3	6,195	3	4,911	3	1,452	1
Stock-in-Trade	11,567	5	20,700	10	16,591	9	11,604	6	8,844	5	3,820	3
Trade Debts	4,615	2	3,033	1	10,638	6	6,215	3	5,131	3	3,537	3
Advances, Deposits and Prepayments	1,708	1	1,451	1	1,073	1	2,017	1	2,474	2	1,372	1
Other Receivables	5,317	2	4,996	2	3,088	2	2,265	1	1,288	1	1,136	1
Taxes Recoverable	3,253	1	3,086	1	3,966	2	3,056	2	2,494	2	1,041	1
Cash and Bank Balances	12,245	6	6,899	3	4,663	2	4,418	2	4,120	3	6,880	5
Short-term Investments	28,987	13	21,366	10	5,998	3	8,332	5	4,426	3	512	0
Others	1,052	0	1,246	1	26	0	708	0	8	0	174	0
	76,291	35	69,816	34	52,552	28	44,810	24	33,696	20	19,924	15
TOTAL ASSETS	217,087	100	207,163	100	189,708	100	184,077	100	164,778	100	132,105	100

horizontal and vertical analyses profit and loss account

Horizontal Analysis (Rs. in million)

	2014 Rs.	14 Vs. 13 %	2013 Rs.	13 Vs. 12 %	2012 Rs.	12 Vs. 11 %	2011 Rs.	11 Vs. 10 %	2010 Rs.	10 Vs. 09 %	2009 Rs.	09 Vs. 08 %
Sales	175,958	13	155,360	24	125,151	9	114,612	43	79,976	38	58,152	42
Cost of Sales	(139,770)	22	(114,763)	19	(96,631)	17	(82,531)	38	(59,702)	34	(44,658)	48
Gross Profit	36,189	(11)	40,597	42	28,520	(11)	32,081	58	20,274	50	13,494	24
Admin, Distribution and Marketing Expenses	(14,804)	7	(13,784)	18	(11,636)	14	(10,177)	23	(8,290)	33	(6,215)	46
	21,384	(20)	26,812	59	16,884	(23)	21,905	83	11,984	65	7,279	10
Other Expenses	(2,500)	39	(1,794)	(7)	(1,935)	0	(1,930)	131	(837)	(1)	(844)	(13)
Other Income	3,719	36	2,732	20	2,280	11	2,057	129	897	130	390	(62)
Operating Profit	22,604	(19)	27,750	61	17,229	(22)	22,032	83	12,044	76	6,825	2
Finance Cost	(12,344)	(21)	(15,634)	1	(15,516)	26	(12,315)	185	(4,322)	95	(2,222)	28
Share of Income from Joint Venture	723	19	610	(18)	744	(57)	1,742	214	555	21	459	87
Net Profit Before Taxation	10,983	(14)	12,726	418	2,457	(79)	11,459	38	8,277	64	5,062	(2)
Provision for Taxation	(3,182)	(28)	(4,401)	567	(660)	(82)	(3,648)	99	(1,836)	37	(1,343)	37
NET PROFIT AFTER TAXATION	7,801	(6)	8,325	363	1,797	(77)	7,811	21	6,441	73	3,719	(12)
Non-Controlling Interest	794	57	507	9	464	(287)	(249)	(29)	(349)	296	(88)	(209)
Profit attributable to Owners of the Holding Company	7,007	(10)	7,818	487	1,333	(83)	8,060	19	6,790	78	3,807	(8)

Vertical Analysis (Rs. in million)

	2014		2013		2012		2011		2010		2009	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Sales	175,958	100	155,360	100	125,151	100	114,612	100	79,976	100	58,152	100
Cost of Sales	(139,770)	(79)	(114,763)	(74)	(96,631)	(77)	(82,531)	(72)	(59,702)	(75)	(44,658)	(77)
Gross Profit	36,189	21	40,597	26	28,520	23	32,081	28	20,274	25	13,494	23
Admin, Distribution and Marketing Expenses	(14,804)	(8)	(13,784)	(9)	(11,636)	(9)	(10,177)	(9)	(8,290)	(10)	(6,215)	(11)
	21,384	12	26,812	17	16,884	13	21,905	19	11,984	15	7,279	13
Other Expenses	(2,500)	(1)	(1,794)	(1)	(1,935)	(2)	(1,930)	(2)	(837)	(1)	(844)	(1)
Other Income	3,719	2	2,732	2	2,280	2	2,057	2	897	1	390	1
Operating Profit	22,604	13	27,750	18	17,229	14	22,032	19	12,044	15	6,825	12
Finance Cost	(12,344)	(7)	(15,634)	(10)	(15,516)	(12)	(12,315)	(11)	(4,322)	(5)	(2,222)	(4)
Share of Income from Joint Venture	723	0	610	0	744	1	1,742	2	555	1	459	1
Net Profit Before Taxation	10,983	6	12,726	8	2,457	2	11,459	10	8,277	10	5,062	9
Provision for Taxation	(3,182)	(2)	(4,401)	(3)	(660)	(1)	(3,648)	(3)	(1,836)	(2)	(1,343)	(2)
NET PROFIT AFTER TAXATION	7,801	4	8,325	5	1,797	1	7,811	7	6,441	8	3,719	6
Non-Controlling Interest	794	0	507	0	464	0	(249)	0	(349)	0	(88)	0
Profit attributable to Owners of the Holding Company	7,007	4	7,818	5	1,333	1	8,060	7	6,790	8	3,807	7

six years summary

		2014	2013	2012	2011	2010	2009
		(Rupees in million)					
Balance Sheet							
Share Capital		5,238	5,113	5,113	3,933	3,277	2,979
Reserves		4,874	4,913	4,420	4,312	3,995	4,202
Shareholders' Funds / Equity		68,025	55,683	43,065	41,861	34,115	29,344
Long-term Borrowings		55,380	78,321	73,257	82,560	89,152	84,142
Capital Employed		141,350	148,758	143,759	145,987	138,811	115,862
Deferred Liabilities		241	268	260	214	140	119
Property, Plant & Equipment		134,507	131,969	132,553	135,092	129,068	110,504
Long-term Assets		140,796	137,347	137,156	139,267	131,082	112,182
Net Current Assets / Working Capital		7,361	19,546	12,655	12,670	11,489	6,329
Profit and Loss							
Sales		175,958	155,360	125,151	114,612	79,976	58,152
Gross Profit		36,189	40,597	28,520	32,081	20,274	13,494
Operating Profit		22,604	27,750	17,229	22,032	12,044	6,825
Profit Before Tax		10,983	12,726	2,457	11,459	8,277	5,062
Profit After Tax		7,801	8,325	1,797	7,811	6,441	3,719
EBITDA		32,306	37,030	26,330	29,813	15,501	9,067
Cash Flows							
Net Cash Flow from Operating Activities		29,160	31,506	7,799	16,492	(142)	11,807
Net Cash Flow from Investing Activities		(31,674)	(7,367)	(4,213)	(10,222)	(19,741)	(53,237)
Net Cash Flow from Financing Activities		(10,912)	(7,557)	(6,855)	(498)	16,624	47,846
Changes in Cash & Cash Equivalents		(13,426)	16,581	(3,269)	5,772	(3,259)	6,416
Cash & Cash Equivalents – Year-end		8,489	21,914	5,333	8,603	2,830	6,090
Others							
Market Capitalization		116,024	80,975	47,057	36,457	63,519	54,604
Number of Shares Issued (in million)		523.785	511.269	511.269	393.284	327.737	297.943
Production							
Urea	Metric Tons	1,818,937	1,561,575	974,425	1,279,378	971,913	952,024
NPK	Metric Tons	117,193	92,839	67,755	113,172	100,270	91,821
PVC Resin	Metric Tons	153,000	146,000	146,000	122,000	115,000	115,620
EDC	Metric Tons	118,000	117,000	110,000	104,000	96,000	35,000
Caustic Soda	Metric Tons	114,000	115,000	107,000	100,000	93,000	38,739
VCM	Metric Tons	168,000	170,000	146,000	98,000	-	-
Power	Megawatt hour	1,721,959	1,333,664	1,767,038	1,665,400	1,200,592	-
Dairy and Juices	Thousand Liters	472,735	422,818	476,788	388,236	314,650	247,074
Drying Unit of Rice Processing Plant	Metric Tons	166,801	196,478	139,575	55,192	19,778	-
Ice Cream	Thousand Liters	16,726	14,500	16,550	17,763	12,672	6,900

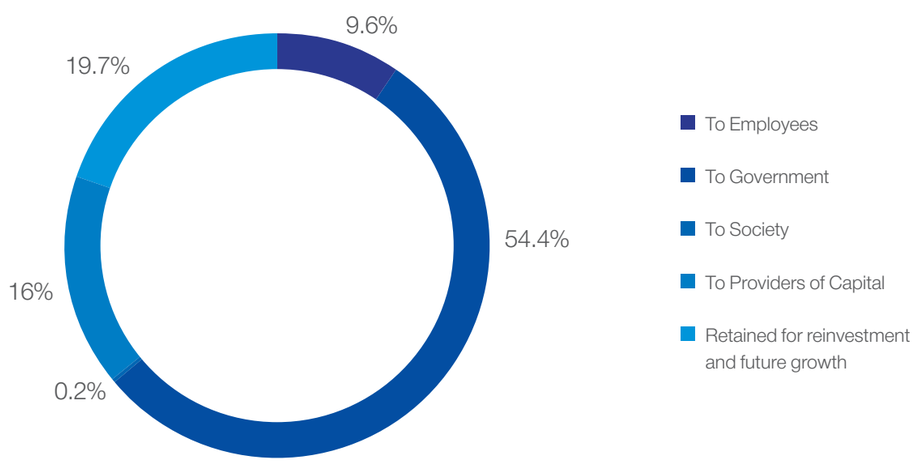
financial ratios

Ratios	2014	2013	2012	2011	2010	2009
Profitability Ratios						
Gross Profit Ratio	21%	26%	23%	28%	25%	23%
Net Profit to Sales	4%	5%	1%	7%	8%	6%
EBITDA Margin to Sales	18%	24%	21%	26%	19%	16%
Operating Leverage Ratio	-1.34	2.39	-2.65	2.05	1.94	0.12
Return on Equity	13%	18%	4%	24%	24%	21%
Return on Capital Employed	13%	16%	12%	14%	8%	6%
Return on Capital Employed (ICAP Definition)	5%	6%	1%	5%	5%	4%
Liquidity Ratios						
Current Ratio	1.11	1.39	1.32	1.39	1.52	1.47
Quick / Acid Test Ratio	0.94	0.98	0.90	1.03	1.12	1.18
Cash to Current Liabilities	0.60	0.56	0.27	0.40	0.38	0.54
Cash Flow from Operations to Sales	0.17	0.20	0.06	0.14	0.00	0.20
Activity / Turnover Ratios						
No. of Days Inventory	42.1	59.3	53.4	45.2	38.7	44.7
Inventory Turnover	8.7	6.2	6.9	8.1	9.4	8.2
Total Assets Turnover Ratio	0.81	0.75	0.66	0.62	0.49	0.44
Investment /Market Ratios						
Earnings per Share (Restated)	13.59	15.29	2.61	15.77	13.28	7.27
Earnings per Share (Historical)	13.59	16.01	2.61	20.50	20.72	13.54
Price Earnings Ratio	16.30	10.36	35.26	4.57	11.22	14.97
Dividend Yield Ratio	4%	6%*	-	3%	3%	6%
Dividend Payout Ratio	44%	56%*	-	30%	35%	49%
Dividend Cover Ratio	2.27	1.79*	-	3.38	2.88	2.04
Market Value per Share at the end of the year; and	221.51	158.38	92.04	92.70	193.81	183.27
- High during the year	232.00	185.98	150.26	237.19	212.84	186.84
- Low during the year	154.99	81.05	88.71	91.97	166.09	96.25
Breakup value per share without Surplus on Revaluation of Fixed Assets	129.87	108.91	84.23	106.44	104.09	98.49
Breakup value per share including the effect of Surplus on Revaluation of Fixed Assets	129.87	108.91	84.23	106.44	104.09	98.49
Cash Dividend (Rs in 000)	3,129,079	-	-	2,359,707	1,966,419	1,787,598
Stock Dividend (Rs in 000)	-	-	-	1,179,853	655,474	297,943
In-specie Dividend (Rs in 000)	-	2,955,137*				
*Market value of Specie Dividend of 1 Engro Fertilizer share for every 10 shares of Engro Corp.						
Capital Structure Ratios						
Financial Leverage Ratio	1.25	1.79	2.47	2.59	3.24	2.99
Weighted Average Cost of Debt	13%	15%	14%	11%	4%	3%
Debt to Equity Ratio	1.08	1.67	2.34	2.49	3.07	2.95
Interest Cover Ratio	1.89	1.81	1.16	1.93	2.92	3.28

statement of value addition and distribution

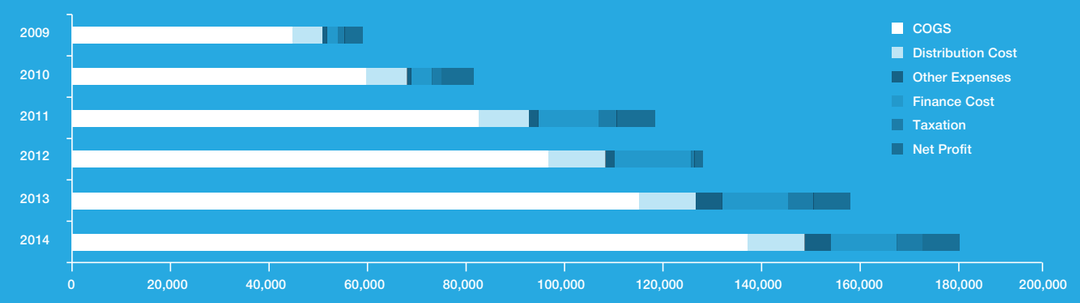
(Rs. in million)	2014 Rs.	2014 %	2013 Rs.	2013 %
Wealth Generated				
Total revenue inclusive of sales tax and other income	198,645		175,880	
Bought-in-material and services	(118,430)		(115,839)	
	80,215		60,041	
Wealth Distributed				
To Employees				
Salaries, benefits and other costs	7,729	9.6%	6,701	11.2%
To Government				
Taxes, duties and development surcharge	43,664	54.4%	25,829	43.0%
To Society				
Donation towards education, health, environment and natural disaster	129	0.2%	79	0.1%
To Providers of Capital				
Dividend to shareholders	1,218	1.5%	170	0.3%
Mark-up/interest expense on borrowed money	11,646	14.5%	11,152	18.6%
Retained for reinvestment and future growth				
Depreciation, amortization and retained profit	15,829	19.7%	16,110	26.8%
	80,215		60,041	

Wealth Generated

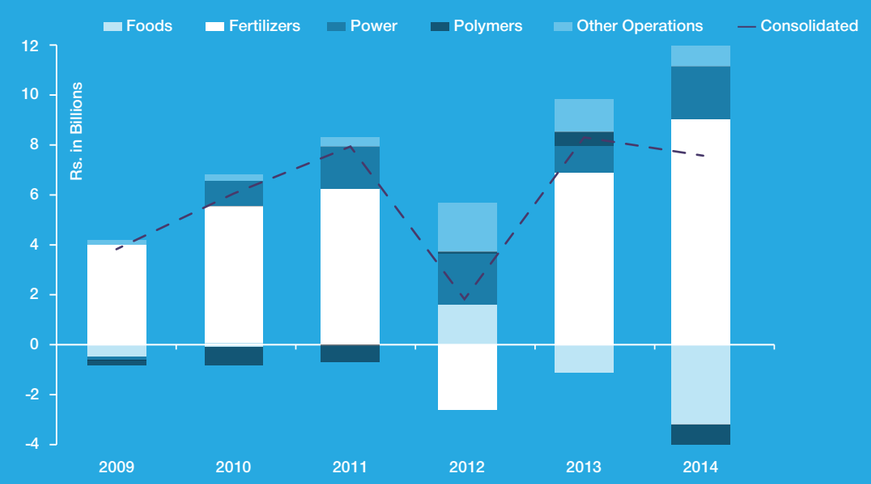


financial ratios

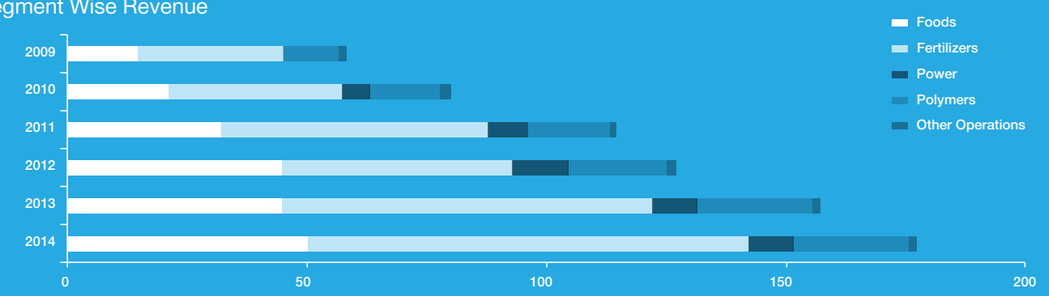
Profit and Loss Analysis



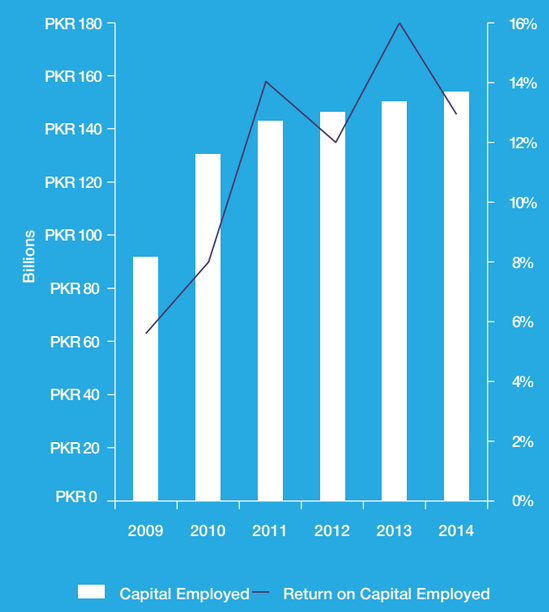
Segment Wise Profit After Tax



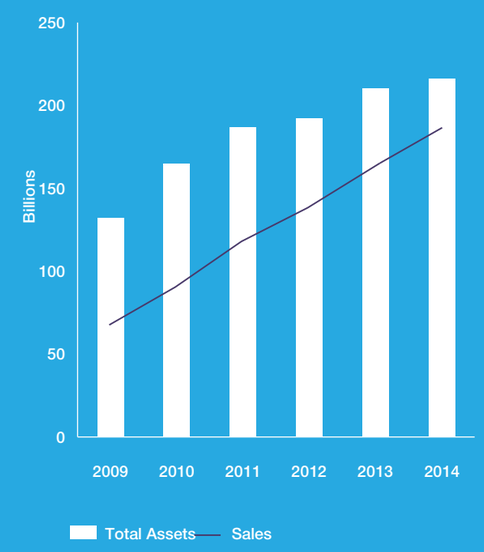
Segment Wise Revenue



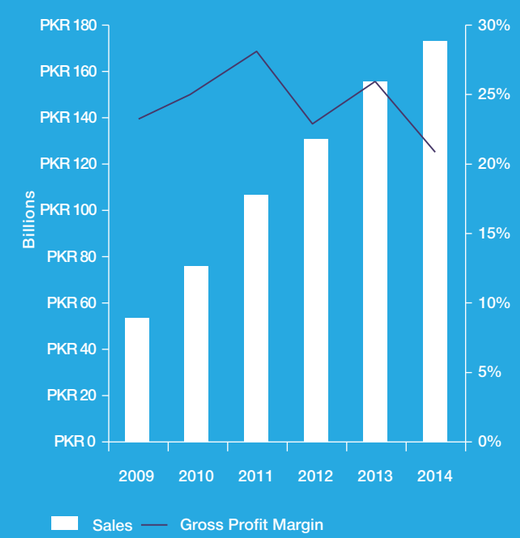
Return on Capital and Capital Employed



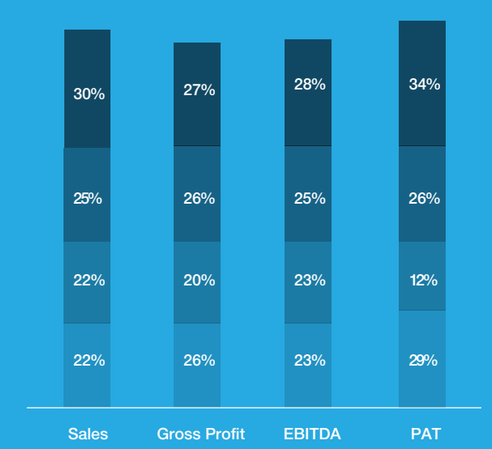
Total Assets to Sales



Gross Profit Margin to Sales



Quarterly Analysis for 2014



summary of financial performance

Six Years' Analysis of Profit & Loss

Revenues and Cost of Sales

The consolidated revenues grew from Rs 58 billion in 2009 to Rs 176 billion in 2014, registering a Compounded Annual Growth Rate (CAGR) of 20% over the six year period. This exponential revenue growth is attributable to the company's diversification into Foods and Power Generation sectors as well as higher fertilizers and PVC volumes. 2014 revenues are the highest in the company's history, depicting a 13% increase from 2013, on the back of higher fertilizer and foods volumes and higher power generation. Over the six year period the cost of sales also grew from Rs 45 billion to Rs 140 billion, in line with the increase in revenues, which show that the company has diversified without any major impacts on its cost structure.

Administrative, Distribution & Marketing Expenses

As part of support to new the businesses, , substantial investment in marketing was done as part of brand building during the formative years. As these brands now enjoy a solid base, the marketing costs have gradually reduced and for 2014 stand at 8% as a percentage of sales as compared to 11% for 2009.

Finance Costs

Finance costs increased from Rs 2 billion in 2009, touching the high of Rs 16 billion in 2013, and stood at Rs 12 billion for 2014. The increase was predominantly because of financing obtained for expansion in fertilizer and polymer businesses as well as diversification into Power and Foods sectors during the earlier years. These projects have been successfully completed and the resulting incremental cash flows are now being used for deleveraging. The impact of deleveraging in 2014 alone was a decrease of 21% in finance cost compared to prior year.

Taxation

Over the years, provision for taxation has increased in line with the higher profitability. The FY 2012 dip pertains to the taxable losses of fertilizer business.

Profit attributable to Owners of Holding Company

Profit attributable to owners of the holding company has been growing at a CAGR of 11% - from Rs 4 billion in 2009 to Rs 7 billion in 2014. Diversification in to new businesses and expansion of our core businesses has made the steady growth possible.

Six Years' Analysis of Financial Position

Equity

Equity grew from Rs 29 billion in 2009 to Rs 68 billion in 2014 on account of profits retained in businesses to fuel future growth.

Borrowings

The diversification and expansion projects in the past were mainly financed through local and foreign borrowings. These borrowings peaked at Rs 105 billion during 2010. The timely and successful completion of these projects resulted in positive cash flows from these businesses, ensuing debt servicing, early repayments and cash sweeps. As a result, at the end of current year, the balance stood at Rs 73 billion.

Deferred Taxation Liability

The Company's deferred tax liability has amplified considerably owing to taxable losses in the initial years of fertilizer and petrochemical businesses expansions and diversification in foods business.

Trade and Other Payables

Rising sales volumes over the years have resulted in increased trade and other payables.

Accrued Interest / Markup on Finances

Accrued interest/markup on finances grew in initial years in line with the increased borrowings. With significant deleveraging as mentioned above, these are now following a downward trend.

Short-term Borrowing

Increase in short-term borrowing is attributable to working capital requirements as a result of growing businesses and increased turnover.

Property, Plant and Equipment

Property, plant and equipment exhibited significant increase till 2012 owing to investments in production facilities and infrastructure as a result of expansion and diversification projects. After a slow 2013, the current year witnessed a surge due to our investment in the LNG business.

Current Assets

The increase from Rs 20 billion in 2009 to Rs 76 billion in 2014 is attributable to continuous increase in overall business volumes.

Six Years' Analysis of Cash Flows

Cash flows over the six year have been positive throughout demonstrating consistent liquidity over the horizon. In order to support expansion and diversification projects, significant financing was obtained from local and foreign financial institutions during the initial years. With the successful completion of the Foods, Power, Polymer and Fertilizers projects, the businesses started generating operational cash flows from year 2011 onwards resulting in liquidity growth. In 2012, the operating cash flows came under significant pressure due to gas curtailment issues faced by the fertilizer business; however, the company managed to stay cash flow positive in that year as well. In 2013, as the company gain traction on resolution of this issue, it experienced a positive impact on the liquidity position. The trend continued into the current year, whereby, at the end of 2014, significant cash has been put aside for short term investments.

Six Years' Analysis of Ratios

Profitability Ratios

A marked improvement in profitability ratios was witnessed during the 2009-2011 period, owing to production efficiencies and economies of scale as a result of growth in business volumes. However, the entire fertilizer sector faced gas curtailment during 2012, which resulted in a drop in profitability indicators. Following significant resolution of gas issues during 2013, the indicators started to improve. During 2014, profitability ratios came under some pressure due to a rise in cost of sales on account of raw material costs, imposition of Gas Infrastructure Development Cess, sharp Rupee appreciation and falling international commodity prices.

Liquidity Ratios

Effective treasury management across the businesses enabled the group, throughout the six year period, to have adequate liquidity to satisfy its near-term liabilities, as depicted by the current ratio being in excess of 1 for all years.

Capital Market

Market capitalization has more than doubled from Rs 55 billion in 2009 to Rs 116billion in 2014. The 2014 year-end market price of Engro Corp share was Rs 221.51 as compared to Rs 158.38 for 2013, translating into a 40% capital gain return for the year. For 2014, the company declared a dividend of Rs 6 per share for its shareholders.

Capital Structure

The Company's financial leverage has improved over the years and the company is in a comfortable position, as depicted by the financial leverage ratio of 1.25 today versus a high of 3.24 in 2010. Interest coverage ratio has also improved from a low of 1.16 times in 2012 to 1.89 in 2014.

together for development

human capital

human capital

At Engro we believe that our continued success can be attributed to the single-most important determinant – our people. We believe our employees remain our enduring advantage and whilst we believe that our ability to create high performance teams in a culture of inclusiveness, professionalism and excellence is what drives our success, after a thorough analysis we identified critical aspects around human capital management that can enhance our people competitiveness

In line with our analysis we devised a 3 year aggressive Human Capital (HC) & Talent strategy to ensure that our people come to work for an experience; remain engaged & aligned; ready to make their valuable contribution to our superior business performance. After looking at the current indicators and carrying out an in-depth analysis of our HR practices, the resulting strategy focused on developing an enabling organizational culture that improves diversity and inclusion, employee engagement and the leadership pipeline.

By reviewing business talent needs and challenges, the essence of our HC Strategy was based on the Mercer 6 factor engagement framework. The key drivers identified for our talent management strategy launched in 2014 to be implemented over the next 2-3 years are:

- Learning and Development
- Leadership Development and Top Talent Framework
- Succession Planning Framework
- Diversity and Inclusion
- Sourcing and Recruiting
- Functional Excellence in HR

Learning and Development

A hybrid Training Framework that includes flagship programs from Dale Carnegie, Aon Hewitt, LUMS & KSBL was developed and introduced. Mapped against our competencies, the program has been tailor made to meet the development needs of our employees. Working with the international training consultants - Dale Carnegie, two different flagship programs were created based on our leadership competency model. This comprehensive framework enables us to embed key values and enhance the required skill-set of our employees to strengthen progress at Engro. In line with our Diversity mandate, a focused course on Diversity was arranged for our senior & middle management to instil a tolerant & diverse working environment.

In order to ensure all employee development plans are successfully executed, detailed training need analysis was carried out by all HRs so that we can guide & equip our employees to realize their full potential & continue to provide them with opportunities for acquisition of knowledge for technical & managerial skills through various classroom & on the job learning exercises. The average number of training hours are now recorded and included in the HR KPI's to ensure that there is a constant focus on employee development. We set out to ensure all employees (T3 and above) went through a minimum 20 hrs of mandatory training time and we exceeded targets with 28 hours of training time per employee.

This comprehensive framework enables us to embed key values and enhance the required skill-set of our employees to strengthen progress at Engro.

Leadership Development and Top Talent Framework

At Engro we believe that our leadership today has tremendous responsibility to prepare the talent pipeline for the future. We focus on shaping future leadership by equipping employees with the right combination of skill set, attributes & experiences that prepare the next generation of employees to carry our legacy forward. To ensure the talent pipeline remains in line with the company's growth objectives, we partnered with Aon Hewitt, the internationally recognized HR consulting firm to develop an extensive Top Talent Framework which would shortlist, assess, identify & develop the future leaders of Engro. This will strengthen our bench strength to reach our desired goal of 1:3.5

In order to equip our Top Talent employees further, we consciously integrate mentoring within our corporate framework as a meaningful two-way exchange designed to accelerate leadership development, boost employee morale & provide avenues for long term career development. In this regard, a formal mentorship program for all Top Talent employees was also launched, thus, paving the way for transforming Engro's Top Talent into leaders of tomorrow by effective guidance received from the Mentors.

Succession Planning Framework

A highly effective and comprehensive CEO succession planning framework has been developed looking at key competencies and functional skills required for each CEO role at Engro. The 7 step framework for CEO succession maps our existing leadership pipeline with the company's 3-5 years strategy, furthermore, it also takes into account each successor's functional & leadership competencies & charting out a robust development plan ensuring a healthy pipeline against each position.

Diversity and Inclusion

Diversity & inclusiveness (D&I) have deep roots in our past, and foster a limitless source of opportunities and possibilities for our employees, the organization and the communities that host us. At Engro, we strongly believe in the dignity and value of our people and, therefore, strive to create an organizational environment in which individuals are fairly treated, encouraged and empowered to contribute, grow and develop themselves and help to develop each other. In order to inculcate this philosophy across all our businesses we have partnered with leading diversity consultants – AON Hewitt – to commence this interesting change journey; where our managers embrace diversity as a business imperative and bring it to life in their business interactions – each day, everyday."

The D&I Council works on a multi-pronged agenda to drive business results and ensure a healthy pipeline of a diverse workforce and draw from their strengths to meet the business objectives. Furthermore, the Council also helps to build a culture of inclusion – educating relevant stakeholders and driving conversations to ensure that there is no lack of adherence. A key ambit of the D&I Council is also to institute and implement flexible work practices and forge community partnerships andengagement with external stakeholders to champion the Company's stance as a diversity leader in its category.

The D&I Council is further supported and assisted in its mandate by the D&I Change Agents – these are change champions instituted in each of our subsidiaries with a clear objective to implement all articulated diversity and inclusion plans.In order to achieve our diversity goal of having at least 10% female population in our workforce and deploy a more enabling environment, we have developed a series of strategic initiatives aimed at our employees with a focus on growing and retaining the diverse talent that makes our businesses thrive.

Empowering women within & outside of Engro to grow and join the workforce is a high priority for us and company wise goals and targets for gender equality have been introduced. As of 2014, we have achieved our target of 1:9 - a year in advance - which is a 29% increase in the number of women employees. Overall this translates to 10% women in the workforce. Going forward our focus has been reset to ensure that we retain the current female employees in every subsidiary. In this regard 'Sensitization Workshops' were held across the group targeting key employees to highlight the importance of diversity. Our aim was to target all Executives and Managers who can benefit and inculcate a culture of inclusiveness & support towards women in the organization. The sensitization sesions managed to touch 100% employees during the year 2014.

Empowering women within & outside of Engro to grow and join the workforce is a high priority for us and company wise goals and targets for gender equality were introduced. Standing at 31st Dec 2014, we achieved our target of 1:9 for 2015 a year in advance which is a 29% increase in the number of women employees.

A great achievement for Engro was the successful implementation of the proposed initiatives of NowPDP (Network of Organizations Working for People with Disabilities) that fuel our disability agenda across the board through our various subsidiaries.

Perception Surveys were held with approximately 15% of the employees across our seven subsidiaries to gain an understanding of the issues and myths surrounding employment of persons with disabilities. Sensitization Trainings stemmed from these focus groups highlighting corrective actions for attitudes that fuel stigma and institutionalize discrimination against persons with disabilities. These were held for all employees at the head-office (95% covered) & at plant sites (85% covered).

A Disability Task Force was then constituted with representation of all subsidiaries to drive strategic focus areas and ensure sensitization trainings covering 75% of our plant facilities. Simultaneously, a review of all employee related policies was also undertaken to ensure that Engro abides by all local and international regulations pertaining to employment of people with disabilities. A Job Profile Review was also undertaken to identify which employment positions can accommodate PWDs.

Our commitment to ensure a far greater proportion of people with disabilities actively involved in social and economic activities has meant that this year we have had a 10% increase in the number of PWD employed at Engro. We will be instituting an affirmative action plan that will further improve employment outcomes for people with disability thereby living our vision of creating value for an inclusive group of stakeholders.

Sourcing and Recruiting

A review was conducted of our hiring process and a new system was implemented. The development of our group wide Recruitment Portal (www.careers.engro.com) has vastly improved our hiring process. The automation of our hiring process has significantly reduced the time taken to hire so that an employee is now hired in 29 days (a reduction of 46 days since 2013).

Career growth is also an integral part of our employee engagement with a constant focus on addressing individual development and issues under key impact areas which include work-life balance; performance management; career growth; and training & development. Employee Engagement is now an integral part of all manager KPIs and is strongly embedded in our culture with constant feedback available through various focus groups and other platforms.

We have leveraged internal talent across the group facilitating internal growth and career moves for employees. This high focus on engagement has resulted in us exceeding our target set in 2013 so that that internal movement across the group in 2014 has increased to 57.5%.

Aligning Engro with the Best in Class:

We constantly strive to achieve functional excellence so that HR processes at Engro comply with best in class internal and international best practices. We carried out an HR Audit where Engro's HR Processes were benchmarked against the 25 best companies across Asia Pacific & the Middle East & aligned to 75% & above of the industry practices. The survey looked at 8 HR Processes that had 78 dimensions to compare with.

HR Processes	No. of Dimensions	2013 (compliance)		2014 (compliance)	
		No.	%	No.	%
Recruitment, Hiring & Orientation	12	4	33%	6	50%
Performance, Rewards & Recognition	28	16	57%	21	75%
Learning & Development	Not Measurable				
Internal Career Opportunities	10	7	70%	8	80%
Work Environment	6	0	0%	2	33%
Health & Wellbeing	8	4	50%	4	50%
Work Life Balance	7	3	43%	3	43%
Communication	7	5	71%	6	8
Total	78	39	50%	50	64%

Our HR process compliance now stands at 64% in 2014 which is a 14% increase from 2013. An action plan to go above and beyond 75% compliance is already in place focusing on work-life balance, health & well-being & recruitment & on-boarding.

operational excellence

A systematic program to upgrade Human Resources Information Systems (HRIS) across the group was initiated in 2014 with an objective to enhance workforce productivity, enabling business communication and collaboration to effectively meet present and future business needs.

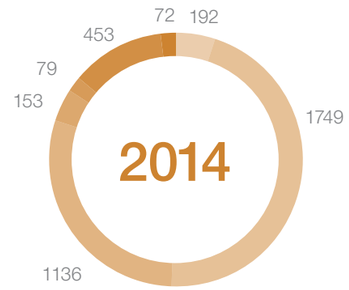
The HRIS system is being designed so that it fuels the one-group culture and provides one-window solutions for all HR modules. While the development and implementation of these systems is ongoing, the automation of performance appraisal has been completed and a state of the art online recruitment portal will also be launched this year.

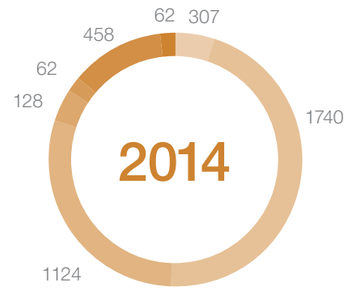
In order to build in increased operational excellence we also conducted an alignment and standardization exercise of all rewards and benefits policies across Engro where over 250 policies were reviewed and aligned for inconsistencies. Moreover, through the year we also worked with leading HR consultants Aon Hewitt to evaluate all job roles across the board whilst also training the HR heads and leads on job evaluation methodology in an effort to increase synergy across the organization.

employee engagement

To ensure that we remain the most sought after employer amongst a varied group of individuals, we continued our focus on implementing a holistic strategy for employee engagement and organizational development. Earlier we had identified the high impact areas and through the year we demonstrated a group-wide emphasis on these key determinants which included areas such as performance management, career growth, work life balance and training & development. In addition we recalibrated our engagement strategy through frequent focus groups that were conducted during the year; consequently, exceeding our target set in 2013 and achieving a stellar engagement index of 62% on a consolidated group-wide basis.

Employees





Total Employees

3,834

Total Employees

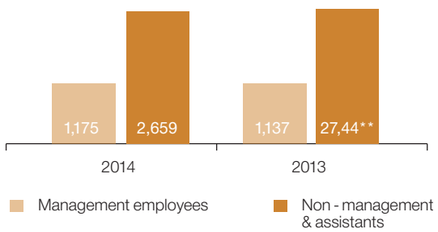
3,881

Eximp Foods Fertilizer Powergen EVTL Polymer Corp

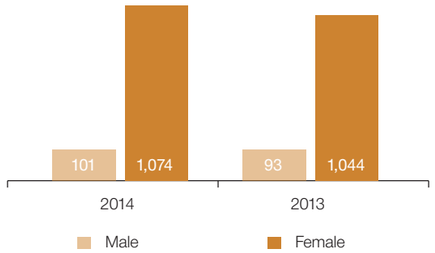
Eximp Foods Fertilizer Powergen EVTL Polymer Corp

human capital fact sheet

breakup of employees by category



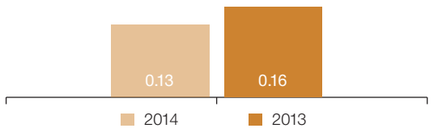
breakup of managemnt employees by gender



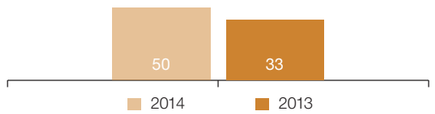
* All management employeed are full time and permenant.
** Assistance are full time and permenant while non - management staffs are full time contractual.

occupational health and safety

0.13 total recordable injury decreased by 23% ↓

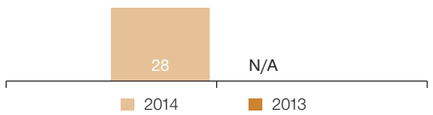


30 work related injuries increased by 51% ↑

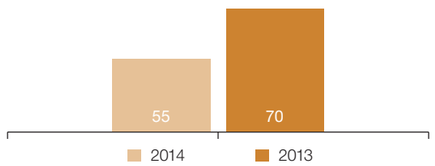


talent development

28 training hours per FTE



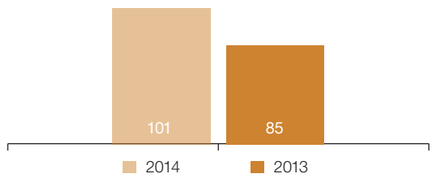
1:2.37 bench strength increased by 12 % *** ↑



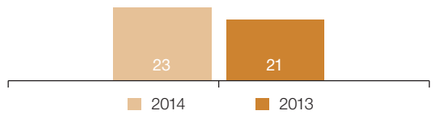
Bench strength is the measure of succession management, i.e. capability and readiness of potential successor to move into key leadership position.

diversity and inclusion

9% women in workforce increased by 19% ↑

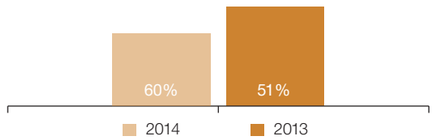


0.6% people with disability increased by 10% ↑

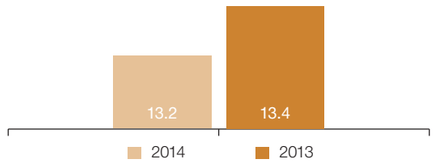


employee engagement

60% Employee Engagement increased by 17.6% ↑



13.2% Attrition decreased by 1.5% ↓



together for sustainability

natural capital

natural capital

All businesses depend upon the ecosystem, which provides stock of natural resources or environmental assets – we refer to as 'Natural Capital'. These resources include air, water, minerals, land and energy.

Every business creates environmental impact, which requires proper management in order to protect it from the damage and resource scarcity. Therefore, it becomes one of the core responsibilities for everyone to make efforts for environmental conservation and Engro takes this issue very seriously.

We have been able to maintain business growth while reducing our environmental impact through a focused eco-efficient approach. All our businesses are ISO 14001 certified and fully compliant with the national environmental regulations. Moving beyond regulations and compliances, we have adopted strict international best practices on environmental management, like British Safety Council Environmental Program and WWF Green Office certification. We have a sound policy in place in regards to this agenda, which is factually enforced, in all our businesses by designated teams having environmental experts. Our environmental management function is subject to internal audit and independent third party audit.

Energy

Energy is considered to be the life line of any economy and most vital instrument of economic development for a country. Pakistan faces severe energy crisis along with an increasing trend in the energy demand. Engro actively pursues opportunities to reduce its energy consumption levels despite the fact it being an energy supplier to the national grid.

Our petrochemicals business – Engro Polymer & Chemicals – has managed to save electricity with the elimination of inherent losses by optimizing power distribution systems and has also implemented a system of condensate recovery at its plant. A small step towards alternative energy is the successful operation of eNova 360 solar energy project powering the residential colony in Daharki by our energy business – Engro Powergen Qadirpur. Engro Vopak has replaced energy savers with LED lights whilst across the businesses compact florescent lamps (CFL) have been installed at workshops and fire stations to improve energy efficiency at the facility. Similarly, Engro Eximp operates steam turbine which reduces the consumption of diesel and GHG emissions.

150 gallons/minuts
reduction in flow of unsafe effluents at Dharaki

12 %
reduction in water consumption in 2014

16 %
reduction in waste withdrawal in 2014

26 %
reduction in waste per unit of production

Water

Pakistan faces lack of sufficient available water resources to meet the increasing demands. Majority lacks access to clean drinking water. Engro strives for optimum consumption of water ensuring minimal usage and takes measures to treat the waste water from manufacturing processes.

Manufacturing facility at Daharki is equipped with a reverse osmosis plant which reduces the flow of unsafe effluents by up to 150 gallons per minute. Engro Fertilizer has been using recycled water from effluent treatment plant for watering plants and trees. Besides many other initiatives an ongoing activity of ponds lining is in practice by Engro Fertilizer to save ground water contamination. Engro Eximp's steam recovery project recycles steam back into the system as 'feed water' for boiler, thereby reducing fresh water consumption.

Environmental Conservation

Pakistan's urban air pollution is among the most severe in the world and can potentially cause significant damage to human health and the economy. Pakistan generates about 20 million tonnes of solid waste annually, according to the Ministry of Environment, and this number is growing a about 2.4 percent each year.

Our commitment to handling and managing waste streams from different subsidiaries adhering to strict regulatory compliance and international waste management best practices. We ensure that waste that can be used as a resource through recycling and reuse is put to good use. The challenge of handling hazardous waste recycling and its proper disposal is of prime importance. All our subsidiaries have waste water treatment facilities which are strictly monitored and regularly audited.

Engro Fertilizer engaged the services of an international waste management company for the removal and recycling of about 110 Tons of hazardous waste. Similarly Engro Eximp has started an ash disposal contract with a vendor for its safe disposal, with strict monitoring of the contractor on compliances.

During the year no significant spill occurred in any of our entities except for Engro Polymer & Chemicals in which 8 spills incidents (2013; 18 spills) of sodium hypochlorite occurred, considered normal in the course of business. 4.35 million m3 of water discharged to canals and municipal sewer (100%) treated, consolidated for all group companies.

87 %
Engro Fertilizer's hazardous waste is recycled

100 %
Engro Foods' Non-hazardous waste is recyled/reused.

our natural capital performance

as a company we are passionate about ensuring that our policies, procedures and business operations remain eco-friendly, and we continue to demonstrate this focus on the environment by decreasing our footprint year on year relative to our business growth.

natural capital fact sheet

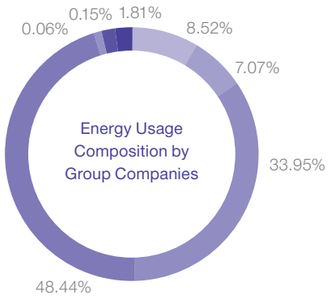
Energy	2014	2013	perfomance
Energy consumption (GJ)	18,631,059	14,344,300	30% ↑
Energy intensity per unit of production	4.14	3.78	9.6% ↑
Water			
Water consumption (m3)	25,516,278	29,013,153	(12.1%) ↓
Water intensity per unit of production	5.67	7.64	(25.8%) ↓
Waste			
Waste withdrawal (tones)	1,037,023	1,236,308	(16.1%) ↓
Waste per unit of production	0.23	0.33	(29.2%) ↓
GHG Emission			
GHG emissions	3,683,896	3,094,346	19% ↑
GHG intensity per unit of production	0.82	0.81	0.47% ↑

* The increase in energy and GHG emissions is primarily due to increased Billable Availability of the Engro Powergen Qadirpur plant which stood at 99.9% during 2014 versus 83% last year. In addition our fertilizers business has also contributed to increase in the energy consumption due to higher production activity.

** Restated

energy usage composition by group companies

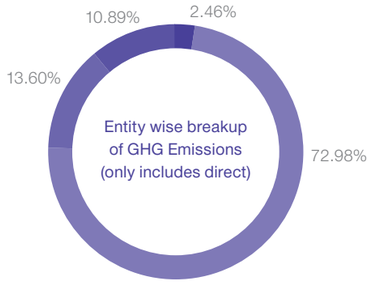
Energy Intensity Performance of top 3 energy consumers	2014 Energy intensity	vs 2013 Performance
Powergen (GJ/MWH of units sold)	5.1	0.14% increase
Polymer (GJ/tons of production)	19	027% increase
Fertilizer (GJ/tons of production)	0.9	10.2% increase



Fertilizer Foods Polymer Powergen Vopak SECMC Eximp

green house gas emissions (in CO2 equivalant

Annual GHG Emissions	2014	2013
Direct GHG Emissions	2,456,517	2,049,434
Indirect GHG Emissions	1,227,378	1,044,913*
Total GHG Emissions	3,683,896	3,094,346*



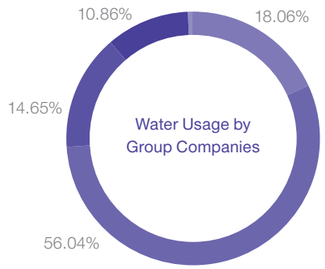
Fertilizer Polymer Powergen Food

* Direct GHG emissions are emissions from sources that are owned or controlled by Engro.

* Indirect GHG emissions are emissions occur at sources owned or controlled by another (such as emissions resulting due to consumption of electricity purchased from KESC or WAPDA)

water consumption

Top 3 water consumers by companies	Water consumption per unit of production	vs 2013 Performance
Foods (m3/unit of production)	9.26	(21.74%) decrease
Fertilizer(m3/unit of production)	7.86	(24.94%) decrease
Polymer (m3/unit of production)	11.50	(24.54%) decrease

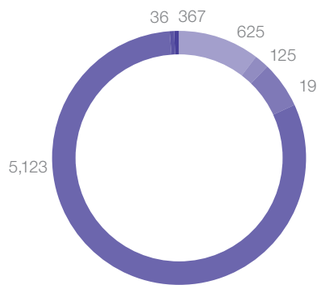


Eximp Food Fertilizer
Polymer Powergen

Total Water Consumption
25.51 million m3
2013 ; 29.56 million m3

waste production & disposal

Annual Waste Disposal (in tons)	2014	2013
Hazardous waste	222	123
Non - hazardous waste	6,105	9,102
Total waste	6,327	9,225



Foods Fertilizer Vopak
Eximp SECMC Polymer

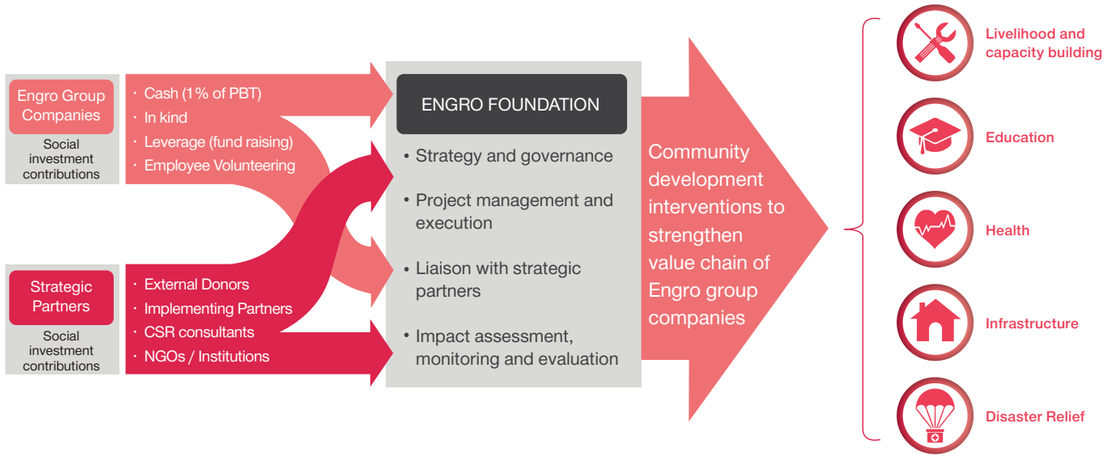
The methods used for disposal of waste were mainly incineration, landfilling, recycling and reuse.

together for impact

social capital

social capital

We are accountable for the socio economic impact our businesses create and take ownership of the welfare and development of the communities around us and in our value chains. All community development efforts of Engro are channelized through Engro Foundation. The financial contributions (1% of net profit before tax) from Engro group companies together with the financial contributions from the external donors and volunteering time of Engro employees are invested and mobilized by Engro Foundation in the social development projects. Our focus areas of community development are livelihood, skills development, education, health, infrastructure and disaster relief.



shifting from corporate philanthropy to inclusive business model

In pursuit of maximizing positive socio economic impact of our businesses, as a matter of strategy we have decided to shift from corporate philanthropy to Inclusive Business model. The purpose is to target 'bottom of the pyramid' communities around our business operations for raising their economic conditions, thereby making our value chains strong and sustainable. This will be achieved by providing low income communities with the opportunities of skills development and livelihood. The model will enable underprivileged members of our society to emerge as potential business partners and become vendors, customers and employees in our business value chains.

During the year we started our investment in business inclusive model with the value chain mapping of Engro Polymer and Engro Fertlizer. The purpose of this study was to identify the opportunities for community development projects where we can achieve maximum socio economic impact. Our plan is to extend this study in other businesses as well and devise a comprehensive strategy for business inclusiveness.

Rs. 235 mn

social spend in 2014

The purpose of our new approach is to target 'bottom of the pyramid' communities around our business operations for raising their economic conditions, thereby making our value chains strong and sustainable.

inclusive business model

We want to ensure that we work with our partners, vendors and suppliers to deploy business models that offer win-win synergies for a broad category of stakeholders to uplift their socio-economic status in society.

Since 2013 we have enhanced our focus on working towards integrating increased sustainability in all our business models. Our objective now is to ensure that inclusive growth remains at the heart of all our business operations whereby we improve livelihoods in our value chains and empower communities towards identifying own goals and priorities for better local outcomes.

The concept of creating shared value allows for an intrinsic alignment of business strategy, operations and the value chains that feed the company growth. We want to ensure that we work with our partners, vendors and suppliers to deploy business models that offer win-win synergies for a broad category of stakeholders to uplift their socio-economic status in society.

Engro inclusive business model extends to cover primarily our fertilizers and foods. Engro foods business works with integrating rural dairy farmers through dedicated initiatives in the dairy value chain. The business in a short span has established over 1600 milk collection centres and works with over 250,000 farmers across rural Pakistan. By taking ownership for the agricultural output of these farmers, we have successfully boosted agricultural development across Pakistan and distributed in excess of Rs. 50 billion in direct income to these farmers since inception. Through our interventions in the dairy value chain we have impacted up to 15%increase in average herd size of small hold farmers whilst simultaneously increasing milk yields by approximately 20%. The foods business works closely with these farmers to provide them with best in class dairy farming practices which has helped reduce farmer debt on average by 15-20% followed by improved payment cycles through deployment of information systems such as EMAN (Engro Milk Automation Network).

Our fertilizers business works with rural farmers across the country integrating over 1.4 million farmers in the agricultural value chain. The company works closely with the farmers providing them not only with superior urea products that increase yield and farmer incomes but also with enhanced advisory services that educate farmers on optimal planting, seeding techniques amongst others. In 2014 the fertilizer business distributed PKR 334 billion in terms of farmer income with a direct farmer benefit of approximately PKR 12 billion by keeping domestic urea prices substantially lower than international prices.

As we forge ahead we will demonstrate a more pronounced focus on deploying inclusive business models across all our group companies thereby creating shared value and positively impacting life for a multitude of stakeholders.

1.7 mn
farmers integrated in the value chain

15-20%
students benefited

Rs. 380+ bn
farmer incomes distributed

social capital fact sheet

Community Investments (Rupees in Million)	2014	2013
Total monetary contributions from Engro companies	114.1	71
Management cost / fixed cost (of Engro Foundation)	32.1	28
Direct Community Investments	146.2	99
Indirect Community Investments Leverage (Donor Spent / Fund raising)	88.1	87.7
Total Community Investment	234.6	186.7

Thematic Investments

Rs. 244.6 mn

livelihood and capacity building

Risks are broadly categorized between strategic, commercial, operational and financial risks. Upon identification of risks, a strategy is devised to mitigate its impact which is regularly monitored by the senior management.

Faheem TTC Student

Livelihood and capacity building

Pakistan has the 9th largest human resource in the world. Unfortunately, majority of them are unskilled or semi-skilled. Unless educated and equipped with adequate skills, our country's biggest asset might turn into our greatest liability. Engro believes in the development of competencies of people in the communities in which it operates by equipping them with the right set of skills, and with the ultimate aim of improving their livelihoods. We are helping families attain sustainable incomes through acquiring better skills from our training programs. In this area, we have made substantial investments which directly impact the income-generating capacity of our stakeholders.

Technical training college (TTC)

Continuing with the philosophy of inclusive business, in 2011 Engro took the lead in the development of state of the art Technical Training College (TTC) in Dharki, the place where Engro Fertilizer's manufacturing plant is located.

TTC is nationally and internationally credited institution under the umbrella of Pakistan Chemical and Energy Sector Skills Development Company (PCESSDC), a company set up by Engro in partnership with Mari Petroleum and Pakistan Industrial Development Corporation (PIDC). TTC is affiliated with Sindh Board of Technical Education and City Guilds, UK and operating under the strategic partnership with and support from USAID, Sindh Technical Education and Vocational Training Authority (STEVTA) and DEG.

TTC, the first degree-awarding institution in Dharki has been providing skills development opportunities for the young people Dharki. More than 40% of the TTC students belong to the families of contractors and vendors of Engro Fertilizer and Engro Powergen. Students are also coming from the schools adopted and run by Engro.

TTC offers Diploma in Chemical Engineering and Mechanical Engineering. Additionally, the institute also offers course and trainings on industrial welding, domestic welding, pipe fitting and carpentry. In line with the expansion plan of this project we are considering adoption of another TTC in Mithi. During the year we conducted fund raising activities for TTC which resulted in the collection of Rs 2.5 million from Engro employees and external sources.

2014 Investment in TTC

11.6 mn

First batch of

49 students

graduated in 2014 out of which

42 secured jobs

immediately in Engro and other companies

240

Students enrolled

women empowerment through livestock development (WELD)

WELD, the flagship project of Engro Foods started in collaboration with USAID, was targeted towards the dairy value chain by enhancing livestock management, milk collection and entrepreneurship skills of female of the rural area of seven districts in upper Sindh and Punjab. The project produced trained Female Livestock Extension Workers (FLEWs) and Female Village Milk Collectors (FVMCs) who are actively providing advisory services to the female livestock owners.

Started in July 2011, the project has been Successfully Completed in July 2014 with

100%

targets achieved

Investment in WELD to date by Engro and its donor partners

Rs. 169 mn

From 3.6 to 4.89 liters per day Improved animal health resulted in

36%

additional milk yield per animal

Value of increased milk yield is Rs 266 million

Rs. 266 mn

impact of weld

Training of Milk Producers		emale Livestock Extension Workers (FLEWs)		Female Village Milk Collectors (FVMCs)	
Number of people trained	18,662	Number of FLEWs trained	322	Number of FVMCs trained	216
Number of villages covered	418	Number of villages covered	294	Number of villages covered	185
		Average monthly income of FLEWs (Rs)	2,082	Average monthly income of FVCMs (Rs)	2,516

system productivity innovative rice trainings (SPIRIT)

The project is supported by the TVET Reform Support Programme, which is co-funded by the European Union, the Embassy of the Kingdom of the Netherlands, the Royal Norwegian Embassy and the Federal Republic of Germany and being implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

The SPIRiT project aims to improve agricultural productivity, efficiency and livelihoods for 10,000 farmers & 1200 agri-farm support persons by training them in the areas of resource conservation, water saving, plant population management, improved harvesting & best crop management practices in the rice and wheat cropping system over a period of 15-months starting December 2013.

SPIRiT is an innovative on-field training program to boost the productivity of small rice farmers by 8-15% per acre per rice season, while conserving 25%-35% water and agricultural resources along with other benefits like skill enhancement, improvement in farmers' income & livelihoods. The project aims to train farmers in newer and innovative methods/techniques of rice and wheat farming that include:

- Alternate Wetting and Drying
- Direct Seeding of Rice (DSR)
- Optimum Plant Population Management
- Resource conservation sowing techniques like zero tillage wheat sowing; and
- Harvesting, best crop management and best fertilizer management practices

Team of Engro agri experts, master trainers, trainers and mobilizers have worked with the farmers in the field throughout the whole life cycle of both these major crops while conducting individual contact activities like farm visits and mass contact activities such as seminars, farmers meetings, demonstrations, group discussions, field days and briefings along with literature distribution.

2014 Investment in SPIRiT

Rs. 19 million

Increase in farmers' income from

Rs 5,000 to

Rs 10,000

per acre for over 5,000 acres.

2014 Investment in SPIRiT

300,000+ training hours delivered to

10,000+ farmers

education

School adoption and teachers' training program

A large proportion of individuals living in remote marginalized communities in Pakistan cannot access or afford quality education, which is the primary right of every citizen. For over a decade, we have been successful in delivering our promise to provide access to education to the children of communities living around the areas of our operations. Schools Adoption and Teachers Training programs are our flagship projects in the education sector.

Our approach includes:

- identifying villages and schools for investments
- developing or rehabilitating their infrastructure with an oversight management committee of Engro
- encouraging the locals to get their children enrolled through stakeholder engagement process
- providing free education material and managing the operational affairs of the school; and
- monitoring attendance, drop outs and progress on the child's development

We also believe that for improving the state of education in the country, it is essential that we also focus on the training of school teachers. For this purpose Engro sponsors the Training and Resource Center (TARC) in collaboration with partner organizations for the skills development and capacity building of the teachers working at Engro supported schools.

2014 Investment in Education Sector

Rs.53.1 mn

2013: Rs. 26.7 million Increased by 99%

4,500+

students benefited

33

schools supported

When Engro opened the schools every land owner here Chachars, Shaikhs and Lolais praised it heartily. Engro officers are our brothers. Thanks to Engro

Nazar Muhammad
village Elder and early advocate of education in Katcha

I have two daughters; they never used to go to school. Engro's teachers work hand and we're really happy.

Meher Din
Qadirpur Resident

our education footprint

location	about the program
Dharki, the place where Engro Fertilizer Plant is situated.	• 10 Government schools have been adopted at multiple locations of Dharki. • We have also sponsored a Sahara Community School in Dharki which is a primary and middle school. 80% of class 8 students from these schools make it to TCF School, Engro Campus for Matriculation. • 11 schools have been adopted in Katcha area of Dharki, as the part of Katcha Education Program. The difficult terrain and uncertain security environment makes this intervention among the most challenging projects for Engro. Former outlaws of the area have started new lives, helping Engro to develop schools and advocating the community members for getting their children enrolled. During the year we conducted fund raising activities for Katcha schools which resulted in the collection of Rs 2.7 million from Engro employees and external sources.
Nara, where we have dairy farm of Engro Foods.	• 2 of the abandoned government schools in Nara have been adopted by Engro to revive the provision of primary education of over 200 students. Nara is one of the most remote regions of the country that faces a harsh environment with extreme temperatures and scarcity of water and vegetation.
Sahiwal, where Engro Food's Plant is operating.	• 4 schools have been adopted in Sahiwal which continue to enroll an increasing number of students.
Qadirpur, the place of Engro Powergen's manufacturing facility.	• 3 schools have been adopted in Qadirpur.

	2014	2013	2012	2011	2010	2009
Schools	33	30	29	28	25	25
Students	4,500+	4,000+	4,000+	3,635	3,213	3,140

health

The mainstay of a healthy community is its mental and physical wellbeing. Engro efforts are directed towards the areas and communities where healthcare problem is one of the major dilemmas.

2014 Investment in Health sector

Rs. 13 million

Patients treated

35,000+

volunteerism efforts

EnVision (Engro Volunteers in Service of the Nation) is a platform providing opportunity for the Engro employees to make positive impact in the society through their competencies and skills. We fully support and encourage our employees to volunteer their work time for social cause. EnVision operates under the designated council which is further structured into seven chapters of Engro employees located in Sahiwal, Sukkur, Muridke, Dharki, Port Qasim, Karachi and Lahore. This platform also provides our employees with an opportunity of getting exposure to new environments and experiences, leading to innovation, creativity and leadership whilst fostering team building and cross-company collaboration.

A few volunteering activities conducted by Engro employees during the year include:

- Project management, technical advisory and strategic planning support for development sector organizations
- Fund raising activities and disaster relief campaigns
- Mentoring, delivering lectures, career counseling and events organization for school children
- Spending times with special children, patients, orphans, and residents of old age homes
- Counseling sessions with the less privileged community members
- Blood donation drives
- Public awareness campaigns
- Tree plantation and other environmental conservation efforts
- Capacity building of farmers, milk collectors, vendors and others

Volunteering hours clocked in 2014

11,000+ hours

2013: 7,000+ hours
2012: 5,000+ hours

stakeholder engagement

Engro puts great emphasis on stakeholders and ensures that their expectations are identified and are addressed timely. The widespread footprint of our operations has created a strong bond with various stakeholders. We believe that our business pulse is driven by our satisfied stakeholders and that is why stakeholder engagement is our top priority.

stakeholders	shareholders, investors & analysts	customers, dealers and distributors			employee	communities	suppliers & vendors	media
engagement tools	· briefing sessions · annual general meetings · circulars · discussion forums / conferences	· customer satisfaction surveys · perception surveys · trade fairs · sales workshops · conferences · engagement campaigns			· satisfaction surveys · focused group discussion · speak up mechanism · get together and networking events	· community engagement surveys · group discussions · envision (employee volunteering programs) · third party assessment of host communities	· supplier engagement drives	· press releases · briefings · quarterly lunches · engro news and updates · social media
stakeholder expectations	· safeguarding shareholder's wealth · good financial returns · sustainable profitability · growth · regulatory compliances · transparency · accountability	· superior product quality · competitive pricing · high value service delivery			· work life balance · career development · market competitive rewards	· community well being · education · health · livelihood and capacity building	· competitive pricing and timely payments · training and capacity building · business continuity	· key achievements · year end results · news and updates · advertisements
management approach to meet expectations	· strict financial management and control · continuous improvements in business strategy, governance and business models · implemented a holistic insider trading policy	· sales and marketing teams actively address these issues and ensure that the pricing, product, sales and marketing strategy is closely aligned with stakeholders needs and expectations			· comprehensive hr strategy is in place that addresses employee expectations · benchmarking of hr practices against international best practices for the benefits of employees and attracting, developing and retaining best talent	· engro foundation together with the support from all group companies, external donors and implementing partners ensures that all community development activities are executed properly in our value chains to maximize socio economic impact	· implemented effective strategies and operations in supply chain management with the designated engro teams and experts · inclusive business models	· regular engagement with print and electronic media designated and expert team of engro's corporate communications

gri index

General Standard Disclosures

General Standard Disclosures	Page Number or Direct Answer	External Assurance (xxx)
STRATEGY AND ANALYSIS		
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ORGANIZATIONAL PROFILE		
G4 - 3	Title page	
G4 - 4	Xx	
G4 - 5	Cover page	
G4 - 6	N/A	
G4 - 7	Xx	
G4 - 8	Xx	
G4 - 9	09	
G4 - 10	94-96	
G4 - 11	N/A	
G4 - 12	N/A	
G4 - 13	N/A	
G4 - 14	Please refer sections on 'Governance'(29)	
G4 - 15	United Nations Global Compact	
G4 - 16	N/A	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4 - 17	About the report (Page 1)	
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G4 - 30	About report (Page 1)	
G4 - 31	About report (Page 1)	
G4 - 32	In accordance with 'core' principles	
G4 - 33	External assurance not provided	
GOVERNANCE		
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ETHICS AND INTEGRITY		
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Specific Standard Disclosures

Identified Material Aspects	Disclosure Reference or Direct Answer	Omissions	External Assurance
ECONOMIC			
Economic performance	EC1 (81), EC3(74), EC4 (No financial assistance received)		
Indirect economic impacts	EC7(114), EC8 (111-113)		
Procurement practices	EC9 (xx)		
ENVIRONMENTAL			
Materials	EN1 (xx), EN2 (xx)		
Energy	EN3 (102), EN5 (102), EN6(101)		
Water	EN8 (103)	Sources of water withdrawal – will be reported in 2016	
Emissions	EN15 (102), EN16 (102), EN18 (101)		
Effluents and waste	EN23 (103), EN24 (100)		
Compliance	EN29. There was no fine and non-monetary sanction imposed on the company for non-compliance with environmental laws and regulations during the year.		
Overall	EN31 (xx)		
Environmental grievance mechanisms	EN34. No environmental grievance filed during the year.		
SOCIAL: LABOUR PRACTICES AND DECENT WORK			
Employment	LA1 (95-96)	Partial disclosure	
Occupational health and safety	LA6 (95),		

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Identified Material Aspects	Disclosure Reference or Direct Answer	Omissions	External Assurance
Training and education	LA10 (92)		
Diversity and equal opportunity	LA12 (91)	Breakdown by age group not available.	
SOCIAL: HUMAN RIGHTS			
Non-discrimination	HR3. During the year, no significant incidents of discrimination occurred		
Freedom of association and collective bargaining	HR4. During the year, there have been no operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk.		
Child labour	HR5. During the year there have been no operations and suppliers identified as having significant risk for incidents of child labour. We have a strict policy all across our business activities that no one below the age of 18 should be employed.		
Forced or compulsory labour	HR6. During the year there have been no operations and suppliers identified as having significant risk for incidents of forced or compulsory labour.		
Indigenous rights	HR9. All our operations are subject to human rights reviews and impact assessments.		
Human rights grievance mechanisms	HR12. During the year, there have been no significant grievances filed about human rights impacts.		
SOCIAL: SOCIETY			
Local communities	SO1 – All operations have implemented local community engagement, impact assessments and development programs.		
Anti-corruption	SO3. All our operations have been assessed for risks related to corruption and we have robust internal audit and control mechanism in place to ensure fair practices.		
Public policy	SO6. It is not our policy to make any political contributions so no political contribution has been made during the year.		
Anti-competitive behaviour	SO7. No legal actions for anti-competitive behaviour, anti-trust and monopoly practices have been taken by or against the company during the year.		
Compliance	SO8. No significant fines or any non-monetary sanctions for non-compliance with laws and regulations have been imposed on the company during the year.		
Grievance mechanisms for impacts on society	SO11. During the year no significant grievances about impacts on society was filed against the company.		
SOCIAL: PRODUCT RESPONSIBILITY			
Marketing communications	PR6. None of our group entities is involved in the sale of banned or disputed products.		
Customer privacy	PR8. During the year, no complaints have been made regarding breaches of customer privacy and losses of customer data.		
Compliance	PR9. No fines were imposed on the company for non-compliance with laws and regulations concerning the provision and use of products and services.		

assurance statement

Independent Assurance Statement for Engro Corporation Sustainability Report 2014

Engro Corporation Limited (ECL) engaged United Registrar of Systems (URS) to provide independent assurance on the sustainability content of their 2014 Integrated Annual & Sustainability Report (the Report). The Report presents Engro Corporation's sustainability performance over the period January 1, 2014 to December 31, 2014. Engro Corporation was responsible for preparation of the Report and this statement presents our opinion as independent assurance providers. URS' responsibility in performing its assurance activities is to the Board and Management of Engro Corporation in accordance with the terms of reference agreed with them.

Boundary, Scope and Limitations of Assurance

The reporting aspect boundary is based on the internal and external materiality assessment covering the operations of 7 companies & provides a consolidated state of affairs for the Group Companies up to December 31, 2014.

The scope of assurance included a documented review of Materiality Assessment covering financial, human, natural, social and relationship capital related information in the Report. In particular the assurance engagement included:

– Review of the policies, initiatives, practices and performance described in the non-financial - qualitative and quantitative information (sustainability performance) reported in the Integrated Report – 2014;

– Reviewing the consistency of GRI G4 'in accordance – Core' option with the sustainability performance information presented in The Report.

Limitations – Neither Stakeholders' engagement process nor data verification was done as part of this assurance engagement.

Verification Methodology

Our activities included a review of the Report content against the principles of Inclusivity, Materiality, & Responsiveness. Our procedures on this engagement included:

– An understanding of Engro Corp's targets for sustainability as part of their business strategy and operations;
– Review of the company's approach to stakeholder engagement and its materiality determination process;
– Verifying the robustness of the data management system, information flow and controls;

The work was planned & carried out to provide limited, rather than absolute assurance and we believe that the desk top review of Engro Corp's Sustainability Report completed by URS provides an appropriate basis for our conclusions.

Our Independence & Competency

URS states its independence and impartiality with regards to this engagement. We confirm that throughout the reporting period there were no services provided which could impair our independence and objectivity.

This engagement was conducted by a multidisciplinary team including assurance and sustainability expertise with professional qualifications. Our team is experienced in providing sustainability reporting assurance.

Opinion

In our opinion, based on the scope of this assurance engagement, the non-financial - qualitative and quantitative information (sustainability performance) reported in the Integrated Report – 2014, provides a fair representation of the sustainability related strategies, management system performance and meets the general content and quality requirements of the GRI G4.

General & Specific Standard Disclosures

We reviewed the general & specific standard disclosures reported in this Report and we are of the opinion that the reported information generally meets the reporting requirement for 'in accordance – Core' based on GRI G4.

We have evaluated the Report's adherence to the following principles on a scale of "Good", "Acceptable" & "Needs Improvement

Inclusivity

The stakeholder identification and engagement process is well established to identify sustainability challenges and concerns through different channels and includes engagement with key stakeholders across the six sectors in a systematic manner. The stakeholder modes of engagement and concerns are also reported. In our view, the level at which the Report adheres to this principle is "Good".

Completeness

The Report has fairly attempted to disclose most of the general and specific standard disclosures including the disclosure on management approach covering the sustainability strategy, management approach, monitoring systems and sustainability performances indicators against the GRI G4 – 'in accordance – Core'. In our view, the level at which the Report adheres to this principle is "Acceptable".

Materiality

The process of materiality assessment has been carried out based on requirements of GRI G4. The material issues emerging from the stakeholder engagement were collected and prioritized based on the impact to stakeholder and to external stakeholders, and the results are fairly reflected in the Report. The materiality of the aspects is explained in the Report along with the management and monitoring systems. In our view, the level at which the Report adheres to this principle is "Acceptable".

Conclusion

Based on the scope of our review nothing has come to our attention that causes us to believe that the disclosures and data in the Report were not prepared, in accordance with the criteria identified above.

Ali Khan
CEO, United Registrar of Systems Ltd.
Karachi, Pakistan
June 2015

commitment to the united nations global compact

In 2014, Engro Corporation Limited continued its commitment to the ten principles of the Global Compact - a program which promotes sustainability with respect to people, planet and profits - in an effort to harmonize our role in business and society, within our sphere of influence and beyond. Our adherence to the Global Compact stems from the belief that businesses, which have the support and respect of their stakeholders are likely to perform better. This Sustainability Report also expresses our intent to advance the UNGC principles, with an annual commitment to reporting in accordance to the requirements of the Global Compact.

Human Rights

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

Labour

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

Environment

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

Anti Corruption

Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	Governance Framework & Approach to Governance

glossary

EBITDA: Earnings before Interest, Taxes, Depreciation and Amortization.

IFC: International Finance Corporation

VCM: Vinyl Chloride Monomer

PVC: Poly Vinyl Chloride

LNG: Liquefied Natural Gas

RLNG: Regasified Liquefied Natural Gas

LPG: Liquid Petroleum Gas

NGL: Natural Gas Liquid

UNGC: United Nations Global Compact

CoP: Communication on Progress

SVP: Senior Vice President

VP: Vice President

GM: General Manager

HR: Human Resources

PA: Public Affairs

CC: Corporate Communications

CSR: Corporate Social Responsibility

F&A: Finance & Accounting

BCP: Business Continuity Planning

SOP: Standard Operating Procedures

EU: European Union

GIDC: Gas Infrastructure Development Cess

SNGPL: Sui Northern Gas Pipeline

MMSCFD: Million Standard Cubic Feet Per Day

TCEB: Thar Coal Energy Board

SECMC: Sindh Engro Coal Mining Company

EVTL: Engro Vopak Terminal Limited

CCP: Competition Commission of Pakistan

PADP: Performance Appraisal Development Plan

EET: Employee Engagement Index

LCM: Leadership Competency Model

PAC: Performance Assessment & Compensation

HSE: Health, Safety & Environment

OHSA: Occupational Health and Safety Administration

BSC: British Safety Council

TRIR: Total Recordable Injury Rate

IMS: Integrated Management System

PSM: Personnel Safety Management

PSRM: Process Risk & Safety Management

CAER: Community Awareness and Emergency Response

MCC: Milk Collection Centres

WELD: Women Empowerment Through Livestock Development

FLEW: Female Livestock Extension Worker

FVMC: Female Village Milk Collector

TTC: Technical Training College

CPI: Community & Physical Infrastructure

CO: Community Organization

VO: Village Organization

GHG: Greenhouse Gas Emissions

VFD: Variable Frequency Drives