

TWENTY FIFTEEN

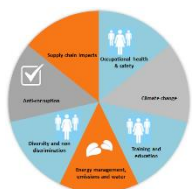
Sustainability

Creating value,
Building trust



FAUJI FERTILIZER COMPANY LIMITED

MATERIALITY



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Materiality assessment

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.....not just as manufacturer of fertilizer but also as an employer and a trusted business partner.



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2015 in review

 **2,469** thousand tonnes Urea production

 **Rs. 84.83** billion sales

 **61.39%**

 **Rs. 150,099** million

 **76,759** farmers reached through Agri-services

 **525,008** GJ energy saved

 **1%** reduction in fresh water usage

 **22,929** MT CO₂ emission

 **over 1%** of net earnings spent on CSR

Vision, mission, corporate strategy and values

VISION

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

MISSION

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

CORPORATE STRATEGY

Maintaining our competitive position in the core business, we employ our brand name, unique organizational culture, professional excellence and financial strength diversifying in local and multinational environments through acquisitions and new projects thus achieving synergy towards value creation for our stakeholders.

VALUES

Honesty in communicating within the Company and with our business partners, suppliers and customers, while at the same time protecting the Company's confidential information and trade secrets.

Excellence in high-quality products and services to our customers.

Consistency in our word and deed.

Compassion in our relationships with our employees and the communities affected by our business.

Fairness to our fellow employees, stakeholders, business partners, customers and suppliers through adherence to all applicable laws, regulations and policies and a high standard of moral behavior.

Dear stakeholders,

I am pleased to share our vision to become a preferred partner for our stakeholders by creating shared value. Shared value creation requires focusing on financial as well as critical non-financial factors and embedding sustainability practices in business strategy and key business areas for effective management of externalities. We have been working on embedding the sustainability practices in our business processes and share our performance with our stakeholders through our annual sustainability report. This year, we moved one step further and used the International Integrated Reporting Council (IIRC) integrated reporting framework to tell our value creation story. Our 5th sustainability report is based on GRI G4 reporting guidelines, UNGC Ten Principles and IIRC integrated reporting framework. We envision the process of measuring and sharing the value creation process, outputs and impacts adds transparency to our business and builds trust.

Rising world population with projected increase in food demand, declining availability of cultivable land, and changing climate conditions, our role as a responsible manufacture of urea will become more evident. Our changing role will lead us to maintain world class manufacturing facilities compliant with quality, environmental, health and safety standards, provide decent and productive workplace, become a preferred business partner and play our part in socio economic development of our local communities. Our sustainability practices and social initiatives are strengthening our new role as a responsible corporate citizen and our relationships with our valuable stakeholders.

Our annual sustainability report reinforces our commitment to sustainable and inclusive business growth for all of our stakeholders. We value your suggestions, which we believe will help us to improve our performance and deliver to your expectations.



A handwritten signature in black ink, appearing to read 'Khalid Nawaz Khan', with a horizontal line underneath.

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

Dear Stakeholders,

I am pleased to share that 2015 was another exceptional year for FFC on many fronts. Despite challenging economic conditions and increasing input costs, we remained on the growth path with provision of sustained economic returns to our shareholders and creating shared value not only for investors, but also for employees, business partners, customers and communities. Our governance model guides us to manage the value creation process through effectively embedding sustainability practices in our core business areas while managing the impact of externalities.

To us, shared value creation means provision of sustained returns, investing in our workforce, productive and healthy workplace, managing our footprint, abiding by laws, codes and our commitments, and investing in our communities. In line with this concept, economic returns, environmental management, health and safety, and stakeholder engagement remained our top priority areas in 2015.

During the year, our manufacturing facilities reported exceptional performance with the second highest urea production ever of 2,469 thousand tonnes, despite gas curtailment and extended turnaround of plant – II. We also achieved a new benchmark in terms of highest ever sales of Rs. 84.83 billion. Notwithstanding achievement of major targets for the year, Company profitability was severely impacted by increasing costs, price constraints and additional tax burden resulting in net earnings of Rs. 16.77 billion, 8% below last year. However, we are confident that our diversification strategies, operational efficiencies, internal cost review processes, will result in improved profitability and sustained returns for our stakeholders.

Our continuous investments in environment friendly technologies, up-gradation and efficient plant management resulted in reduced environmental footprint during the year. In 2015, energy consumption at plant sites reduced by 525,008 GJ and GHG emissions reduced by 22,929 MT. Moreover, intake of fresh water reduced by 1% during the year. Processes and workforce health and safety remained priority areas resulting in almost zero health and safety incidents at plant sites.

We contributed over 1% of profit before tax toward our CSR interventions focused on education, health, community uplift and socio-economic development in rural areas. In line with our commitment of shared value creation and inclusive growth, we are working to develop a criteria for effective supply chain management and reducing negative



impacts in areas of environment, labor practices, human rights and societal interventions.

Let me share that our Sustainability Report for the Year 2014 secured 1st position at ICAP and ICMAP 'Best Sustainability Reporting Award' for report transparency, which shows our culture of efficiency, professionalism and transparency. We used IIRC framework in addition to GRI G4 guidelines this year, to share our value creation story and performance on economic, environment and social fronts. This sustainability report also contains our commitment to the Ten Principles of UNGC.

We reiterate our commitment to Ten Principles of UNGC and we support newly introduced Sustainable Development Goals (SDGs) which will help business to play an effective role in sustainable development.

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



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

FFC today

Fauji Fertilizer Company Limited is a public listed company with its business across Pakistan.

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

Our net revenues for the year 2015 were Rs. 84.83 billion with net profit of Rs. 16.76 billion. Total capitalization was Rs. 80,130 million with owner equity of Rs. 27,311 million. During the year, there were no significant changes in size or capital structure.

Subsidiaries

FFC Energy Limited
Fauji Fresh n Freeze Limited

Associates

Fauji Fertilizer Bin Qasim Limited
Askari Bank Limited
Fauji Cement Company Limited
Pakistan Maroc Phosphore S.A
Morocco

Operations under review

FFC Head office
Manufacturing plants
Marketing offices



2,469 thousand tons

Urea produced during the year.



76,759 farmers

Benefited through farm advisory services.



3,497 employees

Employed to ensure sustained returns to our stakeholders.

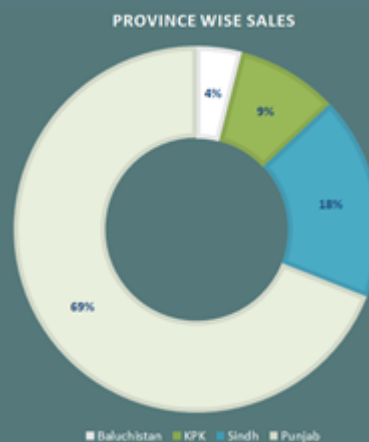
48% urea market share

Market presence in all four provinces of Pakistan to cater product sales and farm advisory services.

Market network with three zones, thirteen regions, sixty six sales districts, over 3,700 dealers and five farm advisory centers

Markets

- Punjab
- Sindh
- Khyber Pakhtunkhwa
- Baluchistan



Supply chain

We produce and market fertilizer for our customers. To this end, we require raw materials, packaging, capital equipment, services, and other inputs, such as, natural gas, transportation services etc. We procure most of our requirements directly from the relevant producers. We are not particularly dependent on any of our suppliers. Our suppliers consist of local suppliers and foreign suppliers, including public companies, small privately held companies, contractors and small businesses. The major raw material and other components which can be easily purchased from Pakistan are procured locally while the materials and components which are not available in Pakistan are purchased from abroad. Our supply chain is mixed including labor intensive and technology intensive products and services. During the year, we paid Rs. 26,249 million to our supply chain partners on account of purchases of goods and services. We ship product to dealers, institutional customers and direct customers. We have a network of 3,700 dealers operating at 1,800 sales points for provision of product to customers at their nearest point. There were no major changes in the structure of the supply chain during the year.

Commitments, memberships and awards

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

In line with our commitment, we are an active member of United Nations Global Compact (UNGC) network and continue to abide by the Ten Principles of the UNGC.

Memberships

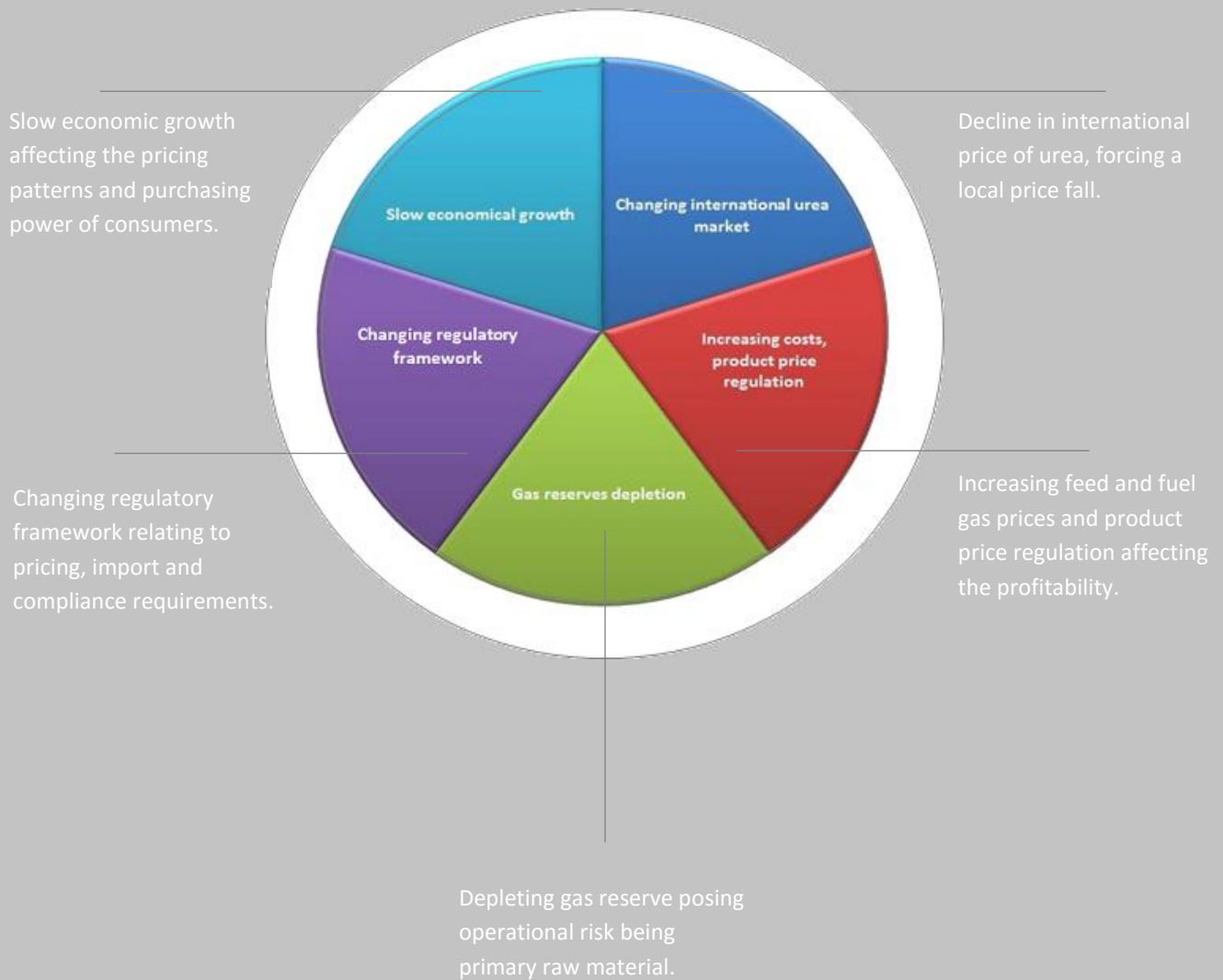
- United Nations Global Compact (UNGC)
- Marketing Association of Pakistan (MAP)
- Fertilizer Manufacturers of Pakistan Advisory Council (FMPAC)
- Fertilizer Industry Public Relation Committee (FIPRC)
- International Fertilizer Industry Association
- Arab Fertilizer Association
- Farmers Association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

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

Awards

- Best sustainability report award by the joint committee of ICAP and ICMAP
- First position in manufacturing sector for best presented annual report by SAFA
- Best presented annual report award by ICAP and ICMAP
- Awarded 3rd position at Corporate Philanthropy Awards by PCP
- Platinum award by Rawalpindi Chamber of Commerce and Industry

External environment



Stakeholder dialogue



Stakeholder engagement is an important element of our commitment towards sustainability and value creation. Engagement with stakeholders helps us to understand concerns and expectations of stakeholders.

We identified important stakeholders by considering those groups or individuals that can reasonably be expected to be significantly affected by our business activities, outputs or outcomes, or whose actions can reasonably be expected to significantly affect our ability to create value over time. The identified stakeholders were profiled, mapped and prioritized for consultation based on factors of influence, responsibility, proximity, dependency and representation. Consultation with stakeholder groups is carried out on continuous basis by the relevant departments. Following major stakeholder groups were consulted throughout the year as well as for Sustainability Report 2015.

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

Organizational overview and external environment

The continuous engagement with stakeholders helps us to timely identify the expectations and concerns of stakeholder groups and related sustainability impacts for taking appropriate action on the identified material aspects.

In line with our practice, we identified important stakeholder groups, prioritized these groups for engagement, defined communication methodologies for each group and carried out dialogue with them for gaining insights for inclusion in the report. The stakeholder groups were engaged through email, phone calls and focus group meeting.



The details of some of the activities along with feedback received are as follows;

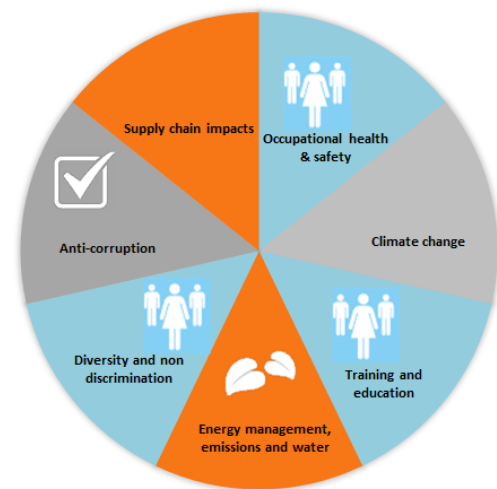
Stakeholders	Topics identified by stakeholders	Our response
Farmers/ customers	New farming techniques, farm mechanization and farmers' capacity building.	Communication of new farming techniques/equipment for better farm productivity and expansion of coverage area of farmer advisory services.
Employees	Training and education to increase skill set, health and safety of workforce and families.	New training programs as well as increased participation in existing training programs and continuous investment for efficient health and safety management.
Suppliers	Training/video demonstration to avoid accidents and behavioral issues, provision of first aid facilities for emergencies, and rescheduling product loading time to avoid accidents.	Initiation of training program/video demonstrations to reduce accidents, better health facility management for emergency response, and rescheduling in consultation with transporters to reduce likelihood of accidents.
Distributors	Dealers' capacity building on product developments.	Effective and efficient marketing communication & outreach to increase dealers' knowledge.
Shareholders/ Investors	Sustained economic performance, efficient management of environmental impacts, and local community impacts and interventions.	Diversification of business and up gradation of plants to ensure sustained returns, continuous investment in cleaner technologies, and management of impacts and investment through CSR program.
Development Organizations	Emissions and effluents, human rights, labor grievances mechanism, and local community impacts.	Better emissions and effluents management, decent labor practices focused on efficient grievances handling procedures, compliance with human rights at all operational units and better management of impacts and investment through CSR program.
Local Community	Non-discrimination in hiring and local community impacts.	Provision of opportunities to locals, moreover, non-discrimination policy in place and management of impacts and investment through CSR program.

Materiality assessment

We aim to create value addition and benefits to all stakeholders through timely identification, prioritization and management of sustainability impacts, risks and opportunities. Our sustainability efforts focus on areas relating to typical kind of activities which successful chemical companies engage, such as plant, process and product safety, environmental protection, health and safety and corporate governance. Although the company is a leader in all these areas in its sector, still it is focused to move ahead for playing its role in sustainable development.

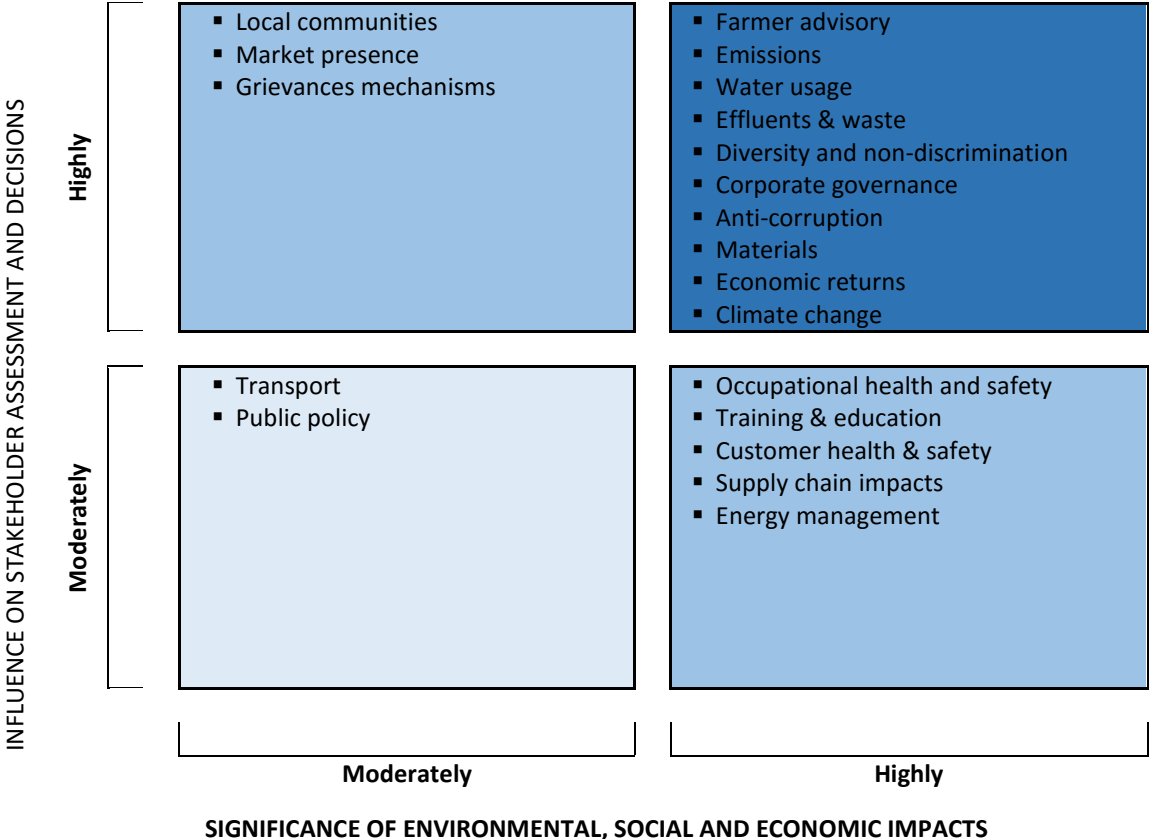
Our sustainability efforts are focused in areas which are critical for our business, our ability to create value over short, medium and long term and have been defined as important by various stakeholders. These areas include economic development, natural resources conservation, emissions reduction, water management, energy management, work in the community as part of our commitment to corporate social responsibility, and market presence. These sustainability topics are regularly reviewed by the CSR committee and are adapted where necessary.

We used GRI G4 reporting principles of sustainability context, materiality, completeness and stakeholder inclusiveness, for defining our report content. These principles have been consistently applied at varying degrees during identification, prioritization and validation steps, while defining material topics for this report.



“These are issues that affect our ability to create value and will shape our future”

Based on the results of stakeholders’ engagement and internal analysis, a materiality analysis was carried out to produce a materiality matrix containing the material sustainability issues for our operations. This analysis has allowed us to identify the most relevant aspects that reflect significant economic, environmental and social impacts and that greatly influence our value creation ability and the assessments and decisions of our stakeholders.



The matrix divides up the areas to show those which are highly relevant and those which are moderately relevant to FFC’s business and its stakeholders. The content and scope of this report is also derived from this matrix.

The prioritization of the risks is based on the materiality analysis for non-financial risk as per IR framework, G4 guidelines and best available practices for defining material topics. Through the materiality analysis, we consider the severity and likelihood of such a potential risk, and establish relative risk levels to guide our mitigation activities. The CSR Committee analyses the risk identified and recommends action to the relevant departments for prevention and mitigation of the negative impacts of the operations and maximization of opportunities. Compliance with laws, international standards, internal regulations, and FFC’s code of conduct is a basic requirement for all activities as part of the precautionary approach. The validation of material topics was carried out by CSR committee which is responsible for sustainability related activities. The GRI reporting principles of defining report content i.e. completeness and stakeholder inclusiveness were applied while validating the material aspects for FFC 2015 sustainability report.

Boundary of material topics

The boundaries for material impacts have been identified on the basis of their impacts whether lying within organization, outside organization, and within or outside organization. The reporting principles for defining report content has been used while identifying the boundaries for material aspects.

Sustainability area	Material topic	Boundary
Economic	Economic returns	FFC
	Market presence	FFC, our suppliers
	Materials	FFC
Environment	Energy management	FFC, our suppliers
	Emissions	FFC, our suppliers
	Water usage	FFC, our customers
	Climate change	FFC, our supplier, customers
	Effluents & waste	FFC, our suppliers
	Transport	FFC, our suppliers
	Occupational health & safety	FFC
Social	Training and education	FFC
	Customer health and safety	FFC
	Human rights	FFC, our suppliers
	Local communities	FFC, our local community
	Anti-corruption	FFC, our suppliers
	Public policy	FFC
	Supply chain impacts	FFC, our suppliers
Sustainability management	Corporate governance	FFC
	Farmer advisory	FFC, our customers
	Grievances mechanism	FFC

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

Strategy and resource allocation

We are committed to create added value and benefits for all stakeholders – in economic, environmental and social terms.

We believe that sustainable value creation over short, medium and long term can only be achieved by efficient use of resources, development of sustainable products and solutions, and treating the environment and people fairly and with respect. We conduct ourselves as a responsible corporate entity focused on becoming a partner in sustainable development and value creation for our stakeholders. This attitude towards doing business opens up opportunities and setting us apart from our competitors – the result is a higher level of revenues, customer appreciation, acceptance and increased demand.

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



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

What is sustainable value creation?

Sustainable value creation is a process of change in which use of resources, goals of investment, direction of technological development, and institutional change are not only in synchronization with each other, but also increases current and future potential to create value and meet needs of stakeholders.

Sustainable value creation is not just an additional, separate activity which is pursued as an end in itself. It can only be effective if it is fully integrated into a company's business processes and if it is a core objective of a company's corporate activity. This is why, at FFC, it is closely aligned with factors that are decisive in determining the success of our company.

Sustainable value creation is a tool for efficient business management:

- Process efficiency and overall profitability are being improved in all areas of business, a process which requires constant optimization of the value chain.
- A focus on innovation and on research and development is a prerequisite for continuing to produce products and farming techniques for years to come and to boost revenues.
- Creating and enhancing the competitive edge in order to secure more market share.
- The company's portfolio is continually being optimized: to increase profitability, to create value, to boost growth via diversification, and to enhance the sustainability of the company's product range.

In order to successfully achieve these goals, we have closely aligned our products and operations with principles for sustainability. We have developed programs, initiatives, and long-term measures in all key areas as a means of achieving the goals which we have set ourselves whilst also increasing the benefit for all stakeholders.

Guidelines for sustainable business

Sustainable value creation is an important element in our corporate strategy. As a leading fertilizer manufacturing company, we do not limit our sustainability efforts in compliance with statutory regulations, but have also committed to ethical and sustainable conduct in all of our commercial activities. All of our actions comply with the applicable laws, principles laid down in the UN Global Compact, and our internal code of conduct.

We strive for a business culture of continuous improvement, sustainable competitiveness, and top performance in line with our ethical standards. We attach great importance to values, and make them the central focus of every field in which we operate and where we can influence through our actions and ideas. In all of our activities, we put emphasis on environmental protection and safety. Our own policies on health, safety & environment (HSE) are in line with the best practices. In addition, our plants are certified against ISO 9001, ISO 14001 and OHSAS 18001 certifications. We are continually striving to improve in terms of economic, environmental and social sustainability to create value through efficient use of our capitals. We are also setting standards in employee support and development to attract, motivated and competent workforce.

Governance

The internally developed code of conduct, code of corporate governance and best available practices in corporate governance are guiding pillars for us. We conduct our business in compliance with the applicable laws and rules and reject corruption in any form. We avoid conflicts of interest and ensures that corporate assets are not misused. We have a formal code of business ethics to avoid conflict of interest among highest governance body members as well as among employees. Extensive information regarding code of conduct and related matters can be found on page 6 of our 2015 Annual Report.

Balanced management structure

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

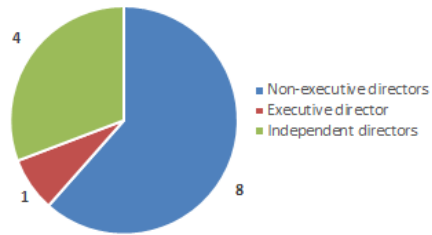
The Chairman of the Board of Directors is independent. His only relationship with FFC, aside from the fact that he is also a shareholder of FFC, is his role as Chairman of the Board of Directors. Neither he nor any person related to him is employed by FFC or a company that does business with FFC or is affiliated through a consultancy or similar agreement.

The Chairman and members of the Board Committees are selected from the board members. The Board has constituted Committees of directors with the adequate delegation of powers to effectively focus on the issues and ensure expedient resolution. These Committees meet as often as required to oversee the performance in respective areas. Each Committee has own charter with goals and responsibilities.



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

Composition of Board of Directors



The Committees of the Board are Audit Committee, System and Technology Committee, Project Diversification Committee, Human Resource & Remuneration Committee and Management Committees i.e. Executive Committee, Business Strategy Committee and CSR Committee.

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

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

Management personnel

In 2015, the Board of Directors of FFC consisted of twelve Pakistani citizens and one Danish citizen. The members of the Board of Directors were all at least 50 years old except one. FFC has not introduced any specific quotas for women, specific nationalities, ethnic minorities or special age groups for the Board of Directors. The members of the Board of Directors also hold significant positions in other companies, the details can be found in “Profile of the Board” section of the Annual Report of the company for the year ended on December 31st, 2015.

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

FFC employs formal code of business ethics and anti-corruption measures in place to avoid conflict of interests at Board and executive level. The code clearly refrains from conflict of interest and incase conflict of interest is not avoidable; it requires to be reported to the highest governing body for resolution.

CSR Committee

We are committed to act ethically and sustainably in all of our business activities. Key structural and control responsibilities related to sustainability have been delegated to CSR committee which evaluates and guides all sustainability efforts as efficiently and effectively as possible at every level of the organization. Chief Executive and Managing Director (CE&MD) chairs the committee, while the heads of following key functions are committee members: Coordination, Finance,

Marketing, Production, and CSR. This is designed to ensure that all relevant strategic sustainability initiatives and activities are agreed with FFC's corporate governance bodies and are in line with FFC's approach towards sustainable value creation.

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

Management's role in shaping sustainability policy

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

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

The Board of Directors has delegated the responsibility to respective committees for ensuring that the Enterprise Risk Management (ERM) system is operational and working. The Committees therefore has managerial responsibility for the implementation and performance of the ERM system.

Monitoring sustainability efforts

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

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

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

Reporting to management

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

Evaluation and development of corporate performance

Human Resource and Remuneration Committee of the Board of Directors evaluates on an annual basis the degree to which objectives of the company as a whole and particularly those of the Executive Committee have been met. Based on the evaluation of the performance against operational and sustainability related goals, recommendations are made for approval of the Board of Directors. This procedure ensures that bonus payments to employees, including executives, are also in line with FFC's overall performance and objectives.

The members of the Board of Directors and especially the Executive Committee have expertise in managing economic, environmental and social issues. To ensure they keep abreast of current trends and developments in the aforementioned areas, FFC ensures participation of its management and staff in relevant trainings and involvements in international and national conferences and meetings.

Management pay

Our remuneration policy is focused to provide remuneration, which is competitive and in line with market conditions - high performance high reward - transparent and goal oriented. Remuneration policy of directors aims at encouraging and rewarding good performance/contribution to the objectives. We evaluate directors' performance by setting specific, measurable, achievable and realistic goals for the year and evaluation of the performance of each member against these goals. The evaluation of the Board of Directors performance is self-assessment against defined goals, carried out quarterly and discussed in the Board meetings to take necessary actions to meet the defined objectives. The remuneration of CE & MD is paid as recommended by the Human Resource and Remuneration Committee and approved by the Board of Directors and Shareholders. A fee is paid to the directors to meet the expenses incurred by them in attending the Board meetings, which is also approved by the Board of Directors and is in accordance with applicable guidelines. The company does not pay remuneration to non-executive directors, except for the directors' fee.

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

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

Shareholder and employee recommendations

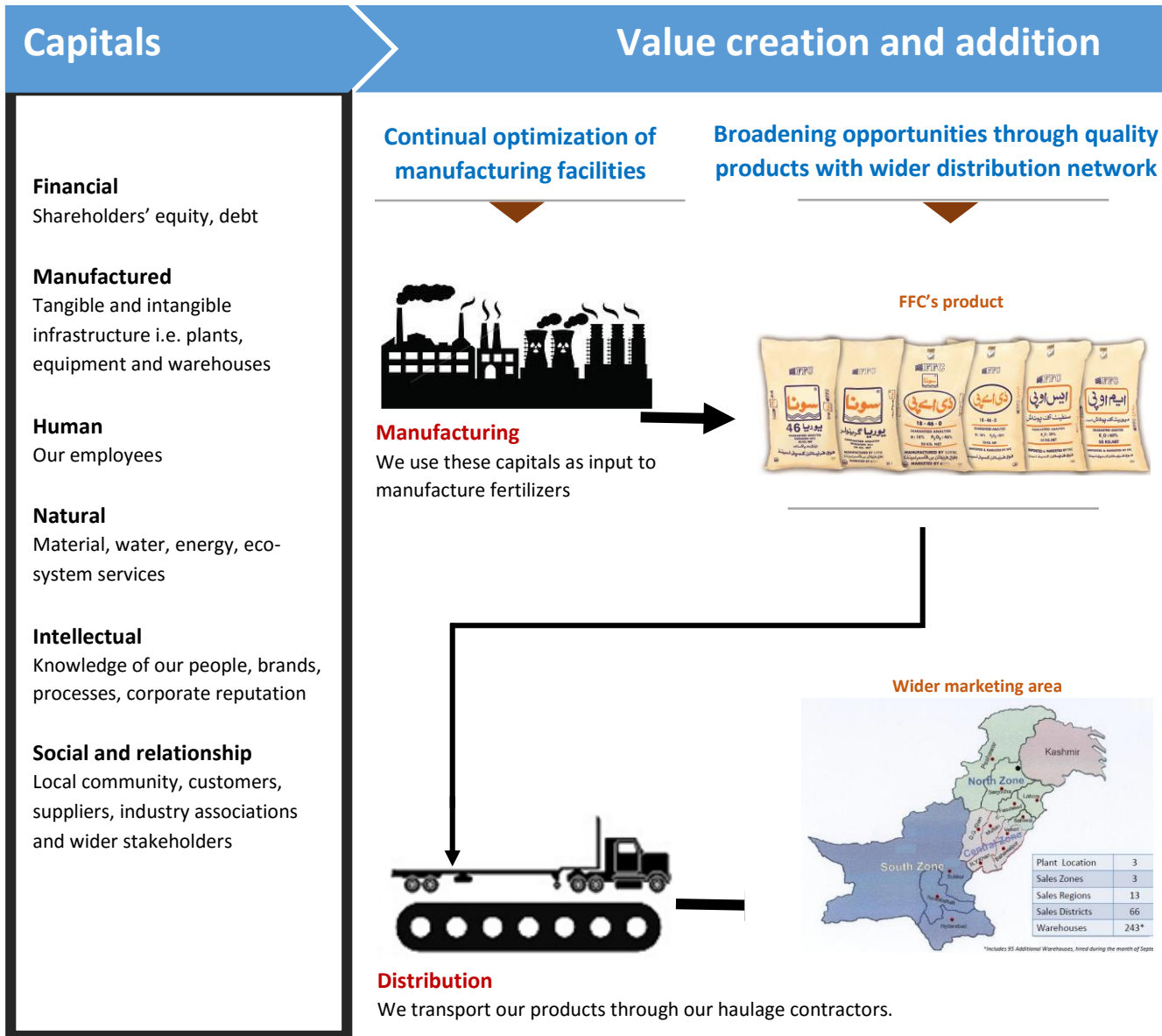
We value the concerns/recommendations of our shareholders. The shareholders' can give their feedback/recommendation in General Meetings of the company as well as by sending letters or email to the corporate relations department on address available on the company's website. The concerned officials regularly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

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

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

Our business model

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



Working with customers to enhance product utilization and farm productivity



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



Sales and execution
We work with our dealers to reach customers.

Winning the trust of our stakeholders

Value created

Tonnes of sona urea
2,469 thousand

Employment
3,497

Farmers engaged
76,759

Community Spending
PKR 168 million

Emission reduced by
22,929 metric tonnes

Water recycling
59%

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

Shareholders
Delivering sustainable healthy returns and dividends

Employees
Rewarding our workforce, trainings and education to secure valuable staff

Customers
Helping customer to increase productive potential and farm earnings

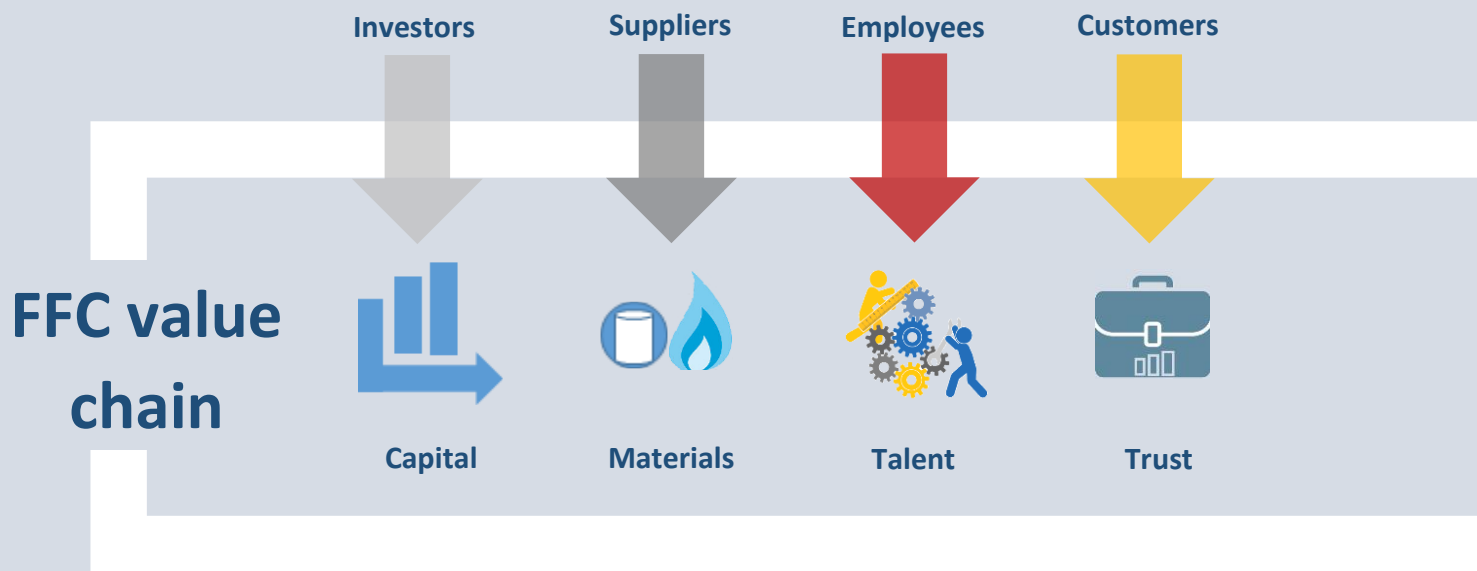
Community
Uplifting the lives of community, contributing to basic public good

Environment
Protecting the environment

The FFC
Investing in our business for smooth execution and growth

How we create and share value?

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



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

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

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

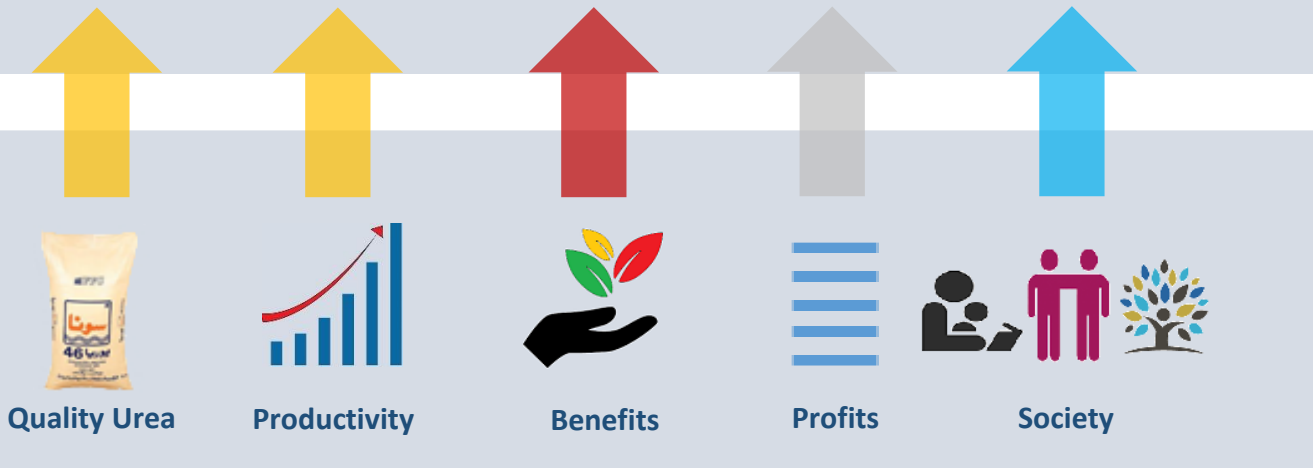
We utilize the raw materials to manufacture quality products for our customers.

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

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

Our customers buy our products and entrust money to us.

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



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

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

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

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

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

How do we create and share value as a manufacturer of fertilizer?

By producing quality fertilizers

We produce and market Urea. Through our products, we provide additives for better crop productivity. Our purpose is to protect and enhance productive potential of farms and our end consumer earnings. We have millions of customers in Pakistan ranging from small farmers to large farm holdings and farm houses. We aim to produce only quality products that correspond to the international environment and safety standards. We constantly monitor and carry out regular reviews on all business aspects and processes in order to ensure that they continue to conform our commitment to produce quality products. Quality and performance monitoring is an integral part of our business processes and strategic planning. Product responsibility lies with the manufacturing department and Chief Executive & Managing Director is responsible for health and safety impacts of products.

FFC makes sure that employees, customers, general public and the environment can rely on the safety of its products throughout the entire product lifecycle. Our products are additive for enhancing agricultural produce and due care is given to health and safety impacts. Regular training are conducted covering aspects related to health & safety of product and product quality to ensure quality production. Standard weight of fertilizer bags is ensured and regular quality analysis of product samples is performed in respect of average prill size, biuret, moisture, crushing strength and total fitness. FFC made assessment of health and safety impacts of all products during the year in order to identify improvements to further support its commitment of producing customer friendly products. In 2015, we redesigned printing and packaging to counter with fake products and made our packaging more environment friendly. During the year, our products were in compliance with regulations and voluntary codes concerning health and safety impacts of products.

By investing in better farm productivity

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

In order to ensure incessant support to the farming community, we continuously invest in our farm advisory services. We operate five farm advisory centers and eighteen (18) regional Agri. Services offices. Farm advisory centers comprises a team of professionals fully equipped with modern and sophisticated computerized soil & water testing laboratory and a demonstration van with high tech audio visual equipment. It operates for 4-5 years in an area providing guidance in line with area crops and socio-economic position of the farmers. We maintain close liaison with research organizations to transfer the latest findings to the farming community through our farm advisory services. The experts and professionals from agricultural institutions and Govt. departments are invited to deliberate farming community problems. We are collaborating with various national and international companies on R&D activities related to slow release fertilizers,

biologically enhanced fertilizers, and micronutrients impregnated fertilizers. Among others, these include NUST Islamabad, GC University Lahore, EVL Inc.-Canada, PIEAS–Nilore. Recently, we established Fertilizer Research Centre at Faisalabad as a testing and evaluation platform for newly developed fertilizer products. Moreover, we are carrying out R&D work on many improved fertilizer products that would release nitrogen from the granule in a manner that matches crop growth requirement thus directly addressing issue of Planetary Boundaries.

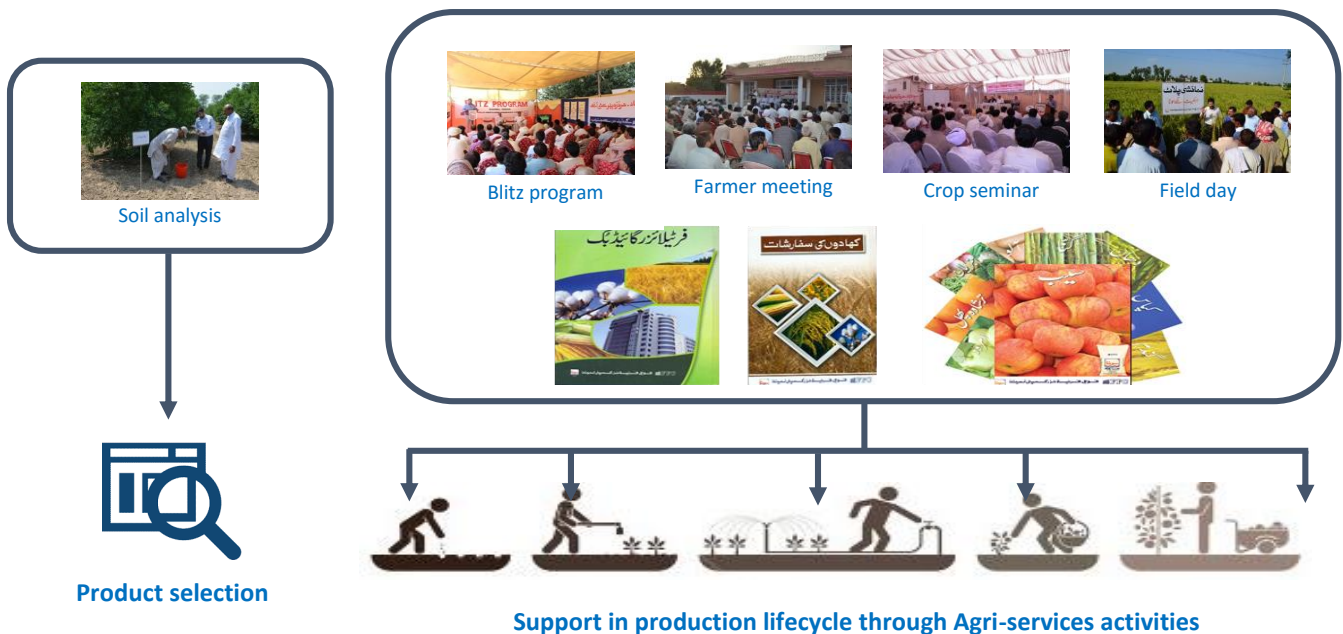
We develop and regularly update crop literature covering complete production technology of all major crops, vegetables and fruits grown in the country in national and regional languages. The two comprehensive books namely “Fertilizer Guide Book” and “Fertilizer Recommendation Book” are valuable assets for disseminating information about fertilizers and their use for different crops. Agriculture newsletters are published quarterly in Urdu and Sindhi Languages, to refresh farmers’ knowledge regarding seasonal/on-going crop operations. During the year, 166,000 brochures of various crops, orchards and vegetables were distributed among the farmers in various Agri. Services activities for their ready reference. Moreover, Short Messages Service (SMS) about different agriculture related issues and recommended practices were also sent to farmers on mailing list.

Agri-services activities in 2015	
Farmer Meetings	483
Blitz Programs	42
Farm Visits	2,063
Training Programs	5
Crop Seminars	26
Crop Demonstrations	199
Field Days	184
Soil & Water Samples Tested	21,643
Micronutrient Samples Tested	774
Total outreach	76,759 farmers

To further strengthen FFC’s contact with Farming Community, prompt interaction regarding their emergent field issues and suggesting resolution within the shortest possible time, the company launched helpline service (0800-00332) on December 28, 2015. In this regards a total of 875 calls were received from farmers across the country.

We have developed crop production documentaries to educate farmers on different farming techniques. Our Agri. Services team regularly participates in various Radio/TV Talk shows organized by Radio and TV stations to discuss production technology and balance fertilizer use for major crops. We have a professional, trained and experienced team to render advisory services in different agro-ecological zones and we are committed to play a leading role in the economic uplift of our key stakeholder.

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



Support in production lifecycle through Agri-services activities

How do we create and share value as an employer?

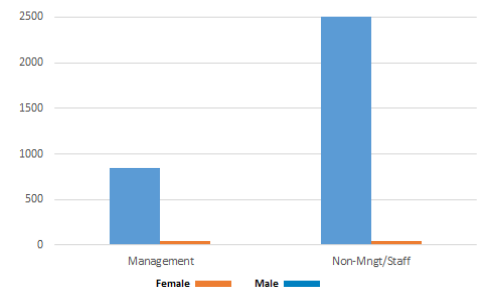
We value human resources as an important capital and believe in fair treatment and ensuring compliance with laws, regulations and our own code of conduct. Our employees are the most important factor for our success not only in the current market environment but also in future, as their performance alone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

The most senior officer responsible for labor practices is General Manager Human Resource. The HR head at the manufacturing unit level reports to GM-HR. All aspects of labor practices, i.e. trainings, diversity and equal opportunity etc. are closely monitored at the manufacturing unit level as well as at the corporate level. The breach of the aspects is monitored by HR department and adherence to laws and regulations is discussed frequently and reported quarterly to the HR committee of the Board. Both attracting qualified employees and ongoing employee training and development are of great importance to FFC. We provide our employees with the skills and resources they need to work in an even more efficient and innovative way. We have already set exemplary standards in this area with numerous training programs and best in class in house training center. We aim to become more attractive as an employer and keep employees within the company for as long as possible through better management of this precious capital.

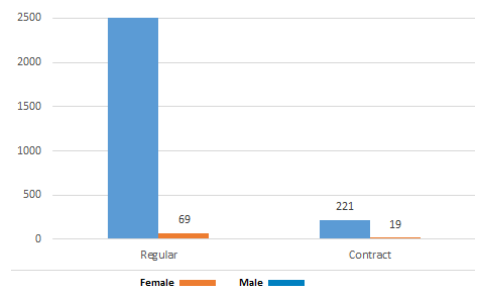
By providing employment

We have employed 3,497 people in our operations including plants, marketing offices and head office. There was significant variation in numbers of new employees during the year. The substantial portion of work is performed by the full time employees. We do not offer part time employment nor any supervised workers work at FFC. We indirectly support jobs in supply chain through our suppliers, contractors and distributors. We know that we require competent and skilled people in our workforce to deliver sustainable returns. To attract the competent people and to ensure that they stay with us, we offer right benefits, rewarding work and career advancement prospects. This value creation and sharing with our workforce is vital for our long term success. During the year, the new hiring rate was 33% while turnover rate was 5%.

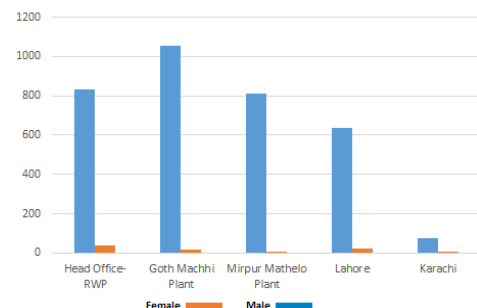
Workforce by employment category broken by gender



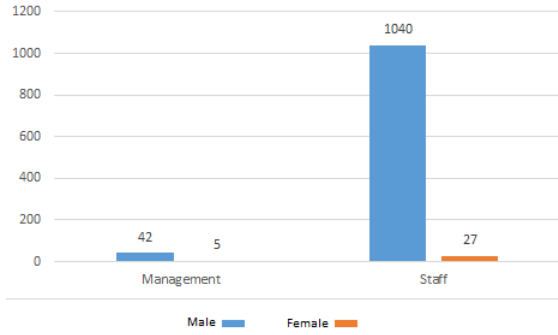
Workforce by employment type broken by gender



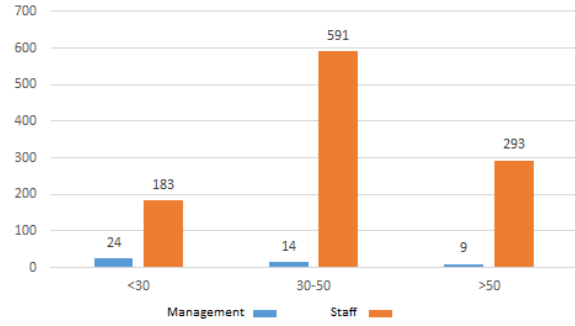
Workforce by region broken by gender



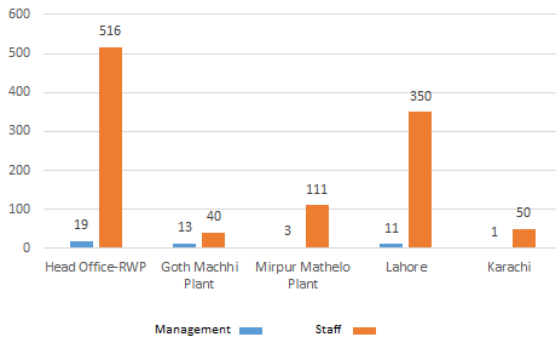
Hiring by category broken by gender



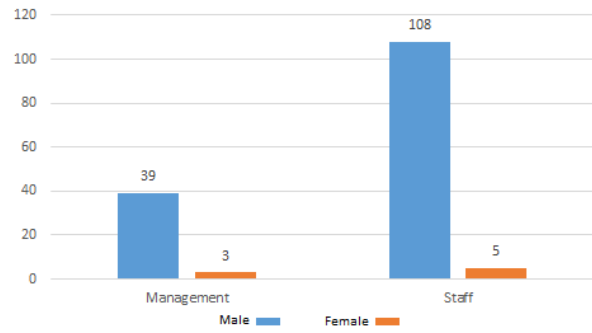
Hiring by category broken by age group



Hiring by category broken by location



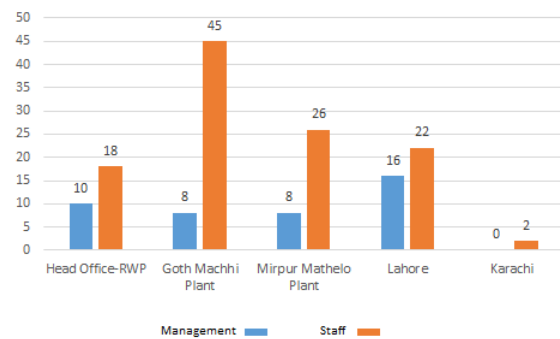
Attrition by category broken by gender



Attrition by category broken by age group



Attrition by category broken by location



By investing in our workforce

In 2015, we paid Rs. 7,908 million as workforce salaries and benefits, which makes our workforce an important investment and valuable asset. We pay wages and salaries that are determined by local relevant competitive markets rather than by legally defined minimum wages. However, we exceed the minimum wages threshold at all of our operational sites. During the year, the ratio of standard entry level wages to local minimum wages was 1.27:1 across all significant locations of operations.

FFC does not discriminate basic salary or remuneration on the basis of sex. No intentional differentiation is made in benefits provided by FFC according to the type of employment contract. Only female employees are given maternity leave. Four female employees availed maternity leave in 2015. All of the employees returned to work after availing maternity leave.

We reward employees on the basis of performance and their role in the advancement of company objectives. The ratio of basic salary and remuneration is one to one at FFC. All FFC employees received performance appraisal in 2015.

We regularly monitor benefit plan obligations for relevance, compliance, costs and stability to ensure that the benefits are in line with operating environment. We are aware of the significance of these benefit plans as a way of retaining staff.

We maintain separate funded pension and gratuity schemes where all obligations of funds are financed by FFC. Our all eligible employees who complete the qualifying period of service and age are benefited by these schemes. The trustees administer these funds. The annual contribution to gratuity and management staff pension funds are based on actuarial valuation. The defined contributory provident fund is for all eligible employees for which FFC contributions are charged at the rate of 10% of basic salary. The employees also contribute 10 % of basic salary to provident fund. The provident fund may be reimbursed after an employee leaves the organization or may be transferred, as per the convenience of an employee. We spent an amount of Rs. 910 million on defined benefit plan obligations in 2015. The benefits are provided to full time employees including management and staff. These benefits are not offered to contractual employees.



Rs. 7,908

million paid as workforce salaries and benefits.

Rs. 910

million spent on defined benefit plan obligations.

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

*Subject to company policy.

By developing skills and talent

We provide training to employees at all levels within the organization. We believe that motivating and training our employees will contribute significantly to their skillset and success of our company. We consider it important that employees have the opportunity to realize their potential and develop a successful career. Based on this thinking and principle of equal treatment and equal rights, we offer our employees internally and externally conducted specialist and interdisciplinary training and qualification measures.

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

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

By providing decent, productive place to work

We do our best to provide decent and productive workplace to our workforce. We offer regular health and safety programs and checkups. These programs include initiatives to reduce injuries at workplace, plant site, and reduce stress. We regularly engage with collective bargaining agents, works councils and other employee bodies. We support rights of freedom of association. The entitled employees are free to join unions and to be represented by representative of these unions internally and externally in accordance with applicable laws. All staff employees are covered by CBA, which comes to 74.41% of total strength. We give 15 days’ notice period on relocation within plants. A three days of joining period are also given on relocation. This information is not specified in CBA agreements. FFC complies with all local statutory and operational requirements in regard to the provision of information to employee representatives and employees.

Diversity strengthens the company, brings in new perspectives, helps drive innovation and leads ultimately to better decision-making. Our employment policy strives for a diverse workforce and aims to find the candidates best suited for an open position. We hire and promote employees based solely on the qualifications and skills required for the work. The recruitment of employees is based only on their suitability for the open position and their individual potential for a successful future at FFC – in line with the corporate strategy and objectives. However, as a common practice, while hiring junior level staff/apprentices at plants minor relaxation is given to the local population to encourage the locals.

Training hours per employee

Average number of employees	3,497
Training hours	28,800
Average hours of training	8.2

Training hours per employee by gender

Category	Average No. of employees	Man-hours	Avg. training hours
Male	3,409	28,176	8.3
Female	88	624	7.1

Training hours per employee by employee category

Category	Average No. of employees	Man-hours	Avg. training hours
Management	895	23,152	25.9
Staff	2,602	5,648	2.3

Likewise, in the marketing group, preference to post locals, from among the selected ones, is also given due consideration to resolve communication issues/language problems. No senior management employee at locations of significant operation is hired on the basis of location or domicile.

FFC has not introduced any specific quotas for women, specific nationalities, ethnic minorities or special age groups for the Board of Directors and Executive Committee. All the candidates are evaluated and selected on the basis of the same list of criteria. Eleven out of thirteen members of the Board of Directors are male while two members are female. The members of the committees were members of the Board of Directors.

By investing in health & safety of workforce

Safety of our people and processes is our top priority. FFC always endeavors to educate employees on health and safety topics to ensure maximum level of health and safety of its labor force. The protection goals as well as health and safety aspects are monitored and reviewed on an ongoing basis. The health and safety practices in manufacturing units are governed by the HR head of the manufacturing units, who is also responsible for fair labor practices, policies with respect to regulations and laws as well as the other activities for the benefit of the employees. FFC has in place a system for risk assessment of operations and committed to preserve its employees' health by avoiding accidents as much as possible. We have long standing safety culture at plant sites along with a detailed reporting of process and plant safety. We carefully track incidents, complaints received from stakeholders and take prompt action for resolution in justified cases. During the year, three complaints relating to labor practices were filed, one complaint was resolved while two complaints are pending.

Continuous efforts to prevent accidents at work are an essential part of our production activities and require constant motivation of employees by line managers. As a result of the high commitment to health and safety the incidents concerning health and safety issues has decreased over number of years and our plants are producing records safe man hours over the years. 10.36 million Man-hours of safe operations for employees and 12.52 million man hours for contractor employees were also achieved as of December 31, 2015 at our plants only through employees' commitment and safety first strategy

Urea manufacturing is a clean, safe and close process. Worker only come in contact with the finished product ready for shipment and there is no major risk of occupational diseases nor did any such known disease



10.36 million

Man-hours of safe operations for employees

12.52 million

Man-hours of safe operations for contractor employees

occur related to the process. However, the regular technical controls and measurements are carried out at the workplace to ensure safe working conditions and regular health checks conducted for employees. FFC offers discounted health programs and attaches great importance to protecting employees from workplace accidents. Line managers are responsible for trainings employees in safety and identify the extent to which employees are familiar to the safety procedures at processes.

We regularly conduct various trainings including safety culture reinforcement training for management & staff, emergency response & rescue handling, general safety training for contracted out employees, contractor supervisor training, safety culture reinforcement training (contractor employees), safety orientation for interns and apprentices, safety orientation for plant visitors & guests, training on job safety analysis, hazard identification risk assessment and determining control (HIRADC), noise induced hearing loss awareness, energy management, environment protection & pollution prevention and excavation safety. The implementation of training of these types is also a clear signal to improve workplace safety. Not only do employees learn how to behave more safely and prevent accidents through targeted training courses, but – by also involving managers in the process – a strong emphasis is placed. Safety is first and foremost a question of sensitivity to the dangers surrounding one's own work. For that reason, exemplary conduct and regular training is a must for managers and all employees.

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

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



Safety of our people and processes is our top priority.

Regular health and safety trainings are conducted to ensure safety of workforce, contractors, community and visitors.

How do we create and share value as a trusted business partner?

By procuring locally

Suppliers are strategic allies who support our success and performance to our customers. We believe that the collaboration makes the difference. Our supplier relationships go beyond the purely commercial sphere and include a mutual understanding of what it takes to promote good practices and pursue responsible and sustainable development.

We produce and market fertilizer for our customers. To this end, we require raw materials, packaging, capital equipment, services, and other inputs, such as transportation services. We procure most of our requirements from the locations in which our respective operating facilities are located as far as qualitatively compatible, technically feasible, and economically justifiable. This way, FFC's activities support the economic development of the areas concerned. FFC is not particularly dependent on any of its suppliers except the supplier for natural gas which is basic raw material for fertilizer manufacturing. Our suppliers consist of local suppliers and foreign suppliers. The major raw material and other components which can be easily purchased from Pakistan are procured locally while the materials and components which are not available in Pakistan are purchased from abroad.

Our 84% purchases are from local suppliers and 16% from foreign suppliers. We ship our products across the country to our dealers, institutional customers and direct customers. Our major sales are in Punjab followed by Sindh, KPK and Baluchistan. We have a network of 3,700 dealers operating at 1,800 sales points for provision of product to customers at their nearest point.

By working on sustainability in supply chain

We are well aware that today's complex business environment requires leading supply chain management methods to ensure incorporation of sustainability criteria in the selection and engagement of suppliers. These practices help to limit exposure to unexpected events and supply disruption, while building long-term core competence and effective management of supply chain impacts leading to benefits to suppliers.



84%

local suppliers

16%

foreign suppliers

3700

dealers

1800

sale points

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



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

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

FFC is not aware of any negative environmental impacts of its operations or supplier's operations during the year. FFC is committed to put a positive impact on the society through CSR interventions and encourages its supply chain partners to engage in such activities for the betterment of the society. The company is not aware of any negative impacts of such interventions during the year.

FFC rejects any form of child labor and strictly complies with local regulations concerning legal minimum age requirements for work permits. FFC is not aware of cases of child labor in the company or at its suppliers. Similarly, FFC rejects any form of forced labor or slavery. FFC is also not aware of any cases of forced labor or slavery in the company or at its suppliers.

How do we create and share value in local communities, we operate?

By supporting local communities

We support communities through taxes, local procurement, donations, and provision of facilities around plant site. In 2015, we spent Rs. 168 million on CSR activities. Most of the spending was in the areas of education, health care, community support and uplift, relief and rehabilitation and event sponsorships. Through our sports sponsorships, we encourage healthier lifestyles and grassroots participation in sports activities.

The implementation and monitoring of the social activities at all the locations are routed through Sr. Manager CSR. The monthly progress of social initiatives is analyzed by Sr. Manager CSR. We use various tools to monitor and follow-up performance and commitments to society. These include independent monitors as well as in house reviews. Progress is reported to the senior management on a continuous basis. From 2016, in order to effectively manage our CSR activities, Sona Welfare Foundation (SWF), a fully dedicated entity, will be used for carrying out interventions in the fields of healthcare, education, sports and rural development.

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

Healthcare

During the year, we donated ambulances, medical equipment and cash of Rs. 29.25 million to various hospitals for construction/upgradation and purchase of medical equipment. We joined hands with Al Shifa Trust eye hospital to organize five eye care camps at various locations which were funded by us. The facilities extended at camps include free of cost surgery, medicine and visual aid.



Over 1%

of net earning spent on CSR activities during 2015

Education

FFC provided necessary supplies to 103 schools of Tehsil Sadiqabad and 905 orphans/ deserving students in Mirpur Mathelo. Other schools in the vicinity of the plant were also provided support in shape of construction of class sheds, class rooms, building new infrastructure, renovation of existing facilities, establishment of labs, and overhauling of school bus. FFC collaborated with Citizens Foundation to extend quality education to the deserving children of community in Rawalpindi. During the year, we provided scholarships to 29 students to pursue higher education at various institutions and extended sponsorship to 100 students from schools in Goth Machhi and Mirpur Mathelo for participation in online qualifying test for the Microsoft Office Specialist World Championship.

Rural development programs

Responding to the severe problems faced by the plant site surrounding community, FFC constructed Basti Khai link road to Goth Machhi for relieving the difficulties of local population. During the year, FFC undertook construction of flood affected Govt. high school Tanda Gambhir, Poonch AJK, donated Rs. 2 million for construction of school at village Khattian and donated books to newly established library at Thatta. To overcome the clean drinking water problem, we donated a clean water filtration plant to be utilized by over 800 students of Mubaraka trust camps at Zafarwal village Sialkot.

National cause donations

FFC extended support to Falah Foundation for construction of hostel building at Gen. Mushtaq Baig Campus Chakwal for children of shuhadah. During the year, FFC donated Rs. 1 million to Chitral flood affected people and provided sizeable quantity of quilts and household tents for earthquake affected masses.

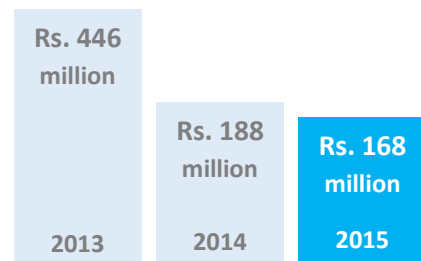
By contributing to national exchequer

We recognize that we have a role to play in supporting public services through our tax payments and value addition in terms of foreign exchange savings. Besides corporate income tax, we pay taxes as an employer and sales tax on our products. We also act as a tax collector – through tax deduction on employees' salaries, payments to suppliers and contractors. Our approach comprises of two principles. Firstly, we actively manage our compliance by working within the rules set by government. Secondly, we work on tax optimization. Once our business decision are finalized, we work on optimization of our taxes. We take decisions for business reason not for tax advantages only. However, we do take into consideration the tax incidence in decision making to avoid any disadvantage to our shareholders.

During the year, cash contribution to national exchequer comprising of taxes, levies and accrued GIDC was Rs. 60 billion, being the highest in company history. Value addition in terms of foreign exchange savings was US\$654 million through import substitution of 2,408 thousand tonnes urea sold during the year. The total value addition to the economy in 2015 was Rs. 80 billion.

Keeping tradition of supporting local communities

Over the past three years, we've spent more than Rs. 800 million on supporting our communities.



How do we create and share value as a socially responsible company?

FFC assumes ethical responsibility for sustainable, economic, environment friendly, and fair business transactions. FFC employees are educated and trained to take responsibility in line with their function, authority and qualifications. The Rio Declaration requires that countries take a precautionary approach, according to their capabilities, in order to protect the environment. Thus measures to prevent environmental degradation must not be postponed where there are threats of (serious or irreversible) environmental damage. Nevertheless, such measures should not pose an excessive financial burden as Principle 15 of the declaration combines environmental protection with a cost-benefit analysis. FFC applies this principle to the company. In order to protect the environment, the precautionary approach is applied accordingly. The company has a CSR policy in place with clearly defined objectives. The CSR policy states the importance of inclusive growth as one of the key areas for sustainable development.

By efficiently managing environmental footprint

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

FFC is improving its processes and production procedures on an ongoing basis in line with its environment management approach which has helped to reduce the absolute as well as relative volume of resources, waste, waste water and air emissions. FFC has integrated



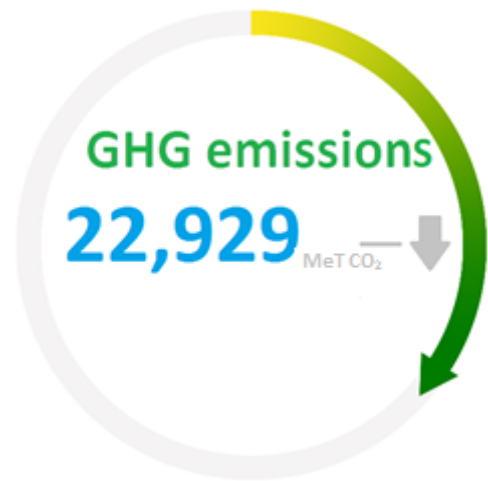
Environmental, Health & Safety policy which is applicable to all manufacturing plants for maintaining high standards of Health, Safety & Environment (HSE). The objective is to preserve the environment from degradation and provide a safe and healthy workplace, while improving the quality of life of employees, contractors, visitors and plant site community.

The GM M&O at each plant is responsible for performance, regulatory affairs and monitors the compliance across the manufacturing plants for Health, Safety & Environment (HSE). FFC regularly conducts trainings for senior management of manufacturing units as well as employees working on line functions. FFC has specifically designed training modules for different internal trainings and employees are nominated for external trainings as well.

HSE systems are regularly monitored for ensuring compliance with internal HSE polices and applicable laws and regulations. During the year, manufacturing plants were recertified for ISO 9001:2008, ISO 140001:2004 Environmental Management System and OHSAS 18001:2007 Occupational Health & Safety Assessment Series (OH&S Management System). These management systems enable us to identify the risks and potential opportunities, improved internal data management, building the confidence of stakeholders and identify energy management spots. The SOC & EMR forums at facility level perform an internal check to find out the gaps on a regular basis.

As a result of these efforts and stringent voluntary commitments, FFC was not aware of any cases in the year under review in which it has been accused of not having acted essentially in compliance with laws, regulations and voluntary codes of practice in connection with nature and environmental protection. As such, FFC did not have to pay any fines or non-monetary penalties for non-compliance with environmental laws and regulations in 2015. FFC has environmental grievances mechanism in place where complaints regarding negative environmental impacts of operations can be filed. The resident manager at plant site deals with such complaints and necessary actions are taken as per need. During the year, no complaint was filed.

To date, FFC has been unable to detect any noteworthy effect that climate change may have had on its business, whether of a physical, regulatory, or financial nature. Nevertheless, FFC is aware of this important issue and has set itself priorities by making sustainability an integral part of its corporate strategy, regardless of economic or seasonal fluctuations and exceptions. FFC is focused to reduce the environmental load of its operations to further decrease any possible impact in the future.



By respecting human rights

We put great emphasis on upholding human rights in our sphere of influence. We support and abide international charters on human rights. We have in place a number of internal policies to safeguard basic human rights as defined in the legislation and international charters.

Some of the policies in relation to human rights management have been listed below:

- Nondiscrimination policy
- Forced and compulsory labor
- Child labor

Once again, we are not aware of any activity, work related incidents or business transactions in this reporting year concerning the violation of human rights. The code of conduct for employees provides basic guidance on human rights, non-discrimination and freedom of association. A varied workforce is of great value to us, consequently, we do not tolerate any discrimination based on the race, ethnicity, sex, religion, views, a disability, age or sexual identity of employees. Keeping in view, the non-occurrence of any violation, we have not carried out any training on human rights. We have not received any complaint for discrimination during the reporting period.

FFC has a notification and reporting system in place for taking action on complaints with respect to human rights violations. The most senior officer responsible for managing human rights issues and implementation of various policies related to human rights is General Manager (GM) -HR. FFC adopts a culture of trust and feedback. Complaints are received via line managers or works councils within the relevant statutory framework. Beyond this, if the aforementioned procedure does not achieve the desired outcome, complaints can also be made through HR department. The legal department reviews the complaints filed for amicable solution and possible legal impacts. In 2015, FFC received three complaints of daily workers which have been settled during the year.

All significant investment agreements have been scanned for human rights issue while performing due diligence for that specific agreement. FFC is a member of UNGC and strictly adheres to the human rights charter and applicable laws. However, the screening of new suppliers was not carried out against human rights criteria. FFC is in process of developing a criteria, keeping in view the local conditions, for screening of supplier on human right impacts. FFC carries out regular review of the operations for human right impacts and in the year 2015, FFC carried out review of 80% of operations for human rights impact assessments. We have not carried out any screening of significant suppliers, contractors and other business partners during the year.

FFC respects the freedom of association right of entitled employees. FFC knows of no cases in which freedom of association or the right to collective bargaining have been seriously endangered or even breached – not even by suppliers.

FFC rejects any form of child labor and strictly complies with local regulations concerning legal minimum age requirements for work permits. FFC is not aware of cases of child labor in the company or with its suppliers. Similarly, FFC rejects any form of forced labor or slavery. Nor is FFC aware of any cases of forced labor or slavery in the company.

FFC is aware of the fact that the non-compliance with minimum human rights regulations by the supply chain partners may have material impacts and FFC supports and encourages its supply chain partner to obey the human right laws and adopt best available practices in this area.

By providing returns for our investors

One of the primary function of our business is to provide return on capital to our shareholders. During the year, increasing raw material costs have resulted in 8% decrease in net profit compared to last year, opposed to 33% increase in FFC contribution to National Exchequer. We paid dividends of Rs. 15,443 million in the year 2015. Total earning per share for 2015 was 7.8% lower compared to previous year, which is in line with the decreased profitability over the years. Keeping in view, the consistent decline in net profit over the years due to increased raw material prices, the company is taking measures to reduce the costs and diversify its business to ensure sustained returns to our investors.

By involving stakeholders in our decisions

Stakeholder engagement is an important part of our sustainability management. The stakeholder feedback helps to improve our products and decision-making. For FFC, a stakeholder is any individual or group affected by our business or who, in turn, may affect the environment in which we operate. This could be our shareholders, customers, local community, regulator and our business partners. Our engagement with stakeholders varies depending upon the stakeholder groups and includes, face-to-face, group discussions, meetings, surveys and seminars.

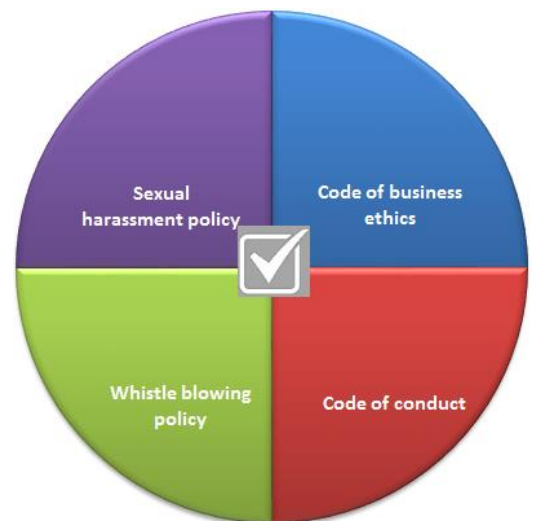
Our engagement helps identify possible risks and new opportunities in areas like product quality, pricing, Agri. Services and, more broadly, in terms of our reputation as a responsible manufacturer and marketer of fertilizer products. More details on our involvement with stakeholders are available on Page 13-14 of this report.

By avoiding corruption, breaches of code of conduct & laws

Corruption leads to distortions in the economic systems and creates social unbalance in the society. We are strict on combating corruption in all of our business areas including in dealings with the suppliers. We have a strict code of conduct containing organizational policy on corruption and effective risk management system for identification of corruption risks. We investigate corruption risks through ongoing internal auditing activity. We carried out risk assessment for corruption risk covering all of our operations and there were no incidents of corruptions identified and reported during the year. We have not conducted any specific training on anticorruption policies and procedures during the year.

During 2015, we have officially incorporated the slogan “Say no to corruption” in all our official correspondence reinforcing our commitment towards zero tolerance of corruption.

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



FFC did not make donations to political parties, politicians or associated institutions. The Companies Ordinance 1984 explicitly prohibits donations to political parties. FFC was not aware of any cases in the year under review in which FFC was accused of not having acted essentially in compliance with laws, regulations and voluntary codes of practice. Consequently, no corresponding fines or non-monetary penalties for failure to comply with legal regulations are known either. FFC attaches particular importance to fair interaction with competitors, suppliers and customers. In the year under review, there was no legal case of anti-competitive conduct, forming of cartels or monopolies. However, the appeal of the company, against Competition Commission's order for violating section 3 (3) (a) of the Competition Act during 2013, is still pending in the court. In 2015, FFC did not have to pay significant fines or suffer non-monetary penalties for failure to comply with legal regulations.

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

By respecting our commitments

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

We are also member of Business for Peace (B4P) group of UNGC. The vision behind B4P is to build a sustained network among participating



WE SUPPORT

UNGC Ten Principles



**SAY NO TO
CORRUPTION**

members to carry their CSR interventions into high risk areas and work in collaboration to build peace across the globe. We also support recently introduced sustainable development goal which will stimulate businesses to actively contribute to the sustainable development and help governments to meet national level goals leading to global goals.

By responsibly marketing products

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

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

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

FFC is convinced that a company cannot enjoy economic success on a sustained basis without knowing the exact needs of its customer base. FFC provides support in the use of its products and gathers feedback from farmers through its extended Agri-service department. We conduct customer satisfaction survey on a biannual basis. The survey comprises of questionnaire to measure the level of customer satisfaction on aspects of quality, operations and products offered,

More than **90%**

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

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

	January 2015	June 2015
Product quality	8.91	9.05
Customer overall satisfaction	9.31	9.48

focusing the entire product portfolio across the marketing area network of Pakistan. During the year, two customer satisfaction surveys carried out in January and June 2015 respectively. The survey was conducted by selecting 132 dealers as sample size from entire marketing area across Pakistan, covering all 13 FFC regions.

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

There have also been no complaints regarding breaches of data protection laws in the year under review, nor has there been any loss or theft of customer data.

More than **85%**

Farmers cultivated their crops as per recommendations given by FFC Agri- services.

Future outlook



We aim to strengthen our sustainability practices taking into account the approach to value creation by effectively managing the capitals we depend and use for running our business. We are focused to reduce the negative impacts of our activities and operations, promoting social equity and environmental care for preserving and enhancing the value creation ability of our company. We plan to move forward towards more efficient sustainability management by defining goals for specific material aspects, which will not only help us to manage the negative impacts effectively but will also demonstrate our commitment to track and manage our impacts over the years.

Till the specific goals are defined, we will keep moving forward on the sustainability path, while working on the followings;

- 1. Economic sustainability:** Economic stability is crucial for organizational ability to create value over time. Keeping in view the consistently increasing feed/fuel gas prices, we are working on potential offshore fertilizer complex in gas rich countries aimed at building on our core competencies in addition to extension of technical/professional services to other fertilizer complexes. We are further exploring the prospects of coal mining at Thar and launching bio-fertilizers by using the bio-waste generated by our subsidiary. We are committed to improve the way we work, reduce our costs, strive to be more professional, efficient and profitable to deliver sustained returns to our shareholders in a well-diversified manner.
- 2. Environmental sustainability:** Prudent management of natural capital helps to reduce the load on environment and secure the organizational license to operate. We are committed to mitigate our environmental footprint through continuous upgradation and investments in cleaner technologies at our plants. Keeping in view the local operating environment, we are developing sustainability criteria for our supply chain partners, which will help to mitigate the environmental impacts in supply chain as well. Moreover, alignment of IMS objectives with the environmental goals will help to effectively track progress, manage the impacts and reduce the environmental footprint.

3. **Human resource management:** Human capital is an integral ingredient for our success. We are committed to our policy of hiring and retaining high quality workforce of diverse nature, develop them through trainings, and cultivate a culture of belonging by encouragement, support and reward. We commit to abide by all human rights laws, regulations, and voluntary commitments for better human capital management. Provision of competitive wages and benefits, decent and productive place to work, and trainings, will remain our priority to ensure continuous commitment towards effective management of this precious capital.

4. **Governance & engagements:** Good corporate governance is vital to ensure FFC's ability to create value on different time horizons. We aim to embrace the best corporate governance practices in addition to compliance with applicable laws/codes to bring transparency and accountability towards our stakeholders. We commit to continue stakeholder engagement on issues of interest to stakeholders and company including our CSR policy and practices, and annual Sustainability Report to get valuable insights for playing an active role for creating and sharing value.

5. **Better farming:** We are aware that long term success of our fertilizer business is linked with prosperity of our farmers. We are committed to provide extensive farmers' capacity building services for enhancing farm productivity and alleviating poverty. We will expand our outreach program for capacity building on efficient farming, introduction/demonstration of new farming techniques, farm mechanization, and balanced fertilizer use, which will result in poverty alleviation and bring socioeconomic stability in the farming community.

6. **Voluntary initiatives:** We are committed to participate and support;
 - United Nations Global Compact Ten Principles;
 - United Nations Global Compact Business for Peace (B4P);
 - Corporate Social Responsibility Voluntary Guidelines 2013 of Securities & Exchange commission of Pakistan (SECP);
 - Socioeconomic development around plant sites in line with Sustainable Development Goals (SDGs) of United Nations and our CSR policy;
 - Provision of assistance in case of natural calamities.

Facts & figures



Over the next several pages, we'll be looking in more detail at our approach to reporting and our performance in three key areas of sustainable development; economic, environment and social. We'll explain the definitions, scope and methodology used, quality of information reported and the source of information. An extensive set of data has been provided on all three areas of sustainable development in line with best available guidelines and KPIs.

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About this report

Reporting period	Financial year 2015 (January 1 st , 2015 to December 31 st , 2015)
Reporting cycle	Annual
Date of publication of previous report	July 08, 2015
Available versions	Pdf version is available in English. Pdf version can be accessed from www.ffc.com.pk/publications
Report content	The contents of this report are based on the results of our dialogue with stakeholders, International Integrated Reporting Council (IIRC) Integrated Reporting (IR) framework and the Global Reporting Initiative (GRI) G4 guidelines requirements. All material aspects, which are of interest to different stakeholders and FFC are included in this report.
Global Reporting Initiative (GRI)	The report is GRI-G4 In accordance – comprehensive level. The GRI content index is available on page 69.
Independent external review	The report was externally reviewed by BSD Consulting, an independent reviewer, in compliance with the IR framework, GRI G4 Sustainability Reporting guidelines and principles of inclusiveness, materiality and responsiveness. The statement of independent external reviewer describing the activities carried out and the expression of opinion is provided on the page 65.
Contact for feedback	We value your feedback. Please connect with the sustainability team for questions or suggestions. Ms. Sadaf Khan AE - CSR Phone: +92-51- 111-332-111 Email: sadaf_khan@ffc.com.pk

Definitions, scope & methodology

The sustainability report, now in its 5th edition, is a voluntary document issued by FFC according to International Integrated Reporting Council (IIRC) Integrate Reporting (IR) framework, Global Reporting Initiative (GRI) G4 guidelines, and United Nations Global Compact (UNGC) “Ten Principles” requirements to provide stakeholders a comprehensive picture of the activities carried out, results achieved and commitments made in the economic, environmental and social spheres. This section provides definitions and methodology guide. Unless otherwise specified or required by the context in which they are used:

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

Unless otherwise indicated or required by the context, the information and data contained in this report relates to financial year 2015 (1st January 2015 to 31st December 2015). The economic and social data presented in the report includes data on FFC’s manufacturing plants, marketing offices and head office, while the environmental data relates to plant sites and does not include the environmental impact of other locations. The report does not include information on subsidiaries or associated companies.

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

- Sustainability Context: presenting the performance in wider context of sustainability disclosing our performance in local, national, regional and global context;
- Stakeholder Inclusiveness: involvement of stakeholders in identification, prioritization and validation of material sustainability topics affecting organizational ability to create value over different time horizons;
- Materiality: inclusion of all information which can substantially influence the decision making of stakeholders and reflect organization’s significant economic, environmental and social impacts;
- Completeness: inclusion of all material topics and performance indicators;
- Balance: coverage of both positive and negative aspects of performance;
- Comparability: ability to compare between time periods and with similar organizations;
- Accuracy: provision of adequate levels of detail;
- Reliability: reporting process subject to independent external review by an independent organization;
- Timeliness: report to be presented within the time frame relevant to stakeholders’ decision making;
- Clarity: the language used addresses all stakeholders.

The compilation of data has been done on the basic scientific measurement and mathematical calculus methods on actual basis, but in some cases where actual data is unavailable due to some reason; different logical methodologies are used for calculations. The usage of any such method is mentioned at respective places in the report. The data measurement techniques are same as used for previous year.

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

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

- prepared by the FFC sustainability reporting team that coordinates and engages relevant functions;
- examined by the relevant sustainability reporting team;
- Approved by the CSR Committee, the highest decision making body headed by CE&MD, consisting of Chief Coordination Officer, Chief Financial Officer, Group General Manager Marketing, Chief Technology Officer, Company Secretary, and Senior Manager CSR;
- subject to an independent review by BSD Consulting an independent reviewer, in compliance with the International Integrated Reporting Council (IIRC) Integrated Reporting (IR) framework, GRI-G4 Sustainability Reporting guidelines, and adherence to AA1000 Assurance Standard (2008) principles of inclusivity, materiality and responsiveness;
- published and freely available for download from the publication section of the company website (www.ffc.com.pk).

Economic Performance

Economic value generate and distributed

The value added through the activities of FFC and distributed to its various stakeholders in 2015 totaled Rs. 94,891 million.

Direct economic value generated

	2015	2014
	(Rs. in millions)	
Revenues	106,414	100,149
Value generated	106,414	100,149

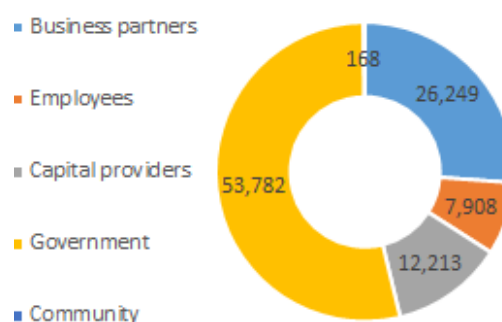
Direct economic value distributed

	2015	2014
	(Rs. in millions)	
Business partners	26,249	24,679
Employees	7,908	8,136
Capital providers	12,213	18,336
Government	53,782	43,552
Local community	168	188
Value distributed	100,320	94,891

Direct economic value retained

	2015	2014
	(Rs. in millions)	
Value retained	6,094	5,258

Value distribution 2015



Financial assistance received from the government

Sustainable development means sustainable operations nondependent on any subsidy or other public funding. In 2015, FFC did not receive any direct or indirect financial assistance from the government.

Environmental Performance

Material consumption

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

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

Recycled material consumption

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

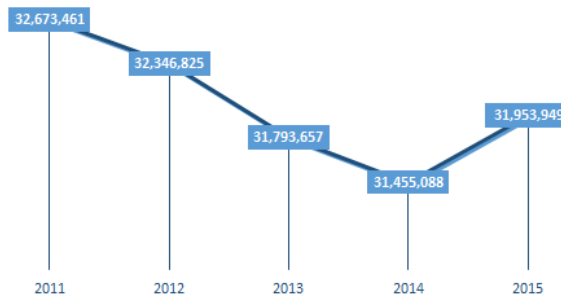
FFC tries, wherever possible, to use recycled materials but due to the nature of the production process, recycled raw materials cannot be used. Moreover, the cleanliness requirements does not allow the use of such materials. However, during the year urea dust of 2,806 MT was recovered and used in the process.

Energy consumption within organization

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

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

ENERGY CONSUMPTION IN GJ



Energy consumption outside organization

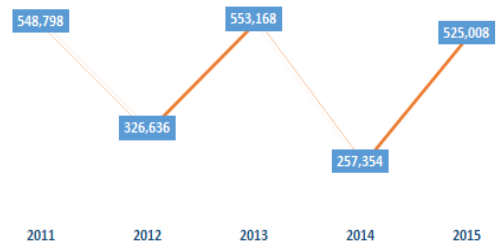
FFC does not purchase electricity or steam from external sources. There is no indirect energy use resulting from purchase of electricity, heat or steam. However, other indirect energy use from operations are measured and recorded, where possible.

We have identified that the indirect energy used by us is not significant in the overall context. For example, energy consumption caused by travelling of FFC employees is insignificant in relation to overall consumption. Moreover, with more than 3,400 staff, the cost of determining the indirect energy consumption by employees traveling to the company would not be appropriate given the level of insight this would provide. As such, an investigation of this kind will not be conducted. However, the company has made an effort in determination of energy consumption relating to the fuel used in company vehicles at plant sites, plant site employees’ air travelling during the year. The energy consumption due to plant site employees’ air travelling is 3,561 GJ.

Energy reductions

FFC product is dissolved in the soil during usage and not energy intensive. However, the company has been striving to reduce the energy consumption requirement during production process through implementation of programs and projects aimed at reducing energy consumption for a number of years. These measures are bearing fruit and the FFC’s production is becoming significantly more energy-efficient over the years. The energy consumption has decreased by 525,008 GJ in the year 2015 as compared to previous year.

ENERGY SAVINGS IN GJ



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

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

Energy intensity

12.95 GJ/MT

FFC runs three plants located at two manufacturing sites. The plants having different technologies have different energy intensity ratio. The overall energy intensity ratio was 12.95 GJ/MT urea as compared to last year intensity ratio of 13.09 GJ/MT. The energy intensity ration includes only scope I energy consumption figures.

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

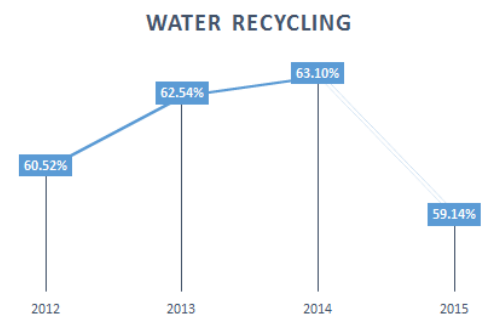
Water use

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

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

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

Water recycled/reused	2015	2014	2013	2012	2011
% of water recycled/reused	59.14%	63.10%	62.54%	60.52%	-



Wastewater

FFC uses water for a variety of purposes in the production process, and the water is partly polluted as a result. Therefore the production wastewater is treated to reduce the pollutant to acceptable limits, prescribed by NEQS, before using and discharging to canal water. The company uses oil skimming and neutralization method for waste water treatment. In the season, when canal is closed, the water is stored in evaporation ponds. In contrast, cooling water along with rain water can be fed into canal without cleaning as it does not come into contact with chemicals. The wastewater is also used for horticulture purpose at plant sites.

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

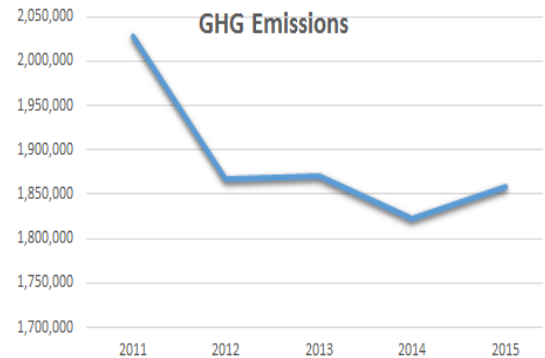
The waste water figures are estimated figures. The discharged water contained Chemical Oxygen Demand (COD) value of 32 ppm and Biological Oxygen Demand (BOD5) value of 18 ppm.

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

Direct GHG emissions

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

FFC determines the total emissions for each plant site at regular intervals and makes regular checks to control variations, if any. The direct carbon dioxide (CO₂) emissions are the result of the combustion processes for the generation of electricity, heat and steam. The greenhouse gases emissions are directly proportional to the amount of carbon in the employed fuels. The emissions of the greenhouse gases mainly CO₂ is measured on continuous basis at each plant site and then integrated to reach total figure. Emissions of other greenhouse gases like methane and nitrous oxide (N₂O) are measured and integrated into the consolidated calculation of greenhouse gas emissions. The global warming potential of the respective gaseous emissions were sourced from United Nations Framework Convention on Climate change (UNFCC).



Direct greenhouse gases emissions (MT)

	2015	2014	2013	2012	2011
CO ₂	1,860,241	1,823,418	1,870,489	1,867,672	2,028,646

Indirect GHG emissions

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

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

The indirect emissions (scope 3) due to plant site employees' air travelling is 226.29 MT of CO₂. The company does not have systems in place for identification, accounting for and reporting of upstream or downstream emission. However, keeping in view the supply chain impact of emissions, the company is in process to develop and implement the systems, where possible.

GHG emissions intensity & reduction in GHG emissions

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

GHG emissions intensity
0.75 MT CO₂/MT urea

FFC reduces carbon dioxide emissions by continuously optimizing production processes to make them more environmentally friendly. FFC is reducing air emissions by using innovative technologies and modernization of its plants. The results of the emissions reduction are small but in total lead to significantly lower emissions of pollutants. During the year, 22,929 MT CO₂ emissions reduced compared to previous year, which is used as base year as per company practices.

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

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

Emission of gases in MT

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

The significant emissions of other inorganic pollutants such as NO_x have been reduced by 12% while the emissions of particulate matter increased significantly during the reporting year while there were no emissions of NH₃ during the reporting year. The company uses previous year for comparison as a general practice. The emissions are recorded on the basis of laboratory analysis and actual fuel flow.

Effluents and waste

FFC focuses on prevention of waste as a priority over recovery or disposal. However, unavoidable production waste is recycled or disposed of properly. FFC procedures require that each type of waste is recorded and precisely analyzed and

described. Waste is properly documented in internal records, including where the waste originated, which quantities have arisen during the year, the classification of the waste as hazardous/non-hazardous and the possible disposal method. Waste is accumulated and dumped at the plant site and when the waste quantity reaches at a significant level, it is disposed of according to best available option.

Material	Unit	2015	2014	2013	2012	2011
Recycling						
Urea dust solution	MT	-	-	-	19,766	10,418
Landfill						
CaCO ₃ and waste lime stone	MT	5,603	4,621	4,150	4,100	2,340
Incineration (mass burn)						
Papers, cloths, etc	MT	77.03	592	593	646	646
On-site storage						
Waste water	m ³	1,526,000	1,409,260	350,000	591,582	425,000
Other						
Damaged urea bags, iron scrap etc.	MT	715	309	511	3,946	13,460
The urea dust solution is excluded from the recycling figure after deliberation that recovery is part of normal manufacturing process. However, the dust solution sold to external parties is reported under others.						

The first priority is to recycle or treat the waste, and only unsuitable waste is disposed of in landfills, which is then sold to the carefully selected supplier. The company carried out incineration under controlled conditions and specifically required high temperatures for incineration. The company sold 11 MT of hazardous waste to locally approved supplier. FFC does not transport waste to cross borders. FFC strives to prevent spills at its plant sites as spills not only lead to waste generation but further costs in shape of cleaning measures. During the year, no spills occurred at plant sites. FFC treats waste handling very carefully and no incidence has been recorded, where the waste was not disposed of properly, leading to adverse impact on the biodiversity and habitats around plant sites.

Investing for future generations

The investments and the expenses occurred on environmental protection and mitigation of the impacts are recorded at respective units, where it occurs. The figures are consolidated at the end of each year under two broader heads i.e. prevention and management costs. The investments in the area are made as cost-effectively as possible, it is an integral part of general investment planning and subject neither to a cost-benefit analysis nor a specific return on investment period. The environmental investment totaled about Rs. 74.12 million in 2015, of which 52.07% was spent on environmental protection, approximately 47.21% on monitoring and 0.71% on certification and trainings.

Social performance

Health & safety

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

Rate of Injury by region and gender				
	Organization		Contractor	
	Male	Female	Male	Female
Mirpur Mathello plant	0.09	Nil	Nil	Not applicable
Goth Machhi plant	0.07	Nil	0.07	Not applicable
Other locations	Nil	Nil	Not recorded	Not recorded

Occupation disease rate by region and gender				
	Organization		Contractor	
	Male	Female	Male	Female
Mirpur Mathello plant	Nil	Nil	Nil	Not applicable
Goth Machhi plant	Nil	Nil	Nil	Not applicable
Other locations	Nil	Nil	Not recorded	Not recorded

Lost days rate by region and gender				
	Organization		Contractor	
	Male	Female	Male	Female
Mirpur Mathello plant	Nil	Nil	Nil	Not applicable
Goth Machhi plant	Nil	Nil	Nil	Not applicable
Other locations	Nil	Nil	Not recorded	Not recorded

Social performance

Absenteeism rate by region and gender

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

Works related fatalities by region and gender

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

Diversity and equal opportunity

Employees by gender, minority group and age group

Gender	Minority Group		Age Group		
	Muslim	Non-Muslim	<30	30-50	>50
Male	98.74%	1.26%	17.9%	56.18%	25.92%
Female	93.51%	6.49%	29.87%	59.74%	10.39%

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

Employee Category	Gender		Minority Group		Age Group		
	Male	Female	Muslim	Non-Muslim	<30	30-50	>50
Management	95.08%	4.92%	98.69%	1.31%	18.36%	57.57%	24.07%
Staff	98.31%	1.69%	98.59%	1.41%	18.11%	55.82%	26.07%

Individual in governance bodies by gender, minority and age group

Governing Body	Gender		Minority Group		Age Group		
	Male	Female	Muslim	Non-Muslim	<30	30-50	>50
Board of Directors	85%	15%	85%	15%	0%	8%	92%

Supplementary information

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Independent external review

BSD Consulting performed an independent review of the Fauji Fertilizer Company Limited (FFC) Sustainability Report 2015, which was prepared 'in accordance' with Global Reporting Initiative's (GRI) G4 Sustainability Reporting Guidelines' Comprehensive option and also was guided by the Integrated Reporting framework. The objective of the critical review is to provide FFC's stakeholders with an independent opinion about the quality of the report and the adherence to AA1000 Assurance Standard (2008) principles of inclusivity, materiality and responsiveness, as well as an evaluation against principles of the Integrated Reporting (<IR>) framework and the associated capital concepts.

Independence

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

Our Qualification

BSD is a consulting firm specialized in sustainability. The review process was conducted by professionals with long-standing experience in independent assurance and sustainability reporting.

Responsibilities

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

Scope and limits

The scope of our work covers all information included in the FFC 2015 Sustainability Report, full version, referring to the period from January 1st, 2015, through December 31st, 2015 (presented as 2015). The verification of financial figures and sustainability performance data was not object of BSD's work.

Methodology

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

- Critical review of the Sustainability Report 2015 and respective Content Index to check consistency and adherence to GRI's General and Specific Standard Disclosure Guidelines
- Evaluation of report's adherence to the 'in accordance' – Comprehensive option
- Analysis against Integrated Reporting principles and the concept of six capitals
- Elaboration of adjustment report
- Final review of report content
- Analysis of report content against the AA1000AS (2008) principles of Inclusivity, Materiality and Responsiveness
- Elaboration of Independent Review Statement.

GRI's G4 'in accordance' Option

FFC declares the report to be in compliance with GRI's G4 'in accordance' - Comprehensive option. BSD checked the report in terms of consistency and made a series of recommendations to adjust the disclosure level in the Content Index, which have been accepted by the company. Based on the rectifications and acknowledging the fact that the DMA's answer needs a more detailed format in future reports, we can confirm that the report is attending the above mentioned 'in accordance' option, giving a complete overview of FFC's sustainability governance and management systems in place to report on a relevant set of indicators related to the identified material Aspects.

Analysis against <IR> framework Principles and Capitals

BSD has evaluated the application of IIRC Guiding Principles, Content Elements and Capitals in FFC's report. This is the first year that the company has integrated the <IR> framework in the reporting process. As result of a crossed analysis, we have conclude:

- Vision, Mission and Corporate Strategy address the capitals, but so far in a superficial manner.
- The Connectivity principle was applied in an initial approach.
- Stakeholder relationships are clearly presented in the report and are related with all the capitals.
- Only some of the capitals can be compared: the Natural for 5 years and Financial for 2 years. Social indicators are disclosed, although only for the year 2015.
- There is a specific chapter for Governance, well explained in the report, and relating to all capitals. It shows how the organization's governance structure is supporting its ability to create value.
- The Business Model Chapter is the one that better presents all the capitals, especially the Intellectual, Human, Social and Relationship capitals. The presentation of both Financial and Natural capitals can have some improvement in the report. The approach to the Manufactured capital needs to improve, not only in this chapter, but also in the report as a whole.
- The Strategy and resource allocation is reported, with the main focus in the Financial capital, but also presenting an initial approach for the Human and Natural capitals.
- The Financial, Human and Natural capitals are well represented by in the performance indicators, but there is not much information concerning the Manufactured, Intellectual and Relationship capitals.
- In the "Future Outlook" chapter, although it addresses all the 6 capitals, the report does not present in a clear way what the challenges and uncertainties are that the organization is likely to face in pursuing its strategy, and also, what might be the potential implications for its business model and its future performance.

Main Conclusions on Adherence to AA1000AS 2008 Principles

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

- There is a comprehensive process of stakeholder engagement in place, which allows FFC to understand the concerns and expectations of its internal and external stakeholders. Consultation with stakeholder groups was carried out on a continuous basis, as well as for the preparation of the Sustainability Report 2015. The report gives an overview of stakeholder groups engaged, frequency, method of consultation, identified topics and presenting FFC’s response. FFC should report more on how its stakeholder groups have been identified and prioritized.
- It is recommendable to map and include stakeholders on the supply side, given the fact the major impacts could be identified and included which are outside the company boundaries but linked to the value chain of the product delivered by FFC.
- There is an opportunity to increase the degree of engagement with FFC’s internal stakeholders on different levels and locations. This will not only enhance the sustainability awareness of the staff but also improve the responsiveness of the company to the major sustainability challenges.

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

- Material issues have been identified by FFC in a Materiality Matrix which considers the influence on stakeholder assessment and decisions and the significance of environmental, social and economic impacts, using a commonly accepted approach. With the exception of “Supply Chain Impacts”, all issues have been consistently addressed in the report, including with related indicators data (whenever available).
- A boundary assessment, in order to identify where the impacts occur (inside and/or outside of the organization) has been conducted, fulfilling the requirements of the GRI G4 guidelines (G4-20, G4-21).
- We recommend broadening the identification of issues and take sector and scientific studies on the positive and negative impacts of FFC’s products into consideration. The importance of the product for food security or the release of N₂O after its application are widely discussed issues which should enter the sustainability agenda of the company. As the company is evidencing in the report to be committed to international initiatives such as UNGC and the SDG, the inclusion of wider impacts is crucial for the strategic positioning of the company.

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

- FFC has maintained its externally certified Quality, Environmental, and Health & Safety management systems, which entail a high level of analysis of risks, non-compliances and corrective actions. Sustainability management governance has high level support and attests company’s commitment to address sustainability challenges and stakeholder concerns and expectations.
- Based on reported data, FFC’s has been successful in maintaining water consumption and carbon footprint reduction trends, as well as in addressing local communities needs with a comprehensive CSR-programs and investments.

- A clear set of targets and the presentation of historical data would be helpful for stakeholders to be able to monitor the company's achievements in responding the major sustainability issues. Benchmark analysis and references on national or international level would also be helpful to evaluate the extension of results achieved by FFC.

Final Considerations

In BSD's view, FFC Sustainability Report 2015 accurately presents the organization's sustainability management. The company seeks to report in a transparent manner about how it addresses its major sustainability issues and has procedures in place to analyze and mitigate related risks and seek continuous improvement. Nevertheless, there are opportunities for improving the way FFC identifies and explains its balance against the six capitals. Also, the company can improve the way how material aspects are highlighted throughout the report and GRI Content Index.

São Paulo/Lisbon, April 22, 2016

BSD Consulting



Beat Grüninger,
Certified Sustainability Assurance Provider





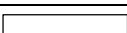
Francisco Neves,
Certified Sustainability Assurance Provider









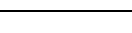
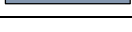






GRI G4 Index
















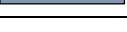
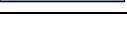
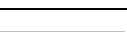
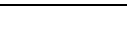
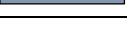
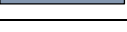


The following table has been provided to help the reader in locating content within the document that relates to specific GRI-G4 indicators. Each indicator is followed by reference to the appropriate pages in the 2015 Sustainability Report or other publicly available sources.




















Key



SR = 2015 Paper Sustainability Report		Fully disclosed
AR = Annual Report at 31 December 2015		Partially disclosed
		Not disclosed

General Standard Disclosure

DMA and Indicators		Publications	Page	Omission and reason
Strategy & Analysis				
G4-1	Statement from the Chairman and the CEO	SR	6-8	
G4-2	Key impacts, risks, and opportunities	SR	12, 16-17	
Organizational profile				
G4-3	Name of the organization	SR	9	
G4-4	Primary brands, products, and/or services	SR	9	
G4-5	Location of the organization's headquarters	SR	9	
G4-6	Countries where the organization operates	SR	9	
G4-7	Nature of ownership and legal form	SR	9	
G4-8	Markets served	SR	10	
G4-9	Scale of the reporting organization	SR	4, 9	
G4-10	Workforce characteristic	SR	31	
G4-11	Employees covered by collective bargaining agreements	SR	34	
G4-12	Organization's supply chain	SR	10	
G4-13	Changes in organization's size, structure, ownership or its supply chain	SR	9, 10	
G4-14	Precautionary approach to risk management	SR	41	

DMA and Indicators		Publications	Page	Omission and reason
G4-15	Externally developed charters, principles or initiatives to which the organization subscribes	SR	11, 49	
G4-16	Membership in associations or organizations	SR	11	
Identified material aspects and boundaries				
G4-17	Entities included in the organization reports	SR	53	
G4-18	Process for defining the report content and Aspect boundaries	SR	15, 16 53	
G4-19	Material aspects identified in defining report content	SR	16	
G4-20	Material aspects within the organization	SR	17	
G4-21	Material aspects outside the organization	SR	17	
G4-22	Restatements of information provided in earlier reports	SR	53	
G4-23	Significant changes from previous reporting periods in scope and aspect boundaries	SR	53	
Stakeholder engagement				
G4-24	Stakeholder groups engaged by the organization	SR	13	
G4-25	Identification and selection of stakeholders to engage	SR	13	
G4-26	Organization's approach to stakeholder engagement	SR	13	
G4-27	Key topics collected through stakeholder engagement	SR	14	
Report profile				
G4-28	Reporting period	SR	52	
G4-29	Date of the last report	SR	52	
G4-30	Reporting cycle	SR	52	
G4-31	Contact point for questions regarding the report	SR	52	
G4-32	GRI Content Index	SR	70	
G4-33	External assurance	SR	52	
Governance				
G4-34	Governance structure	SR	20-21	
G4-35	Delegating authority for economic, environmental and social topics	SR	21	
G4-36	Positions with responsibility for economic, environmental and social topics	SR	21-22	
G4-37	Consultation between stakeholders and the highest governance bodies on economic, environmental and social topics	SR	24	






DMA and Indicators		Publications	Page	Omission and reason
G4-38	Composition of highest governance bodies and its committees	SR, AR	21, 16	
G4-39	Executive powers of the Chairman	SR	20	
G4-40	Qualification and expertise of highest governance bodies	SR, AR	21, 11	
G4-41	Processes to avoid conflicts of interest	SR, AR	20, 6	
G4-42	Highest governance bodies and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	SR	22	
G4-43	Measures taken to develop and enhance the highest governance bodies' collective knowledge of economic, environmental and social topics	SR	23	
G4-44	Evaluation of the Board of Directors' performance	SR	24	
G4-45	Highest governance bodies' role in the identification and management of economic, environmental and social impacts, risks, and opportunities	SR	22	
G4-46	Highest governance bodies' role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	SR	22	
G4-47	Frequency of the highest governance bodies' review of economic, environmental and social impacts, risks, and opportunities	SR	23	
G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report	SR	22	
G4-49	Communicating critical concerns to the highest governance bodies	SR	23	
G4-50	Critical concerns that were communicated to the highest governance bodies and the mechanism(s) used to address and resolve them	SR	16, 23	
G4-51	Remuneration policies for highest governance bodies and senior executives	SR	24	
G4-52	Determining remuneration	SR	24	
G4-53	How stakeholders' views are sought and taken into account regarding remuneration	SR	24	
G4-54	Ratio of the annual compensations within the organization	SR		 Sensitive and proprietary information
G4-55	Ratio of percentage increase in annual compensation within the organization	SR		 Sensitive and proprietary information
Ethics and integrity				
G4-56	Organization's values, principles, standards and norms of behavior	SR, AR	5, 6	

DMA and Indicators	Publications	Page	Omission and reason
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity	SR	24 
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	SR	24 




Specific Standard Disclosures

Economic




Material aspect: economic performance

G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 55	 Full compliance will be in 2017 report.
G4-EC1	Direct economic value generated and distributed	SR	55	
G4-EC2	Financial implications, risks and opportunities for the organization's activities due to climate change	SR	42	
G4-EC3	Coverage of the organization's defined benefit plan obligations	SR	33	
G4-EC4	Financial assistance received from government	SR	55	



Material aspect: market presence

G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 33-35	 Full compliance will be in 2017 report.
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage	SR	33	
G4-EC6	Proportion of senior management hired from the local community	SR	34-35	











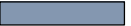






Material aspect: indirect economic impacts

G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 39-40	 Full compliance will be in 2017 report.
G4-EC7	Development and impact of infrastructure investments and services supported	SR	39-40	
G4-EC8	Significant indirect economic impacts	SR	29-30	





Material aspect: procurement practices

G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 37	 Full compliance will be in 2017 report.
G4-EC9	Proportion of spending on local suppliers	SR	37	

Environment











DMA and Indicators		Publications	Page	Omission and reason
Material aspect: materials				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16,41-42	 Full compliance will be in 2017 report.
G4-EN1	Materials used	SR	56	
G4-EN2	Recycled input materials	SR	56	
Material aspect: energy				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16,41-42	 Full compliance will be in 2017 report.
G4-EN3	Energy consumption within the organization	SR	56	
G4-EN4	Energy consumption outside of the organization	SR	57	 Full compliance will be in 2017 report.
G4-EN5	Energy intensity	SR	57	
G4-EN6	Reduction of energy consumption	SR	57	
G4-EN7	Reductions in energy requirements of products and services	SR	57	
Material aspect: water				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16,41-42	 Full compliance will be in 2017 report.
G4-EN8	Water withdrawal	SR	58	
G4-EN9	Water sources significantly affected by withdrawal	SR	58	
G4-EN10	Water recycled and reused	SR	58	
Material aspect: emissions				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16,41-42	 Full compliance will be in 2017 report.
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	SR	59	
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	SR	59	
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	SR	60	 Full compliance will be in 2017 report.















DMA and Indicators		Publications	Page	Omission and reason
G4-EN18	Greenhouse gas (GHG) emissions intensity	SR	60	
G4-EN19	Reduction of greenhouse gas (GHG) emissions	SR	60	
G4-EN20	Emissions of ozone-depleting substances (ODS)	SR	60	
G4-EN21	NO _x , SO _x , and other significant air emissions	SR	60	
Material aspect: effluents and waste				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 41-42	 Full compliance will be in 2017 report.
G4-EN22	Water discharge	SR	58	
G4-EN23	Waste disposal	SR	60-61	
G4-EN24	Significant spills	SR	61	
G4-EN25	Hazardous waste	SR	61	
G4-EN26	Biodiversity and habitats affected by the organization's discharges	SR	61	
Material aspect: compliance				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 41-42	 Full compliance will be in 2017 report.
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	SR	42	
Material aspect: transport				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 41-42	 Full compliance will be in 2017 report.
G4-EN30	Environmental impacts of transport	SR	60	 Full compliance will be in 2017 report.
Material aspect: overall				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 41-42	 Full compliance will be in 2017 report.
G4-EN31	Environmental protection expenditures and investments	SR	61	
Material aspect: supplier environmental assessment				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 37-38	 Full compliance will be in 2017 report.













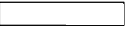
DMA and Indicators	Publications	Page	Omission and reason
G4-EN32 Suppliers screened using environmental criteria	SR	38	
G4-EN33 Actual and potential negative environmental impacts in the supply chain and actions taken	SR	38	 Full compliance will be in 2017 report.
Material aspect: environmental grievance mechanisms			
G4-DMA Generic Disclosures on Management Approach	SR	15-16, 41-42	 Full compliance will be in 2017 report.
G4-EN34 Grievances about environmental impacts filed, addressed, and resolved	SR	42	
















Social











Labor practices and decent work

DMA and Indicators	Publications	Page	Omission and reason
Material aspect: employment			
G4-DMA Generic Disclosures on Management Approach	SR	15-16, 31	 Full compliance will be in 2017 report.
G4-LA1 Number and rates of new employee hires and employee turnover	SR	31-32	
G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	SR	33	
G4-LA3 Return to work and retention rates after parental leave	SR	33	
Material aspect: labor/management relations			
G4-DMA Generic Disclosures on Management Approach	SR	15-16, 34	 Full compliance will be in 2017 report.
G4-LA4 Minimum notice periods regarding operational changes	SR	34	
Material aspect: occupational health and safety			
G4-DMA Generic Disclosures on Management Approach	SR	15-16, 35-36	 Full compliance will be in 2017 report.
G4-LA5 Workforce represented in health and safety committees	SR	35	
G4-LA6 Injuries, occupational diseases, lost days, absenteeism and total number of work-related fatalities	SR	62-63	
G4-LA7 Workers with high incidence or high risk of diseases related to their occupation	SR	36	




DMA and Indicators		Publications	Page	Omission and reason
G4-LA8	Health and safety topics covered in formal agreements with trade unions	SR	36	
Material aspect: training and education				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 34	 Full compliance will be in 2017 report.
G4-LA9	Training per employee	SR	34	
G4-LA10	Programs for skills management and lifelong learning of employees	SR	34	
G4-LA11	Employees receiving regular performance and career development reviews	SR	33	
Material aspect: diversity and equal opportunity				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 34	 Full compliance will be in 2017 report.
G4-LA12	Composition of governance bodies and breakdown of employees per indicators of diversity	SR	62	
Material aspect: equal remuneration for women and men				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 31	 Full compliance will be in 2017 report.
G4-LA13	Ratio of basic salary and remuneration of women to men	SR	33	
Material aspect: supplier assessment for labor practices				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 38	 Full compliance will be in 2017 report.
G4-LA14	Suppliers screened using labor practices criteria	SR	38	
G4-LA15	Actual and potential negative impacts for labor practices in the supply chain and actions taken	SR	38	 Full compliance will be in 2017 report.
Material aspect: labor practices grievance mechanisms				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 35	 Full compliance will be in 2017 report.
G4-LA16	Grievances about labor practices filed, addressed, and resolved	SR	35	












Human rights				
DMA and Indicators		Publications	Page	Omission and reason
Material aspect: investment				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 43	 Full compliance will be in 2017 report.
G4-HR1	Investment agreements and contracts that include human rights clauses or that underwent human rights screening	SR	43	
G4-HR2	Employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations	SR	43	
Material aspect: non-discrimination				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 43	 Full compliance will be in 2017 report.
G4-HR3	Incidents of discrimination and corrective actions taken	SR	43	
Material aspect: freedom of association and collective bargaining				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 43	 Full compliance will be in 2017 report.
G4-HR4	Risks to the right to exercise freedom of association and collective bargaining	SR	43	
Material aspect: child labor				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 43	 Full compliance will be in 2017 report.
G4-HR5	Operations identified as having significant risk for incidents of child labor	SR	43	
Material aspect: forced or compulsory labor				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 43	 Full compliance will be in 2017 report.
G4-HR6	Operations identified as having significant risk for incidents of forced or compulsory labor	SR	43	
Material aspect: security practices				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 43	 Full compliance will be in 2017 report.
G4-HR7	Security personnel trained on human rights policies	SR		 Data not available. Full compliance will be in 2017 report.

DMA and Indicators		Publications	Page	Omission and reason
Material aspect: assessment				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 43	 Full compliance will be in 2017 report.
G4-HR9	Operations subject to human rights reviews or impact assessments	SR	43	
Material aspect: supplier human rights assessment				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 43	 Full compliance will be in 2017 report.
G4-HR10	Suppliers screened using human rights criteria	SR	38,43	
G4-HR11	Actual and potential negative human rights impacts in the supply chain and actions taken	SR	38,43	 Full compliance will be in 2017 report.
Material aspect: human rights grievance mechanisms				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 43	 Full compliance will be in 2017 report.
G4-HR12	Grievances about human rights impacts filed, addressed, and resolved	SR	43	
Material aspect: local communities				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 39,41	 Full compliance will be in 2017 report.
G4-SO1	Operations with implemented local community engagement, impact assessments, and development programs	SR	39-40	
G4-SO2	Operations with significant actual and potential negative impacts on local communities	SR	39	
Material aspect: anti-corruption				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 44	 Full compliance will be in 2017 report.
G4-SO3	Operations assessed for risks related to corruption	SR	44	
G4-SO4	Communication and training on anti-corruption policies and procedures	SR	44	
G4-SO5	Confirmed incidents of corruption and actions taken	SR	44	
Material aspect: public policy				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 45	 Full compliance will be in 2017 report.

DMA and Indicators		Publications	Page	Omission and reason
G4-SO6	Value of political contributions	SR	45	
Material aspect: anti-competitive behavior				
G4-DMA	Generic Disclosures on Management Approach	SR	15- 16, 45	 Full compliance will be in 2017 report.
G4-SO7	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	SR	45	
Material aspect: compliance				
G4-DMA	Generic Disclosures on Management Approach	SR	15- 16, 45	 Full compliance will be in 2017 report.
G4-SO8	Fines and sanctions for non-compliance with laws and regulations	SR	45	
Material aspect: supplier assessment for impacts on society				
G4-DMA	Generic Disclosures on Management Approach	SR	15- 16, 38	 Full compliance will be in 2017 report.
G4-SO9	Suppliers screened using criteria for impacts on society	SR	38	
G4-SO10	Actual and potential negative impacts on society in the supply chain and actions taken	SR	38	 Full compliance will be in 2017 report.
Material aspect: grievance mechanisms for impacts on society				
G4-DMA	Generic Disclosures on Management Approach	SR	15- 16, 45	 Full compliance will be in 2017 report.
G4-SO11	Grievances about impacts on society filed, addressed, and resolved	SR	45	

Product responsibility

DMA and Indicators		Publications	Page	Omission and reason
Material aspect: customer health and safety				
G4-DMA	Generic Disclosures on Management Approach	SR	15- 16, 29	 Full compliance will be in 2017 report.
G4-PR1	Product and service categories for which health and safety impacts are assessed for improvement	SR	29	
G4-PR2	Incidents of non-compliance with regulations concerning the health and safety impacts of products and services during their life cycle	SR	29	

DMA and Indicators		Publications	Page	Omission and reason
Material aspect: product and service labeling				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 46	 Full compliance will be in 2017 report.
G4-PR3	Product and service information	SR	46	
G4-PR4	Incidents of non-compliance with regulations concerning product and service information and labeling	SR	46	
G4-PR5	Results of surveys measuring customer satisfaction	SR	46, 47	
Material aspect: marketing communications				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 46-47	 Full compliance will be in 2017 report.
G4-PR6	Sale of banned or disputed products		47	
G4-PR7	Incidents of non-compliance with regulations concerning marketing communications	SR	47	
Material aspect: customer privacy				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 46-47	 Full compliance will be in 2017 report.
G4-PR8	Substantiated complaints regarding breaches of customer privacy and losses of customer data	SR	47	
Material aspect: compliance				
G4-DMA	Generic Disclosures on Management Approach	SR	15-16, 46-47	 Full compliance will be in 2017 report.
G4-PR9	Fines for non-compliance with laws and regulations concerning the provision and use of products and services	SR	47	

UNGC - COP



United Nations Global Compact

UNGC Ten Principles			
Principle	Statement	Page No.	GRI G 4 Indicator
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	39-40,43,	HR 2, HR 7, HR 9, HR 12, SO 1, SO 2
Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	43	HR 1, HR 10, HR 11
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	34, 43	G4-11, HR 4, LA 4
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labor.	43	HR 6
Principle 5	Businesses should uphold the effective abolition of child labor.	43	HR 5
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	31,32, 33, 34-35, 43,62	G4-10, EC 5, EC 6, LA 1, LA 3, LA 9, LA 11, LA 12, LA 13, HR 3
Principle 7	Businesses should support a precautionary approach to environmental challenges.	42, 56, 58, 59, 60, 61	EC 2, EN 1, EN 3, EN 8, EN 15, EN 16, EN 17, EN 20, EN 21, EN 31
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.	38, 42, 56, 57, 58, 59, 60, 61	EN 1, EN 2, EN 3, EN 4, EN 5, EN 6, EN 7, EN 8, EN 9, EN 10, EN 15, EN 16, EN 17, EN 18, EN 19, EN 20, EN 21, EN 22, EN 23, EN 24, EN 25, EN 26, EN 29, EN 30, EN 31, EN 32, EN 33, EN 34
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	57, 60, 61	EN 6, EN 7, EN 19, EN 31
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	5, 24, 44, 45	G 4-56, G4-57, G4-58, SO 3, SO 4, SO 6

Feedback Form

Sustainability Report 2015

Details of information provided on issues covered in the report.

Comprehensive Adequate Not adequate

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The quality of design and layout of the report.

Excellent Good Average

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Glossary and Acronyms

CBA	Collective Bargaining Agent
CSR	Corporate Social Responsibility
DAP	Di-ammonium phosphate, a chemical composition of Nitrogen (18%) and Phosphorus (46%) fertilizers
GRI	Global Reporting Initiative
GHG	Green House Gases
HSE	Health Safety and Environment
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost & Management Accountants of Pakistan
IFA	International Fertilizer Association
KSE	Karachi Stock Exchange
MMSCF	Million Standard Cubic Feet
MW	Mega watt
NEQS	National Environmental Quality Standards
MEID	Mountain Institute of Educational Development
NGO	Non-Government Organization
OHSAS	Occupational Health and Safety Management System
SOP	Sulphate of Potash. Primarily a Potassic fertilizer
UNGC	United Nations Global Compact