

# engro's code of business conduct

Embracing • Ethical • Excellence



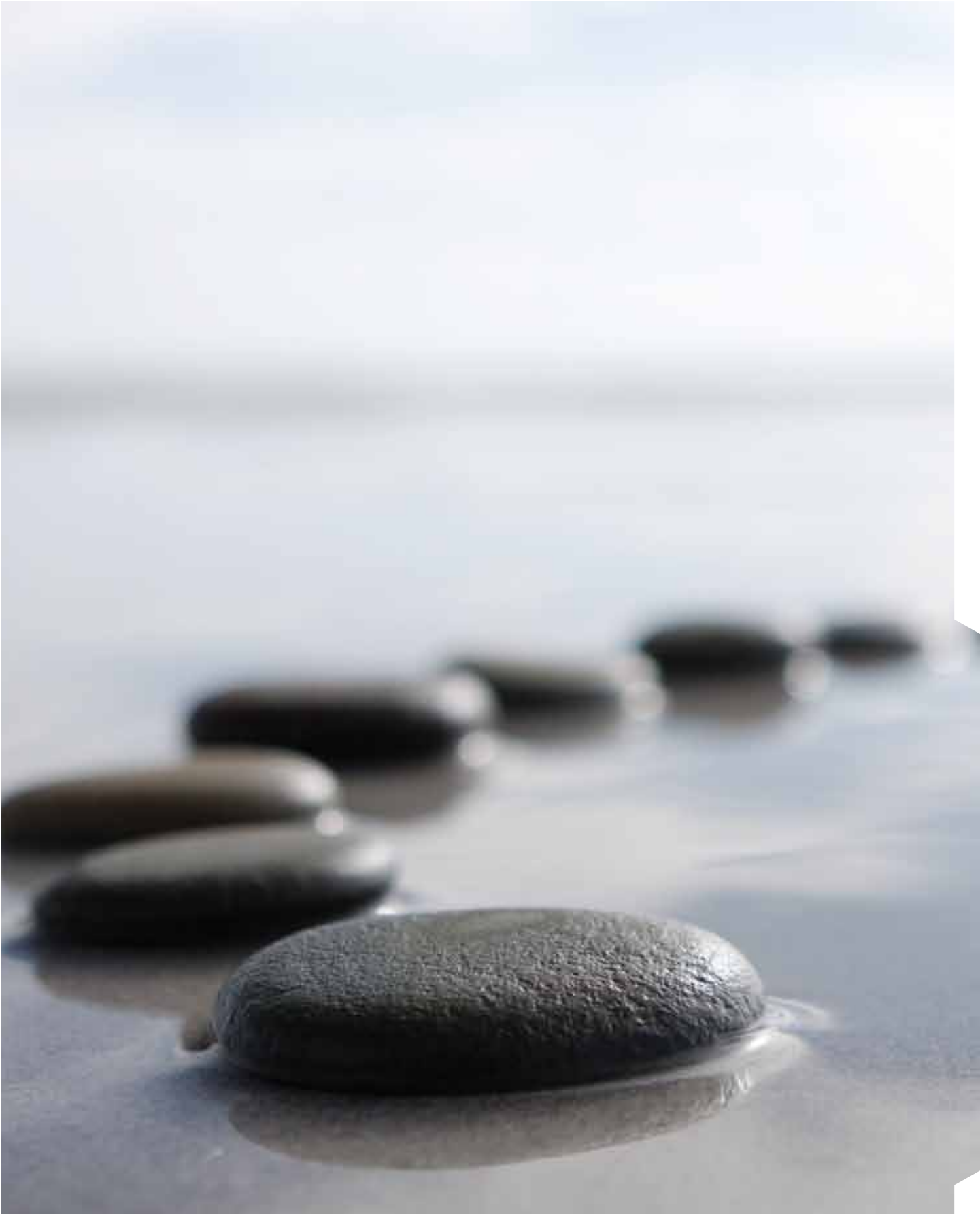




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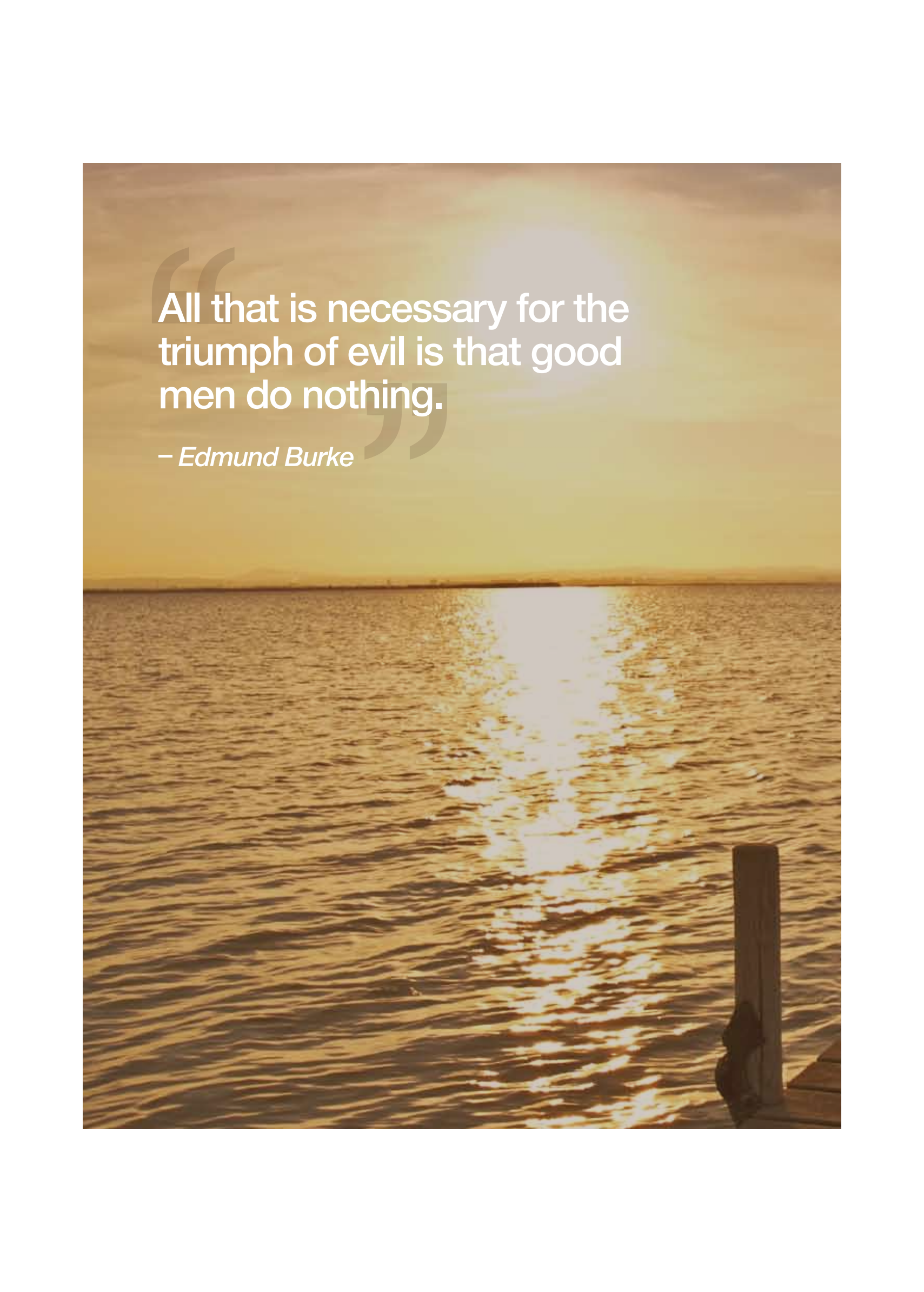
code of conduct





# contents

Preface	04
Message from the CEO	06
Our Core Values	08
Empowerment with Accountability	10
Our Commitment to	
Engro's Stakeholders	14
Promoting a Positive Work Environment	18
Managing Business Relationships	22
Soliciting Customers, Suppliers, Vendors and Contractors	26
Legal Compliance	30
Protecting Company's Assets	34
Ensuring Compliance - The Ethics Test	38
Engro's Board Approved Policies	42

A photograph of a sunset over a large body of water. The sun is low on the horizon, creating a bright, shimmering reflection on the water's surface. The sky is a mix of soft orange and pale yellow. In the bottom right corner, a portion of a wooden pier or dock is visible, with a vertical post. The overall mood is peaceful and contemplative.

“All that is necessary for the triumph of evil is that good men do nothing.”

– *Edmund Burke*





## preface

Ethics and integrity is one of the cardinal values of all Engro companies. It refers to a commitment to moral thought and action in all aspects of how a Company is managed. Not only is it about complying with all laws but also describes the moral choices that often have to be made in areas where the law is not clear.

As employees of Engro Corporation or its subsidiaries, we may encounter situations which give rise to ethical dilemmas or cast doubt upon the integrity of our actions. To guide us in such situations, a host of policies have been adopted by the board of directors of our Company. These are attached in the appendix and are also circulated to all employees annually.

The purpose of this Code of Business Conduct is to further explain the guiding principles embodied in these board policies on business conduct and to answer some of the questions that may arise in your minds. When in doubt please refer to this booklet. However, if you feel that further clarity is required on an issue faced by you please do not hesitate to contact your supervisor or the Head of Internal Audit of your Company.

All employees must also bear in mind that it is important that they report any suspected misconduct, fraud and violation of law or ethical standards. There are a number of avenues available to do so, including a whistleblower complaint system called "Speak Out" at each Engro Company. This system guarantees confidentiality and protection from any form of retribution.

Although this code is primarily designed for use by the employees of all Engro companies, it is worthwhile for all non executive directors to go through it and the attached Board approved policies and demonstrate compliance to set a strong tone at the top.

“We must all recognize that what we do and how we do it affects how our stakeholders view our Company.”







## message from the ceo

Engro's culture is based upon fair pursuit of profits while remaining mindful of the impact of our corporate actions on people and place of operations. Our history includes a long-standing commitment to comply with all laws and to conduct our business activities with the highest standards of ethics and integrity. Protecting our corporate reputation is critical in order to survive in the global marketplace.

The board of directors of the Company has adopted a host of policies which set the standards of conduct for our actions. We must all recognize that what we do and how we do it affects how our stakeholders view our Company. It is therefore important to read and understand the business conduct policies and follow this Code which explains them. However, it should be noted that this Code cannot cover every situation where choices and decisions must be made. In doubtful situations clarity must be sought from higher management, Legal or Internal Audit before any action is taken.

I would like to reiterate that it is important for every employee to adhere to this Code and the board policies on which it relies. We have always demonstrated a zero tolerance for business ethics violations. Even well intended actions that violate the law or our standards of business conduct will result in disciplinary action. Always remember that Engro's reputation as an ethical organization, which has been nurtured over the last four decades, depends upon each of us assuming a personal responsibility for our business conduct.

I look forward to your continued cooperation in this regard.



# our core values – the hats we wear

## ethics & integrity

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

## health, safety & environment

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

## innovation & risk taking

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

## our people

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

## community & society

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







empowerment  
with  
accountability

“It is not only what we do, but also  
what we do not do, for which we  
are accountable.”

– Moliere



Engro seeks to empower its employees to facilitate business decision making but holds them accountable for their actions. Each Engro employee is responsible for his or her own behavior and will be held accountable for it. While performing your job you must ensure that you conduct yourself in a manner that reflects positively on the Company.

### Every employee is responsible for:

- Complying with all applicable laws, Company policies and procedures.
- Maintaining appropriate ethical behavior in all his internal and external dealings.
- Reporting any suspected misconduct, illegal activity, fraud, abuse of Company assets or other violation of ethical standards.
- Annually submitting an ethics compliance certification.

### supporting infrastructure to aid in ethical conduct

#### Orientation

- Brief to new hires about policies on ethical business conduct.

#### Reinforcement

- Annual circulation of Business Ethics policies to all employees. Written acknowledgement of compliance obtained.
- Workshops on Ethics carried out periodically.
- All vendors, contractors and customers are sent the Ethics Policy statement, which has been translated into Urdu, periodically with a request to ensure compliance in their dealings with the Company.
- Clauses related to Ethics and Conflicts of Interest are mandatory in all contracts entered into by the Company.

### Monitoring of Compliance

- Voluntary disclosure of actual or suspected non-compliance through Irregularity Reporting system.
- Irregularity reports are shared with management and Board Audit Committee on a quarterly basis.
- Whistleblower system being implemented.
- Whistleblower complaints and results of their investigations are also reported to Board Audit Committee every quarter.
- Periodic Business Practices review involving all Engro companies and employees to identify questionable business practices. All identified issues are reported directly to the BoD.

Q What constitutes an Irregularity?

- A Conditions or events that raise the question whether there has been:
- a deviation from the Policy on Business Ethics.
  - occurrence of fraud.
  - unauthorized use or misappropriation of Company assets.
  - use of position or information received in trust in the performance of duties by an employee for personal gain in conflict with the Company's interest.

---

Q Why should I file an Irregularity report?

- A An Irregularity Report helps in:
- Providing information to management and auditors about the incident.
  - Identifying problem areas which need attention to prevent recurrence.
  - Providing learnings to other departments/ divisions.

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Q To whom should I report an Irregularity?

- A Irregularities should immediately be reported on the prescribed format by the concerned employee through his department manager to Corporate Audit Department.





our commitment  
to engro's  
stakeholders

“The glue that holds all relationships together – including the relationship between the leader and the led is trust, and trust is based on integrity.”

– Brian Tracy

Engro regards its stakeholder engagement as an important element of corporate responsibility. Adherence to the highest ethical standards fosters trust. We want our stakeholders to know that they can depend on us. We are answerable to our shareholders, our customers, our families, our vendors and suppliers, the communities where we operate, and of course to each other.

### Employees

We believe in treating people with dignity and providing equal opportunity for employment and development without any form of discrimination or harassment. We are committed to managing our employees' careers solely on the basis of merit and to provide them appropriate opportunities for growth and development. Our compensation and rewards are aligned with the best companies in order to attract and retain top talent. We are committed to providing a safe and healthy working environment and recognize that integrating the unique attributes of a diverse work force enhances innovation and fosters efficient problem solving.

We believe that exhibiting integrity in dealing with each other fosters trust and teamwork. Moreover, we advocate candid communication

and expect our employees to voluntarily speak out against ethical lapses or questionable business practices which they may observe. Where they fear retaliation for such disclosure they can use the Speak Out whistleblower system which guarantees confidentiality.

### Shareholders

We seek to maximize return to our shareholders and always act in their best interest.

### Customers

We strive to deliver quality products and superior services at competitive prices to our customers. At the same time we believe in fair trade and recognize their right to make informed choices.

### Families

We recognize the support of our families towards the fulfillment of our roles as employees and therefore strive for a healthy balance between our work and our family lives. We want them to be proud of the jobs we do and the Company that we work for.



## Communities

We aim to contribute to the overall quality of life in our host communities and to leave a positive environmental footprint. We strive to address the needs of our communities by investing in sustainable initiatives in health, education and livelihood generation.

## Vendors and Suppliers

We strive to choose vendors and suppliers objectively and as far as possible through a transparent, competitive process which maximizes value for the Company. We will deal with them fairly and with honesty in order to build an abiding trust and respect for our way of doing business. This will encourage vendors to adopt these principles in their dealings with the Company and ensure quality product, timely deliveries and optimum prices.

Q I overheard my boss fixing bid prices with a Vendor with whom he has a close relationship. I am sure this is unethical but I am afraid that my manager might retaliate if I report it. What should I do?

A Fixing bids is against the principle of competitive bidding and therefore unethical. You can either report the matter to your boss's supervisor or on the Speak Out whistleblower platform which is designed to handle such cases.





## promoting a positive work environment

“You need to be aware of what others are doing, applaud their efforts, acknowledge their successes and encourage them in their pursuits. When we all help one another, everybody wins.”

– Jim Stovall

## Equal Opportunity

All employees want and deserve a workplace where they feel safe, respected and appreciated. Engro's policies are designed to ensure this.

It is our intent to attract, induct, develop, retain and motivate high caliber talent who are qualified, capable and willing to contribute towards the achievement of Company objectives. This will be done purely on merit and without any form of discrimination or unlawful consideration. Anyone in a supervisory role is expected to abide by this.

## Harassment-Free Workplace

Harassment occurs when the words, actions or behavior of colleagues create an intimidating, hostile or offensive work environment. This impacts productivity, trust and teamwork and is unacceptable.

Unwelcome sexual advances or other inappropriate personal conduct, as defined in the Protection Against Harassment at the Workplace Act, 2010 are prohibited. Sexual harassment may take many forms, including but not limited to, overt advances, demeaning comments, jokes, language and gestures.

If you feel that you are the victim of sexual harassment you should immediately report the matter to the Inquiry Committee, formed under the above Act, at your Company. To cater to cultural sensitivities at least one member of the committee is a woman and all investigations are done confidentially.

Engro expects all employees, regardless of their seniority or work relationship, to have mutual respect for one another and will not tolerate harassment of a non sexual nature e.g. public ridicule, abusive language, physical violence or the threat of physical violence. Nor will any discrimination on the basis of religion, caste or gender be allowed.

Employees are expected to cooperate fully in the Company's investigation of harassment related complaints. Retaliation against anyone who lodges a complaint in good faith is unacceptable.

## Health, Safety and Environment

Engro strives to be recognized as a world class performer in the field of Health, Safety and Environmental Management. We are committed to conducting our business in a manner that protects the health of all employees, contractors and the community in which we operate. There are laws and standards designed to promote a safe workplace and protect the environment, which are strictly enforced. Continuous training and regular audits are essential to ensure compliance. Employees are expected to comply with all environmental regulations that affect our business activities, as well as internal policies and procedures. We also insist that contractors, suppliers and others who work with us follow the same standards of HSE in order to ensure continuity of business relations with us.

Q My supervisor constantly makes sexually offensive jokes and comments on my appearance which makes me uncomfortable. I asked him to stop, but he laughed and said he's "just kidding around." What should I do?

A You should report the situation to his supervisor or the Inquiry Committee immediately. Engro will protect you from any retaliatory acts. We all have the right to work in a safe and positive workplace and Engro will work to ensure this goal is achieved.

Q I recently injured my back when I tripped on the stairs at home. My doctor has prescribed me medicines that make me drowsy. I find doing some routine tasks, such as operating machinery difficult. What should I do when I return to work at Engro?

A Before being able to return to work, you should obtain appropriate medical clearance from your doctor or Company's medical officer. It sounds as if the medication could impair your ability to safely and effectively perform your job. This could place you, your coworkers and even consumers of our products in danger.







## managing business relationships

“The reputation of a thousand  
years may be determined by the  
conduct of one hour.”

– *Japanese Proverb*

## Conflicts of Interest

A conflict of interest occurs when a personal or family interest interferes with our ability to make sound, objective business decisions on behalf of our Company. Engro respects the right of employees to manage their personal affairs and investments but expects them to avoid any situation that may involve a conflict between their personal interests and the interests of the Company. As in all other facets of their duties, employees dealings with customers, suppliers, contractors, competitors or any person or organization doing or seeking to do business with the Company (our business interfaces) must be in the best interest of the Company and must exclude any consideration of personal preference or advantage. It is equally important to avoid apparent conflicts of interest where an observer might assume there is a conflict of interest and therefore a loss of objectivity in their dealings on behalf of Engro.

Actions that might involve a conflict of interest, or the appearance of one, should be fully disclosed in writing to the employee's senior management for review and approval. Any deliberate attempt to conceal a conflict will expose the employee to disciplinary action.

## Some of the situations that may lead to conflicts of interest are where an employee or his/her dependent family members

- have a significant financial interest in a business interface where there is an opportunity for preferential treatment to be given or received.
- serve as directors or to be employed in any capacity by a business interface.
- receive from a business interface gifts beyond nominal value, commissions, share in profits, loans or advances, unusual discounts for goods and services, excessive entertainment and travel facilitation.
- buy, sell or lease any property, facilities or equipment from or to the Company or a business interface.
- release any confidential information not known to the public to a business interface or use it for personal advantage e.g. trading in shares.

## Secondary Employment By Employees

As a principle Engro considers any secondary employment to be in conflict with the best interest of the Company. However, for the sake of furthering the cause of education it has permitted its employees to undertake teaching assignments after obtaining approval from senior management. Such assignments must however not be done on Company time and must not involve the use of Company resources.

## Directorships in Companies other than Engro Corp. and its subsidiaries / JVs

To avoid any conflicts of interest employees are generally restricted from serving as directors of non Engro companies. However exceptions are approved on a case by case basis:

- where it is considered best in the Company's interest and/or that of the public.
- where an employee may desire to serve as a director of a family owned business.
- where an employee has firm plans to retire within three years.

All expenses incurred in this regard and their reimbursement as well as directors fees/ remuneration will be to the employees account.

Q My brother's Company is seeking to become a supplier to Engro. Does this create a conflict of interest?

A If you have decision-making authority in the supplier selection process or with respect to your brother's Company, a conflict of interest exists. Even if you do not have such authority, this relationship may create the appearance of a conflict of interest. You should report the situation and remove yourself from the decision-making process if you are in any way involved.

Q I am a full-time employee working at an Engro Company. My friend has a creative agency and I am his business partner. I sometimes work on our business proposals during lunch hour. Is that allowed?

A A secondary job or gainful employment in any form is discouraged and should be disclosed. If your agency carries out work for an Engro Company, you must report it under the Conflict of Interest policy. If you have reported your involvement and carry out the activity in your own time and with your own resources, there is no harm.





soliciting  
customers,  
suppliers,  
vendors and  
contractors

“  
Though the bribe be small,  
yet the fault is great.  
”

– Edward Coke



We want all our vendors and suppliers to understand that their business relationship with Engro is based totally on their ability to competitively meet our business needs with quality products and services. Therefore employees should not solicit them or avail offers for anything of value which could be perceived to create obligations in order to keep, increase or obtain Engro business. These include:

- donations / raffle tickets to charities and events organized by employees.
- conventions / conferences arranged by suppliers with free passage, boarding / lodging and entertainment.

If there is a business need to attend such events all expenses should be borne by the Company.

## Gifts and Entertainment

Business gifts and entertainment are customary courtesies designed to build goodwill among business partners. However these should be reasonable and infrequent and should not influence business decisions. A problem arises when such courtesies compromise – or appear to compromise – our ability to make objective and fair business decision.

## Gifts

Giving and receiving of gifts in cash is strictly prohibited. Exchange of non cash gifts should be infrequent and limited to the nominal value defined by the Company in the enclosed Policy on Gifts & Entertainment. The current limit is Rs. 3,000 within Pakistan and \$50 abroad. In case a number of small gifts are received / given the deciding factor is the total value of gifts in the hands of the receiver.

In certain situations, refusal of gifts with a value, which may be in excess of this nominal value, may result in awkward business situations. All gifts that are received by employees should therefore be turned over to the Corporate Audit Department to independently assess their value and disposal. If the value is below the threshold defined by the Company the gift is returned to the employee. However if it is more than the threshold the gift is retained by Audit and auctioned to raise funds for a Company charity.

## Entertainment

Entertainment should generally be on an infrequent basis and appropriate to the level of the individual. However the Company expects its employees to keep cultural sensitivities in mind while discouraging those seeking to do business from lavishly entertaining its representatives.

## Other Business Inducements

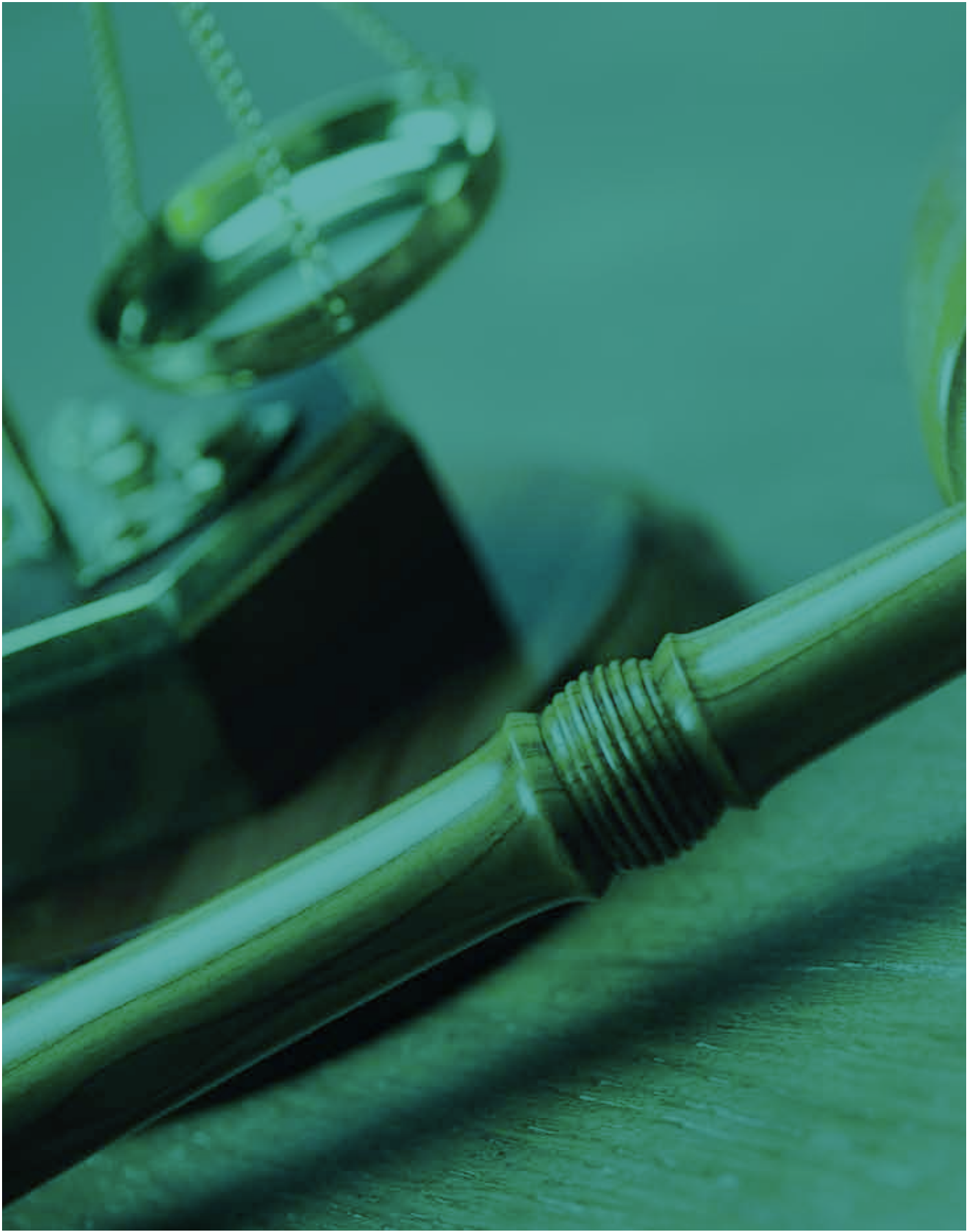
Employees on business trips abroad are often provided local inducements like car / travel facilities for shopping and sight seeing. While airport pick and drop and transport to / from business meetings arranged by the foreign business partners may be accepted, all such courtesies for personal use, including tickets to local events are strictly prohibited.

Q I manage the Company's relationship with a travel agency. The travel agency gives me agency discounted rates for personal travel that are not available to other employees. Should I accept them?

A No. Receiving any personal benefit from an Engro suppliers or even a prospective supplier is not acceptable.

Q A global supplier of packaging material is holding a convention in USA for its customers to introduce an innovative packing technology, which is of interest, to my Company. All expenses of travel/ lodging will be borne by the supplier. Is it right to accept this invitation?

A No, accepting free travel and accommodation from suppliers or those seeking to do business with your Company is a form of inducement and should be politely turned down. If knowledge of value to the Company will be gained at the convention then the invitation to attend should be accepted but all expenses related to the trip must be borne by the Company.





## legal compliance

“ Legal compliance describes the necessary and minimum conditions for following the law and avoiding punishment. It focuses on what one has the right to do.

Ethics and Integrity describe the moral choices that individuals and organizations may make. A focus on Ethics and Integrity supports an organization and its employees when operating in an area where the law is not clear.

– Alan Richter / Joan Dubinsky ”

Engro's Ethics and Integrity philosophy involves strict compliance with all laws and regulations. Our employees may encounter a variety of legal issues while taking decisions to conduct business. They must ensure that they are aware of the legal implications of their actions and choose not to violate the law. All Engro companies hold information and training sessions to promote legal compliance and have systems in place to monitor and report violations. If you are in any doubt about the legality of your actions in the conduct of business you must seek clarification from your supervisors or your Company's legal advisors.

### Fair Competition

Pakistan's Competition Act 2010 is designed to ensure a fair and competitive free-market system. All employees and directors are expected to comply by this legislation while carrying out their duties to the Company. This necessitates that they familiarize themselves with the provisions of this law.

While Engro companies compete vigorously in the marketplace, they must ensure compliance with this antitrust legislation and ensure that they compete on the merits of their products and services, the prices that they charge and the customer loyalty that they create. Agreements with competitors to fix prices, allow special discounts or divide marketing territory are some examples of violation of the above law. It is therefore important to avoid any discussion on such issues and future business

plans with competitors. Moreover employees must be accurate in describing the attributes of their Company's products to customers and must also refrain from criticizing a competitor or his product.

### Insider Trading

Some employees as well as directors may have access to confidential financial data and future business plans of Engro companies. This group of people and members of their immediate families are referred to as "Insiders". Using such material inside information, which is not in the public domain, for trading or tipping others to trade in the Company's securities, is both unethical as well as against the law and can expose them to prosecution and disciplinary action. Such trading will include exercise of any share options granted by the Company to its employees.

#### Some examples of material non public information include:

- Undisclosed financial results or projections of future earnings for Engro Corporation Limited or its subsidiaries.
- Major changes in Company's management.
- New product development / launch plans.
- Proposed acquisitions, mergers or divestments and any other corporate restructuring plans.
- New equity or debt offerings.
- Significant litigation exposures.



The law specifies that during closed periods announced by an Engro Company prior to the declaration of its financial results, no trading in its securities may be undertaken by the directors or employees of all Engro companies (or their immediate family members) who have an annual basic salary above a threshold to be determined by the Board. Currently this threshold is Rupees one million. Furthermore all trades in Engro shares must be reported to the Legal Department within four days.

### Intellectual Property / Copyrights

Engro recognizes intellectual property rights and expects all employees to refrain from any infringement of patent, copyright and licensing requirements. All materials, processes and computer solutions used by the Company must be legally acquired and used with the permission of their lawful owners.

- Q During an informal meeting, while discussing market conditions, a competitor's representative suggested that if I could make my Company charge more for a certain product, she'd make sure her Company charges the same price for a similar product. How should I respond?
- A You should inform her that it wasn't proper business discussion and abstain from the topic. Price fixing violates antitrust and competition laws and can carry severe consequences for both the individuals involved and the Company.
- 

- Q I have just hired an employee who worked previously for one of our competitors. May I ask the employee for information about our competitor?
- A Never ask a former employee of a competitor about any information which is not in the public domain and the person is under a legal obligation not to reveal it.





# protecting company's assets

“  
To think is easy. To act is difficult.  
To act as one thinks is the  
most difficult.  
”

– *Johann Wolfgang Von Goeth*



## Physical Assets / Equipment

To facilitate the conduct of its business in an efficient manner the Company entrusts us with various assets like vehicles, computers, communication devices and other equipment. We must use these assets carefully and diligently and protect them from loss, damage, theft or misuse. Moreover, we may only use these assets for legitimate business purposes, unless limited personal use is permitted by Company policy.

## Proprietary / Confidential Information and Records Retention Programs

Information is a Company's most valuable assets. We must each take steps to protect our Company's proprietary and confidential information from unauthorized disclosure. Such information may include trade secrets, pricing plans, cost information, sales figures, financial results and product information as well as intellectual property. Your obligation to protect this information continues even after your employment with the Company ends.

Engro companies also have retention programs for records, some of which may be driven out of statutory requirements. You should get clarity on which records that relate to your area of business to retain for how long and in what form (hard copies, micro films, photocopies and emails).

## Using Computers, Network Systems and Communication Equipment

The Company's IT equipment and network systems must be used in accordance with the guidelines laid down in the IS Acceptable Use Policy and the IT Code of Conduct. This means we must take care to compose all emails, text messages and other electronic communications in the same professional manner as our other written correspondence. We should not use our Company provided computers, cell phones or network systems to access, download or send any information that could be insulting or offensive to another person or can be construed as harassment e.g. sexually explicit messages or content, unwelcome propositions, ethnic or racial slurs etc.

While limited personal use of our computer and network systems is allowed we must make sure that such usage does not detract us from our official work. However, please note that when using Company provided technologies you should not expect that the information you send or receive is private. Your Company reserves the right to monitor the use and access all content on its IS networks to make sure these resources are used appropriately. The Company also has the right to block access to inappropriate Internet websites, as well as the transmission of inappropriate material.

## Financial Reporting Integrity

All of us need to ensure that that every business and transactions record is accurate, complete and reliable. This standard does not apply only to financial data but also to other operating reports or records as well which may be critical to the management of our business. Make sure all your records are truthful and accurate for false or incomplete information undermines our ability to make sound business decisions.

Every Engro Company has established accounting standards and standard operating procedures to ensure that assets are properly accounted for and all financial transactions are accurately recorded. All employees are individually responsible for ensuring compliance with all such internal controls.

Q One of my colleagues often works in the office after hours. Sometimes, when he's alone in the office late at night, he visits websites containing inappropriate content. He figures that he's not disturbing anyone, and he doesn't think he's harming the Company since he's doing this after operating hours. Is he right?

A No. It's never okay to use Company computers or network systems to view or forward inappropriate content, even if you're alone in the office, at home or on a business trip. Also, he shouldn't expect any privacy when using the Internet or sending emails using Company equipment and systems.

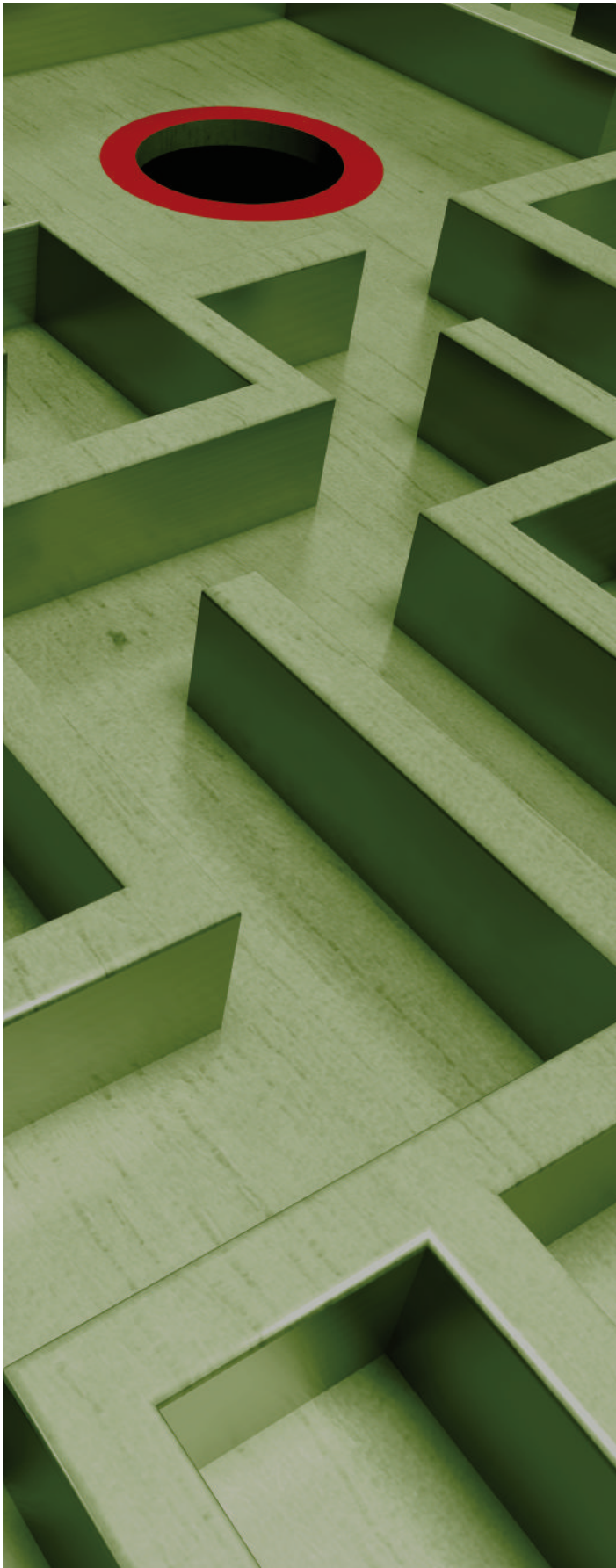
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Q We have budgeted for a departmental outing in the fourth quarter of the year. It has not been scheduled to the first quarter of the next year. Since the budgeted amount will lapse, can I accrue it and use it in the next year to offset the actual expense of the outing?

A No, a mere intention to undertake an activity is not an actual expenditure and cannot be accrued. Treating a mere commitment as a liability would be in contravention of corporate reporting laws.







## ensuring compliance – the ethics test

“ Ethics is knowing the difference  
between what you have a right to  
do and what is right to do.

– *Potter Stewart* ”

In order to prevent ourselves from indulging in business practices which may appear ethically questionable it is important that this Code is always complied with. However you may face a situation where it seems difficult to distinguish between what is right and what is wrong.

To assist you in making the right decision we suggest you seek answers to the following questions and use them to determine your course of action.

## The Ethics Test

- **Do you understand the situation?**

To make the right decision you must have all the related facts and understand the potential exposures. Ask for them if you don't know.

- **Does your action or what you are asked to do appear legal and ethical?**

Test the situation using your judgement and common sense as well as research. If necessary seek help from your Legal and Internal Audit departments.

- **Will doing it make you feel bad?**

Your conscience can be your greatest guide. If something seems unethical or improper to you, it most probably is.

- **How will your action look if reported in the media?**

Remember that our Company's reputation and integrity depend upon each of us assuming responsibility for our business conduct.

- **If you know that its wrong then why do it?**

No one has the right to force you to do something that is unethical. In most cases you can resolve the matter through candid discussion. Where this does not happen you have every right to escalate the matter to higher management directly or through the use of the Speak Out whistleblower system which guarantees anonymity and confidentiality.

- **If you are not sure then why not ask?**

Seeking help or guidance from knowledgeable others is NOT a sign of weakness; making an uninformed decision which may result in an unethical business conducts IS!

“There may be times when we are powerless to prevent injustice, but there must never be a time when we fail to protest.”

– Elie Wiesel









# engro's board approved policies

HR Management Policy

Health, Safety and Environment Policy

Statement Of Ethics and  
Business Practices

Policy Governing Conflicts of Interest

Policy Regarding Directorships In  
Companies Other Than Engro  
Subsidiaries or Joint Ventures

Statement of Competition Policy

Gifts and Business  
Entertainment Guidelines

Insider Trading Policy

Transactions/ Contracts With  
Related Parties

Statement of Internal Control System

Whistleblower Policy – “Speak Out”

**board policies**

## **HR Management Policy**

It is the policy of the Company to attract, induct, develop, retain and motivate high calibre talent who are qualified capable and willing to contribute their best towards accomplishment of Company objectives.

To achieve this, Engro will pursue high standards of Human Resource Management practices encompassing following principles:

### **Equal Opportunity**

- Provide equal opportunity to all job applicants through clearly defined and consistently applied induction standards.
- Create a work environment where every employee has an equal opportunity to develop their skills and talents.

### **Training and Development**

- To meet employee and organizational needs, provide opportunities to employees for acquisition of knowledge for technical and managerial skills through classroom and on-the-job learning.

### **Performance Management**

- Have a transparent and merit based performance management system in place.
- Have a formal career development and succession planning system.
- Clearly defined system for career progression based on merit and potential.

### **Compensation and Benefits**

- Rewards policies aligned with best companies in the market that compete for high quality talent.
- Clear linkage of reward policies with performance and potential.

### **Diversity and Non Discrimination**

- Provide an environment free from all forms of discrimination and harassment at workplace.
- Policies aimed at creating flexible and conducive working arrangements for all.

## Health, Safety and Environment Policy

To be recognized as a world class performer in the field of Health, Safety & Environmental Management Engro will:

- Conduct its business in a manner that protects the health and safety of employees, contractors, others involved in our operations and the community in which we operate.
- Continuously improve environmental performance to achieve sustainable development.
- Strengthen its business by making Health, Safety & Environment (HSE) considerations an integral part of all business activities.
- Comply with all laws & regulations.
- Practice transparent public reporting of the HSE performance.
- Ensure that HSE is a major responsibility of appropriately trained, empowered & accountable employees & management.
- Promote a culture of learning & practicing HSE management among employees and contractors.
- Encourage off the job HSE awareness among employees and families.

To achieve these objectives, Engro shall:

### Health

- Identify and evaluate health risks related to its operations that potentially affect its employees, contractors or the public.

- Implement programs and appropriate protective measures to control such risks, including appropriate monitoring of its potentially affected employees. Carry out pre-employment and periodic medical check-up of its employees.
- Provide or arrange for medical services necessary for the treatment of employee occupational illness or injuries and for handling medical emergencies.

### Safety

- Implement a rigorous system of Process Safety Risk Management
- Institutionalize behavioral safety practices using the Personnel Safety Management system.
- Keep abreast of the latest international codes, standards and practices and adopting the same where applicable.

### Environment

- Comply with all applicable environmental laws, regulations and apply responsible standards where law and regulations does not exist.
- Conserve natural resources & energy by continuously improving our processes and measuring performance.
- Continuously improve our processes to minimize pollution and waste.

## Statement Of Ethics and Business Practices

The policy of the Company, as stated over the years by the Board of Directors, is one of strict observance of all laws applicable to its business. Our policy does not stop there. Even where the law is permissive, Engro chooses the course of highest integrity. Local customs, traditions and mores differ from place to place, and this must be recognized. But honesty is not subject to criticism in any culture. Shades of dishonesty simply invite demoralizing and reprehensible judgements. A well-founded reputation for scrupulous dealing is itself a priceless Company asset.

An overly-ambitious employee might have the mistaken idea that we do not care how results are obtained, as long as he gets results. He might think it best not to tell higher management all that he is doing, not to record all transactions accurately in his books and records, and to deceive the Company's internal and external auditors. He / she would be wrong on all counts.

We do care how we get results. We expect compliance with our standard of integrity throughout the organization. We will not tolerate an employee who achieves results at the cost of violation of laws or unscrupulous dealing. By the same token, we will support and we expect

you to support, an employee who passes up an opportunity or advantage which can only be secured at the sacrifice of principle.

Equally important, we expect candor from all employees and compliance with accounting rules and controls. We don't want liars for employees, whether they are lying in a mistaken effort to protect us or to make themselves look good. One of the kinds of harm which results when an employee conceals information from higher management and the auditors is that other employees within his organization think they are being given a signal that Company policies and rules, including accounting and control rules, can be ignored whenever inconvenient. This can result in corruption and demoralization of an organization. Our system of management will not work without honesty, including honest book-keeping, honest budget proposals, and honest economic evaluation of projects.

It has been and continues to be Engro's policy that all transactions shall be accurately reflected in its books and records. This, of course, means that falsification of its books and records and any off-the-record bank accounts are strictly prohibited.

This policy is in accord with the previously stated policies of Engro.

## Policy Governing Conflicts of Interest

The policy of the Company with respect to conflicts of interest requires that employees avoid any conflict between their own interest and the interests of the Company, in dealing with suppliers, customers, and all other organizations or individuals doing or seeking to do business with the Company or any affiliate. This policy also requires that employees should avoid any conflict between their own interests and the interests of the Company in the conduct of their personal affairs, including transactions in securities of the Company or any affiliate.

While it is not practicable to enumerate all situations which might give rise to a violation of this policy, the examples given below indicate some which should be avoided. Moreover, there will be situations which, while perhaps justifiable, involve the appearance of a conflict of interests and they should be carefully weighed.

It is considered to be in conflict with the Company's interest:

- a) for an employee or any dependent member of his or her family to have an interest in any organization which has, or is seeking to have, business dealings with the Company or any affiliate where there is an opportunity for preferential treatment to be given or

received, except (i) with the knowledge and consent of top management, or (ii) in any case where such an interest comprises securities in widely held companies, which are quoted and sold on the open market, or in private companies where the interest is not material, subject to paragraph (d) below;

- b) for an employee or any dependent member of his or her family to buy, sell or lease any kind of property, facilities or equipment from or to the Company or any affiliate or to any Company, firm or individual who is or is seeking to become a contractor, supplier or customer, except with the knowledge and consent of top management;
- c) for an employee to serve as an officer or director of any other Company, or in any management capacity for, or as a consultant to any individual, firm or other Company, except with the knowledge and consent of top management;

(NOTE: In this connection see also the Company's policy regarding Directorships in companies other than Engro subsidiaries or Joint Ventures).



- d) for an employee, without proper authority, to give or release to anyone not employed by the Company any data or information of a confidential nature concerning the Company or any affiliate, such as that relating to decisions, plans, earnings, financial or business forecasts, discoveries or competitive bids or otherwise use such information which is not generally known to the public for personal advantage and not in the best interest of the Company, as, for example, by acquiring or selling, or inducing others to acquire or sell, any interest in securities of the Company or any other Company involved in or which may become involved in, any transactions with the Company or any affiliate;
- e) for any employee or any dependent member of his or her family to accept commissions; a share in profits; gifts in cash; gift certificates, travel or other payments; loans or advances (other than from established banking or financial institutions on normal commercial terms) materials, services, repairs or improvements at no cost or any unreasonably low prices; excessive or extravagant entertainment; or gifts of merchandise of more than nominal value from any organization, firm or individual doing or seeking to do business with the Company or any affiliate, or, for personal advantage and not in the best interest of the Company, to provide any of the foregoing to any such organization, firm or individual.

### **Administration**

It is recognized that circumstances may arise where compliance with the policy may be achieved without strict adherence to the guidelines, and such adherence would be unreasonable or result in undue hardship for an employee. If an employee wishes approval for an exception or if an employee is in doubt about the acceptability for any situation, he should communicate the full circumstances to the Corporate Audit Manager through his Department Manager. The Corporate Audit Manager will review the case, obtain Legal Department's opinion where necessary and refer it to the President. The President will make a final decision in writing. Written Presidential approval assures appropriate management awareness of the circumstances and provides the employee with documentation of disclosure. A copy of the written decision will be placed in the employee's personnel file.

### **Policy Regarding Directorships In Companies Other Than Engro Subsidiaries or Joint Ventures**

It is the policy of the Company to restrict the holding by employees of directorships in companies that are not subsidiaries or joint ventures of Engro Corporation Limited (ECL) and to restrict the acceptance by any employee of such a directorship.

While employees are generally restricted from serving as directors of companies that are not subsidiaries or joint ventures of ECL, the President of ECL or the Chairman of the respective subsidiary / joint venture Company of ECL, as the case may be, may make exceptions to this general rule in special circumstances, where the Company's interest and that of the public would best be served or where an employee may desire to serve as a director of a family owned Company, or for an employee who has firm plans to retire within three years. For any other reasons or circumstances the Board of ECL will approve the exception.

All expenses incurred by an employee serving as a director of a Company that is not a subsidiary or joint venture of ECL in accordance with this policy will be for that employee's own account. The employee may accept and retain annual fees, meeting fees, other remuneration or reimbursed expenses specifically related to service as a director.

### **Statement of Competition Policy**

Engro believes in fair trade and competition. Therefore it is the policy of the Company that all of its directors and employees shall, in carrying out their duties to the Company, comply with relevant laws including the Competition Act, 2010. All employees are responsible for familiarizing themselves with the requirements of these laws as any violation may result in penalties and / or criminal offences.

No director or employee should assume that the Company's interest ever requires otherwise. Moreover, no one in the Company has authority to give any order or direction that would result in a violation of this policy.

It is recognized that on occasion there may be legitimate doubt as to the proper interpretation of the law. In such circumstances, it is required that the employee refers the case through appropriate channels to the Legal Department for an opinion.

## Gifts and Business Entertainment Guidelines

### Definitions

Gifts: A gift includes anything of value, transferred to another, for which no specific service or compensation is received or expected.

Business Entertainment: Business entertainment includes the act of dining or participating in a recreational or related activity.

### General Principles

Engro is committed both to the course of highest integrity and to avoiding even the appearance of impropriety in the conduct of its affairs. These commitments have obvious significance for the bestowing of favors upon individuals, whether in the public or private sector, who are in a position, directly or indirectly, to benefit the Company.

The Company's business interests are best served when its relationships are free of influences such as gift-giving or receiving. Only in this way can the Company sustain constructive ongoing relationships with those doing business or seeking to do business with the Company. Therefore, the Company discourages the practice of giving or receiving gifts. It is, however, recognized that doing away entirely with the giving or receiving of gifts is not practical and hence occasional low value exchanges of gifts may be permissible. Obviously, good business judgement must be exercised in all such cases.

### Company's Policy In Respect Of Gifts

- Gifts of cash on Company's behalf are strictly prohibited.
- Exchange of non-cash gifts will be moderate, infrequent and appropriate to the occasion.
- The above will be in line with the Company's Ethics/Conflicts of Interest Policies, will reflect good business judgement, will comply with the applicable laws and be sensitive to the applicable codes of conduct.
- Giving and receiving gifts in the form of commissions, abnormal loans, shares in profit, free travel tickets or hotel / other accommodation, membership in clubs / health facilities at no charge or at unreasonably low charge, repairs and improvements at unreasonably low prices, and such other facilities are strictly prohibited.

### Value of Gifts

- Gifts of nominal value may be received or given by employees on an infrequent basis where it is considered that doing away such gifts could impair our relations with others. Nominal value would imply items having a value not exceeding Rupees 3,000/- for gifts received / given within Pakistan and US\$ 50 in case of gift received / given outside of Pakistan.
- Corporate Audit Department will assess the value of all gifts received by employees.

### **Gifts Exceeding Nominal Value**

- Gifts exceeding nominal value should be returned reminding the party of Engro's Gift policy.
- If it is not feasible to return the gift, the Company will arrange their auction at any Company / Club function and donate the sale proceeds to an appropriate charity.

### **Gifts Within The Company**

The Company does not in general subscribe to Company gift presentations to its employees. Therefore, Company gift presentations to employees will be limited to service and performance awards under the approved programs and to gifts to outgoing/ retiring employees.

Regarding exchange of gifts between employees, value limits stated above in this policy will apply in case of all direct line supervisors in the chain. For all others value of gift will be determined by social norms.

### **Gifts To Be Given**

Promotional / give-away items over Rupees 3,000/- and upto Rupees 10,000/- can be given with the prior approval of the President.

### **Company's Policy In Respect Of Entertainment**

Employees may entertain / accept entertainment, consistent with local practice, of moderate value, to / from people having business relationships with the Company. Entertainment should generally be on an infrequent basis and appropriate to the level of the individual.

Employees should not give or accept extravagant entertainment.

### **Accounting For Expenses**

Expenses incurred for gifts and entertainment should be reported on the Daily Expense Statement (DES) and approved in accordance with the Limits of Authority Manual. Details of expenses as to the business purpose, name and business relationship of the recipient of gifts / entertainment should be given on the reverse side of the DES.

## Insider Trading Policy

### Applicability of Policy

This Policy applies to all transactions in the listed equity securities of Engro Corporation and its listed subsidiaries (“Engro Companies”) including ordinary shares, options for common shares including employee share option schemes and any other securities that the Engro Companies may issue from time to time, such as preferred shares. It applies to all employees of Engro Corporation, and all members of the Board of Directors of Engro Corporation, who possess, receive, come across or have access to Material Non public Information (as defined below) regarding the Engro Companies. This group of people, their spouses or lineal ascendants or descendants are referred to in this Policy as “Insiders.” This Policy also applies to any person who receives Material Non public Information from any Insider (Tipping).

Any person who possesses, receives, comes across or has access to Material Non public Information regarding the Engro Companies is an Insider for so long as the information is not publicly known.

### Statement of the Policy

The Policy, which governs Trading in Engro Companies’ Securities and “Tipping” states that;

- a) Subject to (b) and (c) below, trading in the Engro Companies securities (i.e., purchase or sale of shares, and the exercise of share options granted to certain of its employees) is permitted throughout the year by all employees, directors and officers.
- b) No trading in the securities of Engro Corporation is permitted for directors, and all employees within the Closed Period of Engro Corporation. Moreover, employees are also restricted from trading in securities of other Engro Companies within the closed period of such companies.
- c) Notwithstanding paragraph (a) above,

- i. No Insider is permitted to buy or sell, either directly or indirectly, in such Engro Companies’ securities or to disclose that information to any other person. Any confusion over the interpretation of this rule should be referred to either the Chief Financial Officer or the Company Secretary and;
- ii. All employees are restricted from selling / buying or buying / selling any Engro Companies’ share within a period of 6 months. However, this restriction does not apply to employees who have acquired shares in an IPO of an Engro Company, without any preferential allocation, or have acquired shares in the form of specie dividend or by way of exercise of share options but will apply to those directors and employees who are restricted by the Companies Ordinance. Further, if an employee or director violates this provision, then any gain that he/she makes on such transactions will have to be surrendered to that company.
- d) All trades of any Engro Companies’ securities by Insiders must be reported within two days of the actual trade date to the Company Secretary.
- e) No Insider shall disclose or “tip” any Material Non public Information to any other person nor shall such Insider make recommendations or express opinions on the basis of Material Non public Information as to trading in any of the Engro Companies’ securities.

It is emphasized that any failure to observe this Policy may expose the director, or employee, as well as the Engro Companies, to legal liability including penal consequences, under applicable securities laws and therefore



would be a violation of Engro Corporation's policy on Business Ethics.

Furthermore, employees who violate this Policy shall also be subject to disciplinary action by Engro Corporation which may include ineligibility for future participation in the Engro Companies equity incentive plans and / or termination of employment.

### **Material Non Public Information**

It is not possible to define all categories of material information. However information should be regarded as material if there is a reasonable likelihood that it would be considered important to a reasonable investor in making an investment decision regarding the purchase or sale of any of the Engro Companies' securities. The final decision with regard to materiality of information shall rest with the Management Committee of Engro Corporation.

Material information which has not been disclosed to the general public is defined as Material Non Public Information and may include, but is not restricted to:

- Financial results;
- Projections of future earnings or losses;

- Projection of production / sales performance;
- Results of product developments / new product announcements, business partnership and other major investments;
- News of a pending or proposed merger, acquisition or joint venture;
- News of planned disposition of a subsidiary, or major investment / divestiture;
- New equity or debt offerings or significant changes to existing profiles;
- Impending bankruptcy or financial liquidity problems;
- Major changes in senior management;
- Significant litigation exposure and development thereto; and
- Knowledge of negotiations of supply terms / new arrangements with critical raw material suppliers.

### **Transactions / Contracts with related parties**

It is the policy of the Company that all related party transactions involving goods, services and transfer of tangible and intangible assets will be carried out at arms length without compromising the business interest of either party.

## **Statement of Internal Control System**

The management of the Company is responsible for the establishment and maintenance of the Company's system of internal control in order to identify and manage risks faced by the Company. This system provides reasonable, though not absolute, assurance that assets are safeguarded against unauthorized use or disposition, that proper and reliable accounting records are available for use within the business and that adequate control mechanisms have been established within the operational businesses.

The key features of the Company's system of internal control are as follows:

### **Control Environment and Procedures**

The Company's organizational structure embodies clearly defined levels of responsibility and delegation of authorities. Each division operates within a framework of policies / procedures, and personnel are required to comply with these policies / procedures. Policies and procedures are developed keeping in mind the Company's commitment to highest levels of integrity and ethics. These cover key issues such as safeguarding of assets, ensuring validity of financial records and reports, compliance with laws and regulations etc. as well as effectiveness and efficiency of operations.

### **Risk Management**

Responsibility for risk identification and management is exercised through Divisional Management. In addition a process of periodic audit reviews is in place which involves identification of major financial, commercial and operating risk.

### **Financial Reporting Systems**

The Company has an established system of financial reporting and budgetary controls covering periodic performance reviews for each major business area / division which monitors actual performance against budget and forecast.

### **Internal Control Procedures**

The Company's document on System of Management Control - Basic Standards defines basic internal control standards for the Company and its subsidiaries. All control procedures are developed on the basis of these standards. Review and endorsement of long term strategic plans, development of capital and expense budgets, stewardship of business plans and ensuring compliance with internal control processes lies with the Management Committee.

### **Monitoring system**

The Corporate Audit Department, through Corporate Audit Manager, reports administratively to the Chief Executive Officer and functionally to the Board Audit Committee. It carries out programmed reviews covering major operations and internal control systems operating in the Company and its subsidiaries. This program of reviews (Audit Plan) is approved by the Board Audit Committee prior to execution. Emphasis continues to be on internal compliance measured against set standards and best practices. Divisional Management and subsidiary Chief Executive Officer are required to comply with defined policies and procedures. The Board Audit Committee is responsible for ascertaining the adequacy and effectiveness of internal controls including financial and operational controls, accounting systems and reporting structure.

### **Whistleblower Policy – “Speak Out”**

The boards of directors of Engro Corporation (ECL) and its subsidiaries have adopted a number of policies related to ethics and responsible behavior which define the high standard of governance and business conduct to which we pledge ourselves as an organization. This has always been our core strength and is reinforced through voluntary reporting of irregularities and periodic reviews of business practices.

As an additional measure a Whistleblower system has also been established. The Company expects employees, suppliers and contractors at all affiliated companies to not only abide by our standards of business conduct but also to speak out about any concerns they have regarding business ethics, safety, environmental performance, harassment and other employment related matters or other possible breaches of compliance.

Open and candid communication is an important part of our culture. Employees are therefore encouraged to raise their concerns with line managers. However, if they are not comfortable in doing so they should use the independent “Speak Out” hotlines or email to raise their concerns. They can also write to the respective PO Box at Clifton Post Office Karachi.

Every effort will be made to maintain the confidentiality of complainants and to protect them from any form of retaliation or victimization for genuinely held concerns that are raised in good faith. At the same time it should be noted that unfounded allegations made recklessly, maliciously or knowing that they were false can expose the complainant to disciplinary action. In order to further strengthen our Ethics compliance program and promote adherence to sound business conduct, all employees, customers, suppliers and contractors at Engro are encouraged to report serious concerns that could have a significant impact on these organizations, such as actions that:

- are unlawful or may damage the reputation of the Company or an affiliate.
- are fraudulent and lead to a loss of assets.
- may be intended to result in incorrect financial reporting.
- are in violation of various corporate policies governing business conduct.
- are in violation of Safety Health & Environmental standards applicable to the business.
- give rise to harassment, discrimination or other unfair employment practices.

It should however be noted that the “Speak Out” system is not intended to be used for reporting career related issues. e.g. lack of promotion, for which a separate forum exists.

The Company undertakes that all complaints will be investigated confidentially by independent persons and feedback will be provided to the complainant.

## **Company-wise Speak-Out Channels**

### **Engro Corporation Limited**

Ph: +9221-35296011

Email: [speakout@engro.com](mailto:speakout@engro.com)

PO Box 3850, Clifton, Karachi.

### **Engro Polymer & Chemicals Limited**

Ph: +9221-35610775

Email: [speakout.epcl@engro.com](mailto:speakout.epcl@engro.com)

PO Box 3990, Clifton, Karachi.

### **Engro EXIMP Private Limited**

Ph: +9221-35297535

Email: [speakout.eximp@engro.com](mailto:speakout.eximp@engro.com)

PO Box 13840, Clifton, Karachi.

### **Engro Powergen Limited**

Ph: +9221-35296013

Email: [speakout.energy@engro.com](mailto:speakout.energy@engro.com)

PO Box 3853, Clifton, Karachi.

### **Engro Fertilizers Limited**

Ph: +9221-35296012

Email: [speakout.fertilizers@engro.com](mailto:speakout.fertilizers@engro.com)

PO Box 3851, Clifton, Karachi.

### **Engro Foods Limited**

Ph: +9221-35296015

Email: [speakout.foods@engrofoods.com](mailto:speakout.foods@engrofoods.com)

PO Box 3852, Clifton, Karachi.

### **Engro Vopak Terminal Limited**

Ph: +9221-35296011

Email: [speakout@engro.com](mailto:speakout@engro.com)

PO Box 3850, Clifton, Karachi.



