Group Sustainability Report 2019
The data collected in this report was collected from primary sources that included in our Group’s internal and external stakeholders. The Global Reporting Initiative (GRI) indexes have been used as a guideline to create this report. The GRI is an international independent standards organization that helps businesses, governments and other organizations understand and communicate their impacts on issues such as climate change, human rights, and corruption.

Please note that most data collected in this report are of the fiscal year (July 2018 to June 2019) unless otherwise disclosed. Through this document we will highlight efforts implemented by our Group.
Is it fair to all concerned? Will it build goodwill and better friendships? Will it be beneficial to all concerned?

These questions held particular fascination for me as a business man and as a man. Throughout my life, I have asked these questions of myself and I have come to believe that to answer them in the affirmative is to achieve not only success in life but fulfillment.

Having pulled myself by my boot straps, I acquired rugged individuality, a fearless independence of spirit... But to be able to do so, I had first to put my house in order and make sure that our organization measured up to modern standards of efficiency. We selected the right men for the right jobs and delegated responsibility to them. Above all, we maintained a high standard of ethics in our business dealings, and built up a reservoir of good will for our firm from which we were able to draw time and again.
As corporate citizens, IIL and ISL understand that our responsibility ranges beyond our financial impact. We therefore believe in leading by example to contribute towards the social and economic uplift of local communities and betterment of the environment. We have always attempted to play our part as agents of positive change may it be through our daily operations, long term strategies, technological improvements or donations. To our group, sustainability ranges beyond environment and into community.

Our Group is playing its part towards bringing affordable housing to Pakistan by bringing in quick construction techniques using steel.

Sustainability has been important to us since our group’s infancy; our businesses were built on ethics, hard work, and concern for others. Our guiding principles have led us to create policies that are philanthropic in nature in the past and establish our sustainability efforts through designated departments in the present. I firmly believe that contribution to our community has and always will be an inherent factor in our success.

We are proud of being Pakistani, and believe in giving back beyond our broader scope of work to the community and country that has always given us. As a corporate citizen, we strongly believe in making an impact, however small, in our sphere of influences.

In our endeavor to be socially responsible corporate citizens we want to transparently communicate our efforts. Therefore, we are proud to present our third comprehensive combined Group sustainability report for 2019.

Introductory Note From Our Advisor, Mr. Towfiq H. Chinoy

Mr. Towfiq H. Chinoy - Currently, Advisor to IIL and ISL

Mr. Towfiq Habib Chinoy, is an Advisor / Director with extensive professional experience and significant executive leadership accomplishments in business and philanthropy and is also known as a pioneer in the steel industry and has been associated with International Industries Limited (IIL), since 1964 from where he retired in August 2011, after having served as its Managing Director for thirty-seven (37) years, thus, laying a strong foundation and impeccable ethical reputation for IIL in the steel industry.

He founded International Steel Limited (ISL) in 2007, where he served as Managing Director until 2015, which is a state of the art modern automated factory and is currently serving as an Executive Director on ISL’s board since 22nd November 2011 and as Advisor to both, IIL & ISL.

His contribution to all companies on whose boards he serves is that he possesses strong diplomatic skills and a natural affinity for cultivating relationships and persuading convening facilitating and building consensus among diverse individuals. Over his long career has applied qualities of integrity credibility and a passion for progress to strategic governance efforts. He is currently serving as a non-executive Chairman of both Jubilee General Insurance Company Limited and Packages Limited. He is also a director of the National Foods Limited, Trustee of the Habib University Foundation and Mohatta Palace Gallery Trust.

Mr. Chinoy has served on the Advisory Boards of the Ministry of Communications, Engineering Development Board and Port Qasim Authority – Government of Pakistan. He has also been Chairman of Pakistan Cables Limited and PICIC Commercial Bank Limited, Vice Chairman of The Pakistan Business Council and a Director of National Refinery Limited, Linde Pakistan Limited, Jubilee Life Insurance Company Limited and The Pakistan Centre for Philanthropy. and PICIC Commercial Bank Ltd.
Group Perspective

International Industries Limited (IIL) and International Steels Limited (ISL) are part of the Chinoy Group.

History of The Chinoy Group

Founded by Mr. Amir S. Chinoy, International Industries Limited (IIL) was incorporated in Pakistan in 1948 as Sir Sultan Chinoy & Co. Ltd. - a trading company which primarily dealt with electronic instruments. In 1952, IIL sponsored the setting up of Pakistan Cables Ltd in partnership with BICC Plc U.K. Thereafter, IIL became the selling agent for Pakistan Cables Ltd.

In 1966 IIL started producing cold rolled tube for electrical conduit and steel furniture. Mr. Towfiq H. Chinoy took over the company as Managing Director in 1977 and fairly quickly started diversifying the product range by manufacturing galvanized iron (G.I) pipe in 1982. In 1984, IIL was listed on the Karachi Stock Exchange and such was the reputation of the company that when shares were offered to the public, the offer was oversubscribed 67 times. During the years that followed, the Company lived up to its reputation and continued to grow rapidly. In 1989, IIL set up Pakistan’s first private sector cold rolling mill and started diversifying its product range in order to fulfill the demands of Pakistan’s booming industry and economy. IIL pipe exports, which began in 1996, have now grown to cover 60 countries across all 6 continents.

In 2006, IIL recognized a gap in the market and entered the plastic pipe domain by setting up extrusion plants for high (HDPE) and medium density polyethylene (MDPE) pipes. Today, IIL’s polymer division offers the largest product range in Pakistan, in diameters from 15mm-1600mm. The latest inclusion in our polymer product line are polypropylene random copolymer (PPRC) pipes and fittings, allowing us to serve the large retail segment of the water supply market. The Company has continued to pursue new markets and incorporated a wholly owned subsidiary in Australia in 2014. This was followed by the establishment of a stainless steel pipe manufacturing facility in 2015 and commissioning of a 12” diameter pipe mill to manufacture American Petroleum Institute (API) certified line pipes and hollow structural sections (HSS) in 2016. IIL is the largest manufacturer of tubes & pipes in Pakistan and achieved record gross sales of Rs. 30.7 billion in 2018-19.

International Steel Limited (ISL) was incorporated in 2007 with the vision to be the foremost manufacturer of flat steel products in Pakistan. ISL was set up with an initial investment of $165 million investment, with equity contributions from IIL, Sumitomo Corporation, JFE-Japan and the International Finance Corporation (A division of the World Bank) which bought added impetus and confidence in the engineering and hi-tech manufacturing industry in Pakistan. IIL owns 56.335% of the share capital of ISL. The company continues to grow and diversify its business. Initially, ISL was capable of producing 180,000 MT per annum of hot dipped galvanized coil (HDGC), and 250,000 MT per annum of cold rolled coil (CRC). In 2015 ISL commissioned a color coating line to produce 84,000 MT per annum of color coated galvanized coils (PPGI). ISL added a second galvanizing line in 2016 and enhanced its galvanizing HDGC capacity to 462,000 MT. A second stand on the rolling mill was added in 2016 upgrading ISL’s CRC capacity to 550,000 MT. In June 2018, ISL completed additional expansion to enhance its production capacity to 1 million tons. ISL is today the largest manufacturer of flat steel products in Pakistan, with gross sales of roughly Rs. 65 billion in 2018-19.

Inspired by its past, the Group remains committed to growing its businesses in an ethical and sustainable manner.
Group Outlook

The Chinoy Group has a rich history that consists of a diversified group of businesses. In this report we focus on two integral organizations of the Chinoy Group: International Industries Limited (IIL) and International Steels Limited (ISL).

Steel consumption is a good measure of the progress of an economy. Empirical studies show that GDP per capita and steel consumption per capita are positively correlated for developing nations. The steel consumption in Pakistan currently hovers around 46 Kg per capita compared to the world average of 228 Kg per capita. Therefore, we believe there is enormous potential for growth in the domestic steel industry. As such it has been our group’s philosophy to continue to enhance output and propagate the use of steel in all forms by producing long-lasting quality products at affordable prices.

Although our organizations differ from an operational perspective, our environmental impacts are similar due to common core raw materials.

Our organizations have several interdependencies, which are shared through our support services and our head office teams. As a result, the synergies between these two organizations have led us to create this Group Sustainability Report.

Group Values

A. Integrity: We are committed to maintain the highest ethical standards and ensure a culture of trust and openness internally as well as externally.

B. Diversity: We are an equal opportunity employer with zero bias against gender, race, ethnicity and religion and encourage openness, expression of opinions etc.

C. Respect for People: We are committed to fostering a culture where people come first. We hire, develop and retain our people to work as synergized teams in line with our mission and vision.

D. Fairness: We are committed to implement policies and procedures which translate into fair and equitable treatment of all internal and external stakeholders.

E. Responsibility: We consider quality, health, safety and social & environmental responsibility an integral part of our way of life.
Group Code of Conduct

The Code of Conduct is equally applicable to the Board of Directors as well as all the employees of IIL and all its subsidiaries. The salient features of the Code of Conduct are as follows:

A. BUSINESS ETHICS
i. The company’s policy is to conduct its business with honesty and integrity and be ethical in its dealings, showing respect for the interest of all stakeholders including its shareholders, employees, customers, suppliers and the society.
ii. The company is dedicated to providing a safe and non-discriminatory working environment for all employees.
iii. The company does not support any political party or contributes funds to groups whose activities promote political interests.
iv. The company is committed to provide products which consistently offer value in terms of price and quality and are safe for their intended use, to satisfy customer needs and expectations.

B. CONFLICTS OF INTEREST
i. Every employee should conduct his / her personal and business affairs in a manner such that neither a conflict, nor the appearance of a conflict, arises between those interests and the interests of the company.
ii. An employee should avoid any situation in which he or she, or a family member, might profit personally (directly or indirectly), from the company’s facilities, its products, or company’s relationships with its vendors or customers.
iii. An employee should not permit himself / herself (or members of his / her family) to be obligated (other than in the course of normal banking relationships) to any organization or individual with whom the company has a business relationship. However, business lunches, dinners or social invitations, nominal giveaways and attendance at conferences and seminars would not be considered a violation of this Code.
iv. In case an employee is offered or receives something of value which he / she believes may be impermissible under this Code, he / she should disclose the matter.
v. All employees shall avoid any kind of bribery, extortion and all other forms of corruption.
vi. Conflict of interest shall be avoided and promptly disclosed where they exist and guidance should be sought from superiors.

C. ACCOUNTING RECORDS, CONTROLS & STATEMENTS
i. All books, records, accounts and statements should conform to generally accepted and applicable accounting principles and to all applicable laws and regulations and should be maintained accurately.
ii. Employees are expected to sign only documents or records which they believe to be accurate and truthful.

D. ENVIRONMENT
i. The company is committed to carry its business in an environmentally sound and sustainable manner and promote preservation and sustainability of the environment.
ii. All employees are required to adhere strictly to all applicable environmental laws and regulations that impact the company’s operations.

E. REGULATORY COMPLIANCE
i. The company is committed to make prompt public disclosure of “material information” regarding the company as prescribed in the Pakistan Stock Exchange Regulations.
ii. Where an employee is privy to the information, which is generally referred to as “material inside information”, the same must be held in the strictest confidence by the employee involved until it is publicly released.
iii. The employees shall abide by the appropriate Competition Laws and shall not enter into understandings, arrangements or agreements with competitors which have the effect of fixing or controlling prices, dividing and allocating markets or territories, or boycotting suppliers or customers.

F. PERSONAL CONDUCT
i. All employees should conduct themselves with the highest degree of integrity and professionalism in the workplace or any other location while on company business.
ii. The employees shall be careful while dealing with personal or business associates and not disclose, divulge or provide any information regarding the company to anyone except where the same is used as a part of his / her official obligations and as required for official purpose and shall abide by the Closed period announced by the company from time to time and also sign a Non-Disclosure Agreement if the need arises.
iii. All employees should avoid any kind of bribery, extortion and all other forms of corruption.
iv. Employees should always be cognizant of the need to adhere strictly to all safety policies and regulations.
v. Any legally prohibited or controlled substances if found in the possession of any employee will be confiscated and where appropriate, turned over to the authorities.

G. MISCELLANEOUS
i. All employees are required to comply with this code of conduct and are personally responsible for doing so. Employees must comply with any rules set out in this code of conduct. Breach of any principles within the code may result in disciplinary action, such as if any employee is found to be in wanton abuse of the code and their action cause reputational risk or damage or financial loss to the business, may amount to gross misconduct which may result in summary dismissal.

Further, the company reserves the right to seek redress and damages from such individuals.
ii. Employees at all levels will be required to certify annually that they understand the code and that they are in full compliance with this code. On an annual basis, the Board monitors the findings of this certification.
iii. The Company has in place a confidential “Speak Up” policy and process to encourage the reporting of any non-compliance with this code of conduct.
# Certifications

**International Industries Limited (IIL)**

<table>
<thead>
<tr>
<th>Standard</th>
<th>Description</th>
<th>Location</th>
<th>Certified by</th>
<th>License #</th>
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<tr>
<td>ISO 9001</td>
<td>Quality Management System</td>
<td>Head Office, Branch Office, Factory 1, 2 &amp; 3.</td>
<td>1997 ISO 9001 – 0049981</td>
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<tr>
<td>ISO 14001</td>
<td>Environment Management System</td>
<td>Head Office, Branch Office (Lahore)</td>
<td>2000 ISO 14001 Certification</td>
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<td>ISO 45001 (Old Standard OHSAS 18001)</td>
<td>Occupational Health &amp; Safety Management Systems</td>
<td>Head Office, Branch Office (Lahore)</td>
<td>2007 ISO 45001 Certification</td>
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<tr>
<td>API Specification Q1 &amp; 5L</td>
<td>Manufacturer of Line Pipe Plain End, HFW, PSL 1</td>
<td>American Petroleum Institute (USA)</td>
<td>2000 SL-0391 Extension Notice 3327</td>
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<tr>
<td>BS EN 10255, 10286</td>
<td>CE Mark for Hot Dip Galvanized ERW Carbon Steel Pipes</td>
<td>Factory 1, 2 CNS Services (Germany)</td>
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<tr>
<td>BS EN 10296-1, 10305-5 &amp; BS 1717</td>
<td>CE Mark for ERW Tubes from Cold Rolled Carbon Steel</td>
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<td>BS EN 39, 10219, 10240</td>
<td>CE Mark for Cold Formed Welded Structural Hollow Sections (HSS)</td>
<td>Factory 1, 2 CNS Services (Germany)</td>
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<tr>
<td>UL-852 ASTM 795</td>
<td>UL Certification (ERW &amp; Galvanized Pipes for Fire Sprinkler System)</td>
<td>Factory - 1 Underwriter Laboratories UL (United States)</td>
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<tr>
<td>UL-852 (UAE)</td>
<td>UL UAE Certification (Metallic Sprinkler Pipe For Fire Protection Service)</td>
<td>Factory - 1 Underwriter Laboratories UL</td>
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<td>PS:4533-34/1999 (R)</td>
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<td>Factory # 2 Pakistan Quality Control Authority (PSQCA)</td>
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<td>MS Pipe (Mild Steel Pipe) - FACTORY-1</td>
<td>Factory # 1</td>
<td>Jul-17 CSDC/L-208/2017</td>
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<td>ASTM A53/2012</td>
<td>MS Pipe (Mild Steel Pipe) - FACTORY-2</td>
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### Certifications

**International Steels Limited (ISL)**

<table>
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<tr>
<th>Standard</th>
<th>Description</th>
<th>Location</th>
<th>Certified by</th>
<th>since</th>
<th>License #</th>
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<tbody>
<tr>
<td>ISO 14001</td>
<td>Environmental Management System</td>
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<tr>
<td>BS EN 10025-1</td>
<td>Hot Dip Galvanized Steel</td>
<td>Factory, Head office</td>
<td>CNC Services (Germany)</td>
<td>Jan 2019</td>
<td>CNC/EEC/4555/19</td>
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<tr>
<td>BS EN 10025-1</td>
<td>Hot Dip Galvanized Steel</td>
<td>Factory, Head office</td>
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<tr>
<td>BS EN 10025-1</td>
<td>Cold Rolled Steel</td>
<td>Factory, Head office</td>
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<td>BS EN 10130</td>
<td>Color Coated Steel</td>
<td>Factory, Head office</td>
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<td>CNS/EEC/4558/19</td>
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<td>RoHS</td>
<td>Declaration of Conformity (As per Directive 2011/65/ EU of the European Parliament)</td>
<td>Hot Dip Galvanized Steel Cold Rolled Steel Color Coated Steel</td>
<td>Intertek</td>
<td>'Jul 2019</td>
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</tbody>
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External Associations

Below is a list of governmental and non-governmental associations to which we submit an annual report regarding our environmental or social impacts.

<table>
<thead>
<tr>
<th>Name of Agency</th>
<th>IIL</th>
<th>ISL</th>
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<tbody>
<tr>
<td>Sindh &amp; Punjab Environment Protection Agencies</td>
<td>√</td>
<td>√</td>
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<tr>
<td>Federal Board of Revenue</td>
<td>√</td>
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<tr>
<td>Civil Defense</td>
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<tr>
<td>Labor Directorate</td>
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<tr>
<td>Pakistan Federations Association</td>
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<td>√</td>
</tr>
<tr>
<td>VIS Credit Rating Company Limited</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Centre of Excellence in Responsible Business (CERB)</td>
<td>√</td>
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</tr>
</tbody>
</table>

IIL has utilized international standards to ensure that our efforts are globally benchmarked. Through our association with the Centre of Excellence in Responsible Business (CERB), our organization has been identified as a Sustainable Development Goals (SDG) Leader for SDG 7, Clean and Affordable Energy for All, for our commitments to energy efficiency. CERB has benchmarked our work towards energy efficiency, towards the SDG target 7.3 “double the global rate of improvement in energy efficiency by 2030”.

Our team ensures we are aligned with the United Nations Global Compact’s (UNGC) ten principles. Below is an extract from UNGC’s online portal to assist in the further understanding of why we integrate these principles into our value system: Corporate sustainability starts with a company’s value system and a principled approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption. Responsible businesses enact the same values and principles wherever they have a presence, and know that good practices in one area do not offset harm in another. By incorporating the Global Compact principles into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success. The ten principles are listed below.

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

**Labor**
- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

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

**Anti-Corruption**
- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

UNDP Sustainable Development Goals

IIL & ISL take great pride in being responsible corporate citizens. By aligning with and measuring our activities against the United Nation’s Sustainable Development Goals (SDG’s), we reaffirm our commitment to adopting sustainable practices and providing multi-faceted, positive contributions to the communities in which we operate and in society at large.

We have aligned 14 SDGs against 7 broader sustainability principles as outlined in the figure below:
1. Health & Safety

**SDG 3**
- IIL and ISL are ISO 45001 (Occupational Health and Safety) certified.
- IIL and ISL factories & offices entail more than adequate basic services such as well-managed water and sanitation services, safe work environments, separate dining & prayer areas and recreational facilities.
- A doctor and a paramedical assistant are present in the factory 6 days a week on a part time basis to facilitate employees.
- Monthly safety walks are conducted and trophies are distributed to deserving individuals. Sessions on road and fire safety are routinely conducted.
- There have been no complaints related to medical or welfare benefits.
- Lost Time Injury Frequency Rate (LTIFR) recorded during the year was 1.65 per one million worked hours for IIL and 1.96 per one million worked hours for ISL.
- No infectious disease reported in the factory or office premises.
- During the year 604 health and safety trainings were organized by the IIL OHSE Department.
- Anti-mosquito spray conducted twice daily to reduce the chance of mosquito borne diseases.
- Motorcycle helmets have been distributed to all permanent, service provider staff and junior management staff.
- Well-equipped gyms are available for employee use at the ISL factory and IIL factory 1.
- Various recreational activities are conducted on an annual basis: Long Service Awards, Managers Dinners, Employee Theatre Nights, Corporate Family Days Out, Employees picnic, Participation in Group Cricket Tournament.

**SDG 8**
- IIL & ISL provide secure workplaces with canteens, parking facilities, medical and incidental insurance cover and freedom for people to express their concerns and/or grievances.
- Human resources policies are available on company intranet and are regularly reviewed, updated and circulated to employees.

**SDG 12**
- Installation of a zinc reclamation unit in 2008 ensures zero generation of smoke and dust during the zinc recovery process, hence reducing the emission impact on workers and the environment.
- IIL has upgraded its galvanizing plants to control zinc powder in the environment and thereby secure the health of workers. By making this modification, zinc powder collection has already increased by 2%.
- The pickling process uses Hydrochloric (HCL) acid to remove surface impurities from hot rolled coils. Direct disposal of the contaminated acid poses a threat to the environment, therefore ISL’s Acid Regeneration Plant (ARP) recycles and reconditions Hydrochloric acid from the pickling line, making 98% of the acid reusable.
- Our policy on Health & Safety is rigorously followed for wearing personal protective equipment such as safety gloves, shoes, and helmets for factory workers and staff is rigorously enforced. Motorcycle helmets were also provided to SNGPL staff at Uch Sharif and Mangla Mandi as part of our commitment to health and safety.

2. Value for Stakeholders

**SDG 3**
- IIL & ISL provide 10 medical leaves, 10 casual leaves and 30 earned annual leaves for the welfare of their employees.
- The Group provides medical facilities to all employees through the Social Security Scheme and the Health Insurance Scheme.
- Clean, filtered water is available to employees at all locations and 3rd party testing of all drinking water is done periodically.
- IIL has facilitated the establishment of two ambulance stations in Landhi, by donating 10 ambulances. This area is located in the industrial area where there was a need for immediate health care, especially in an area where work injuries have a high probability to occur. In addition, an equipped ambulance is available at all times at all factory locations.

**SDG 4**
- IIL's adult education program assists in improving the reading and writing skills of employees.
- Regular skill development trainings are undertaken at IIL & ISL in order to enhance overall productivity and safety.
- An apprentice training program is available at IIL and ISL factory locations to provide vocational training to deserving individuals. The program enables youths to develop skills and knowledge of manufacturing processes.
- At IIL, during 2018-2019, 42 in-house sessions were conducted for over 900 employees on various topics. ISL conducted 44 internal training programs where 396 employees were trained.
- At present IIL and ISL have more than 150 apprentices on board under training at different manufacturing facilities.
- Over 100 deserving employees from IIL & ISL attended external trainings at reputable institutions such as Employers Federation of Pakistan, Centre of Excellence in Responsible Business, Pakistan Institute of Corporate Governance, Institute of Business Administration, Institute of Chartered Accountants of Pakistan, Institute of Chartered Management Accountants of Pakistan, Lahore University of Management Sciences, Management Association of Pakistan, Pakistan Society for Training and Development during FY 2018-19.
- IIL's ongoing commitment to education for the under privileged continues with the employees participating in the "Rahbar Program".
- Students from IBA, Dawood University's Departments of Mechanical Engineering and Business Administration at AMANTEC were provided an opportunity to visit the ISL factory and observe the operations and processes.

**SDG 8**
- IIL & ISL provide direct employment to more than 1,780 individuals thereby contributing to economic growth. Expansions undertaken at IIL & ISL in recent years have contributed to the creation of additional employment opportunities.
- The estimated multiplier effect of having a strong steel base on GDP is 10X as referenced by the Pakistan China Joint Chamber of Commerce and Industry Research and Development Cell.
- The group exported goods worth Rs. 8.2 billion in FY 2018-19.
• Group contributions to the National Exchequer during the year was Rs. 18.6 billion.

3. Environmental Protection

SDG 6
• Our Reverse Osmosis (RO) Plant helps meet our water requirements at the factory premises while reducing reliance on municipal water systems, thereby assisting in the reduction of water scarcity in Pakistan. IIL continuously monitors the consumption of water through the installation of flow meters. Our employees benefit from higher water quality.
• All solid waste that is not recycled is responsibly transferred to designated landfill sites.

SDG 7
• IIL & ISL generate electricity through co-generation from natural gas. Natural gas is the cleanest fossil fuels with considerably less CO2 and methane emissions. Furthermore, compared to conventional electrical or thermal power plants co-generation is far more efficient and cost effective.
• Energy efficiency Monitoring: IIL & ISL are continuously monitoring the usage of Electricity, Natural Gas and Air. We have installed energy meters, gas analyzer and recorders to measure efficiency. By doing this we have also controlled the misuse and wastage of energy by shutting down auxiliary loads when plants are not operational.
• Utilization of energy efficient instruments: The Group has a considerable lighting load. Initially all lights were 400W SCN high pressure sodium bulbs. We have started to replace Bulbs with LED 160W, this helped us to save energy with increased illumination.
• Our factories have been retro-fitted with sky lights where possible in order to reduce dependence on conventional electricity. We have installed automatic on/off systems for lighting where required to further save energy.
• We utilize waste heat generated from our co-generation gas engines to operate the hot water absorption chiller and boiler and a steam turbine engine to generate more electricity while minimizing environmental impact.
• Variable frequency drives (VFDs) on pumps & cranes are installed to reduce power requirements.

SDG 12
• IIL is the first ISO 14001 (Environmental Management System) certified company in Pakistan.
• Steel, by nature, is one of the most aggressively recycled materials in the world. All steel and zinc scrap in IIL and ISL is recycled.
• IIL and ISL have dedicated forecasting and production planning departments that work to optimize production & storage and minimize wastage of any kind.
• IIL's polymer division used polyethylene & polypropylene. Both these materials are 100% recycled.
• All effluent waste is neutralized through treatment at our Effluent Treatment Plant (ETP) prior to discharge into the drains.
• The Group has targeted a 25% reduction in paper and printer ink consumption via reduction of excess paper usage, double sided printing, paperless Board meetings & annual reports.
• IIL has engaged third party environment management audit of its manufacturing facility to ascertain that all pre-requisite environmental effluents, emissions, noise and waste disposal is carried out as per law and to determine any gaps in its EMS system.

SDG 9
• IIL’s Hollow Structural Sections (HSS) were used in infrastructure projects across Pakistan including Orange Line & Green Line bus stations. These products lower environmental impact through quicker construction and 100% salvage value.
• IIL’s HSS have been used to build Pakistan’s first ever steel structure residence as we strive to revolutionize the construction industry by not only increasing up the speed of construction but also by ensuring greater flexibility in allowing modifications.
• IIL has also constructed warehouses with HSS in spans as large as 120 ft both with and without overhead travelling cranes. These are not only cheaper but faster to construct than pre-engineered steel buildings.
• IIL’s Hollow Structural Sections are the ideal material for line & green line bus stations as they have one of the lowest dead weights and are also highly weather resistant. The material is also 100% recyclable.
• Utilization of the material also reduces construction time and allows for faster completion of projects.

SDG 11
• IIL’s Hollow Structural Sections (HSS) were used in infrastructure projects across Pakistan including Orange Line & Green Line bus stations. These products lower environmental impact through quicker construction and 100% salvage value.
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• IIL’s Hollow Structural Sections are the ideal material for line & green line bus stations as they have one of the lowest dead weights and are also highly weather resistant. The material is also 100% recyclable.
• Utilization of the material also reduces construction time and allows for faster completion of projects.

SDG 17
• IIL & ISL are members of the National Steel Advisory Council (NSAC) which provides the government support on policy direction to revive the Pakistani steel industry.
SDG 13

- Testing of factory and vehicular emissions carried out through 3rd party recognized laboratories for compliance with the National Environmental Quality Standards (NEQS).
- Fume scrubbers are in-place at IIL & ISL factories for acid fume exhaust chimneys which neutralize emissions prior to discharge by using 100 feet high fume scrubbers.
- Boiler & Generator emissions undergo regular testing to ensure compliance with NEQS.
- Annual targets to reduce electricity and natural gas consumption in line with international standards.
- All IIL & ISL factories have dedicated green belts with trees & plants.
- Tree plantations:
  - Planted more than 2,300 saplings in the vicinity of IIL Factories 1 & 2
  - Donated funds to LAFCO Lahore Faisalabad Dual Carriage Way authorities for plantation of 1,000 tree saplings
  - Planted 500 tree saplings at Factory 3 Sheikhupura
  - Regular maintenance of plants by manuring, trimming & watering

SDG 14

- Daily (6 times per day) in-house effluent testing.
- Testing of factory effluents through 3rd parties and recognized laboratories for compliance with the National Environmental Quality Standards (NEQS).

SDG 15

- Sludge generated from the effluent treatment plant (ETP) is transferred responsibly to designated landfill sites for environment-friendly disposal.

4. Disclosure & Transparency

- Audited annual and un-audited quarterly results are published on company and SECP websites.
- IIL is registered with the Ministry of Environment under the Self-Monitoring and Report Tool (SMART) program.
- IIL & ISL are partnered with local utility Companies to co-scrutinize electricity generation.
- “Whistle-Blowing” policies are in place to report any corrupt or unethical behavior – if employees feel that they are not able to use the normal management routes. This policy is reviewed and refreshed on a periodic basis.
- The CEO also meets the entire Managing Committee (MC) and Executive Committee (EC) at least once every quarter through which they are provided an opportunity to express their concerns and suggestions directly to the CEO. These meeting are aimed at capturing free and first hand suggestions.
- IIL follows an open-door policy and employees are free to send emails, phone or talk directly to the CEO. The employees can give suggestions, grievances and concerns or raise any matter related to the Company. In case the matter is of significant nature, the same is addressed in the meetings of the Executive Committee, Managing Committee, the Board of Directors or the relevant Board Committees.
5. Local Communities

IIL and ISL have linked up with The Citizens Foundation (TCF) and continue to support all operating expenses for a TCF primary school in the vicinity of the IIL factory. The TCF-IIL Campus provides free/affordable education amongst others.

IIL has contributed completely free of cost structures to: The Indus Hospital, Jinnah Medical Center, The Cancer Hospital in Karachi - a permanent endowment fund.

IIL and ISL have also established the IIL-SINA Childlife clinic near the IIL factory where over 30,000 patients are given free or heavily subsidized medical care on an annual basis. The land purchase, construction and running costs of the SINA-TCF Clinic – IIL Centre were funded by IIL. SINA envisions treatment of up to 1 million deserving individuals by 2019-20.

Donations were made to the Cancer Care Hospital in FY 2018-19.

IIL made a substantial contribution towards the “Amir Sultan Chinoy Chair” at the Aga Khan University Hospital in Karachi - a permanent endowment fund.

IIL has contributed completely free of cost structures to: The Indus Hospital, Jinnah Medical Center, The Society for Rehabilitation of Special Children, A mental Illness rehab center for the Caravan of Life Trust.

IIL & ISL sponsor a scholarship at NED University of Engineering & Technology. In the last 5 years, approximately 50 students have benefitted from this scholarship.

Group donations to the Amir Sultan Chinoy Foundation have been used to support various educational causes. The Group has sponsored the Amir S. Chinoy Amphitheatre at the IBA main campus student’s center.

The Group regularly sponsors student seminars for NED Architectural Students.

IIL donated an entirely free of cost structure to the Charter for Compassion, an NGO, for a ‘school under the bridge’ built for underprivileged children in Karachi.

IIL has collaborated with the NGO, Literate Pakistan, to provide free education to older members of society who are not literate. Through this program, 100 workers have increased their literacy proficiency at varying degrees.

ISL supports social engagement initiatives, such as Citizen’s Archive Pakistan (CAP), whose core projects include cultural and educational programming for low-income communities in. ISL supported the Citizen Family Carnival 2019 at Beach Luxury Hotel. The activity had two goals, the educating the public on adopting environmental-friendly practices and taking initiatives to preserve ecosystems by taking simple and effective steps.

IIL & ISL are equal opportunity employers.

The Group employs 27 females; 4% ratio of total management.

Female employees in IIL and ISL are given maternity leaves.

Zero gender-based cases reported during the year.

Special facilities have been provided for the comfort of female staff at the head offices.

The IIL TCF campus has 41% female enrolment.

IIL, ISL and Pakistan Cables Limited funded and helped install a water hand pump in a deserted part of Tharparkar, Sindh which provides clean water to approximately 150 people in an underprivileged community with limited access to clean water.

IIL’s PPRC print and media campaigns are designed to educate our dealers and customers about the potential risks posed by water leakages. We held multiple plumbers training events to educate our partners on proper usage of material and equipment.

A large proportion of IIL’s products are used in water transmission and distribution. We continue to educate our customers on the importance of using high quality, non-carcinogenic materials for the supply of potable water.

IIL & ISL provide equal opportunity to all employees.

IIL & ISL’s workforce have 23 special people in various positions.

No complaints of gender insensitivity or other inequalities have been raised.

IIL and ISL are merit based organizations where no preference or special treatment is given to any individual.

IIL has constructed a shed for The Society for Rehabilitation of Special Children. This shed was built using IIL Hollow Structural Sections (HSS) and provided the children with a safe play and learning area.
6. Ethical Standards

**SDG 12**
- IIL is certified by international and local certification companies including Lloyds Register Quality Assurance (UK), American Petroleum Institute (API), CNC Services, UL, PNAC and PSQCA.
- ISL is certified by international certification companies including Lloyds Register Quality Assurance (UK), CNC Services and Intertek.

**SDG 16**
- IIL and ISL adherence to human rights is enshrined in the Code of Conduct of each Company and confirm the Group commitment to respecting fundamental human rights and treating employees, customers and all internal & external stakeholders with fairness, equality and respect in order to foster an open, transparent, and trusting environment which is free from prejudice, discrimination, bias, harassment and/or violation.
- For IIL & ISL, the policy on Code of Conduct and Ethical Practices is reviewed and acknowledged each year by all Directors, Managers, staff and new hires. This ensures that respect for human rights remains fully integrated into their business activities.
- The Code of Conduct covers business ethics, respect for rights of stakeholders, conflicts of interests, accounting records, controls and statements, environment, regulatory compliance and personal conduct.
- Grievance Policies are in place for all employees to raise concerns so that these can be addressed accordingly.
- Once every two years, IIL’s Management and CBA enter bilateral negotiations on Charters of Demands raised by both parties. IIL’s Industrial Relations Department is dedicated to address all and any worker related issues and is constantly in communication with the CBA and Unions with the objective to maintain industrial peace. Good relations were maintained with CBA and no strike or unrest witnessed during the year.
- No case of tax evasion/corruption during the year for IIL or ISL.

7. Stakeholder Engagement

Our stakeholders including, employees, customers, suppliers, contractors & agents, bankers, lawyers and shareholders are continuously engaged by dedicated departments in IIL and ISL to educate them on our sustainable development targets.

We have also engaged the following third parties to ensure our sustainable development goals are met:

1. The Citizens Foundation
2. Amir Sultan Chinoy Foundation
3. Aga Khan University Hospital
4. Sindh Institute of Urology and Transplantation (SIUT)
5. Layton Rahmatullah Benevolent Trust (LRBT)
6. Baitul Sukoon Cancer Hospital
7. Cancer Care Hospital
8. Caravan of Life Trust Pakistan
9. Indus Hospital
10. Marie Adelaide Leprosy Centre (MALC)
11. Al Rehmat Hospital
12. SINA Health, Education & Welfare Trust
13. Hunar Foundation
14. The Charter for Compassion
15. Pakistan Business Council (PBC)
16. Centre of Excellence in Responsible Business (CERB)
17. National Steel Advisory Council (NSAC)
18. Pakistan Institute of Corporate Governance (PICG)
19. Institute of Business Administration (IBA)
20. Lahore University of Management Sciences (LUMS)
21. Institute of Chartered Accountants of Pakistan (ICAP)
22. The Institute of Cost & Management Accountants of Pakistan (ICMAP)
23. NED University of Engineering & Technology
24. Institute of Architects, Pakistan (IAP)
25. Literate Pakistan
26. Management Association of Pakistan (MAP)
27. Pakistan Society for Training and Development (PSTD)
28. National Environmental Quality Standards (NEQS)
29. Sindh Environmental Protection Agency (SEPA)
30. Pakistan Environmental Protection Agency (PA EPA)
Note from the Chief Executive Officer
International Industries Limited (IIL)

I feel great pride in presenting our third annual Group Sustainability Report. The outcomes of our collective efforts to bring about meaningful and sustainable change in our company and beyond are reflected in this combined report. We believe that our success creates a sense of purpose and responsibility towards our stakeholders which extends beyond financial performance and legal obligation. We believe in driving our efforts towards being responsible corporate citizens. We are now launching our third comprehensive combined company sustainability report that discloses the economic, environmental, and social impacts of our organization in the last fiscal year and beyond.

Steel is a permanent presence in the circular economy. It is an environmentally friendly product and can be reused or recycled to re-manufacture a vast array of new products. This makes steel a highly sustainable product, and as an agent promoting sustainability in the industry, steel provides us the ideal platform to promote the responsible consumption of finite resources and encourage others to establish sustainability at the point of business origin. Likewise, at the other end of the supply-chain, we continue our efforts to design more durable products with a longer product life cycle. Our commitment towards sustainability for our communities is also reflected in our product range as our products lend themselves naturally towards helping transform local communities - a wide range of our steel and polymer pipes are used in the transmission and distribution of potable water and energy, and our range of HSS pipes are used in the construction of public infrastructure and low-cost housing projects.

At IIL we also utilize state-of-the-art technology to limit emissions and decrease our waste generation. To complete the loop of a circular economy model, a grand step away from the traditional 'take, make, dispose' economic model, we seek to ensure that we recycle as much of our waste as possible in the processes or to provide as raw material to small and medium sized enterprises.

We realize given the size of our business, that our responsibilities are that much greater and our ability to influence our stakeholders on matters of sustainability that much more stronger. Hence, we continue to promote best practices in our supply chain and other spheres of influence. We approach this report with the same commitment as we approach all other responsibilities, and through it we aim to communicate our commitment to our economic, social and environmental objectives in a transparent manner.

We remain dedicated to our core values and vision and continue to promise reliability for today and tomorrow.

Riyaz Chinoy
Chief Executive Officer
International Industries Limited

Mr. Riyaz T. Chinoy – CEO, IIL

Mr. Riyaz T. Chinoy was appointed as the Chief Executive Officer on August 11th, 2011, after serving the Company since 1992 in various positions. By profession he is a qualified Industrial Engineer and has obtained a B.Sc. in Industrial Engineering, from Case Western Reserve University, USA. He is also a certified ISO 9001 Lead Auditor and a Certified Director from the Pakistan Institute of Corporate Governance.

He has had extensive experience of all processes ranging from production, operations, supply chain, quality management systems and projects. His previous employment was with Pakistan Cables Limited. He has served as the Chairman of the Landhi Association of Trade and Industry and Amir Sultan Chinoy Foundation and is a member of the Pakistan-India CEO's Business Forum, Pak-Australia Business Forum, The Institute of Industrial Engineers Pakistan and the Pakistan Engineering Council. He is also the Chairman of Pakistan Cables Limited, and of the Pakistan Institute of Corporate Governance. He is also a Non-Executive Director on the Board of International Steels Limited, Bulleh Shah Packaging (Private) Limited, Pakistan Business Council, Management Association of Pakistan, The Citizens Foundation, LITE Development and Management Company and Citizens Trust Against Crime.

International Industries Limited (IIL)
Overview & Sustainability Indicators

<table>
<thead>
<tr>
<th>Sustainability Indicators</th>
<th>2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Performance</td>
<td>% of revenue</td>
</tr>
<tr>
<td>Social Performance</td>
<td>Training hours/employee</td>
</tr>
<tr>
<td>Environmental Performance</td>
<td>kWh/MT</td>
</tr>
<tr>
<td>Economic value distributed</td>
<td>Injuries/million hours worked</td>
</tr>
<tr>
<td>Contribution to National Exchequer over last 5 years</td>
<td>% material converted to FG</td>
</tr>
<tr>
<td>Net Turnover: Rs. 25.8 billion</td>
<td>% employees in registered facilities</td>
</tr>
<tr>
<td>Total Manufacturing Capacity: 817,000 MT</td>
<td>% Energy efficiency</td>
</tr>
<tr>
<td>More than 1,000 employees</td>
<td>Net Production: 1,024,000 MT</td>
</tr>
</tbody>
</table>

OHSE AWARDS
IIL is certified by Lloyd's Register Quality Assurance Limited (LRQA) for:
- ISO 9001, Quality Management System
- ISO 14001, Environmental Management System
- ISO 45001, Occupational Health and Safety

IIL has received multiple OHSE related awards in the last few years. This demonstrates our constant efforts towards improving our environmental and social efforts.
- 2006 to 2012: Annual Environment Excellence Award by the National Forum for Environment & Health
- 2014: Third position in the overall category in a nationwide OHSE Best Practices 2014 competition organized by the Employers Federation of Pakistan
- 2015: Environment Excellence Award by the National Forum for Environment and Health
- 2015: Second Prize winner OHSE Best Practices by the Employers Federation of Pakistan
- 2016: First prize winner OHSE Best Practices by the Employers Federation of Pakistan
- 2016: IIL was awarded the second prize in the category of Large National Companies in the competition “Living the Global Compact Business Sustainability Award 2018”. The event was organized by The Global Compact Network Pakistan in collaboration with the Employers’ Federation of Pakistan
- 2018: The Group Sustainability Report for 2018 was awarded a Certificate of Merit by the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP)
Note from the Chief Executive Officer
International Steels Limited (ISL)

Since its inception in 2007, ISL has strived towards achieving sustainable growth in a rapidly changing business environment. By making continuous investment in human and industrial capital, ISL has emerged as the country’s leading producer of flat steel products, with a 1,000,000 MT manufacturing capacity. Flat steel serves as an essential raw material for numerous industries, and ISL aspires to enable industrial development in the country, thereby contributing towards a better, more vibrant tomorrow.

Modern societies face numerous challenges and sustainability of our business and operations enables us to serve our communities. The company embraces sustainability as a fundamental part of its ethos and seeks to address many human development challenges faced by the society it operates in.

Climate change has had far reaching consequences for global demographics, from reduced rainfalls and water availability, to shrinking arable lands, posing substantial socioeconomic impact. Being a manufacturer that depends on various natural resources, we are driven by the clean, lean and green approach and the company embraces environment friendly practices, reducing waste and reusing resources as frequently as possible. The company undertakes various environment conservation initiatives to preserve essential natural resources such as water and air, thereby ensuring sustainability of life, both above and below land.

Business continuity and profitability is vital for our sustainability. In an environment of increasing competition, and growing protectionism in the global market, competitiveness is the key to remaining sustainable. The company benchmarks itself against global quality standards and best practices to ensure that our products and services remain competitive.

ISL is driven by the passion of its people, who work tirelessly to create value for the various stakeholders of the company. Over the years, we have consistently embraced management best practices and adopted policies that ensure a fair and competitive workplace, free from discrimination and biases of any nature. Our people remain committed towards playing an active role for society’s benefit in causes we hold close to our hearts.

Moving forward, we are conscious of the need to accelerate and scale up the integration of sustainability in our operations. We will remain dedicated to our core values and vision. While continuing our socially responsible approach, we will always maintain our primary aim of protecting the environment and keeping our communities safe.

Yousuf H. Mirza
Chief Executive Officer
International Steels Limited

Mr. Yousuf H. Mirza – CEO, ISL

Mr. Yousuf H. Mirza has been appointed as the Chief Executive Officer w.e.f. August 14, 2015. Before appointment as CEO, he was the Chief Operating Officer of International Steels Limited since August 2013. Prior to joining ISL, he served as Managing Director of Linde Pakistan Limited, and served in various senior management assignments with group subsidiaries in the Philippines, Malaysia and south east Asia for over ten years. He has a graduate degree in Mechanical Engineering from NED University of Technology and also has an MBA from the Institute of Business Administration Karachi. He has also attended management development programs at Said Business School, University of Oxford, INSEAD and at NanYang Technological University, Singapore. He is also serving as Director of Pakistan Japan Business Forum.

International Steels Limited (ISL)
Overview & Sustainability Indicators

<table>
<thead>
<tr>
<th>S. No</th>
<th>Indicator</th>
<th>Unit</th>
<th>2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Energy intensity</td>
<td>kWh/MT</td>
<td>170</td>
</tr>
<tr>
<td>2</td>
<td>Material efficiency</td>
<td>% material converted to FG</td>
<td>94.4%</td>
</tr>
<tr>
<td>3</td>
<td>Environmental Management System</td>
<td>% employees in registered facilities</td>
<td>100%</td>
</tr>
<tr>
<td>4</td>
<td>Lost-time injury frequency rate</td>
<td>Injuries/million hours worked</td>
<td>1.86</td>
</tr>
<tr>
<td>5</td>
<td>Employee training</td>
<td>Training hours/employee</td>
<td>2.3</td>
</tr>
<tr>
<td>6</td>
<td>Economic value distributed</td>
<td>% of revenue</td>
<td>96.3%</td>
</tr>
</tbody>
</table>

OHSE AWARDS
- ISL is certified by Lloyd’s Register Quality Assurance Limited (LRQA) for:
  1. ISO 9001, Quality Management System
  2. ISO 14001, Environmental Management System
  3. ISO 45001, Occupational Health and Safety
- ISL was awarded the Employee’s Federation of Pakistan’s Employer of the Year Award for best HR practices for 2018
- ISL was awarded the Management Association of Pakistan (MAP) Managerial Excellence Award 2019

Net Turnover: Rs. 55 billion
Investment in state-of-the-art production facility: US$ 221 million
Contribution to National Exchequer over last 5 years: Rs. 40.5 Billion
Total Manufacturing Capacity: 1,000,000 MT
German Technology from: SMS Siemag
IIL and ISL are proud to promote the concept of a circular economy. Throughout the world, companies are pledging their sustainability practices to a circular economy. This means that organizations make an effort to close the loop of a product lifecycle through greater recycling and reuse. As a result, waste is recognized as a resource, and is recycled to re-manufacture new products. We believe that by focusing on this philosophy we shall in fact capitalize on missed business opportunities and enhance our economic efficiency. Moreover, this process, promotes the concept of durable design which ultimately preserves and extends the life cycle of a product, thereby reducing the need for replacement.

Some of the ways in which we apply the concept of the Circular Economy to our business are:

1. All steel scrap generated during the manufacturing process is either sold to; manufacturers who utilize the scrap to produce billets, wire, rebars, or to various SME’s and other recyclers.
2. Waste heat produced during power generation is further utilized for internal energy and steam generation and for heating and cooling operations of our offices at the factory site.
3. Zinc Oxide is sold as a raw material to fortify fertilizer. Zinc is a key micro-nutrient and is essential for general health and well-being.
4. Used oil is sold to re-cyclers and contractors.
5. Iron oxide is created as a by-product of the acid regeneration process, which is then sold to local and international buyers as a raw material for the manufacture of red oxide paint.

Circular Economy

I. ECONOMIC IMPACTS
Economic Impacts

Both ISL and IIL have a significant impact on the economy. Our positive impact on the economy is the result of continuous growth, vast distributor and dealership network, ability to extend credit to our customers, innovation and strong financial performance. We fuel economic growth through performance, job creation, and contribution to stakeholders in the form of dividends, duties & taxes, salaries & benefits and CSR activities.

- IIL's PAT in 2018-19 were more than PKR 1.5 billion
- ISL's PAT in 2018-19 were more than PKR 2.6 billion

Furthermore, we have been able to continuously fulfill our customer demands by continuing to diversify our production lines. We drive competitive pricing by maximizing our economies of scale in order to ensure that our customers always receive a fair price for our high-quality product.

For a detailed account of our financial earnings and expenditures please review this year’s annual reports.

Consolidated Statement of Value Addition

The Group has distributed 97.1% of the wealth generated from its business in FY 2018-19 to shareholders, employees, banks, the government, suppliers, contractors & service providers and towards charitable causes.

<table>
<thead>
<tr>
<th>Year</th>
<th>Wealth Generated</th>
<th>Wealth Distributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>Rupees in '000</td>
<td>%</td>
</tr>
<tr>
<td>Sales including sales tax</td>
<td>87,300,154</td>
<td>99.3%</td>
</tr>
<tr>
<td>Other operating income</td>
<td>617,688</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>Total Wealth Generated</strong></td>
<td><strong>87,917,842</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Tax</th>
<th>Rupees in '000</th>
<th>%</th>
<th>Rupees in '000</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>IIL Taxes</td>
<td>2019</td>
<td>2018</td>
<td>2019</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>Cost of material &amp; services</td>
<td>61,216,100</td>
<td>52,721,604</td>
<td>69.6%</td>
<td>68.0%</td>
<td></td>
</tr>
<tr>
<td>To Employees</td>
<td>2,191,887</td>
<td>2,191,183</td>
<td>2.5%</td>
<td>2.8%</td>
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<td>To Government</td>
<td>16,165,727</td>
<td>16,234,987</td>
<td>21.0%</td>
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<td>To Providers of Capital</td>
<td>2,213,650</td>
<td>355,307</td>
<td>2.5%</td>
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<td>To Society</td>
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For a detailed account of our financial earnings and expenditures please review this year’s annual reports.

Economic Impacts

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For a detailed account of our financial earnings and expenditures please review this year’s annual reports.
VIS Ratings

VIS Credit Rating Company Limited (VIS), approved by Securities and Exchange Commission of Pakistan and State Bank of Pakistan, is operating as a “Full Service” rating agency providing independent rating services in Pakistan. In 2019, each of our organizations were awarded high ratings from VIS, further increasing our financial credibility in the market.

<table>
<thead>
<tr>
<th>VIS Ratings</th>
<th>IIL</th>
<th>ISL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Term Credit Rating</td>
<td>AA-(Double A Minus)</td>
<td>A+(Single A Plus)</td>
</tr>
<tr>
<td>High credit quality, protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.</td>
<td>Good credit quality, protection factors are adequate. Risk is modest, may vary with possible changes in the economy.</td>
<td></td>
</tr>
<tr>
<td>Short Term Credit Rating</td>
<td>A-1 (A-One)</td>
<td>A-1 (A-One)</td>
</tr>
<tr>
<td>High certainty of timely payments; liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.</td>
<td>High certainty of timely payments; liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.</td>
<td></td>
</tr>
<tr>
<td>Rating Outlook</td>
<td>Stable</td>
<td>Stable</td>
</tr>
<tr>
<td>Rating Rationale</td>
<td>The assigned ratings incorporate the IIL’s position as the largest tube and pipe manufacturer in the country. Moreover, the extensive experience and track record of sponsors in the steel sector is also a key rating driver. Ratings also reflect stable and improving financial profile of IIL and strong corporate governance framework.</td>
<td>The assigned ratings incorporate ISL’s position as the largest Cold Rolled Coil (CRC) and only Hot Dipped Galvanized Steel (HDGS) manufacturer in the country. Moreover, the extensive experience and track record of sponsors in the steel sector is also a key rating driver. Financial profile of the company draws support from healthy cash flows in relation to outstanding obligations and improving leverage indicators.</td>
</tr>
</tbody>
</table>

Economic Impact Goals

- Continue to grow our existing product lines and expand our product range.
- Continue to invest in value addition of existing product range.
- Continue to expand in the Steel sector by promoting the economic growth and infrastructure in the domestic market by offering steel products at affordable prices.
- Look to expand and diversify product range by backward integration.
Environmental Impacts

At the core of our business is the production process, our operations therefore naturally have an impact on the environment. As Pakistan faces energy, pollution and water scarcity issues, we believe that the most direct and visible impact of our efforts will come from our environmental efficiencies. As responsible corporate citizens we have provided a transparent examination of our environmental impact for both organizations separately.

Although our primary raw materials, steel, zinc and polymers do not have a direct impact on our immediate environment, our Group strongly believes in minimizing environmental damage that might result from any of our production processes. Most of the technology and equipment in our operations is environmentally efficient and compliant with international and national environmental standards.

Environmental considerations are taken into account by us at the time of project costing and purchasing. Furthermore, all future investments are preceded by an environmental impact assessment.

<table>
<thead>
<tr>
<th>Achievement</th>
<th>IIL</th>
<th>ISL</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-house power plant – Electricity Generation</td>
<td>IIL has installed a natural gas burning power plant with 4 generators that creates 4 Megawatts of Energy by co-generation.</td>
<td>ISL has installed a natural gas burning power plant with 8 generators that creates 25 Megawatt by co-generation.</td>
<td>Increase in self-sufficiency. Reduction on dependence on local electricity providers.</td>
</tr>
<tr>
<td>Excess Energy Production</td>
<td>Any excess electricity produced is constantly sold to local electric providers through the integrated electric grid system.</td>
<td>Any excess electricity produced is constantly sold to local electric providers through the integrated electric grid system.</td>
<td>Assist in the reduction of energy crisis of Pakistan. Ensure optimum energy consumption by ensuring stable and constant generation.</td>
</tr>
<tr>
<td>Excess Heat Waste Utilization</td>
<td>We utilize all waste heat from the gas burning process by redirecting it to our chilling facilities. Furthermore, the steam created is used in our galvanizing process, thus eliminating the need for the gas fired burner that was used before.</td>
<td>Waste heat produced in the power generation process is further utilized to power a Steam Turbine Engine that produces an additional 1.2 Megawatts of energy. Moreover, the heat is captured for the heating and cooling operations of our offices at the factory site.</td>
<td>Reduction in external energy demands as air-conditioning and operational processes are powered without additional cost or the dependence on local electricity and gas.</td>
</tr>
<tr>
<td>Effluent Water Treatment Plant</td>
<td>Treats contaminated water waste during our production stage. The water is treated and released into the sewage system.</td>
<td>Treats contaminated water waste during our production stage. The water is treated and released into the sewage system.</td>
<td>Treated water that is released into the local sewage systems is not harmful to local water bodies or biodiversity.</td>
</tr>
<tr>
<td>Fume Scrubbers</td>
<td>IIL has installed five fume scrubbers in factory for acid fume exhaust chimneys.</td>
<td>ISL has installed two fume scrubbers and chimneys in the factory for acid fume exhaust.</td>
<td>Fume Scrubbers are pollution control devices designed for the removal of industrial fumes and odors, particularly acid fumes, chemical fumes and toxic gasses. This ensures that we have decreased impacts from our industrial fumes.</td>
</tr>
<tr>
<td>Reverse Osmosis Plant</td>
<td>All water used for internal processes is filtered.</td>
<td>Ground water is used and passed through a Reverse Osmosis plant before use on factory premises.</td>
<td>There is Reduction in reliance on municipal water systems, thereby assisting in the reduction of water scarcity in Pakistan. Our employees benefit from higher water quality.</td>
</tr>
</tbody>
</table>

We believe these initiatives will not only help IIL and ISL improve its long-term sustainability, but will also position the company as a model corporate citizen that contributes to the Nation and the environment at large.
Supply Chain

To sum up, we have a brief outline of production processes that will assist in the understanding of the types of energy and raw materials required and the waste that is generated and managed during the production process. Both ISL and IIL have a similar supply chain process as illustrated below.

Raw Material and Energy Requirements

The main inputs required for the production process include raw materials such as steel (hot rolled coils) and varying strengths of hydrochloric acid to pickle and remove the rust from the steel coils. Furthermore, to analyze our environmental impact, our Group documents the use of natural resources and energy required.

The image below illustrates the total amount of each input utilized through the last fiscal year. The primary inputs for polymer pipe production are polyethylene & polypropylene. Both of which are 100% recycled in house.

<table>
<thead>
<tr>
<th>Key Input: Steel</th>
<th>753,000 Metric Tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Input: Polymers</td>
<td></td>
</tr>
<tr>
<td>Polyethylene 8,800 Metric Tons</td>
<td></td>
</tr>
<tr>
<td>Polypropylene 1,250 Metric Tons</td>
<td></td>
</tr>
<tr>
<td>Zinc</td>
<td>14,300 Metric Tons</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>23,060,547 Cubic Meters</td>
</tr>
<tr>
<td>Water</td>
<td></td>
</tr>
<tr>
<td>Municipal: 105,851 Cubic Meters</td>
<td></td>
</tr>
<tr>
<td>External: 436 Cubic Meters</td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>111,032,546 KWH</td>
</tr>
</tbody>
</table>
Production Planning

Our production planning and inventory control team are integrated with the sales, production, logistics and engineering teams for effective resource planning. Our objective is to optimize production, fulfill demand, and plan logistics and storage while minimizing wastage.

At IIL, our sales, supply chain, purchasing and production teams work closely to forecast raw material requirements. Monthly sales and operations meetings with departmental heads and staff are held to review current and future production needs.

At ISL, the marketing department creates a comprehensive marketing and sales plan. This report includes the financial and product demand forecasts which are then sent to the senior management for review and approval.

Production Process

International Industries Limited (IIL)

For IIL Steel pipes
- Steel (hot rolled or cold rolled)
- Zinc
- Water
- Energy
- Manpower
- Hydrochloric Acid

For IIL Plastic Pipes
- Polyethylene
- Polypropylene

For Steel Pipes
- Cold Rolled Tube Manufacturing
- Hot Rolled Pipe Manufacturing
- Hot dipped galvanizing of pipe
- API pipe manufacturing and seam annealing and hydrotesting

Plastics
- extrusion and moulding process

International Steels Limited (ISL)

Main Processes
- Steel (Hot Rolled Coil)
- Water
- Energy
- Manpower
- Hydrochloric Acid
- Zinc

For Steel Pipes
- Cold Reduction Rolling
- Annealing
- Skin Pass and Tension Leveling
- Coil Galvanizing
- Color Coating
- Finished goods also go through service center to be customized based on customer requests.

For Plastics: negligible
Waste Management

As part of our belief in the concept of the circular economy, we intend to minimize our waste and maximize the recycling of our steel. Any by-products generated as a result of the manufacturing process are collected and disposed of in a responsible manner or sold.

The table below illustrates the types of wastes produced in the last fiscal year for both organizations. Furthermore, this table identifies when the waste is produced and how it is disposed of:

<table>
<thead>
<tr>
<th>Recycled Item</th>
<th>Action Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel</td>
<td>Steel scrap remnants are collected throughout the production process and are recycled in multiple ways. Certain types of steel scrap are collected, compacted and sold to steel recyclers to make iron bars. Steel side cuttings are reused as bailing hoops in pipe bundles. Steel edge side cuttings are compacted &amp; auctioned as steel scrap.</td>
</tr>
<tr>
<td>Zinc</td>
<td>IIL has installed a zinc reclamation unit through which all zinc by product is processed and recycled after ensuring zero generation of smoke and dust during the zinc recovery process, thereby decreasing the emission impact on the environment. Furthermore, zinc dross after filtering is sold to international and local parties for further recycling into red seal, a material additive for rubber tires. Zinc Oxide is sold as a raw material for manufacture of Zinc Phosphate fertilizer.</td>
</tr>
<tr>
<td>Hydrochloric Acid</td>
<td>Both IIL and ISL have setup effluent treatment plants (ETPs) that treat and neutralize hydrochloric acid before it is released into the drainage system. At ISL, 98% of our hydrochloric acid is regenerated and re-utilized in the pickling process. The remaining 2% neutralized in our effluent treatment plant (ETP). This ensures that we avoid water contamination, prevent diseases, and maintain the biodiversity in downstream waterways.</td>
</tr>
<tr>
<td>Used Oil</td>
<td>Used oil is sold to re-cyclers and contractors</td>
</tr>
<tr>
<td>Solid Waste</td>
<td>Solid Waste sent to landfill site at Jam Chakro for disposal</td>
</tr>
<tr>
<td>Effluent Treatment Plant Sludge Waste</td>
<td>ETP sludge sent to landfill site at Jam Chakro for disposal</td>
</tr>
<tr>
<td>Iron Oxide</td>
<td>Iron oxide is created as a by-product of the acid regeneration process, which is then sold to local and international buyers as a raw material for manufacture of red oxide paint.</td>
</tr>
</tbody>
</table>

Note: The polymer pipe production process is more environmentally efficient and generate minimal wastage. Any polymer not utilized in the production stage is grinded and put back into the production process.

Finished Goods and Delivery

Our finished products also reflect the values of the circular economy. Both IIL and ISL create durable products that have an extended life in comparison to some of our competitors. This causes a reduction in the waste process through our product’s lifetime.

An efficient supply chain network is required to help minimize our environmental impacts. Moreover, the delivery of items is an integral step to ensuring customer satisfaction. The final part of the supply chain ensures constant management of finished goods storage and delivery throughout Pakistan.

- In 2016, IIL created a warehouse in Sheikhupura for the storage and delivery to the northern areas of Pakistan. This decreased the lead time required to deliver our products and allowed us to optimize our deliveries to the North.

- In 2017, IIL continued to expand its Sheikhupura warehousing facility. Our Polymer Division was formally inaugurated this year in Sheikhupura and is capable of supplying all types of polymer pipes and fitting.

- ISL provides clear and effective methods of the safe transportation within all their product specifications and is shared with all their customers. Furthermore, as our customer base in Punjab increases, we are also looking to increase our warehousing facilities in the near future.
Environmental Compliance

IIL and ISL conduct internal and external checks to ensure that their environmental, health and safety and production processes are in line with international and national standards.

<table>
<thead>
<tr>
<th>Checks and Balance</th>
<th>Purpose</th>
<th>IIL</th>
<th>ISL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality Management Team</td>
<td>Internal IIL and ISL departments ensure that the organization follows international standardization of environmental benchmarks of the production process, along with product quality.</td>
<td>IIL adopts the precautionary approach to environmental or engineering issues by encouraging the use of corrective and preventative notification process.</td>
<td>ISL adopts the precautionary approach to environmental or engineering issues by encouraging the use of corrective and preventative notification process.</td>
</tr>
<tr>
<td>HSE Team</td>
<td>Internal IIL and ISL departments that ensure that the organization follows international and local standards of safety guidelines for employees whilst on factory floors. Furthermore, the HSE teams constantly monitor internal environmental impacts to ensure compliance with the requirements of governmental bodies such as the EPA Punjab and Sindh.</td>
<td>IIL conducts regular environmental audits of the factories and submits findings to regulatory and</td>
<td>ISL conducts regular environmental audits of the factories and submits</td>
</tr>
<tr>
<td>Pakistan Environmental Protection Agency</td>
<td>Local government authority that has defined acceptable limitations, the National Environmental Quality Standards (NEQS), on factory water quality, emissions discharged and waste from its production process.</td>
<td>IIL is compliant with all listed quality standards. Tests conducted in an in-house lab facility.</td>
<td>ISL is compliant with all listed quality standards.</td>
</tr>
<tr>
<td>M/S Lloyds</td>
<td>International, United Kingdom based, certification body that assures that the QA/HSE Management System complies with ISO 9001, ISO-14001 &amp; OHSAS 18001 global standards /ISO 45001.</td>
<td>IIL certification has been renewed therefore illustrating that no major non-conformities were observed.</td>
<td>ISL certification has been renewed therefore illustrating that no major non-conformities were observed.</td>
</tr>
</tbody>
</table>

Group corporate offices have also taken an initiative to reduce their environmental impact. Daily work processes utilize the Oracle E-Business Suite System, which increases efficiency and reduces unnecessary paper waste.

IIL & ISL have taken approval from shareholders to circulate Annual Reports in digital form, thereby reducing paper utilization and waste. Furthermore, the IIL Board of Directors have been provided with digital tablets in a move to become completely paperless.

Both IIL and ISL believe that greenery creates a healthy workspace and clean breathing spaces that is visually pleasant. Both organizations maintain a dedicated green belt outside their factories and have also ensured that greenery is planted at regular intervals all over the factory premises. All office locations are also characterized by plantations and greenery.

IIL has planted 1000 saplings in the vicinity of IIL Factories 1 & 2 and 117 tree saplings at Factory 3. Additionally, donations were made to LAFCO (Lahore Faisalabad Dual Carriage Way) authorities for the plantation of 1000 tree saplings.

Environmental Impact Goals

- Maximize our environmentally safe and compliant company operations including the conservation of natural resources and improving waste management.
- Achieve OnHSE Excellence by continuing to increase interdepartmental communication of learning’s and best practices. Our goal is to create a permanent cultural shift throughout all the tiers of our organization.
- To increase safety measures on our factory floors by developing & installing new safety signs and boards in multiple languages to further assist in the reduction of injuries.
- To reduce the level of noise pollution at our factories through various precautionary measures.
- To increase our environmental and technological efficiencies to further reduce our quality standards.
- Introduction and continual improvement in the reporting process of the “near miss culture.”
- Improvement and efficiency of reporting of minor incidents and accidents.
Internal Stakeholders

IIL and ISL recognize that in a talent rich, yet competitive, landscape our employees are amongst our greatest assets. Our Human Resources Department (HRD) works on implementing HR Related policies to ensure that our business objectives are met on a continuous basis.

<table>
<thead>
<tr>
<th>Head Count Statistics</th>
<th>IIL</th>
<th>ISL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of Employees*</td>
<td>1,060</td>
<td>724</td>
</tr>
<tr>
<td>Total Number of Senior Management / Leadership Staff</td>
<td>22</td>
<td>16</td>
</tr>
<tr>
<td>Total Number of Management Staff</td>
<td>413</td>
<td>248</td>
</tr>
<tr>
<td>Total Number of Non-Management Staff (factory workers and other assistants)</td>
<td>581</td>
<td>374</td>
</tr>
<tr>
<td>Apprentices</td>
<td>66</td>
<td>56</td>
</tr>
</tbody>
</table>

*Please note that the total number of employees at IIL includes full time employees, apprentices and contractual employees. Furthermore, there are a few departments that provide shared services to both organizations. They include: Corporate and Legal Affairs, Business Planning, Information Technology, and Marketing and Administration.

Talent Acquisition

Our Group is driven by our ethical code of conduct that encourages a fair work place. Furthermore, we amended our recruitment policies in the last year to further promote gender, race, and religion-based discrimination.

The HRD has also aligned job specifications with the management to ensure transparency through the recruitment process and to decrease inefficiencies.

Diversity

As part of an industrial business, our head count has historically and culturally been predominantly male. It is more difficult to hire women in the factories due to the nature of the location, the limited access of public transportation for women and the governmental timing restriction of female-based factory workers.

- At IIL, the HRD has been strongly working on enhancing diversity and the 13 females on our team now make up 3% of our management staff. We continue to work towards hiring more women within our management and senior leadership team.
- At ISL, there are currently 14 female members in our team making up 5% of our management staff. We continue to work towards hiring more women within our management and senior leadership team.

Social Impacts

Our Group understands that our stakeholders are the foundation of our organization and that our social impacts affect our internal and external stakeholders. Our internal stakeholders consist of our employees. Our external stakeholders include our shareholders, partners, suppliers, customers, the communities in which we operate and society at large.

III. SOCIAL IMPACTS
IIL and ISL’s HRD works to attract and retain employees of all ages within our organizations. The workforce of IIL and ISL is comprised of talent that is mostly below the age of 35 as the table below illustrates.

<table>
<thead>
<tr>
<th>Age Statistics, FY 2018-19</th>
<th>IIL</th>
<th>ISL</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 and below</td>
<td>82</td>
<td>163</td>
</tr>
<tr>
<td>25 - 35 years</td>
<td>440</td>
<td>372</td>
</tr>
<tr>
<td>35 - 45 years</td>
<td>270</td>
<td>130</td>
</tr>
<tr>
<td>45 - 55 years</td>
<td>184</td>
<td>41</td>
</tr>
<tr>
<td>55 years &gt; Retirement age</td>
<td>84</td>
<td>18</td>
</tr>
</tbody>
</table>

Compensation and Benefits

The IIL and ISL recruitment process seeks to attract and retain the best talent in the market. Our team is comprised of talented people where each individual adds value to our organization. Our benefits strategy is aligned to not only attract talent, but to also ensure long-term retention.

Our compensation includes provident and gratuity funds in addition to our comprehensive health plan, life insurance, mobile phone, transport and fuel allowances. We also ensure that our employment terms include generous leave allowances, flexible timings and other benefits including both retirement benefits of Provident fund and gratuity.

Apart from our traditional compensation and benefits policies, IIL takes a further initiative in assisting their factory staff. For example, IIL assists in the purchasing of basic electrical needs (such as a fridge) that can be paid back in instalments. Employees may also take a 10,000 Pakistani Rupee Loan from a fund, which is managed by the Unions and IIL, and pay them back in 10 monthly instalments. In certain instances, the organization financially supports the worker or family in extreme times of duress. Our organization’s donation policies are aligned with our concern for our employees. Our positive compensation and benefits plans are reflected by the loyalty of our employees of our organization. Currently there are 178 dedicated team members that have fulfilled more than 25 years of service at IIL.

Both IIL and ISL ensure they pay fair wages based on local benchmarks. In order to monitor the same, we have identified and set our benchmark Comparator companies and regularly carries out Salary surveys. This year we hired the international human resources consulting firm, Mercer to conduct a salary survey and were able to make salary adjustments based on the survey results.

Our Group also believes in the fair compensation of our contract workers. Currently IIL and ISL employ approximately 800 contract workers who receive minimum wages, medical registration and insurance. Furthermore, they are eligible for the Workers Profit Participation Fund. This highlights the fact that our responsibility lies equally for all our stakeholders.

Employee Engagement

Our HRD is truly focused on ensuring that our employees are assimilated in our culture. Our Group regularly organizes team events for management staff and their families in Karachi, Lahore and Islamabad.

- Employee theatre nights
- Employee picnics
- Family outings
- 14th August celebration
- Growth Celebration event
- Managers dinners
- Participation in Group Cricket Tournament
- 70th year celebration events
- Distribution of helmets & wristwatches to all employees

- Special attention has been given to improving the work spaces of the IIL head office and factory in the past year. The increasing demands of the business required our head count to increase significantly in the past few years. IIL acquired additional office space to create open and healthy working environments. Canteen areas were improved in the North Office and gym facilities are present in our Factory 1.
- ISL has a fully-equipped gym at its factory for employee use.
- HR teams at both organizations conduct anonymous employee surveys. Once completed, the HR team does thorough subjective and objective assessment to create a presentation with the survey results. The HR team holds department wise meetings in which positive and negative feedback of the employees is discussed and corrective action taken accordingly.

Health and Safety

The health and safety of our employees is of massive significance to us. We are responsible for providing a healthy and injury free environment for our employees and contractors and both IIL and ISL strives to achieve this through our OHSE Management System (Occupational Health Safety and Environment System) that is implemented by the HSE Department.

Through this program, we have set reporting parameters that minimize the impact of behaviors that could lead to unfavorable events. Our HSE program also enhances the sense of responsibility for keeping the workplace safe and with minimal or no hazards. For example, the team has created signage that includes large clear illustrations that are placed throughout the factory floor. Employees are additionally enforced to wear personal protective equipment such as safety gloves, safety goggles and ear protectors and are required to walk along designated safety pathways in the factory premises. A factory-based employee doing specialized tasks can only conduct their task if they receive ‘permits to work’ to ensure they are knowledgeable of the task, controls and hazards that come with the job.

Our HSE departments at IIL and ISL have created several unique incentive programs that have encouraged the implementation and understanding of such practices. Here are some of the traditional and creative ways to how we promote such activities:

Implementation of a Safety Award System where 10,000 Pakistani Rupees is awarded to employees that give suggestions for improvement, take ownership of their work and identify potential risks by taking a precautionary approach.

a. Development of a ‘Fresh Eye Observation’ program, in which the management conduct regular site visits and collaborate with the local teams to observe safety issues and concerns. When safety issues and work behavior is acknowledged, the management rewards and commends those relevant team members.

b. Conducting of a monthly Safety Appraisal of contractors to ensure their HSE activities are aligned with IIL’s.
Preventative action is the core essence of safety and helps ensure that factory floor injuries do not occur or are kept to a minimum. Preventative action can be achieved by training our employees about Health and Safety rules and measures. Because of its significance, basic safety induction is mandatory for all new hires in their local languages.

**IIL**

During the year 2017-2018, over 25 in-house sessions were conducted for 357 employees on various technical topics. In addition, 51 employees attended external (local & foreign) programs arranged by various well-reputed institutes including EFP, PSTD, ICMA, PICG, IBA, PNAC, AOTS Japan amongst others.

During the year our employees were imparted a total of 700 health & safety trainings. OHSE trainings included Safe Crane Operations, Hand Safety, Fire Fighting Operations, Permit to Work System, Industrial Hazards, First Aid & Rescue, Defensive Driving, Electric Safety and Working at Heights.

As a result, our Lost Time Incidents Frequency Rate or (LTIFR) was 1.70 per one million worked hours. LTIFR is the number of lost time incidents occurring in a workplace per 1 million man-hours worked.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Trainings</td>
<td>28</td>
<td>26</td>
<td>30</td>
<td>41</td>
<td>39</td>
<td>39</td>
<td>38</td>
</tr>
<tr>
<td>Lost time incident frequency rate per one million worked hours</td>
<td>6.30</td>
<td>5.80</td>
<td>3.80</td>
<td>3.20</td>
<td>3.00</td>
<td>2.91</td>
<td>1.86</td>
</tr>
</tbody>
</table>

**ISL**

ISL is developing their training strategy so that more employees of all levels can benefit from developmental, safety and technical trainings.

The HSE department have further increased the hours of training given to their factory staff; in the last fiscal year the HSE team conducted 517 hours of training. Out of 517, 401 hours were provided externally while 116 were provided internally. Below is a graphical illustration of the lost time incident frequency rates, and how they have declined in the last 5 years by more than half.
Right to Collective Bargaining
At IIL, every two years, our Management and 3 different unions enter bilateral negotiations on Charters of Demands raised by both parties. Additionally, we have a dedicated Industrial Relations Manager that is constantly in communication with the unions for any normative or urgent actions.

At ISL, we do not have any union representations. However, ISL employees receive increments that are benchmarked to IIL union negotiations.

External Stakeholders
Our external stakeholders consist of a wide array of groups that affect the business. The government, competitors, media, suppliers, contractors and most significantly our customers are integral and valued members of society that we are liable to.

Customers
Our Group has implemented several protection measures for our esteemed customers. Our marketing team has created thorough and clear literature regarding all the product information. We highlight all product specifications, including the variety of the product, and the quality certifications that each product has received. Our organizations support price transparency by providing a single yet comprehensive country price list that is shared with all our customers. Furthermore, all our customers have access to our regional offices throughout the country to ensure timely feedback for any purchase follow up or concerns. Currently, we are in the process of establishing dedicated customer service centers for our polymer division, but foresee this for all our product lists.

Shareholders
We aspire to be better corporate citizens for our valued shareholders. Our group distributes the dividend payouts to our shareholders regularly. This is a testimony of our belief to ensure a fair return is given to our shareholders for more information on shareholder information please review the annual report.

The below table illustrates our ten year record of our dividend payouts and our profits after tax.

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit After Taxation</th>
<th>Total Dividend</th>
<th>Dividend Payout Ratio %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2,000</td>
<td>1,500</td>
<td>75%</td>
</tr>
<tr>
<td>2011</td>
<td>2,500</td>
<td>2,000</td>
<td>80%</td>
</tr>
<tr>
<td>2012</td>
<td>3,000</td>
<td>2,500</td>
<td>83%</td>
</tr>
<tr>
<td>2013</td>
<td>3,500</td>
<td>3,000</td>
<td>86%</td>
</tr>
<tr>
<td>2014</td>
<td>4,000</td>
<td>3,500</td>
<td>87%</td>
</tr>
<tr>
<td>2015</td>
<td>4,500</td>
<td>4,000</td>
<td>89%</td>
</tr>
<tr>
<td>2016</td>
<td>5,000</td>
<td>4,500</td>
<td>90%</td>
</tr>
<tr>
<td>2017</td>
<td>5,500</td>
<td>5,000</td>
<td>91%</td>
</tr>
<tr>
<td>2018</td>
<td>6,000</td>
<td>5,500</td>
<td>92%</td>
</tr>
<tr>
<td>2019</td>
<td>6,500</td>
<td>6,000</td>
<td>93%</td>
</tr>
</tbody>
</table>

Suppliers
We believe that our strategic partners in the business can also play a role in our efforts to be responsible citizens. IIL has developed a supplier/contractor management procedure which is implemented and maintained. This procedure defines the selection criteria of contractor and ensures the Health and Safety protocol for onsite contactors and drivers.

Society
As a responsible corporation, we believe that we have an obligation to assist our local communities. Our corporate culture is driven by the inclinations of our founder, Mr. Amir S. Chinoy, towards being a strong supporter of the local community. Both IIL and ISL have integrated our responsibility in our donation policies in which charitable donations are made either directly through the organization or through the Amir Sultan Chinoy Foundation (ASCF).

<table>
<thead>
<tr>
<th></th>
<th>IIL</th>
<th>ISL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donation Policy</td>
<td>IIL donates around 2.5 % of its Profits (after tax and dividend income) towards social causes every year.</td>
<td>ISL donates around 1.5 % of its (after tax and dividend income) towards social causes every year.</td>
</tr>
<tr>
<td>Total Amount of Donations in Pakistani Rupees in the last year</td>
<td>13.4 Million</td>
<td>45 Million</td>
</tr>
</tbody>
</table>

IIL is still a young organization, and as it expands, it will work towards its pledge of donating 2.5% of its profits like IIL.

Donations Auditing: Our external auditors, KPMG, verify that our policies reflect the “Code of Corporate Governance” by the Pakistan Stock Exchange. As a result, our policy and our donation values are audited by KPMG, a globally renowned auditing and consulting organization.

Our focus areas for donations are mostly on: Education, Health and Charity. Following is an overview of some of the initiatives in the past few years.
Health

Health is the basic foundation of all life. As a responsible corporate citizen, we recognize that there are limitations for underprivileged members of society and their reach to quality healthcare. Our donation policy supports the provision of health care in areas of need and the funding healthcare institutions.

- 2009 – The Group funded the construction of an ambulance station with Chippa and funded 4 ambulances strategically located outside the Social Security Hospital in Landhi. This area is also located very close the IIL Factory 1 in the industrial area Landhi where there was a need for immediate health care, especially in an area where work injuries have a high probability to occur.

- 2010 – In continued support of the Health Sector in the Landhi industrial area the Group funded another Ambulance station and a further 6 ambulances were donated to Chippa Welfare Association. This ambulance station is located at the heart of Landhi at the Dawood Roundabout, which is very close to IIL Factory 2 and ISL factory 1.

- 2010 – The Group made a substantial contribution towards the “Amir Sultan Chinoy Chair” at the Aga Khan University Hospital in Karachi - a permanent endowment fund.

- 2016 – Most recently, IIL and ISL partnered with SINA Clinic to create a health clinic in Landhi. Moreover, both organizations are providing the clinic’s operational costs. This is a significant achievement in this area, as it benefits several members of the society there at nominal costs. As it is located at a close proximity to our factory 1, our factory workers are also able to reap the benefit of this clinic. In its first year of operation the clinic served 25,890 adults and children which is a remarkable figure, out of which 460 patients were from our factories.

- 2018 – The Group continues to provide for the SINA clinic’s operational costs, in the last quarter only the clinic served 8,790 adults and children which is a remarkable figure.

- 2018 - IIL has contributed completely free of cost structures to the Indus hospital and Jinnah Medical Center in Karachi

- Other notable organizations we have donated to include: Al-Rehmat Benevolent Trust Hospital, Bait-ul-Sukoon Cancer Hospital & Hospice, Sindh Institute of Urology and Transplantation (SIUT), Lahore Hospital Welfare Society, Indus Hospital, Anjuman Khasan-e-Attal-o-Nrauninhal, Hyderabad Relief & Rehabilitation Trust and Marie Adelaide Leprosy Centre.

- 2019 – IIL & ISL have donated to, the Bait-ul-Sukoon Cancer Hospital, Karwan-e-Hayat Institute for Mental Health Care, LRBT, SIUT Hyderabad Relief & Rehabilitation Trust, Al-Rehmat Benevolent Trust, LATI, Amir Sultan Chinoy Foundation, and Cancer Care Hospital during the year. Our pledge to bear the operating costs for SINA Clinic in Landhi continue.

Education

Our Group believes that if health care is the basic foundation of life, then education is the essential building blocks for a more successful life. Within our donation policy, we ensure to support the education of the underprivileged, higher education and arts programs. Through our various programs in the last decade over 11,000 children have gained a higher quality of education.

Education for the Underprivileged

- 1988 – In our first collaboration with The Citizens Foundation (TCF), we set up the IIL Chinoy Campus at Juma Hiraayati Goth School at Landhi. TCF is a leading organization that assists children from less privileged areas to get an education. In the TCF – IIL School, children are given a high quality of education along with an emphasis on personal and moral traits. Furthermore, the curriculum promotes not only theoretical learning, but promotes a well-balanced learning experience through art, sport and other creative activities. In 2003 the school started operating in the afternoon shift as well. We have been maintaining the operational expenses of this school since inception and currently the school has an operational capacity utilization of 104%. Just in the last year, we had almost 400 students attend primary education at the TCF Chinoy campus. So far over 5,500 students have been educated at this campus.

- 2003 – Our focus in not only on external stakeholders but our internal members of our team as well. IIL had an in-house adult education program that assisted in improving the reading and writing skills. Furthermore, IIL collaborated with the non-governmental organization, Literate Pakistan, where we provide education at a free cost to older members of society that are not literate. Through this program, over a 100 of our workers have increased their literacy proficiency at varying degrees.

- 2004 – In a second partnership, the TCF IIL Campus was set up across the road from IIL factory 1. The operational capacity of this campus was doubled in 2006 from 180 to 360 students. In 2009 Secondary classes were started in the same campus in the afternoon shift with an operational capacity of 216 students. Our group has been fully maintaining the operational expenses of this school since inception. The operational capacity utilization of this school, which is now operating in 2 shifts, is over 100%. Just in the last year, almost 400 children have been undergoing primary education while over 200 students got secondary education at this campus. To date almost 6,000 have been educated at this campus. Many students succeed and become lifelines for their families. A success story of a student that graduated from the ILL campus has been accepted at the Leading business school in Karachi, Institute of Business Management (IBA), a true testament to forward thinking progression.

- 2007 – The Group has been sponsoring the IIL scholarship at NED University of Engineering and Technology. Every year, 50 students receive funding for their education.

- 2018 – IIL completed an entirely free of cost structure for a ‘school under the bridge’ built for underprivileged children in Karachi.

- 2019 – The Group made donations to The Professional Education Foundation, NED University of Engineering & Technology, Hunar Foundation, and The Indus Valley School of Art & Architecture. Our pledge to fund the operating expenses of two TCF school campuses continue.
Vocational Training

• 1995 – The Group is a strong advocate of the Apprentice training Program and over the years over 1500 persons have gone through our apprentice training of which over 50% are currently employed with us on a full time basis.

• 2014 – The Group sponsored the Amir S Chino Amphitheatre at the IBA main campus student’s center.

• 2016 – IL also strongly believes in the learning of technical skills. For example, in IL hosted factory visits for Aman Institute for Vocational Training (AMANTECH) students. These students consist of underserved members of society that are seeking to get employed and trained into productive members of the society. Another example, IL regularly conducts training seminars for plumbers to improve their technical skills.

• 2017 – As transportation is an integral part of safe supply chain practice, the IL HSE department arranged for an in-house road safety training conducted by Motorway police. The training session was attended by approximately 25 drivers who were given awareness and details about basic road safety, traffic sign, traffic laws and regulations, safety, vehicles and passengers and emergency situations.

• 2018 – Hunar Foundation is one of Pakistan’s foremost technical & vocational training institutes. IL recently contributed a structure using its Hollow Structural Sections (HSS) to one of Hunar Foundation’s initiatives.

• 2019 – The Group continued their support of the development of vocational training and skill-development in Pakistan. Contribution to the Hunar Foundation were made in this regard.

Art and Architectural Community

• 2005 – The Group has also sponsored the Amir Sultan Chinyo Gallery at the Mohatta Palace museum in Karachi

• 2012 – The Group has sponsored in 2011 an IL Art Room at the Indus Valley School of Architecture.

• 2016 – We believe in also focusing our efforts in the development of future architects of Pakistan as they are the main planners of our country. IL sponsored a NED University of Technology and Engineering - UET University of Engineering and Technology (UET) architectural student’s workshops. These workshops consisted of regeneration projects and workshops for local areas of Pakistan.

• 2017 – IL and ISL jointly sponsored the NED architectural student’s annual theatre play “Hayat E Hyacinth” held at the NED City campus

• 2017 – ISL pioneered its “Artist in Residency” program which looks to incubate and promote emerging Pakistani artists.

• 2017 – IL is currently in the process of constructing the IAP House Karachi as a donation for the architectural profession.

• 2018 – IL sponsored a 10-day Architectural study visit to Gilgit Baltistan by the students of NED-UET, jointly organized by the Dept. of Architecture, Hazara University Manshera and Dept. of Architecture, NED University, developing hands on and practical experience of vernacular building techniques by visiting various historic sites including Chillas, Phunder Valley, Gilgit, Aht and Baltit Fort in Hunza.

• 2018 – IL sponsored this year’s edition of the ASB and recognized the “Emerging Architects of Pakistan” – those 16 young Architects that are making a noticeable impact on the landscape of the country. The ASB is Pakistan’s leading directory for construction materials and is widely used by Architect and industry professionals across the country.

• 2018 – Group sponsored a commemorative evening organized and hosted by Architecture Design Art (ADA) magazine to honor the larger than life, late Mr. Habib Fida Ali at his residence, in Karachi. The elegant event included touching tributes by his friends, family, colleagues and professional acquaintances including Mr. Towfiq Chino. Each guest received a stainless-steel candle stand made from IIL’s stainless steel tubes as a symbolic tribute to HFA.

• 2018 – IL has entered into a Memorandum of Understanding with the Institute of Architects Pakistan (IAP) – Karachi Chapter to construct an auditorium + two floors of office space using IL’s Hollow Structural Sections (HSS).

• 2018 – IL was the “Construction Partner” for the Pakistan’s first ever Pavilion at the world renowned Venice Biennale 2018 held in Venice, Italy. The Pakistan Pavilion was designed by a team of young Pakistani Architects and constructed using IL’s square tubes.

• 2019 – The Group continued to support the art and architectural community through partnerships with the ADA Awards, donations, and regular events. In 2018, ISL’s Artists in Residence was also presented “Award of Recognition” by European Union Parliament Brussels, Belgium. ISL’s efforts were recognized by the Italian President H.E. Mr. Sergio Mattarella, Italian Ministry of Cultural Heritage and Tourism, H.E. Mr. Dario Franceschini, the European Parliament members and several participating companies.
Social Welfare

The wellbeing of our society at large is also of great significance to us. Our donations are geared towards development of rural or local communities.

- 2002 – Our group constructed the Siddiqia Mosque for the ease of our and neighboring factory workers to perform prayers. It is located close to the Factory 1, IIL TCF School, and the Sina Clinic to help facilitate the community. We have been expanding this mosque continuously over the years and currently it has a capacity of accommodating over 1500 worshippers simultaneously.

- 2008 – IIL has constructed numerous bus stops in Landhi and Korangi to provide relief to local residents and day travelers.

- 2015 – IIL installed a pipes sculpture at Pur Sukoon Chowk in Kharadar as part of an initiative to revamp the dilapidated surroundings of the Customs House and Karachi Port Trust buildings.

- 2016 – In partnership with students from IBA, IIL and ISL funded and helped install a water hand pump in a deserted part of Tharparkar, Sindh. This project provided clean water to 20 local households and approximately 150 people in an underprivileged community with limited access to water. The installation of three more hand pumps is currently underway.

- 2017 – IIL is currently in the process of constructing the IAP House Karachi as a donation for the architectural community in Pakistan.

- 2018 – IIL constructed a shed for The Society for Rehabilitation of Special Children. This shed was built using IIL Hollow Structural Sections (HSS) and provided the children with a safe play and learning area.

- 2018 – IIL constructed a free-of-cost office administration and patient area for the ‘Recovery House’ (a mental illness rehab center of Caravan of Life Trust Pakistan) using its Hollow Structural Sections (HSS)


Prevention of Unethical Activities

As part of the organization’s policy and code of conduct, we are strong supporters of an ethical workplace and work processes. IIL has implemented several policies to protect its financial and intellectual policies. Furthermore, the approval design framework in IIL also inhibits the intention for the mishandling of financial checks for example. The management is also deeply involved in daily business processes that as a result discourages any negative actions that may impact the organization.

Both IIL and ISL are strong supporters of human rights. We do not permit the use of child or forced labors in any of our factories. We validate all new hires ages through their government records and ensure fair pay practices to all the employees in the organization.

Social Impact Goals

- Introduce tangible and measurable KPIs department and individual-wise. This will ensure that our internal efforts are even further aligned with the organization’s objectives.

- Implement a stronger training program that expands beyond technical training into personal and career development.

- Develop internal communication mechanisms to further drive the goal of the organization.

- Improve long term employee retention by continuing to cultivate a positive culture and implement policies.

- Increase the number of hours of Health and Safety training required.

- Externally, we would like to diversify and increase the reach of our donations to more people in need.
Ending Comments

IIL and ISL strongly believe that our efforts in being responsible corporate citizens directly impact our financial performance. We are gradually improving our sustainability efforts to move towards the circular economy model and want to introduce you, our reader, to these fascinating concepts. We thank you for taking part in this journey and for taking your time to understand our organizations further.

We have taken many strides to get here, however we acknowledge that more can be done. We will continuously make efforts towards reducing our environmental impacts and increasing our social responsibility whilst delivering economically. IIL and ISL intend to integrate measurable benchmarks to our sustainability agenda. In the future we would like to further integrate the UN Sustainable Developmental Goals, the UN Global Compact and the Global Reporting Initiative to create a more precise and target based report. Additionally, we want to further develop our means to transparently communicate our sustainability efforts to our stakeholders.

Finally, both IIL and ISL want to be positive agents of change. In our efforts to be more sustainable or responsible, we would like to instill these concepts and create a greater understanding through our society. We hope that this report will give you some tips that will help you to make positive impact to society.