



2022 SUSTAINABILITY REPORT



**ENERGISING TODAY
PRESERVING TOMORROW**

This report is printed on sustainably sourced paper

ESG HIGHLIGHTS 2022

Message from the Board of Directors



**Capt. (Retd.)
Muhammad Mahmood**

Chairman

"We are proud to present PARCO's first Sustainability Report, showcasing our progress in Environmental, Social, and Governance (ESG) initiatives. In a challenging year, we were determined to prioritize our employees' and contractors' health and safety and make meaningful contributions to the communities we serve.

PARCO is committed to conducting business responsibly and sustainably. We strive to provide essential products while respecting people, the environment, and the communities we impact. Our approach to sustainability recognizes the urgent need to address climate change and includes technical excellence, stakeholder engagement, and transparent communication. We are dedicated to continuous improvement, operational excellence, and a greener future through innovative technologies, renewable energy sources, and socially responsible policies."

Commissioning of Pipeline Dualization

Enabling Motor Gasoline (Petrol) Transportation through Pipeline

Enhancing Pipeline throughput with more reduction in Road Transport

ENVIRONMENT

Saved **100-150** K Tons of **CO₂** per Year with Pipeline Operations

Solarizing Microwave Station at Dhal (Jamshoro)
Saved **45,000** kWh

SOCIAL

Zero Lost Time Incident Rate

~2X Women Ratio in New Hiring vs FY2021

19 Hospitals Upgraded

03 TCF Schools Supported

GOVERNANCE

>150 **PKR** billion contributed to National Exchequer

AAA Credit Rating from last **24** Years

07 Corporate Awards in FY2022



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About This Report

For PARCO, the values of transparency and accountability stand above all else. As the need of the hour is to have the corporate world pull the curtain on its business practices, governance structures and policies, PARCO's inaugural report is hereby presented to deliver on this very demand. The report details our approach to ingraining sustainability from the top down, creating a viable framework in harmony with our corporate strategy, ambition, initiatives and business performance. This initiative is the first of many annual reports to come, in an effort to gain the credence of all these we serve. We aim to do so by providing clear insights into the entirety of our non-financial business workings, with the report also drawing on our performance and highlights from July 2021 to June 2022.

Scope

This Sustainability Report has been framed in compliance with the Global Reporting Initiative (GRI) General Disclosures 2021, GRI 11: Oil & Gas 2021 and the United Nations Global Compact (UNGC).

This report will provide a detailed overview of the conventions institutionalized in the organisation's operations and culture, addressing matters falling under the Environmental, Social and Governance (ESG) umbrella. This exposition will encompass our businesses but will not be extended to the performance or operations of our joint venture partners, suppliers, and contractors unless otherwise noted.

The content of this document was tailored to the findings of a materiality assessment, in order to report on ESG issues most critical to our organisation. Our GRI Standard Content Index shows the list of Universal Standard Disclosures for which we have provided related information, either in this report or in other documents such as our Annual Report 2022. Being the first Sustainability Report, no restatement of information or no change in material topics has been made.

This report does not contain data of entities included in our consolidated financial statements, except ESG data included for PAPCO operations, managed by PARCO under the O&M agreement.

More information about **PARCO** can be found in the **PARCO's Annual Report 2022** and on our website.

All information in this report is extracted from the latest available data, internally validated and reviewed by subject matter experts. Though, this is not to be mistaken for any guarantees.

External Assurance

This report has been externally assured and the independent assurance (limited assurance) has been performed in accordance with the requirements of the ISAE 3000 (Revised) standard that extend to the contents of this report and the GRI Index. The Audit, Risk and Compliance Committee has authorized the General Manager Internal Audit, Risk and Compliance for seeking external assurance and feedback during the assurance is shared with the senior management and the Board through its Audit, Risk and Compliance Committee.

Publication date: 28-April-2023

MANAGING DIRECTOR'S MESSAGE



Mr. Shahid Mahmood Khan



It is my utmost pleasure to present to you our annual sustainability report. This report is a testament to our unwavering commitment towards creating a sustainable future.

This commitment is reflected in our vision to be the sustainable and responsible energy lifeline of the nation, driven by our values. Our sustainable energy solutions are designed to meet the evolving needs of our customers, while also minimizing our impact on the environment.



We believe that sustainable development is the key to a brighter future. We are proud to say that we have been actively promoting sustainable practices throughout our operations. Our initiatives range from reducing our carbon footprint to ensuring the safety and well-being of our employees.

As a part of our commitment to a sustainable future, we have integrated green practices into our operations. We believe that it is essential to preserve the environment for future generations, and we are doing our part by reducing our impact on the environment through innovative practices including working towards achieving a circular economy.

We are proud to have achieved several key sustainability milestones in the past year, including enhancing our pipeline operations to reduce global greenhouse gas emissions, improving our water and energy efficiency, and enhancing our health, safety, and environmental performance. We have also continued to build strong partnerships with key stakeholders, including our customers, suppliers, government agencies, and local communities, to advance our sustainability goals.

At the heart of our sustainability efforts are our people. We believe that investing in our employees and creating a culture of safety, inclusion, and innovation is critical to our success. That's why we have implemented several initiatives to promote employee well-being, including training and development programs, healthcare facilities, and recreational activities. We are proud to have created a family-like environment at PARCO, where our employees feel valued, respected, and empowered.

Our sustainability efforts are guided by a robust governance structure, which ensures that we operate ethically, transparently, and with integrity. We are committed to complying with all applicable laws, regulations, and international standards, and we are constantly striving to improve our performance and achieve best practices in our operations.

Our values of teamwork, integrity, commitment, innovation, and continuous improvement, are deeply ingrained in our sustainability agenda. We are committed to promoting a culture of sustainability throughout our operations and among our stakeholders. Our vision is to be a leader in sustainable energy and contribute towards building a sustainable world with a focus on employee empowerment and building strong partnerships.

VISION

Be the sustainable and responsible energy life-time of the nation by growing into a regionally competitive company with a focus on employee empowerment and building strong partnerships.

MISSION

To transport, refine and market petroleum and related products in Pakistan in a safe, efficient, reliable and environment-friendly manner maintaining professional excellence and ensuring favorable returns on all employed resources.

Integrity

Results
Orientation

Commitment

Communication

Teamwork

Innovation &
Continuous
Improvement

Courage

VALUES

Focusing Beyond Tomorrow



Irteza Ali Qureshi

Deputy Managing Director & Chief Financial Officer

“Our unwavering commitment to sustainability drives us to make decisions that not only benefit our business, but also future generations and the wider community.”

OUR PRIORITY



- Corporate Governance Approach
- Sustainability Road Map 2030
- Ethical Business Approach
- Communication with Stakeholders
- Sustainability around the Globe

Corporate Governance Approach

At PARCO, we are dedicated to creating a sustainable world that is worth living in for all. Our approach ensures security, affordability and respect for the environment when it comes to energy supply. We strive to build strong relationships with our stakeholders, doing right by them and working together as a team.

To maintain a competitive advantage, we continuously focus on diversification, integration of the right technology, and the implementation of the best industry practices. Our goal is to create value that will benefit current generations, while also considering the long-term effects on future generations. We operate with integrity, commitment, and a strong drive for innovation. Our ultimate aim is to make sure that everyone can live in a world that is both sustainable and secure.



PARCO's responsible approach to business stipulates the prevention and mitigation of sustainability risks associated with PARCO's activities. We also aim to avail ourselves of opportunities by taking a sustainable approach to business. Growing demand for energy and accelerating climate change pose immense challenges for the energy sector. PARCO recognizes that climate change is one of the most important global challenge today and fully adheres to climate change best practices in the future. We lead an inclusive, safe and healthy work environment for our employees, contractors, and suppliers through the placement of transparent, fair, and unbiased practices that respect diversity and enrich talent. We promote the societal and commercial development of the communities in which we operate through training and strengthening their capacities, and by executing social projects through strategic cooperation with public and private organizations. We are therefore transforming our business model step by step and assimilating new processes and technologies that allow us more sustainable reduced operations.

PARCO has made sustainability a priority in its business strategy. An internal governance model has been created to ensure sustainable practices and promote transparency, accountability, and responsibility throughout the organization. This model contributes to the long-term value of the company and strengthens relationships with customers, employees, and suppliers.

ESG Governance Initiatives

PARCO is dedicated to the highest standards of ESG governance and has taken the following initiatives:

01

THE RISK AND COMPLIANCE FUNCTION HAS BEEN ESTABLISHED AND SCOPE OF THE BOARD OF DIRECTORS' AUDIT COMMITTEE HAS BEEN ENHANCED AND RENAMED AS THE AUDIT, RISK AND COMPLIANCE.

03

A SMART SECURITY PROGRAM HAS BEEN INITIATED TO MAXIMISE USE OF EXISTING TECHNOLOGY, IT, AND PHYSICAL RESOURCES THROUGH INNOVATIVE TECHNOLOGY AND ARTIFICIAL INTELLIGENCE.

05

A UNIFIED INTEGRATED MANAGEMENT SYSTEM (IMS) CERTIFICATION (ISO 9001:2015, ISO 14001:2015 AND ISO 45001:2018) HAS BEEN IMPLEMENTED ACROSS ALL DIVISIONS TO ENSURE COMPLIANCE.

07

A COMPREHENSIVE SUSTAINABILITY APPROACH HAS BEEN PUT IN PLACE TO ENSURE THE COMPANY IS TAKING FULL RESPONSIBILITY FOR ITS IMPACTS ON SOCIETY AND THE ENVIRONMENT, WITH SUSTAINABILITY REPORTING ALSO INITIATED TO IMPROVE THE COMPANY'S CREDIBILITY AND REPUTATION.

02

IT INFRASTRUCTURE AND DIGITAL TECHNOLOGIES BEEN INVESTED IN TO ENABLE DATA-DRIVEN DECISION-MAKING AND BETTER INFORMATION MANAGEMENT AND SECURITY AS PER ISO/IEC 27001:2013.

04

STAKEHOLDER DIALOGUE HAS BEEN ACTIVELY ENCOURAGED TO ENSURE THEIR RIGHTS AND INTERESTS ARE FULLY REPRESENTED AND RESPECTED.

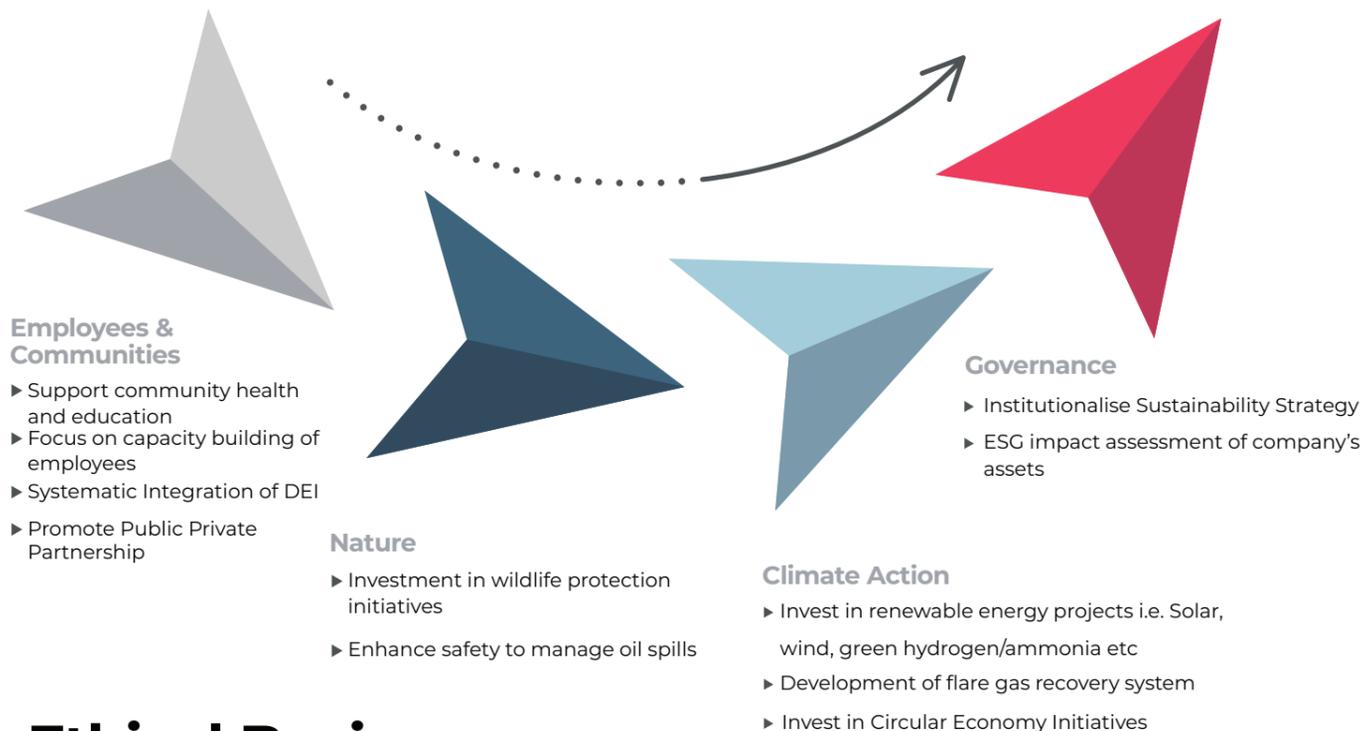
06

AN ENVIRONMENTAL MANAGEMENT SYSTEM HAS BEEN IMPLEMENTED TO ENSURE THE COMPANY IS COMPLIANT WITH INTERNATIONAL AND LOCAL ENVIRONMENTAL REGULATIONS AND BEST PRACTICES.

08

ADVANCED SOLUTIONS SUCH AS AN LP MODEL-DRIVEN CRUDE SELECTION, EXPANDING THE CRUDE BASKET, ENERGY SAVING INITIATIVES, AND BOOSTING THE EFFICIENCY OF REFINERY UNITS HAVE BEEN PUT IN PLACE TO IMPROVE OPERATIONAL EFFICIENCIES.

Sustainability Road Map 2030



Ethical Business Approach

Across all regions where we operate, PARCO's exemplary commitment to conducting business in compliance with the laws, regulations and voluntary adoption of the code of corporate governance, remains unmatched, and the impact on health, safety, environment and community take priority over other business objectives.

Our affiliation with the United Nations Global Compact (UNGC) dates back to 2011 when we voluntarily committed to aligning our business workings and methodologies with the globally recognized Ten Principles. Categorized under the umbrella of human rights, environmental protection, labour standards and the fight against corruption, these ten principles are the cornerstone of PARCO's ethical business approach. The organisation commits, that within its sphere of influence, it will work for the protection of human rights, creating working conditions compliant with legal requirements, protecting the environment and combating compliance. Being a signatory of UNGC also enables us to enter into a mutually beneficial relationship with our stakeholders, where we identify shared challenges and communicate our sustainability practices. Our commitment is publicly demonstrated on our website with a message from the highest management level.

Communication with Stakeholders

Our stakeholders are the numerous people, groups, and authorities who are affected by or have an impact on PARCO's operations. They may be linked with us in our capacity as an energy provider, an employer, or a company that supports local and national economies by creating jobs and generating revenue.

Maintaining an open and proactive dialogue with the key stakeholders facilitates our ability to identify key challenges and opportunities, and to access the resources we require throughout the lifecycle of our assets. Their input and feedback aid us in identifying the actual and potential impacts of our activities, serving as a baseline for the company-wide objectives we set, and for the decisions we make.



*PARCO's actions on stakeholders' engagement in each of these areas are detailed in the next sections.

Associations and Trade Bodies

In our efforts to be a key corporate player and an entity that the industry looks up to, PARCO has endeavoured to be an active member of various associations. Being able to collectively provide input to policymakers, network with fellow industries, and stand firm with all others on a common stance with regard to new legislation, are the reasons why PARCO values such platforms. Our trade and industrial association membership are highlighted as follows.



Sustainability around the globe

An organization's ESG journey is unique to its particular industry, the regions it impacts, and its organizational structure. As an organization prepares for an ESG-aligned future, it's important to consider where we focus our goals and invest to make the greatest positive impact.

By taking a deeper look at the lasting impact of business activity, organizations are making enact changes that make them more resilient in the face of climate change, of greater value to local communities, and a place where top talent longs to work. Stakeholder and shareholder interests do align in the long term. If you have happy employees, collaborative suppliers, satisfied regulators, and devoted consumers, then they will help you deliver higher benefits over a longer-term period.



Environment and Sustainable Governance

As 2023 approaches, the majority of economies have lifted their ambitions. The US has rejoined the Paris Agreement, while Japan, Korea and China have committed to net zero emissions targets around the middle of this century. Many countries and blocs have significantly increased their short and medium-term carbon reduction targets. To achieve net zero ambitions, we will need innovative approaches to delivering projects and infrastructure. One way to do this is through new and different partnerships and coalitions across geographies, sectors and supply chains. There can be no illusions that sustainable growth can be achieved indefinitely, but we can and should have clear social and environmental goals that are democratically identified and prioritized. Our only hope of reaching clear-eyed solutions to these problems is to look beyond the language of sustainability and recognize that infinite growth is incompatible with the finite resources of the planet.

It is clear that reporting on ESG topics and providing climate-related information is becoming important to all companies. Not only pressure from stakeholders and investors, but also regulatory requirements are increasing and broadening. The sooner we get started to provide comprehensive information on how our company impacts the climate, the better. It helps to identify material business risks and opportunities, and a report is an interesting means of both internal and external communication.

Stakeholder capitalism is becoming even more important. It is driving more investment in companies with strong Environmental, Social and Governance (ESG) performance, and demand for internationally consistent ESG disclosures. The world is primed for vast low-carbon infrastructure development and requires collaboration to achieve this. These shifts have created new partnership models which we must maintain with a focus on sustainable development if we're to achieve the UN SDGs by 2030.



Society

From racial equity to public health policy, the impact of social issues on the workplace is more apparent than ever. Workers, community members, and other key stakeholders are asking brands to take a more active role in social issues. Organizations are enforcing fair labour standards, actively supporting diversity and inclusion, enabling stronger communities through economic development and ensuring the health and safety of workers and community members.

Poor organizational governance can have far-reaching consequences for shareholders and the public. The purpose of a board is to thoughtfully steer the direction of an organization to the benefit of all stakeholders. Companies around the globe are ensuring robust data security, transparent business ethics and ethical supply chain management.



Fueling Progress Sustainably



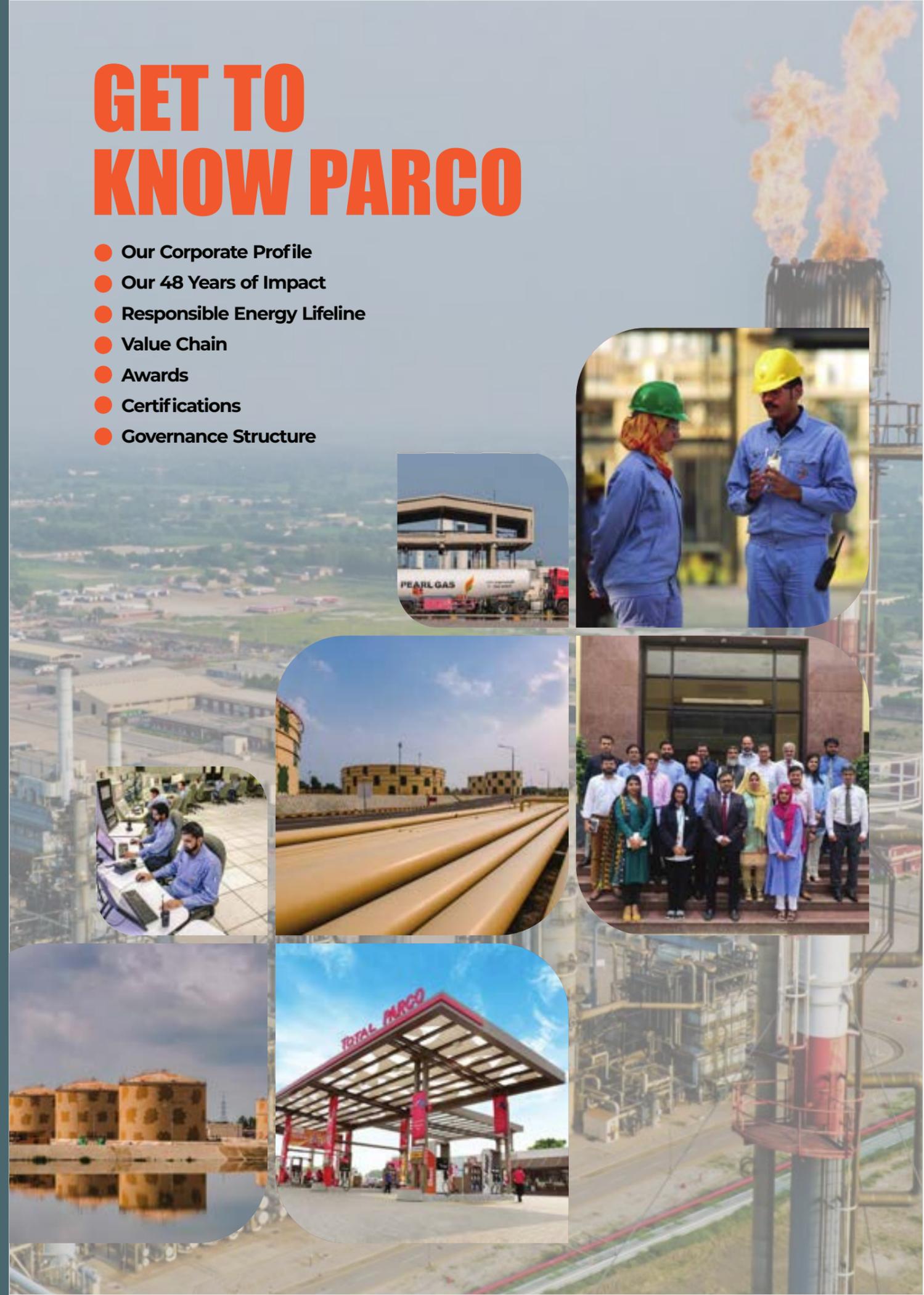
Umair Mir

Deputy Managing Director (Technical & Operations)

“As the backbone of Pakistan's energy sector, PARCO is dedicated to providing reliable and environmentally responsible solutions, now and for the future.”

GET TO KNOW PARCO

- Our Corporate Profile
- Our 48 Years of Impact
- Responsible Energy Lifeline
- Value Chain
- Awards
- Certifications
- Governance Structure

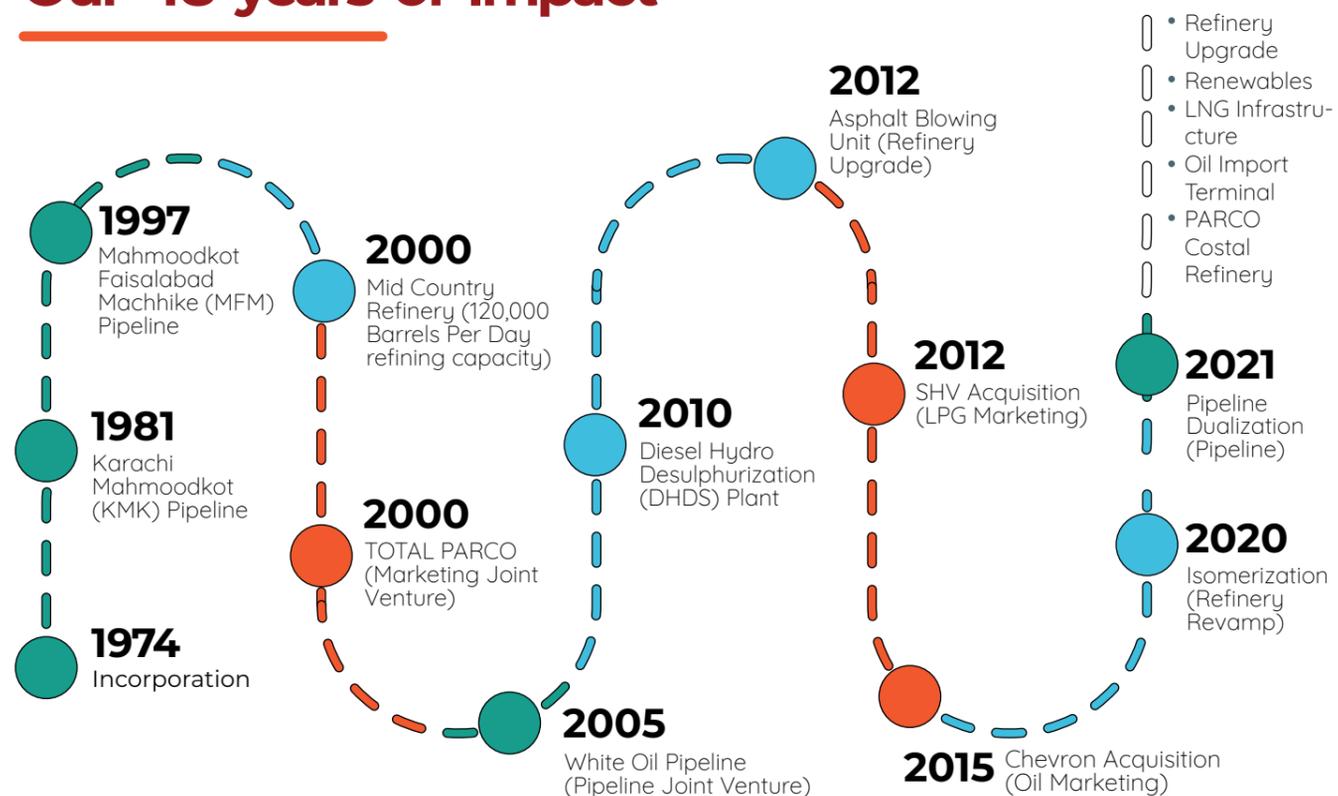


Our Corporate Profile

Pak-Arab Refinery Limited (PARCO) is a joint venture between the Government of Pakistan and the Emirate of Abu Dhabi, with shareholdings of 60% and 40%, respectively. A trailblazer in Pakistan's corporate sector, PARCO has long solidified its position as the leading energy lifeline of the country.

With fully integrated operations, our business activities encompass crude oil refining transportation, storage and marketing of petroleum products, as PARCO has relentlessly endeavored to provide Energy with Responsibility.

Our 48 years of Impact



- Refinery Upgrade
- Renewables
- LNG Infrastructure
- Oil Import Terminal
- PARCO Costal Refinery

Pipeline and Storage

PARCO started as a pipeline company that had positively impacted the economy and environment by:

- Saving road infrastructure, traffic congestion, accidents
- Lower road transport emissions
- National energy storage / strategic reserves

Refinery

PARCO since commissioning has continually upgraded its refinery that contributed with:

- Direct / Indirect jobs
- National energy security
- Forex savings by importing crude instead of finished products
- Processing of indigenous crude
- Environment-Friendly fuels (Reduction of NOx, SOx, Benzene, etc.)
- Value Added products

Marketing

PARCO contributes to the energy value chain of Pakistan and has vertically through

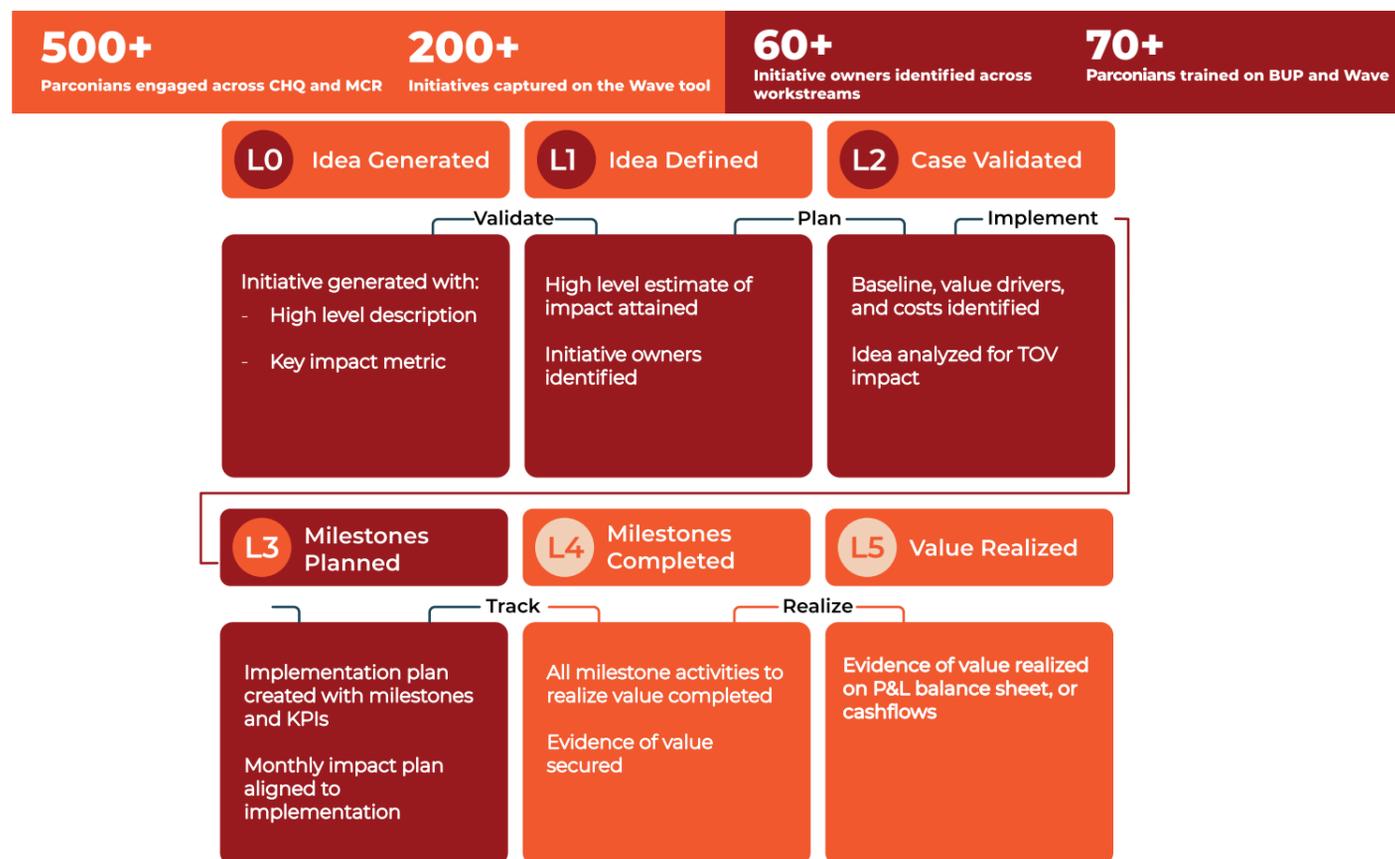
- Direct / Indirect jobs
- Safe and quality fuels availability

Responsible Energy Lifeline

PARCO has been resolute in its strive to become a model corporate citizen, promoting an ever-evolving culture from within, conscious of the needs and hopes of all those it serves. It has been our priority to put concerns about society, the economy and the environment at the forefront of all decision-making. As the business seeks to excel further, it does not do so without taking into account the impacts its operations may have. On this basis, we have put into action policies that overlook areas of due diligence, harassment, code of ethics and code of conduct, discipline and grievances, all set in accordance with the laws and constitution of Pakistan.

Our vision reads as the Sustainable and Responsible Energy lifeline of the Nation and being true to the word, PARCO has driven this very ideology into the core of every division, department and team. To stand today as one PARCO, where every employee enjoys the freedom of pitching in new ideas and projects, has been a practice deeply rooted in our core values. By rallying pride and ownership in one's work, we have created a culture driven by merit and celebration of each other's differences.

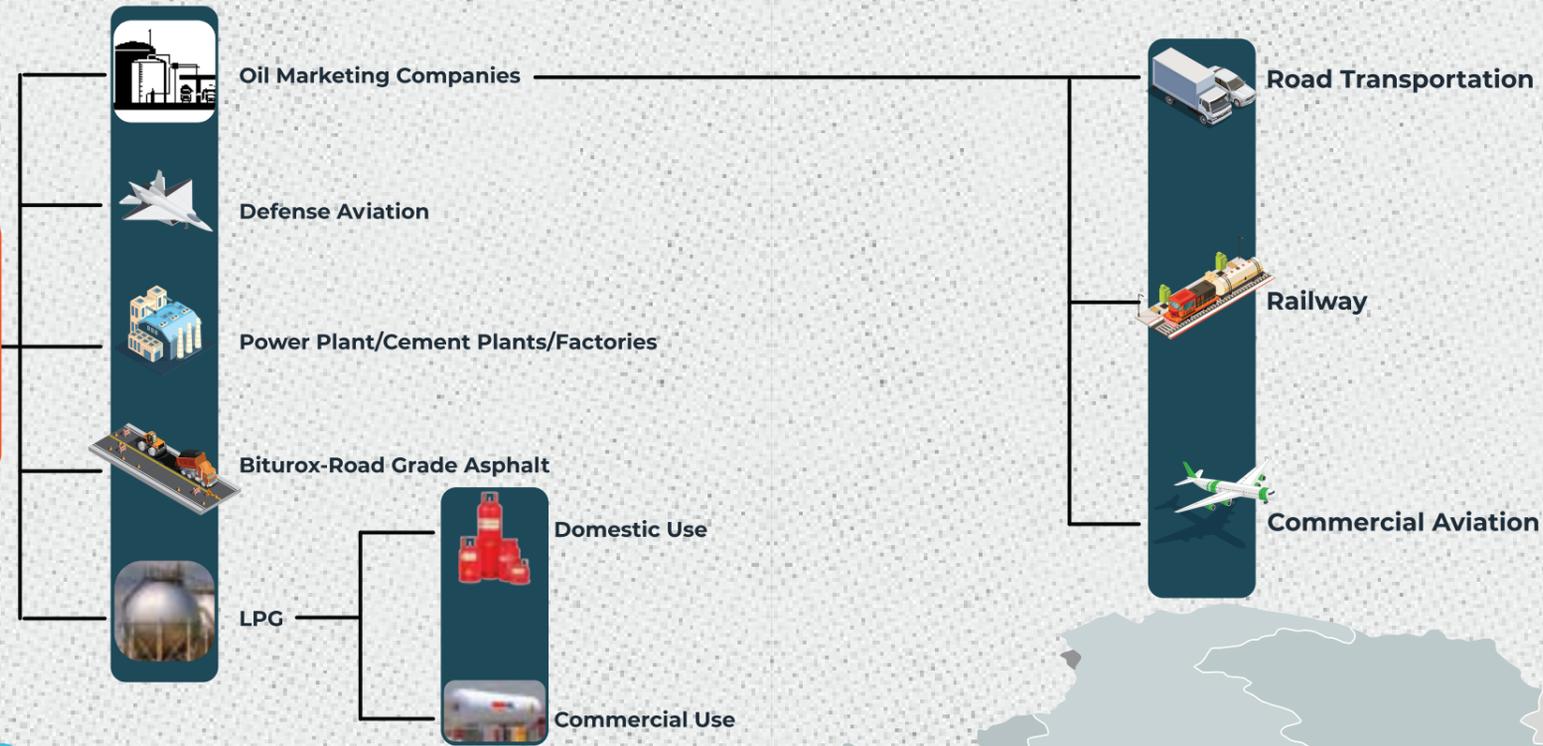
We have established a cross-functional Transformation Office team and a platform to track, probe and troubleshoot all initiatives. We have also taken onboard a dedicated software to provide us with visibility and clarity on the state of the program.



VALUE CHAIN

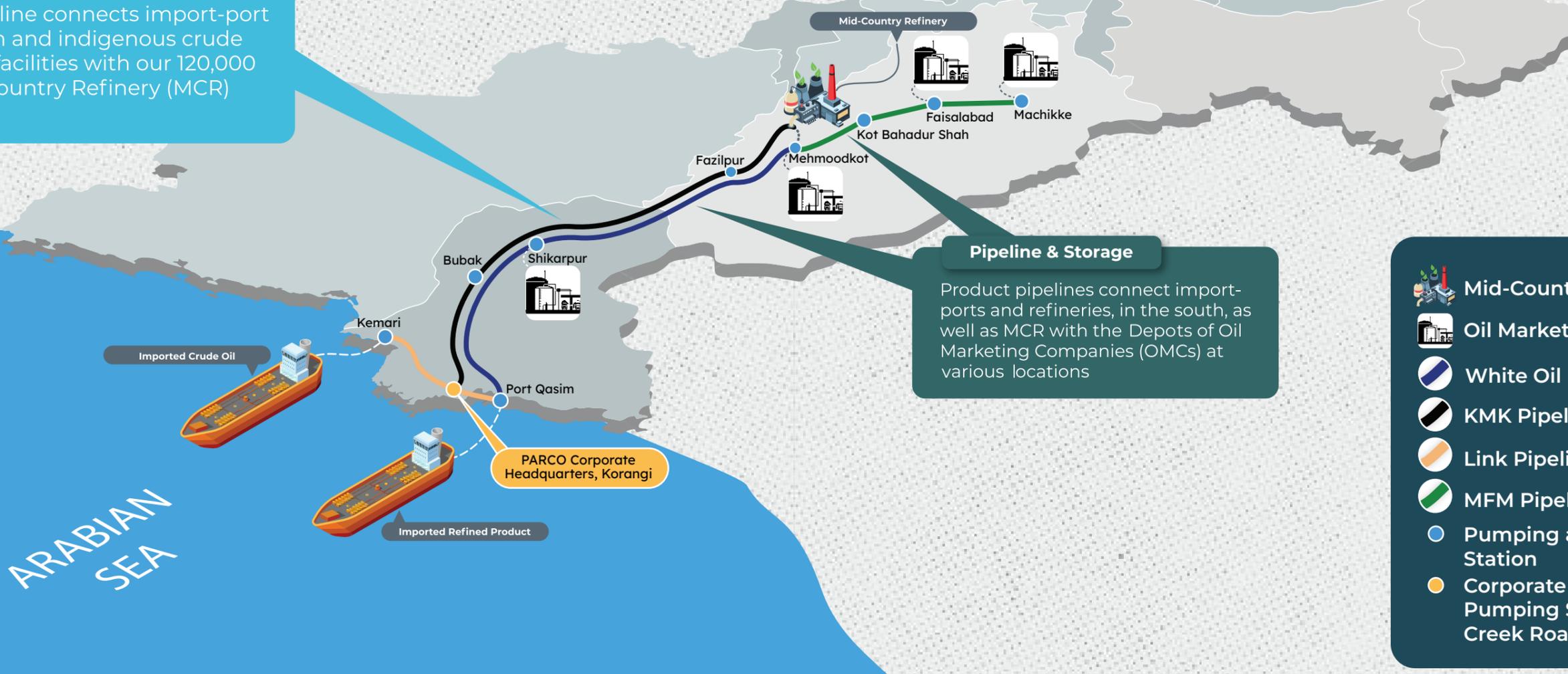
Marketing

Marketing and Sales of product from Refinery to Marketing companies as well as to end consumers, internally and through its subsidiary and Joint Venture partner (OMC)



Refinery

Crude-pipeline connects import-port in the south and indigenous crude decanting facilities with our 120,000 BPD Mid-Country Refinery (MCR)



Pipeline & Storage

Product pipelines connect import-ports and refineries, in the south, as well as MCR with the Depots of Oil Marketing Companies (OMCs) at various locations

- Mid-Country Refinery
- Oil Marketing Companies
- White Oil Pipeline
- KMK Pipeline
- Link Pipeline
- MFM Pipeline
- Pumping and/or Terminal Station
- Corporate Headquarter & Pumping Station, Korangi Creek Road, Karachi

Awards



Environment Excellence Award 2021

In recognition of PARCO's determination to incorporate eco-friendly practices, that reduce pollution and damage to the climate



Fire and Safety Award 2021

Recognized for its safety initiatives, policies and practices



Occupational Safety, Health and Wellbeing Award 2021

For excellence in occupational safety and health standards



CSR Excellence Award 2022

Awarded in the Community Development and Services Category



Pride of Pakistan Award 2022

For exceptional performance in refining, transportation and marketing of petroleum products



Global Compact Best Practices Sustainability Award 2021

In recognition of efforts made by PARCO in the areas of sustainable and strategic CSR.



Horticulture Award

Awarded first prize for PARCO's corporate garden

Certifications



Governance Structure

For a company to function sustainably, a sound corporate governance structure is key. It is also the cornerstone of corporate transparency and profitability, playing a frontline role in securing the trust of all stakeholders, without fear or favour. With the Board of Directors and sub-committees all being occupied by personnel of rich expertise, who value inclusivity and independence, PARCO has truly established a prime corporate governance structure driving the business to new heights.

The Directors are nominated to the Board by Joint Venture (JV) Partners, in accordance with their shareholding ratio, in line with the JV Agreement and the company's Articles of Association. All affairs of the company are determined, with the consensus of JV partners, by its Board and/or its General Meetings that are chaired by a Non-Executive Director.

To ensure an immersive onboarding experience, the new Board members are welcomed with an orientation session on the vision and values of PARCO and the diverse set of stakeholders they are to duly represent while standing in harmony with all other members of the board. The management frequently briefs and seeks advice from the Board with regard to objectives set on economic, environmental and social fronts in sync with the company's purpose, strategies and policies.

The Board of Directors of PARCO meets at least once in each quarter and has established four committees to assist the Board in their respective areas, with each committee consisting of at least four members from the Board. Except for the Audit, Risk, and Compliance Committee which consist of all Non-Executive Directors, the Managing Director, being the only Executive Director on the Board, is part of the Committee. The committees are chaired by Non-Executive Directors.



These Committees review progress updates, in their respective areas and matters on directives of the Board, presented by Management and submit their recommendations for the consideration of the Board of Directors. During the year, four (04) meetings of the Board of Directors and its Committees were held. During the Board Meeting, the Board reviewed the recommendations of its committees including the impacts on the economy, environment, stakeholders and community at large.

Espousing Best Practices of the Code of Corporate Governance

The Board of Directors approves the remuneration of Board members, including the Chairman. As per the Code of Corporate Governance's best practices, no Director participates in deciding their remuneration. Moreover, the Company pays Director Fees for attending Board Meetings and covers travelling/boarding/lodging expenses related to such meetings. For further details on remuneration, please refer to the 2021-22 Financial Statements.

We also adopt Corporate Governance voluntarily, when it comes to dealing with conflict of interest. Any Director who has a business interest in a matter being presented at a Board meeting is bound to withdraw the participation in both the discussion and eventual decision on that matter. This is an obligatory practice and no breach in this respect was noted during the year.

Environment, Social and Corporate Governance

The Board meets quarterly and is committed to overseeing the integration of Environment, Social and Corporate Governance (ESG) principles throughout the Companies' operations and has delegated the responsibility for managing the impact to the Managing Director. In lieu of that, the Management presents the vision statement, strategies, policies, ESG goals, initiatives, material topics, annual sustainability report and any respective critical concerns raised by the stakeholders to the ARC Committee for their review and recommendations to the Board.

Our board members with extensive industrial and managerial experience, including members representing our international JV Partners, frequently attend global events and conferences to represent PARCO or otherwise and provide valuable input, on ESG risks and opportunities arising for PARCO, with their expertise and knowledge on sustainable development. Further, a detailed session was also conducted during the year on global trends and the gap analysis done by an independent consultant on sustainable development.

The Board also reviewed the allocation of oversight responsibility for Environmental, Social and Corporate Governance (ESG) risks across the Board and its committees. While the Board is responsible for oversight of ESG strategy, committees of the Board are responsible for oversight of aspects of ESG risk monitoring and implementation. For example, the Audit, Risk and Compliance Committee monitors ethics and compliance risks, the Human Resources Committee reviews human capital management metrics, the Investment Committee monitors the ESG impact of future projects, and the Finance Committee reviews transactions related to ESG strategy.

	Age			Total	Total
	<30	30-50	50>	2022	2021
Gender	Count	Count	Count	Count	Count
Male	-	3	6	9	9
Female	-	1	-	1	1

Caring for Our Only Home



Fahim Motiwala

General Manager Internal Audit, Risk & Compliance

“Sustainability is at the forefront of all that we do. We take pride in preserving our planet for future generations and in being a responsible corporate citizen.”

KEY SUSTAINABILITY HIGHLIGHTS

- Sustainability Governance
- ESG Domain and Material Topics
- Our Actions to Drive Impact
- Risks and Opportunities
- Our Commitments to Sustainability
- Stakeholder Analysis

Sustainability Governance

By integrating the value chain with its cross-country pipeline network, petroleum refining, and marketing, PARCO—a leader in the sector—contributes to ensuring the security of the nation's energy supply.

The infographics up top show our value chain and the environment in which we work. Recently, we revisited our vision to become a responsible energy company with a strong emphasis on partner stakeholders and employee empowerment. *Reference to Value Chain Infographic

Our goal is to maximize value creation and return value to our shareholders and society at large. By replacing road transport of oil products with our pipeline network, we simultaneously reduce our environmental impact. This strategy is also used in PARCO to support the adoption of new digital solutions, the streamlining of processes, and organizational change.

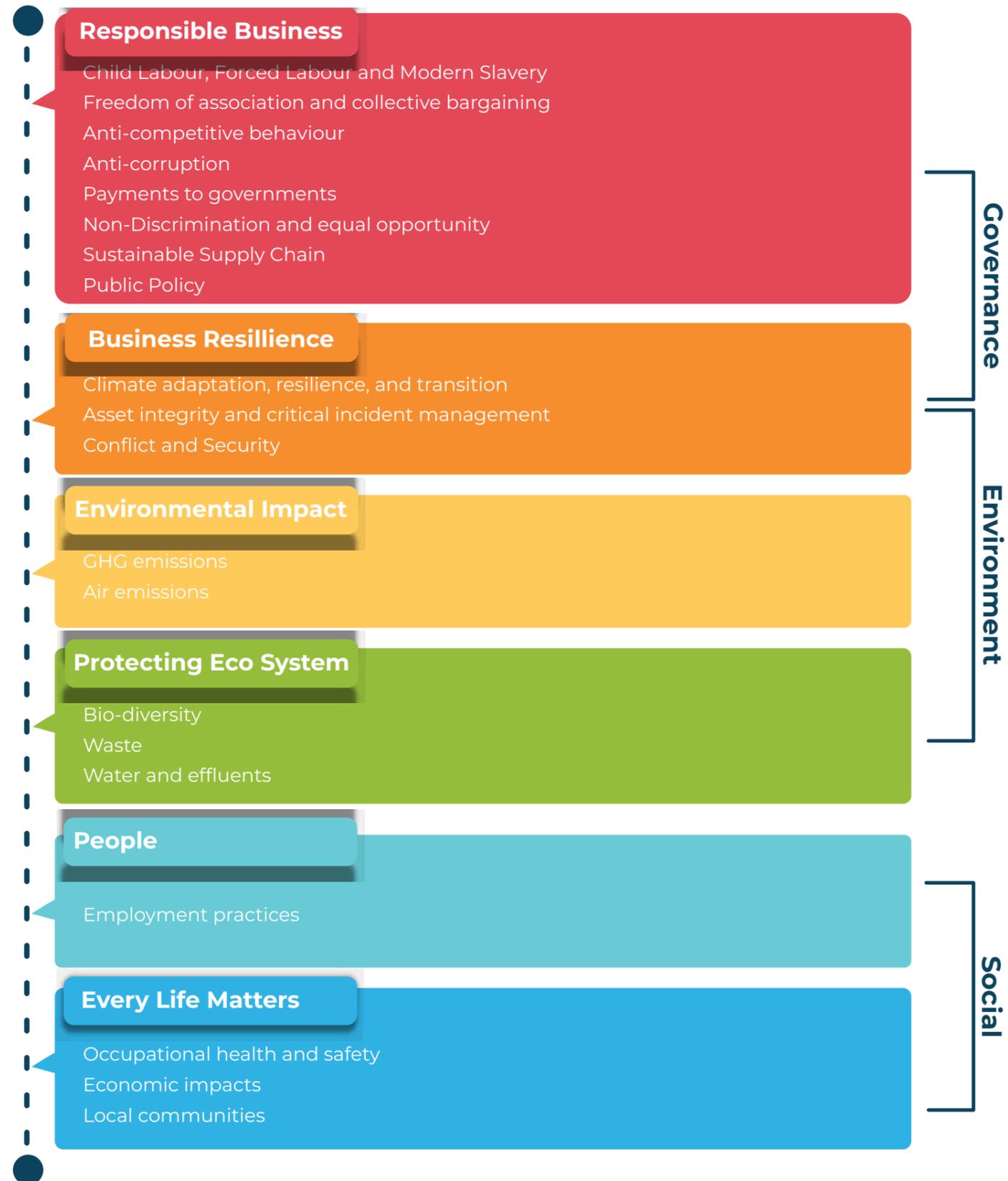
As we define PARCO Beyond Tomorrow, which was launched in 2022, our company strategy supports the United Nations Sustainable Development Goals (SDGs), which have become the source of a revolutionary forward-looking vision and ambitious strategy. Policies and areas of impact represent material topics within Environment, Social, and Governance (ESG).

ESG Domain and Material Topics

Through bottom-up and top-down methodologies, we started a variety of analyses of our actual and potential effects while taking into account global megatrends and sustainability issues pertinent to PARCO as a organisation in the oil and gas sector. The material topics have been selected based on:

- GRI 11: Oil and Gas Sector 2021 describes the impacts and issues.
- Our enterprise risk management process highlighted ESG risk, assessed impacts and prioritised them based on the likelihood and severity of the risk.
- Responses from relevant stakeholders and internal specialists from the concerned business units

In accordance with GRI 2: General Disclosures 2021, we have also improved our reporting on compliance, human rights, and responsible business conduct.



Our Actions to Drive Impact

PARCO's Sustainability-focused vision and strategy drive our ESG domains, and each of them addresses and supports different UN SDGs, as listed in the table below. We have developed enterprise as well as administrative functions' level scorecards to track the effectiveness of the short-to-long-term goals, initiatives and targets in each ESG domain. These scorecards are an obligatory part of our regular budgeting and planning process, wherein progress is reviewed and strategies are developed accordingly.

ESG Domain	Goals	Initiatives / Targets	SDGs
Responsible Business	Sustainable Supply Chain	ESG Impact Assessment of Supply Chain	
	Ethics and Compliance	Review and update all ethics and compliance policies	
Business Resilience	Risk Management	Risk Management (ISO:31000) Business Continuity Management System (ISO:22301)	  
	Digitalization	Digital roadmap developed for short-to-medium term - SAP HANA - Digital inclusion of 99% of employees - Smart Security	
	Circular Economy	PARCO Coastal Refinery/Petrochemical facility	
Environmental Impact	Climate Action	- Refinery Carbon Footprint Assessment as per GHG Protocol - Installation of Flare Gas Recovery System (FGRS) at Mid Country Refinery (MCR)	  
	Clean Energy	- Converting CP Stations / Microwave Towers to Solar Energy - MCR upgrade project (Euro V)	  
Protecting Eco System	Waste Management and Safe Disposal	- Implementation of Corporate Waste Management Guideline - Asbestos Replacement and environmentally friendly disposal	  
	Spill and Effluent Management	- Reuse of water from Effluent Treatment Plant for Horticulture - Guidelines for Control of Substance Hazardous to Health (COSHH) - Phase-wise construction of secondary containment - Tier 1 Process Safety Event < 3 - 3rd Party Pipeline Asset Integrity Assessment	 
	Biodiversity	- Tree Plantation Drive - Wildlife Protection in Kirthar National Park (Karchaat vicinity)	

People	Diversity & Inclusion	Roll out initiatives to make PARCO a diverse and inclusive organization	  
	Health and Well-being	- Digital Healthcare Management System - Mental and physical wellbeing - Recreational Facilities	 
	Workforce Empowerment	- Idea generation under Transformation Drive - Whistle-blowing Policy (ISO:37002)	
	Employee Motivation	- Market competitive Compensation & Benefits	
	Training & Development	- Robust TNA and followed through with training interventions - New Training Center availability at MCR	
Every Life Matters	Occupational Safety	- LTIR < 0.35 - No Incident of work-related ill health	  
	Community Health and Education	- Upgradation of Govt. health, educational, and VTIs facilities along RoW Impacting ~3 million lives	  

Risk and Opportunities

With the use of an enterprise risk management methodology, PARCO has maximized opportunities, reduce threats, and improve the accomplishment of performance goals by identifying and managing risks and opportunities at all levels (activity, asset, business unit, and company). Important risks, especially those related to the climate, are regularly discussed, reviewed, and escalated to different levels.

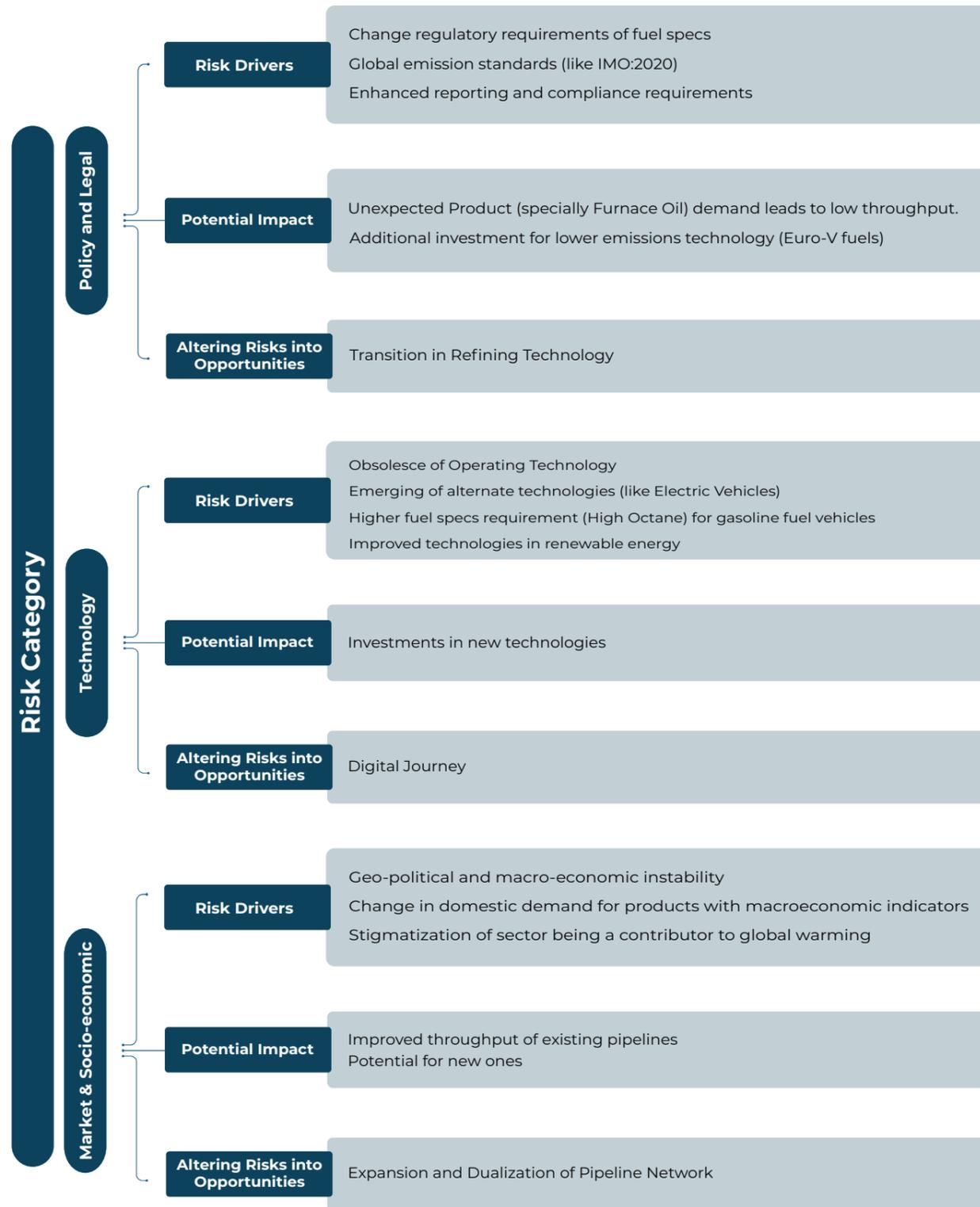
As a consequence of our internal activity set as well as information from different sources like regulators, industry initiatives, and general macroeconomic outlook, risks and opportunities are recognized. We further identify areas for improvement, such as hazards associated with environmental, social, tax and regulatory compliance, with the use of mechanism such as grievance and whistle-blowing.

Through comprehensive analyses of our effects on the environment, society, and economy, we have established an interdepartmental team of ESG Champions to examine these issues and align our objectives with sustainable development goals over the short-to-long-term.

The process of risk management and ESG impact assessment is dynamic, and when significant changes take place, senior management and the Audit, Risk and Compliance (ARC) Committee of the Board are informed, the risks and opportunities are updated and reported for review by the Board of Directors, during the reporting period wherein 39 risks were communicated through the process.

Business Transition Risk

The rate of corporate transformation has accelerated over time as a result of macroeconomic conditions, climate change, and other reasons. The primary risk and its possible effects are as follows:



By leveraging the transition risk and turning it into an opportunity, PARCO has become a vertically integrated energy corporation by growing not only its cross-country pipeline network but also its downstream marketing and petroleum refining operations. Our most notable efforts to take advantage of these opportunities are:

Expansion and Dualization of Pipeline Network

In order to meet the nation's expanding energy needs, PARCO began operations in the early 1980s by transporting High-Speed Diesel (HSD) from Karachi to the middle of the country, close to Multan. In the 1990s, we extended our network to Sheikhupura, and the nation's infrastructure for liquid fuels expanded alongside our pipeline networks. We currently run a cross-country network of about 2,000 kilometres, which provides the country with energy and acts as a strategic oil reserve.

In an effort to match the country's growth in MOGAS consumption over the past ten years, PARCO's pipeline system has been modified for increased capacity and the flexibility to carry multiple products, including MOGAS with HSD batches. The project entailed building a new pumping station at Kot Bahadur Shah, additional storage tanks, and upgrades to the entire pipeline network in order to boost the capacity of PARCO's MFM pipeline from 3 to 7 MTPA. The initiative made it safer to transport MOGAS to upcountry areas. The pipeline network decreased the amount of heavy vehicle traffic on the road networks, which decreased the risk of road accidents for nearby towns as well as the carbon impact as a whole. Additionally, this assisted in lowering the price of gasoline for consumers and the cost of nationwide freight. We also have plans to expand additional demand hubs and increase the capabilities of our national pipeline network.

Transition in Refining Technology

Since it was first put into operation in 2000, PARCO's Mid Country Refinery has continued to get upgrades as part of its sustainability strategy. To help create a better environment, PARCO installed its Diesel Hydrodesulfurization Unit (DHDS) as part of its commitment to tackling climate change. This unit produces Euro-II fuels with reduced Sulphur content in High-Speed Diesel being the first refinery in Pakistan to act years ahead of the regulatory requirements.

Another milestone was the establishment of the Asphalt Air Blowing Unit (AABU) which converted bottom residue products into bitumen providing the organization with a new business avenue, otherwise, this residue product would have been sold as furnace oil which eventually harms the environment. AABU meets all production flexibility, safety, and environmental bitumen processing regulations.

PARCO increased its refining capacity from 100,000 to 120,000 BPD and boosted high-value product yields lowering the country's import cost. Along with the upgradation of six existing process units and utilities, two new units were installed during MCR Revamp Project and the Refinery Turnaround, namely Hydrogen Purification and Isomerization Unit.

Hydrogen Purification also known as Pressure Swing Adsorption, helps in recovering the utilized hydrogen and also upgraded the DHDS output capacity, resulting in increased unit efficiency and throughput, and indirectly contributing to cleaner diesel.

It increases the motor gasoline output which significantly reduces the need for expensive imported gasoline, but also makes it environmentally friendly by converting Light Naphtha into Benzene-free gasoline with lower Sulphur and aromatic levels reducing the benzene content from 5% to less than 1%. This has also made it possible for PARCO's refinery to reduce or stop adding metallic additives to the gasoline blender which emits harmful by-products when burnt. Now we use Non-Metallic Octane Booster (NMA) for the gasoline blender which results in the production of Euro-V 92/95 RON gasoline and 97 RON HOBC.

MCR Upgrade Project (Bottom of Barrel Upgrade & Euro-5)

The Government of Pakistan, in a bid to upgrade fuel specifications, has directed all OMCs to initiate the import of Euro-5 MOGAS and HSD. As per the draft Refining Policy, the refineries have to upgrade their infrastructure for Euro-5 fuel production in the next 6 years. In view of this, PARCO has planned to upgrade its infrastructure for the production of Euro-5 fuels as well as the reduction in FO production.



Digital Journey

For oil and gas enterprises, technological advancements, declining digitalization costs, and expanding device connections present a competitive advantage. The future of managing changing corporate difficulties lies in digital transformation. For instance, it is anticipated that the industrial Internet of Things, a component of the broad digital opportunity, will increase the value of the global economy by US\$15 trillion by 2030.

Industries are adopting technology to transform their operational environments and gain the advantages of enhanced productivity, efficiency, and cost savings. This is nothing new to PARCO, which is working toward digital maturity.

A clear plan and vision has already been established for PARCO's digital journey, which will enable us to become a digital leader in Pakistan's oil and gas industry and open up promising opportunities throughout the whole value chain. Through the use of digital technologies, PARCO is dedicated to setting an example for lowering carbon footprint, promoting sustainable business, cost reduction, and enhancing operational efficiencies.

For its business and plant operations, PARCO is rapidly adopting new technologies like the digital twin, the industrial internet of things, data analytics, digital document management, robotic process automation, etc.

Paperless Environments

PARCO is on a quest to eliminate its dependency on paper and transfer all company processes online. This program aims to digitize all currently existing paper-based records and archives. Implementing enterprise content management to assist approval workflows and processes is the second phase of the effort. The project's implementation of digital signatures and the storage of documents electronically are merely two more technologies that reduce the use of paper.

AUP – Tool for Refinery Planning and Optimization

PARCO-MCR has implemented the world's most advanced Linear Programming (LP) Model for Refinery Planning i.e., Aspen Unified Process Industry Modelling System (AU-PIMS) since Jan-2022. AUP is an updated version of legacy PIMS (Planning tool) developed by M/s ASPENTECH-USA and is market leading software for refinery production planning. Aspen Unified has single platform for integrated Planning, Scheduling and Optimization tools. PARCO is the first refinery in Pakistan which is equipped with AUP. Presently, AUP is being utilized for optimization of feedstock and production planning activities to achieve incremental GRM.

Cloud Transformation

Business users are already using Microsoft Office 365 products for Team Coordination, Planning, Project Management, and Document Management via the Cloud-based Digital Platform.

Data Analytics

The secret to understanding and improving business processes—which in turn are the real drivers of profitability and sustainability—is through the use of data insights. Business users at PARCO are already able to use data analytics solutions like Microsoft Power BI in their specific fields. While advanced geo-analytics are being used for PARCO's Crude & White Oil Pipeline Security, insights are being obtained from multiple datasets for process improvements. We will also be able to use SAP Analytics Cloud for Insights, Planning, and Consolidation with the adoption of SAP S/4 HANA.

Implementation of SAP S/4 HANA ERP

Modern digital technologies, which are essential enablers of transformation with the goal of Business Process Optimization, will be made available to PARCO through the adoption of the new SAP S/4HANA enterprise resource planning software. The best possible insights and business value may be extracted by PARCO thanks to the integration of SAP S/4 HANA across several business functions.

Digital Procurement – Planned

We can leverage automation and cutting-edge digital solutions, which are essential to the shift toward value-oriented procurement, owing to the adoption of SAP S/4HANA software. The foundation for a worldwide electronic signature system that ensures effective remote approval operations is the SAP Ariba Strategic Sourcing Suite. With the added benefit of global connectivity, it enables businesses and vendors to connect digitally and experience the end-to-end digital procurement process.

Culture Transformation - Planned

The key to digital transformation is the adoption of cutting-edge technologies, which necessitates the adoption of the appropriate mindset, which brings about cultural transformation. The human resources department, which ultimately oversees this, allows each employee to contribute to the result. With this goal in mind, PARCO plans to transform its culture and prepare its human resources for the digital age. As a result, a thorough roadmap for the digitalization of HR has been developed, which calls for the adoption of the SAP S/4 HANA Success Factors Solution in all of its varieties.

Business Integrity Risks

Risk Drivers

- Increased severity of extreme weather events.
- Oil Spill
- Cyber attack

Potential Impacts

- Increased insurance premiums.
- Assets replacement costs.
- Increase in operating costs.
- Increased Inspection and maintenance.
- Re-routing of pipeline network.



Information and Cybersecurity

Information is exposed to a fast-expanding array of hazards, threats, and vulnerabilities in increasingly interconnected worldwide networks. PARCO invests in information and cybersecurity to safeguard its vital infrastructure, assets, and information in an effort to lower risk and the related impacts.

With the achievement of "ISO/IEC 27001:2013" Certification (An international standard for Information Security Management Systems (ISMS)), PARCO has reached yet another significant turning point in its journey towards improved information security. This accreditation serves as proof that PARCO has established, implemented, maintained, and continuously improved its ISMS and highlights its strong security record in protecting its data and reducing cybersecurity threats.

Physical Security

The nation's "Energy Lifeline" is provided through PARCO's vertically integrated energy value chain, whose security is crucial to both the country's economic development and energy security.

The National Network of Oil Pipeline System serves as the foundation of Pakistan's national petroleum supply chain, and PARCO is the sole operator of the cross-country network that connects the country's southern seaports with its central and northern demand areas. The country's core is traversed by the pipeline network, which travels through rural and urban areas as well as some sensitive security areas.

In order to secure the pipeline network against security and safety threats, PARCO has collaborated with government law enforcement agencies to establish an efficient security mechanism. Along with government commitment and adequate legal reforms, PARCO has also started a process of national and provincial Policy Directives to aid in the adoption of an integrated and inclusive approach at the national level. With the Government of Pakistan as the owner, this has greatly improved physical security and monitoring, that facilitated our security systems.

Human rights trainings are provided to all relevant staff, including that of service providers and PARCO's human rights policies and actions continue to be vital. As a result, effective community participation at the local level is a potent security mitigation tool in regions facing conflict or instability. In order to raise awareness among the people living next to the pipeline system, PARCO has started a comprehensive campaign that focuses in particular on the safety of inhabited and vulnerable areas. This collaboration promotes an active and preventive approach to the early identification and resolution of local complaints

Horizontal Directional Drilling (HDD) technology has been employed to subterranean the key overhead crossings over water channels as part of PARCO's focus on the environment and ecosystem across the pipeline network. Other delicate and vulnerable regions are covered and monitored by a strong system of combined and integrated patrolling on the pipeline network's right of way.

SMART Security

We are committed to developing new capabilities as part of the SMART Security programmes to reform and diversify our culture and assure business integrity. We recognise that rapidly evolving technologies have accelerated the development of SMART Security solutions; as a result, the process cannot end with the execution of the current mandate but must continue in order to meet SMART Security's present and future challenges with the cooperation and collaboration of all stakeholders.

The goal of SMART Security initiatives is to maximize existing technical, IT, and physical resources through innovative technology, artificial intelligence, synchronization with PARCO internal stakeholders, and facilitation of pipeline network with government authorities and their resources to ensure centralized Command, Control, Early Warning, and Response systems.

Operational security solutions include: (a) deployment of an Intrusion Detection System (IDS) to detect, locate, and identify any intrusion attempt for real-time monitoring and response with the use of Fiber Optic Cable (FOC); (b) long detouring / separated pipelines in one Right of Way; (c) use of Unmanned Aerial Vehicle (UAV) or Drone Technology to improve our outreach and (d) use of Video Connect.

A few examples of technical security solutions include: (a) Vehicle Tracking System, which allows for optimal use and driver behaviour monitoring; (b) Visitor Management System, which enables pre-registration, visitor verification, and customizable notifications for hosts and security; (c) Patrol Guard Tour Monitoring System, which plans, logs, and executes guard tours and patrols for security and asset protection in close cooperation with the Provincial Disaster Management Authority, Punjab; and (d) Mechanism of Physical Deterrence, hydraulic gate, road blockers and walk through gates.

Asset Tracking System: SMART Security employing RFID and GPS Technologies is one example of a non-operational security solution. Another is an infrared human temperature scanner, which is used in light of the issue of virology and viral infections like COVID-19 or the flu, among others.

Assets Inspection and Integrity Assessment

PARCO operates KMK Crude Oil Pipeline, which is 42 years old, HSD/MOGAS MFM Pipeline, which is 25 years old, and WOP, which is 17 years old. Maintaining asset integrity has grown harder than ever due to asset life and multi-grade operation of WOP and MFM Pipelines. The inspection staff continually monitors not only the pipelines but also the assets installed at the 22-year-old Mid Country Refinery to maintain their integrity. There are guarantees that equipment and assets are examined and maintained appropriately for their intended use throughout their designed life, preserving health.



Core functions of the Assets Inspections and Integrity Assessment includes Performing Root Cause Analyses (RCAs) for asset failures, conducting feasibility studies for advanced techniques like Risk Based Inspection (RBI) and Reliability Centered Maintenance (RCM), conducting corrosion risk assessments of tanks, pipelines, and piping, preparing and implementing inspection and testing programmes in accordance with OEM and applicable codes.

Implications of Climate Change

Our sustainability ambition focuses on Climate, Circular Economy, Environment and Communities. As business leaders, we must ensure transparency and action around climate-related risks and opportunities. The climate change risks are categorized broadly into business transition risk, and integrity/physical risk, like extreme weather events (as described along with their impacts on pages 33 and 38).

One of the major regulatory transitions affecting our industry, as a global response to climate change, is to produce Euro-standard fuels and to reduce Sulphur content. In response, PARCO was the first refinery to take initiative and commissioned a Diesel Hydro Desulphurisation (DHDS) plant at its Mid-Country Refinery, at a cost of US\$132 million, ahead of the regulatory timeline and saved Sulphur penalty. We have also initiated studies towards the production of Euro-5 fuels as well as the reduction of High Sulphur Fuel Oil production.

Opportunities - Value Addition and Future Projects

Continuous improvement and innovation are among are core values. In order to support improved national energy infrastructure, we look for creative ideas to optimize operations, investigate commercial prospects, and create new business models. In order to minimise the impact on the environment, increase national economic efficiency, develop human resources, and achieve low carbon intensity in our operations and product portfolio, we consistently improve our products and services.

Renewable Initiatives

In response to trends in the worldwide energy transition, PARCO has chosen to explore business potential in the renewables industry. As a result, the company will be better able to fulfil its commitment to a greener environment. Captive solar prospects are being assessed across the PARCO network as a first step.

Oil Import Terminal (OIT)

In view of a growing economy, petroleum demand is also increasing rapidly. Currently, most imports are mainly through Kemari Port (KPT) & Port Qasim (PQ). As per demand forecasts for petroleum products, import volumes are expected to grow to more than ~25 mtpa by 2030, which is well beyond the combined capacity of the existing ports. To maintain energy/fuel security and to cater to the economy's growth trajectory, the country needs additional port infrastructure to efficiently handle increasing import volumes.

PARCO Coastal Refinery Project

A grassroots green field refinery and petrochemical complex are to be built as part of the project at Hub, Balochistan. This will make a significant contribution to the nation's infrastructure for oil refineries, with a concentration on petrochemicals and transportation fuels for the Euro-5 standard. The project will add about 15 MTPA to the market, dramatically narrowing the supply-demand gap for refined fuels and petrochemicals. It will also have a number of other positive effects, such as lower import costs, the creation of new jobs, and better skills in the local community.

Investment in RLNG / Gas Infrastructure

Pakistan's need for gas has grown dramatically during the past few years, along with domestic supply constraints. In collaboration with a partner, PARCO is assessing LNG infrastructure projects, such as the construction of LNG terminals and RLNG/Gas Transmission pipes from Karachi to Lahore.

Projects	Challenges	Impacts	SDGs
Renewable Initiative	Availability of regulatory framework	<ul style="list-style-type: none"> Clean Energy 	 
RLNG / Gas Infrastructure	NOC from various Govt authorities ROW issues	<ul style="list-style-type: none"> Availability of clean fuel in the country Safe transportation of gas Social capital development in Hub, Balochistan 	   
Oil Import Terminal	NOC from various Govt authorities	<ul style="list-style-type: none"> Freight savings with larger cargo Improvement in national energy security Additional oil/petroleum storage Availability of transportation fuels in the country to meet the growing demand 	   
Refinery / Petrochemical Complex	Financing for carbon positive project	<ul style="list-style-type: none"> Additional oil/petroleum storage A step towards energy self-reliance Forex savings due to the import substitution Multiple socio-economic benefits 	 

Our Commitments to Sustainability

At PARCO, we are dedicated to creating a better and more sustainable world. We believe that it is our responsibility to protect the planet and ensure that future generations inherit a world that is healthy and thriving. This is why we are deeply committed to promoting sustainability and reducing our impact on the environment in every aspect of our operations.

We believe in the power of positive change and see it as our responsibility to inspire others. This is why we continually evaluate and improve our operations, seeking new ways to reduce our carbon footprint and promote a sustainable future. As a leader in sustainability, we hope to inspire others to join us in creating a better world for all.

To embed a sustainability culture, focused trainings and workshops were conducted for sustainability champions to promote sustainability efforts in their departments. Trainings and Workshops focused on compliance with GRI standards and priority SDGs for PARCO taking into consideration our sector, value chain, and ability to make and scale up the impact.

Stakeholder Analysis

Since open contact with stakeholders is crucial, PARCO actively uses a variety of methods to encourage good communication. PARCO divides stakeholders into three categories: core, strategic, and environmental stakeholders based on their roles and impacts in the legal, financial, and operational spheres. Core and strategic stakeholders have been characterized as executives, workers, customers, the government and related organisations, partner companies, and local communities. PARCO considers the feedback from different stakeholders, such as consumer feedback, staff surveys, vendor feedback forms, etc., to develop improvements and respond appropriately.

Core: Crucial to the business's survival. such as workers, clients, and shareholders.

When addressing concerns, being strategic is crucial such as decision-makers, authorities, partners, and regional communities.

Others: Stakeholders besides the strategic and core. For instance, the media, socio-environmental groups, socially disadvantaged people, collaborators (industrial groupings), research organisations, and specialists.

Our list of stakeholders is created using factors including accountability, closeness, dependency, influence, and representation. As we endeavour to continuously enhance our sustainable development programmes and initiatives, we engage in open communication with our key stakeholders through participation in stakeholder forums in order to acquire a variety of useful perspectives that helps us to update our strategies and practices. We are also revamping our whistle-blow mechanism to track the effectiveness of the mechanism and other remediation process, as well as to incorporate the feedback from relevant stakeholders, including individuals, for improvements of the mechanism during regular reviews as defined in the mechanism.

We also keep a two-way feedback process and stakeholders are apprised of the effectiveness of initiatives taken in their relevant material topic within each ESG Domain and progress on the relevant performance indicators, enlisted on pages 30-32.

ESG Domain	Key Stakeholders
Responsible Business	Customers, Suppliers, and Regulators
Business Resilience	Communities, Shareholders and Financial Institutions
Environmental Impact	Policy Makers, Government, Environmental Groups, Press and Media
Protecting Eco System	Communities, and Socio-Environmental Groups
People	Employees
Every Live Matters	Employees, Communities, Social Groups, Press and Media



PARCO Events 2022

(July 2021 – June 2022)

September 2021

- Fire and Safety Award 2021
- Occupational Safety, Health and Wellbeing Award

October 2021

- 175th Board Meeting & Committee Meetings
- Commissioning of WOP - Pipeline Dualization
- Commissioning of Trans-Mix Processing Facility

Nov-Dec 2021

- PARCO Cricket Tournament

January 2022

- Commissioning of MFM - Pipeline Dualization
- 176th Board Meeting & Committee Meetings
- COVID Vaccine (Booster Dose) Camp for employees and families (CHQ and MCR)

February 2022

- Town Hall – New Vision Launch

March 2022

- Women's Day
- FPCCI Achievement Award 2021
- Global Compact Best Practices Sustainability Award 2021
- Corporate Social Responsibility (CSR) Award
- Environment Excellence Award 2021
- ISO Unification – ISO 9001, 14001 & 45001
- Digital Transformation – Office 365

April 2022

- Solar Project Commissioning at MW-4
- 177th Board Meeting & Committee Meetings

May 2022

- World Environment Day

June 2022

- 178th Board Meeting & Committee Meetings
- Family Fun Fair

Building a Cleaner & Greener Future



Ahmad Mubeen Awan

Head HSE

"PARCO is dedicated to creating a future that is cleaner and greener for generations to come. Our commitment to sustainability drives us to reduce our carbon footprint, invest in renewable energy, and promote sustainable practices in everything we do. Join us in building a future that is better for all."

PARCO FOR THE PLANET

- Climate Change
- Energy
- Emissions
- Waste Management
- Water and Wastewater
- Biodiversity
- Collaborations for the Planet



1,705.01 Megaliters
of Water treated from the
Effluent Treatment Plant



1,856,268 kWh
saved through
Smart Pipeline Operations



44,968 kWh
generated through
Renewables (Solar)



606.81 Tons of CO₂e
(Scope 2) saved through
Renewables and Smart
Pipeline Operations



Zero
Major Oil Spill

Climate Change

Climate Change is one of the biggest concerns facing the world today, and PARCO strongly supports the objectives outlined in the Paris Climate Change Agreement. The management of PARCO is committed to continuous improvement of the environment by avoiding risks associated with its activities and turning these risks into opportunities to safeguard the climate. PARCO strongly supports national and international climate measures. The HSE Policy of PARCO shows the management’s dedication to introducing cutting-edge technology, systems, and practices to keep all activities safe and in accordance with best environmental practices and ensure compliance with all environmental-related requirements. Lowering CO₂ emissions through plantations and operational control drives are among the few steps that will contribute to efforts for a 1.5°C scenario of climate action.

Energy

To operate and manage its enormous energy use effectively, PARCO takes a systematic and structural approach. After upgrading the refinery, Energy Management System (EMS) has also been implemented on all new units. PARCO monitors and optimises energy consumption through Energy Performance Indicators (EPIs), which include consumption of Fuel Oil, Fuel Gas, Steam, Electricity, Water, and Instrument Air per barrel of feed processed, which are used to track significant energy use. EPIs are monitored daily and reported to management every month.

Technical advancements aimed at lowering energy use while maintaining operating output are strongly related to energy efficiency strategies in PARCO operations. Also, our refinery places a heavy emphasis on process optimization and raising energy efficiency to cut costs and lower Scope 2 (Energy Indirect) CO₂ emissions.

The use of Drag Reducing Agents (DRA) during pipeline pumping, is one of the measures taken to improve energy efficiency. DRA makes use of a physical phenomenon that lowers friction and increases fluid flow, enabling the product to flow with less energy while still producing maximum output. This eventually reduces the carbon footprint of the organisation.

During the year, **1,856,268 kWh** of electricity has been saved through DRA

Energy Data

	Units	2022	2021	2020
Total Energy Consumption	Terajoule	12,253.1	11,122.5	8,081.3
Energy Intensity Ratio of the organisation	Total energy consumed Terajoule per K.Tons Throughput	0.6	0.7	0.6
Refinery Operations				
	Units	2022	2021	2020
Total Energy Consumption	Terajoule	11,864.9	10,817.0	7,821.0
Purchased Electricity Consumption	Terajoule	796.4	740.7	580.0
Energy Consumption from Non-Renewable sources (Natural Gas, LPG, Refinery Gases & Oil)	Terajoule	10,812	9,881.3	7,098.0
Energy Consumption from Renewable sources	Terajoule	-	-	-
Steam Production from Process Units	Terajoule	256.5	195.0	143.0
Energy Intensity Ratio	Total energy consumed Terajoule per K.Tons Throughput	2.2	2.3	2.0
Pipeline Operations				
	Units	2022	2021	2020
Total Energy Consumption	Terajoule	388.2	305.5	260.3
Purchased Electricity Consumption	Terajoule	363.1	276.7	233.0
Energy Consumption from Non-Renewable sources (Natural Gas, Diesel, Motor Gasoline)	Terajoule	24.9	28.8	27.3
Energy Consumption from Renewable sources	Terajoule	0.2		
Energy Intensity Ratio	Total energy consumed Terajoule /K.Tons Throughput	0.03	0.03	0.03
Energy reduction from direct initiatives	Gigajoules	6682.6		
<i>From Drag Reducing Agent (DRA)</i>	Gigajoules	6682.6		

- 1) Total energy consumption = Electricity+Natural Gas+LPG+Refinery Gas+Refinery Oil+Steam
- 2) 1 kWh = 3.6×10^6 Terajoule (B.L Theraja)
- 3) Fuel consumption in litres which is converted to Joules by formulae "LHV x Litres of fuel consumed"
LHV for Diesel: 36 MJ/L
LHV for Petrol: 32 MJ/L
- 4) Energy consumption outside the organisation is not calculated as such information is not significant in the overall context.
- 5) No energy is sold.

Energy Intensity:

- 1) Calculation as per guidelines of GRI: Total Energy Consumption (TJ)/ Throughput (K.Tonnes).
- 2) Includes energy consumption within the organisation.
- 3) Includes Steam, Fuel and Electricity.

Energy Savings:

- 1) Electricity consumption included in savings.
- 2) Estimation based on electricity savings
- 3) Base Year: 2020-21, being a year prior to renewables initiatives started

Energy Conservation Program

By using efficient pipeline pumping arrangements, gravity transfer, and electrical load management, PARCO ensures conservation of energy resources. The maximum levels of efficiency and minimal energy losses are achieved by using power-driven motors that meet standard specifications. In the refinery, heaters and boilers are the main energy consumers. There is a routine programme in place for checking heater efficiency, and it is carried out every month. Daily monitoring of the excess air is done. We have dual-fired heaters that use both fuel oil and gas to conserve energy and the environment.

Every day, all heat exchangers are examined for efficiency and energy usage. They are inspected and maintained regularly, along with the Boilers which are annually inspected and certified by government agencies.

Renewables

Clean energy is always something PARCO aspires. PARCO has been employing renewable energy sources, since the last decade, when the idea of renewable energies was not even well-defined in Pakistan. PARCO has installed solar panels to provide electricity in some Cathodic Protection stations and remote locations where there is no available connection to the National Grid. For example, PARCO deployed a Solar-Diesel Hybrid Power Solution at Microwave Station No. 04 which is situated in the Dhal neighbourhood of District Jamshoro. This helps in reducing the carbon footprint equal to the amount of CO₂ that would normally be eliminated by 1,200 mature trees.

The conversion of the CP station and microwave towers to solar-powered sites is being planned out in stages. In addition, PARCO is always experimenting with

various feasibility studies for renewable and clean energy sources, combining various resources and cost estimation, to find a sustainable solution for meeting the organisation's power requirements.

Emissions

Greenhouse Gas (GHG) Emissions

GHG emissions are the single biggest contributor to climate change. Greenhouse gasses include various gasses, but majorly Carbon dioxide is considered due to its high volumes, in our activities. The other GHGs are not relevant to our business and therefore have not been included in our figures. The data provided in the report is taken from the Solomon Benchmarking study. However, PARCO has set its goal for the assessment / gap analysis of the carbon footprint.

To reduce our GHG emissions while also having an impact through indirect means, PARCO's carbon efficiency agenda focuses on process optimization, energy efficiency, and delivering projects that do so. Due to fuel consumption, moving petroleum products via bowsers on the road generates a substantial amount of GHG emissions. Our cross-country pipeline offers safer and more environmentally friendly product transportation, which reduces emissions. The dualization initiative, which was started this year, has allowed us to pump out a high volume of consumer products, while also reducing carbon emissions.

Point source methane emissions as well as technically unavoidable emissions are kept to a minimum in all PARCO activities. Flare Gas venting during oil and gas production, processing, and gas leakage are the primary causes of methane emissions. Through predictive maintenance, methane emissions and other Non-Methane Volatile Organic Compounds (NMVOCs) are routinely reduced.

Flaring and Venting

Our refinery has a cutting-edge plant that prevents routine flaring by only employing it as a safety mechanism for specific operations, like start-up, shutdown, emergencies, and process disturbances. The flare system gathers and get rid of both regular and emergency refinery gas releases. To avoid superfluous emissions, flaring/venting systems are regularly audited.

To control the flaring process and lower Scope 1 GHG emissions, the Flare Gas Recovery Project is now under construction through which flare gas will be recovered for the refinery's use. One of the most crucial stages toward achieving resource efficiency and long-term economic success is to replace continuous flaring with controlled intervals.

GHG Emissions

Units		2022	2021	2020
GHG Intensity Ratio of the organisation (Scope 1)	Tons CO ₂ e per Tons Throughput	0.038	0.040	0.032
GHG Intensity Ratio of the organisation (Scope 2)	Tons CO ₂ e per Tons Throughput	0.008	0.008	0.007

Refinery Operations		2022	2021	2020
Scope 1	K.Tons CO ₂ e	728.9	628.3	402.2
Scope 2	K.Tons CO ₂ e	131.4	104.5	67.3
Hydrocarbon Flaring	K.Tons	3.2	2.6	2.4
GHG Intensity Ratio (Scope 1)	Tons CO ₂ e per Tons Throughput	0.13	0.13	0.10
GHG Intensity Ratio (Scope 2)	Tons CO ₂ e per Tons Throughput	0.02	0.02	0.02

Pipeline Operations		2022	2021	2020
Scope 1	K.Tons CO ₂ e	1.9	2.1	2.0
Scope 2	K.Tons CO ₂ e	32.2	26.4	22.3
GHG Intensity Ratio (Scope 1)	Tons CO ₂ e/K.Tons of oil pumped	0.14	0.20	0.24
GHG Intensity Ratio (Scope 2)	Tons CO ₂ e/K.Tons of oil pumped	2.36	2.43	2.61
GHG Reduction (Scope 2)	Tons CO ₂ e	606.8	-	-
From Renewables and DRA initiatives	Tons CO ₂ e	606.8	-	-

Scope 1 Emissions:

- 1) Base Year is 2021-22, being the first sustainability report period.
- 2) We have documented only CO₂ in GHG. So Global Warming Potential for CO₂ is 1.
- 3) There are no biogenic emissions

For MCR emissions:

- 1) Data is based on Solomon's Study for MCR.

For Pipeline emissions:

- 1) Data is based on diesel/petrol consumption from vehicles, generators and fire water pumps for Pipeline
- 2) CO₂e emission factors for:
 - Diesel: 2.68 kg/L (US Energy Information Administration)
 - Petrol: 2.39 kg/L (US Energy Information Administration)

Scope 2 Emissions:

- 1) Base Year is 2021-22, being the first sustainability report period.
- 2) We have documented only CO₂ in GHG. So Global Warming Potential for CO₂ is 1.

For MCR emissions:

- 1) Data is based on Solomon Study for MCR

For Pipeline Emissions:

- 2) Data is based on CO₂e emissions from purchased electricity. The electricity units were gathered from utility bills for Pipeline Segment from each pumping station.
- 3) Percentage mix of the country's electricity generation was used from NEPRA reports.
- 4) Electricity: 1 kWh = 3.6x10⁶ Terajoule
- 5) CO₂ emission factors from the following sources:
 - Hydel: 0.024 kg/kWh (IPCC)
 - Coal: 0.95 kg/kWh (EPA)
 - RFO: 0.278 kg/kWh (IPCC)
 - Gas: 0.2019 kg/kWh (IPCC)
 - RLNG: 0.227 kg/kWh (IPCC)

Scope 3 Emissions:

The mechanism for calculation was not available at the time of reporting and evaluating mechanisms to be developed by 2027.

GHG Intensity:

Only CO₂ is included in the calculations.

Reduction in GHG Emissions:

- 1) Base Year is 2021-22, being a year prior to renewables initiatives started.
- 2) We have documented only CO₂ in GHG
- 3) We have taken the difference between energy consumption before and after using DRA.

Ozone Depleting Substances (ODS):

PARCO does not produce, export or import any ODS, however, CFCs are used in refrigerating units which are subjected to a phase-out replacement plan that is in progress.

Air Emissions

The impact on the environment from the refining process is controlled by monitoring, treating and managing air emissions. According to the standards outlined in the National Environmental Quality Standards, PARCO performs air emissions monitoring through its own laboratory and EPA-approved third-party laboratory for substances such as Nitrogen Oxides (NOx), Sulphur Oxides (SOx), Carbon Monoxides (CO), and Particulate Matter. Samples are gathered from all sources that produce emissions, including heaters, boilers, and stacks, among others. Additionally, all company-maintained vehicles are subject to a yearly inspection for vehicle emissions.

Substances such as Chlorofluorocarbons (CFCs) are among the ozone-depleting substances. Ozone depletion is a major environmental problem because it increases the amount of ultraviolet (UV) radiation that reaches the Earth's surface, which increases the rate of skin cancer, eye cataracts, and genetic and immune system damage. So, all CFCs-based refrigerants from Heating, Ventilation, and Air Conditioning (HVAC) units are now being replaced in PARCO according to a phase-wise plan.

Benzene causes air pollution and soil contamination when mixed with rain, and has adverse effects on health by damaging the immune system. After the introduction of some new units during the MCR Revamp, PARCO was able to reduce the Benzene contents by less than 1% in Gasoline.

In accordance with Government of Pakistan regulations to reduce hazardous emissions from vehicles, PARCO is providing the country with high-quality fuels by upgrading its major fuel products (Gasoline & Diesel) from Euro-II to Euro-III grade and lowering Sulphur content 500 to less than 350 ppm in Diesel. Currently, PARCO produces Euro V grade gasoline and to comply with future standards, PARCO plans to upgrade its diesel to Euro-V by lowering SOx emissions to less than 10 ppm and cutting the NOx content in half.

Other Air Emissions

	Units	2022	2021	2020
SOx	Tons	2,596.8	1,905.1	3,915.4
NOx	Tons	634.6	810.2	705.4
Particulate Matter	mg/Nm ³	28.7	5.7	63.3

Particulate Matter:

1) PM emission depends on the consumption and quality of fuel oil being used and it varies frequently. PM is a mixture of various suspended particles for which conversions are not possible. That is why due to a lack of data on the particle size of the PM, the units are in mg/Nm³.

2) Stack analysis is performed through EPA approved 3rd party lab which was done bi-annually till 2020, and quarterly from fiscal year 2021.

3) The values of PM are the average value of all stack results for a fiscal year.

SOx/NOx:

1) For SOx/NOx emissions, there are no analyzers present on site or stacks. Fired Heater Stack analysis is carried out by the Lab as per EPA requirements on monthly basis.

Waste Management

PARCO emphasises responsible waste management and disposal of solid waste in a way that does not harm the environment. As we have implemented a Corporate Waste Management Guideline, which has been created in compliance with ethical internal standards and statutory requirements, and it states that the establishment of a sustainable waste management strategy is dependent on a hierarchy of practices for waste management.

The business of refining and transporting oil products requires crucial processes that produce waste, for which PARCO has a clear structure in place. Our operations result in the production of solid and liquid waste which can be further classified into two categories, hazardous and non-hazardous. Some examples are concrete, welding waste,

drilling waste, mud devoid of oil, mixed municipal waste, paper, and metal, as well as waste chemicals, catalysts, oily sludge and building debris. Hazardous wastes have the potential to significantly harm the environment, and all waste-related impacts directly relate to organisational actions. These effects may, directly and indirectly, increase air emissions and soil and water contamination. According to EPA requirements, all wastes with a major environmental impact are recognized and managed.

All the impacts of various types of waste are identified and controlled effectively. Waste is segregated at the source stage and stored in waste collection facilities as per the nature of the waste. Consequently, protective measures of waste release, spill, reactivity etc. are ensured during the storage and transportation stage.

To ensure proper segregation at the origin source, three different types of waste drums have been introduced to collect the waste and are positioned in each zone, A yellow drum is used for storing hazardous waste while the green one is used for non-hazardous waste and red drum for pyrophoric material. Waste produced at stations, terminals and MCR is stored in Solid Waste and Scrap Yards. Solid waste yards & sludge pits have been constructed on environmental safety rules and regulations and only authorised personnel are allowed to access the area ensuring proper storage and maintenance of waste data. The hazardous waste is disposed of by EPA-approved vendors through a stringent evaluation criterion for fulfilling all the legal requirements, i.e.

- EPA NOC for disposal of hazardous waste.
- Safe handling and transportation of hazardous waste methods and statements.
- Necessary packaging and labelling requirements.
- Waste management as per EPA-approved scientific techniques.
- Safety of workers for handling hazardous waste.
- Provision of waste disposal/recycling certification.

Waste collection vehicles (trucks, bowsers, trolleys, etc.) are weighed at weighbridges prior to disposal, and a precise quantity record is kept. As far as transportation is concerned, so far, no spill of waste has been reported during the transportation nor has a single complaint been received from the local community.

Solid Waste Data

	Units	2022	2021	2020
Total Waste Generated	Tons	1,256	1,850.0	829.7
Hazardous	Tons	910.2	1149.1	190.0
Non-hazardous	Tons	345.8	700.9	639.7
Waste Directed to Disposal	Tons	1239.3	1816.5	828.3
Non-Hazardous	Tons	345.8	700.9	639.7
Landfill	Tons	83.0	149.6	267.0
Incineration	Tons	259.5	550.9	371.7
Non-Hazardous waste for other disposal options	Tons	3.25	0.4	1.0
Hazardous Waste	Tons	893.5	1,115.6	188.6
Incineration	Tons	893.5	707.3	188.6
Other disposal options	No. ('000)	1.0	3.0	2.5
Other (Oily Sludge)	Tons	-	408.3	
Waste Diverted from Disposal	Tons	16.7	33.5	1.4
Hazardous Waste	Tons	16.7	33.5	1.4
Used Oil	Litres (000)	-	-	1.4
Batteries	No.	-	-	89
Used Sample Tins	Tons	16.7	33.5	

1. Waste is handed over to a third party and then disposed off. So waste directed to disposal is offsite.
2. Waste is handed over to a third party and then it is recycled/re-used by their own approved methods. So waste diverted from disposal is offsite.

Water and Wastewater

Water Management

Clean water is an essential resource for society, the environment, and the economy. It is crucial for the local communities in which we work. Through our risk-based water management systems, procedures, and standards, we safeguard this vital natural resource. Being a good partner in the communities where we operate means using water responsibly.

When making important decisions, PARCO takes water efficiency and conservation into account. To report on water use, PARCO uses the right criteria while attempting to conserve, repurpose, and recycle. For water resource concerns in the places where

we operate, we interact with governments, partners, local people, and other stakeholders continuously. To increase water efficiency, PARCO has started using the treated water from the Effluent Treatment Plant (ETP) for horticultural uses. Water that was previously utilised for gardening will be reused and conserved in this way.

By increasing water recycling and reuse at our facilities, we can reduce freshwater withdrawals and preserve the nation's overall water supply. While freshwater is used in several operations, including cooling and steam generation, PARCO does not operate in any areas where there is water stress. Due to PARCO's understanding of the value of water and the country's problems with water shortage, significant efforts are being made to protect freshwater resources through re-engineering. Additionally, the local water needs are considered while developing the targets for water and effluent conservation, ensuring that the quality of the water being discharged is not compromised. By doing so, we adhere to governmental regulations and support UN Sustainable Development Goal No. 6 and other environmental quality criteria.

Effluent Management

Marine water resources and habitats may be significantly impacted by water discharge. Therefore, treating the discharged water is crucial to safeguarding freshwater resources and marine life. Similarly, children's lives are seriously threatened by contaminated water. One of the main causes of death in children under 5 is an illness related to water and sanitation. In freshwater sources, rising temperatures can promote the spread of harmful germs, making the water unsafe for consumption.

Access to safe drinking water is becoming increasingly challenging, particularly for the most vulnerable children, as a result of extreme weather events and modifications to the water cycle patterns.

Oil spills and leaks rank among the petroleum industry's major risks. To avoid spillage, PARCO has very strict procedures in place. Pipeline integrity is ensured and leaks are prevented, by periodic maintenance, risk-based inspection, cathodic protection, and leak detection systems. To further ensure that these incidents do not occur, PARCO has also established a goal for itself to carry out a third-party assessment of pipeline integrity. The assets are continually examined and maintained in accordance with OEM specifications not just for the pipeline portion but also for the refinery. With these controls in place, no occurrence of a significant spill has been noted during the year.

All of PARCO's operational facilities, including the Mid-Country Refinery and Stations & Terminals, periodically monitor their effluents. The effluent produced during refining operations is treated in a cutting-edge Effluent Treatment Plant (ETP). The wastewater produced throughout the refinery is collected and sent to the ETP for additional processing, including skimming, neutralisation, dissolved air flotation, aeration, clarification, and filtration to meet the regulatory requirements. The effluent is then discharged to Saim Nala after being verified through internal and external laboratory testing that has been approved by the EPA. The business must adhere to tight rules and meet PEQS and NEQS requirements.

1,705.01 Megaliters of refinery effluents were treated at the ETP in 2022.



Water Data

Water Withdrawal	Units	2022	2021	2020
Water Withdrawn	Megaliters	2,895.3	2,858.2	2,343.6
From Groundwater	Megaliters	2,856.4	2,819.1	2,291.7
Freshwater (≤1000 mg/l TDS)	Megaliters	2,793.2	2,766.4	2,229.9
Other water (>1000 mg/l TDS)	Megaliters	63.1	52.7	61.8
From public supply systems	Megaliters	38.9	39.1	51.9
Freshwater (≤1000 mg/l TDS)	Megaliters	38.9	39.1	51.9

Water Discharge	Units	2022	2021	2020
Water discharged by destination	Megaliters	1,766.3	1,940.5	1,579.2
Sewerage	Megaliters	74.3	74.1	84.2
To groundwater	Megaliters	-	4.4	
Other water (>1000 mg/l TDS)	Megaliters	-	4.4	
To surface water	Megaliters	1,692.0	1,862.0	1,489.0
Freshwater (≤1000 mg/l TDS)	Megaliters	-	-	
Other water (>1000 mg/l TDS)	Megaliters	1,692.0	1,862.0	1,489.0
Water Discharged Type				
Process Wastewater	Megaliters	4.75	5.78	6.00
Oily water discharge	Megaliters	4.75	5.78	6.00
Water Consumption				
Water consumed	Megaliters	1,129.0	917.7	764.4

Water Data:

Calculations based on field measurement instruments available at the site.

Biodiversity

The availability of freshwater, food and nutrition, security, energy, the production of medications, and other necessities for individual and social well-being are all supported by biodiversity. PARCO is playing a key part in preserving and reestablishing natural habitats and biodiversity. All PARCO activities are carried out in a manner that causes the least amount of disruption to local flora and fauna as well as protected areas, according to PARCO's Environmental Management Standard and Environmental and Social Impact Assessment Procedure. Our commitment to environmental stewardship, along with a few particular local projects, serves as the foundation for our efforts to safeguard biodiversity.

The Mid-Country Refinery and the 2000-kilometre cross-country pipeline from Karachi to Machike ensure that the product is refined and transported without having an impact on the nearby biodiversity areas. We also constantly keep an eye out for any detrimental effects on biodiversity, such as spills or leaks that can harm marine life by contaminating freshwater and lakes.

The presence of legally protected endangered or fragile ecosystem, internationally designated places with sensitive biodiversity, or nationally or globally threatened species is determined through BES screenings at all pertinent sites. To analyse the pipeline's condition and take proactive corrective action, the health of the pipeline is

also monitored using a variety of techniques, such as Smart Pigs (Pipeline Inspection Gauges). Additionally, all operational actions are carried out with the highest consideration. For instance, apart from any unavoidable circumstances, all movement or maintenance activities are completely avoided in areas with high biodiversity.

Our Actions to Support Biodiversity

PARCO has taken various initiatives including routing of pipeline overhead canal crossing to the underground using Horizontal Directional Drilling (HDD) technology and re-routing of pipeline to save habitats.

The Mahal Kohistan Wildlife Sanctuary and Kirthar (IUCN Category II) National Park, which span over 3,087 square kilometres and are located in Jamshoro, Sindh, respectively, are traversed by about 36 km of PARCO's pipelines. Kirthar is the second-largest national park and meets the criteria for protected sites set forth by the International Union for Conservation of Nature and Natural Resources (IUCN). The biodiversity of the park includes 25 species of reptiles, 147 species of birds, and 33 species of mammals, including Wild Goats, Urial, Blackbucks, Chinkara, and Sindh Ibexes. The Sindh Wildlife Department received major support from PARCO for the preservation of IUCN Red List species. Apart from building an overhead tank to assure water availability to habitats, PARCO also erected a tube well and pond for Mugger crocodiles, a species that is listed as threatened on the IUCN Red List.

There is always a great risk of oil spillage in the supply chain during ocean voyage and at the port which can affect the biodiversity and life below the sea. So in the Blue Ocean Project, PARCO has enhanced its safety measures at the Oil Piers located at Keamari Port in order to protect marine life.

PARCO has also re-routed the KMK pipeline to by-pass protected areas of the Manchar Lake, located in Dadu District, the largest natural freshwater lake in Pakistan with a surface area of 250 square kilometres, add with high biodiversity value that is habitat to following IUCN Red List species:

IUCN Category	Kirthar National Park	Manchar Lake
Critically Endangered	1	-
Endangered	4	-
Vulnerable	5	2
Near Threatened	6	1
Least Concern	37	13
Grand Total	53	16
National Endangered Species	7	-

Tree Plantation Drive

On World Environment Day, a tree-planting ceremony was organised at the corporate headquarters of PARCO and other locations where workers and kids planted trees. All staff received vegetable and moringa tree seeds from the company. It was decided to start a habit of creating green areas near and surrounding staff houses. Also the staff at MCR planned a gardening competition where prizes were distributed.



Collaboration for the Planet

Collaboration is at the heart of PARCO's sustainability efforts. We believe that in order to achieve our sustainability goals, we need to work together with all stakeholders, including our employees, customers, suppliers, and communities. By collaborating with others, we can make a greater impact on the planet and create a more sustainable future for all. Our sustainability initiatives are driven by a collaborative approach that focuses on forging partnerships with like-minded individuals and organisations to bring about positive change. At PARCO, we firmly believe that sustainability is a shared responsibility, and we are proud to collaborate with those who share our vision for a greener, more sustainable planet. Together, we can create a better future for ourselves, our communities, and the world around us.

A Future Built on Sustainability



Zeshan Taj Khan

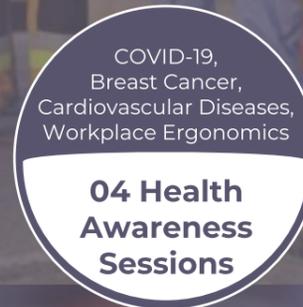
Group Chief Human Resource Officer

“At PARCO, we are not just talking about sustainability, we are living it. As the Head of HR, I have the privilege of working with a team that is committed in creating a better future for our employees and the environment. Our belief in “Sustainability” inspires us to strive for excellence in everything we do and to build a brighter, more sustainable tomorrow.”

PARCO FOR THE PEOPLE

- Our Co-Workers (PARCONIANS)
- Occupational Health and Safety
- Talent Management
- Diversity and Inclusion
- Human Rights
- Corporate Social Responsibility at PARCO
- Collaborations for the People

Employees at PARCO



CSR at PARCO

Upgraded
19 Government Healthcare
in FY2022

171
students graduated
from Sewing and
Embroidery
Display Centre

5000+
Covid Vaccinated
individuals

Education to
over **1,000**
students in FY2022
in TCF Schools

Supported several
sports tournaments and events

Our Co-workers (PARCONIANS)

At PARCO, our employees are the driving force behind our success and a key part of our commitment to sustainable operations. We value their hard work, dedication, and contributions to the company and believe that they play a critical role in shaping our culture and ensuring our continued growth. We are proud to foster a work environment that is inclusive, supportive and respectful, as part of our employment policy. We are committed to providing our employees with opportunities for personal and professional development and to safeguard against any potential negative impact from shift-duty or remote areas job posting like our refinery and pipeline locations. Through our efforts to promote health and wellness, engage in community outreach, and support diversity and equality, we are working to create a workplace that is efficient and effective and where our employees can thrive and be proud to work.

PARCO strives to create a learning-based interactive and collaborative environment for all employees. PARCO focuses on talent acquisition and retention, skill development, training, diversity and inclusion, all of which allows us to become employer of choice.

Occupational Health and Safety

At PARCO, safety is a core value that is embodied in our daily business operations. We prioritize assessing potential risks, putting precautionary measures in place, and training our workers on risky behaviours. At all organizational levels, safety and preventive measures are included in our workplace policies to prevent our people, especially the field staff from any potential work-related hazards associated with activities such as working with heavy machinery and exposure to flammable products, etc.

To further reinforce our dedication to safety, the Corporate HSE Committee meets monthly with divisional management. We have also established goals for reporting risks and near misses, issued safety bulletins and conducted toolbox lectures with staff to raise their awareness of any dangers at the site.

Occupational Health and Safety Management System

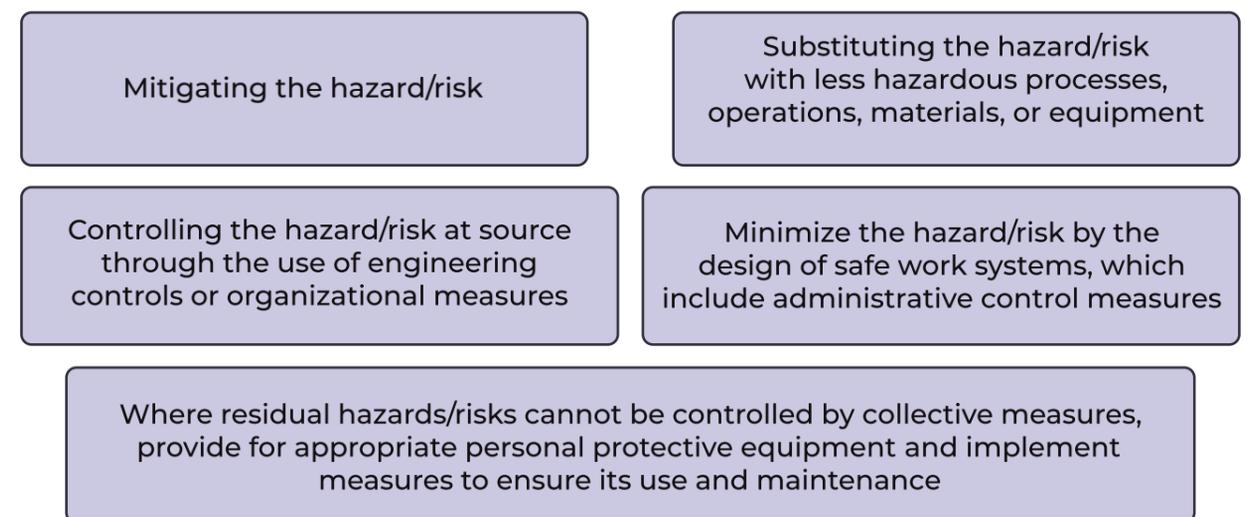
A comprehensive Occupational Health and Safety, and Environmental Management Program is implemented at all levels of the organization for all the employees and is regularly audited and certified by a third party in accordance with ISO 45001:2018. Monthly safety committee meetings are conducted to demonstrate the commitment of leadership in our operating divisions; as well as inter-departmental technical review meetings, pipeline inter-station meetings, and emergency drills are conducted at all sites.

Additionally, management walkarounds and HSE system audits are conducted at all locations. PARCO's OH&S and Environmental Management Systems are compliant with national and international standards such as ISO, OSHA, PEQS, NFPA, Pak EPA, API and US EPA.

A robust occupational health monitoring program is in place to manage the health of all employees and services providers' staff who may be exposed to occupational hazards, such as;

- 1 Dust monitoring
- 2 Noise audiometric testing
- 3 Ergonomic Effects
- 4 Monitoring of volatile organic compounds

In accordance with ISO 45001:2018, preventive and protective measures are taken in the following order of priority:

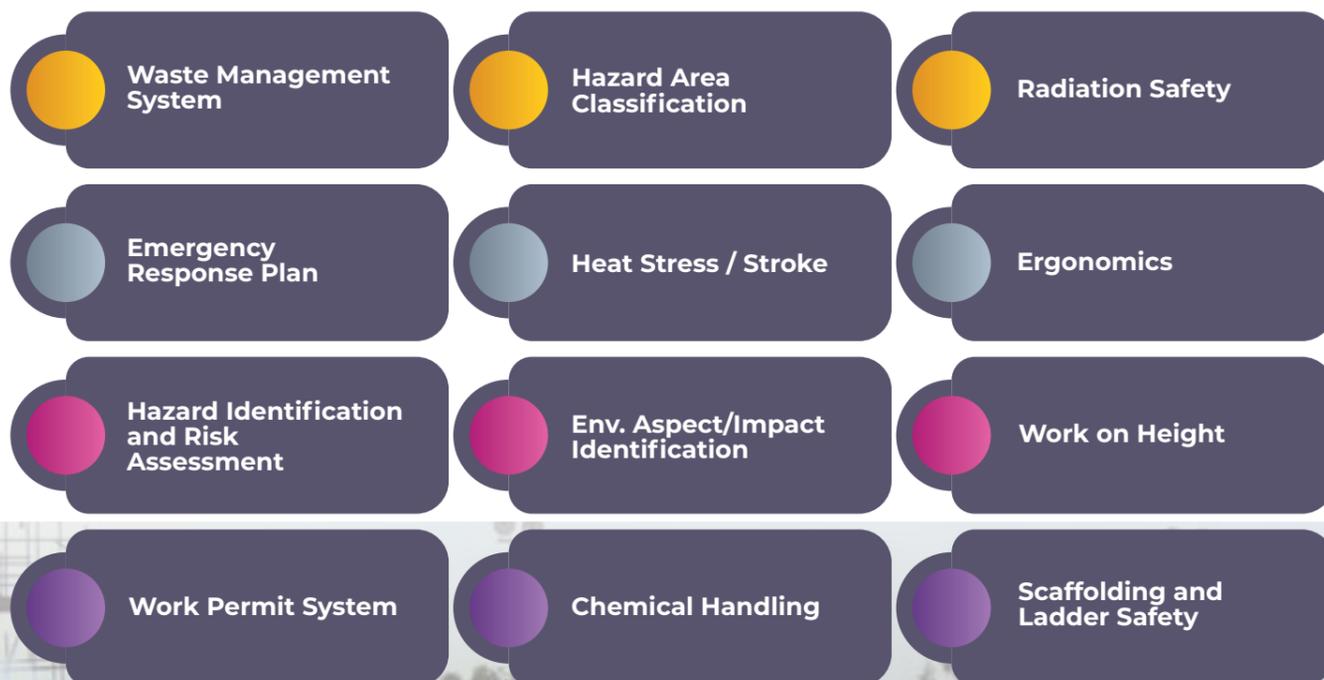


Emergency Preparedness

Our emergency management is in line with international standards and operational requirements. We have prepared Emergency Response Plans and Crisis Management Plans to deal with a wide array of emergency events, including natural disasters and operational incidents, of any size, severity, and cause. In addition, each facility of PARCO and business unit has trained responders and resources for emergency response.

The HSE division also organizes training courses to develop Emergency Response Teams for the Pipeline and MCR divisions. Moreover, the division provides training on various subjects regarding occupational health and safety. Some of them are as follows:

Topics of HSE training conducted



Mock drills with Mutual Aid Partners on potential worst-case scenarios and practical training sessions on the use of fire-fighting equipment are also conducted. PARCO organizes First Aid Training sessions at various locations, in collaboration with Rescue 1122 and Aman Foundation.

Increasing Safety Awareness and Performance

At PARCO, we highly encourage employee participation during the planning and implementation of OHSE-MS activities, such as:



Hazard Identification and Control

Our Corporate HSE has developed PARCO HSE Corporate Guidelines for Hazard Identification, Risk Assessment and Control, with the PARCO HSE Qualitative Risk Matrix also in place. An in-house Hazard Incident Reporting and Analysis (HIRA) online system has been created, which is accessible to all company employees, and features incident investigations, root cause analysis, recommendations, and generated actions. Every worker who reports the hazard has the option of submitting their concerns while providing their names, or anonymously, as a means of protecting them from any potential reprisal. All workplace hazards that could potentially result in high-consequence injuries and could have an effect on employees' health are also identified and reported through the HIRA system.

Automated Incident Reporting System

All the incidents / near misses occurring in the PARCO are being reported and recorded through the online Hazard Incident Reporting and Analysis (HIRA) from raising an incident report till the completion of the incident investigation and implementation of recommendations. Benefits such as timely information to senior management, an investigation by cross-functional teams, root cause analysis, recommendations, and lessons learned are also being extracted from this system for sharing with all employees.

- 1 Online Reporting System – a companywide program
- 2 Incident reporting criteria for major and minor incidents
- 3 Information to the senior management within 24 hours
- 4 An investigation by cross-functional teams
- 5 Root cause analysis and recommendations
- 6 Implementation verification through safety audits
- 7 Sharing of incident learning with employees
- 8 All major international accident investigations collected are shared with employees during training sessions
- 9 All leakage/ spillage incidents are followed by rehabilitation work to restore the environmental condition and legal compliance

Safe Working Environment

Process Safety

PARCO has implemented a rigorous process safety management system to prevent the uncontrolled release of hazardous substances, minimize potential health and safety impacts, and protect property from damage. This system includes identifying safety critical elements, their safety defeat mechanisms, management of change, and reporting of process safety incidents tiers. HSE serves as the foundation for identifying process safety risks associated with our operations and regular inspections are conducted to ensure adherence to safety standards. We also ensure Asset Integrity in our operations from the

inherent design phase to commissioning and operations, following the Asset lifecycle approach and we maintain the highest standards through rigorous maintenance philosophy. To further ensure the safety of our employees and all personnel involved in the operations of PARCO, we have invested in safety equipment such as fire extinguishers, first aid kits, and Personal Protective Equipment (PPE). We have also implemented a comprehensive safety training program to ensure that all employees are aware of the safety procedures and protocols. Additionally, we have established regular safety meetings to keep all personnel informed of any changes to safety policies and procedures.

Personnel Safety

At PARCO, we promote a safety-first mentality to reach our goal of zero workplace injuries and illnesses. Our workforce is empowered to intervene or stop work when they observe an at-risk situation or unsafe behaviour. All of our drivers receive annual training to comply with the Road Safety Rules and Pakistan Traffic Code. We have installed proper road markings and road safety signs at all PARCO facilities and locations to ensure strict compliance. Wearing a seat belt is compulsory for all drivers. We also ensure that our employees are briefed at the time of induction to prevent or mitigate negative occupational health and safety impacts and related hazards and risks. We want our workers to follow our policies and meet our business objectives to promote a strong safety partnership and improve our safety performance towards our goal of an injury-free workplace.

Hazard prevention is essential to maintaining a safe workplace and reducing high-consequence injuries. Fire accidents, electrical accidents, and mechanical accidents from unguarded machinery are some example of hazards that could result in high-consequence injuries like burns, fall, slips, trips, paralysis, or even death. PARCO has implemented a variety of established safety procedures such as SOPs for Forklifts, Firefighting, Slips, and Falls, Lockout Tagout, Chemical Safety, and more. This has enabled us to reduce the number of high-consequence injuries to zero this fiscal year.

Occupational Safety Data

Refinery Operations	2022	2021	2020
Total man-hours for the fiscal year (Company) – Million	1.58	1.4	1.5
No. of fatalities as a result of work-related injury	0	0	0
LTIR for the fiscal Year (Company) – Million	0	0	0
Safe man-hour since the last LTA (Company) – Million	8.46	6.9	5.5
TRIR – Million	0.64		

Pipeline Operations	2022	2021	2020
Total man-hours for the fiscal year (Company) – Million	0.94	1.1	1.0
No. of fatalities as a result of work-related injury	0	0	0
LTIR for the fiscal Year (Company) – Million	0	0	0
Safe man-hour since the last LTA (Company) – Million	12.73	11.8	10.7
TRIR – Million	0		

1) Every data pertaining to Occupational Health and Safety including the Number of fatalities, LTIR, and TRIR, is based on a 1,000,000 basis.

2) No employee has been excluded from the above calculation

Employee Health and well being

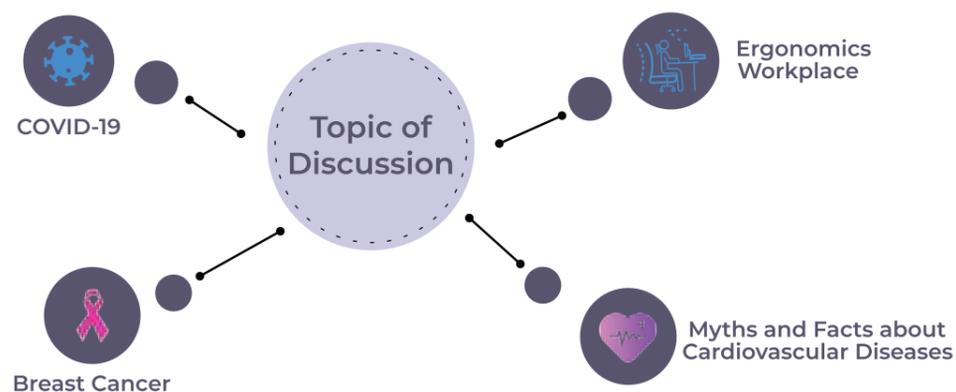
In addition to safety protocols, PARCO also ensures its employees have access to comprehensive medical coverage to protect their health and well-being. This includes a fixed monthly medical allowance as well as hospitalization coverage for monetized employees.

PARCO is proud to have been able to provide all its employees, families, and support staff with the proper vaccinations for COVID-19. The Company has done so by organizing country-wide drives at multiple locations, including its subsidiaries PAPCO and PPGL. Such efforts ensure that all individuals associated with the company are safe and secure.

Wellness Program

PARCO takes the health and well-being of its employees very seriously. In addition to providing vaccinations against COVID-19, the Company has also put in place a Wellness Program to ensure that all employees are aware of their health status and are taking appropriate steps to maintain their fitness and well-being.

The Company also provides counselling for employees by qualified health professionals who conduct awareness sessions to support them in their health journey. In addition, PARCO also provides regular health and wellness tips to employees helping them to stay fit and healthy.



Work-Related ill health

At the heart of our operations and production activities is a commitment to the safety and health of all those who work in our field locations and are exposed to risks associated with our operations. We take great care to identify and document hazards such as working in confined spaces and exposure to chemicals, drugs, high-noise areas, excessive light, and sparking tools. This can lead to potential health risks like asthma, certain cancers, hearing loss and eye strain. We also take preventive measures to minimize exposure and to comply with relevant Personal Protective Equipment (PPE) usage. In addition, we conduct medical tests on employees who are exposed to such conditions, and if any health issues arise, we deal with them promptly and with great care. Since the company's inception in 1974, we are proud to say that no employee or worker of service provider/supplier has suffered any health issues due to our operations. We remain committed in keeping our employees safe and healthy as we continue to grow.

Some of the medical tests conducted are as follows:

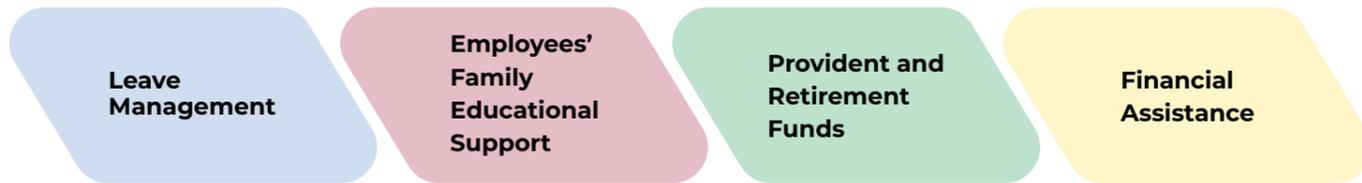
Areas	Medical tests conducted	Frequency
High Fumes Areas	Chest X-Ray	Annually
	Blood CP with ESR	Annually
	L.F.T	Annually
	Renal Parameters (Serum Urea, Creatinine)	Annually
Mess Staff	Urine DR	Bi-annually
	Stool DR	Bi-annually
	Hepatitis B & C	Bi-annually
	Tuberculosis	Annually
	Chest X-Ray	Annually
Drivers & FTO staff	FBS	Annually
	ECG	Annually
	Eyesight	Every two years
	Audiometry	Every two years
Tower Rigger Staff	FBS	Annually
	Blood Pressure	Annually
	ECG	Annually
	Eyesight	Every two years
	Audiometry	Every two years
High Noise Areas	Audiometry	Annually

Talent Management

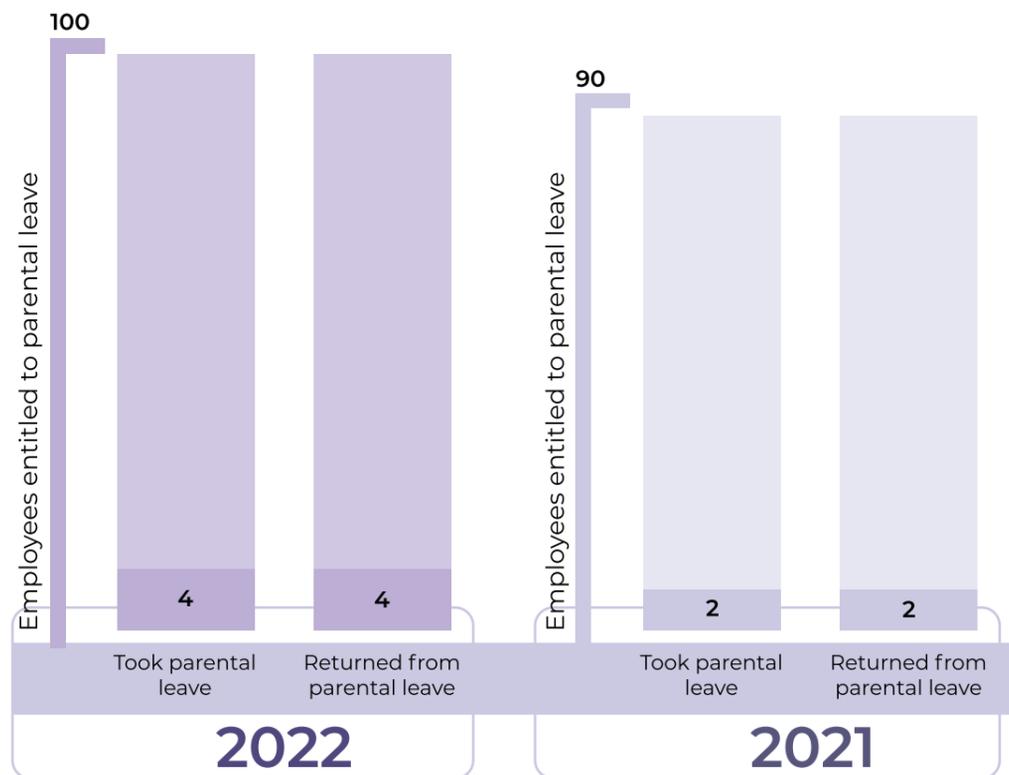
Employee Compensation and Benefits

At PARCO, we strive to provide market-competitive salaries and benefits to our employees. To make sure that we are meeting this objective, we regularly participate in salary/compensation surveys through independent external consultants and review the results with the HR committee of the Board of Directors, consists of at least three non-executive directors, representing the shareholders.

We also provide benefits, facilities, and allowances specified in our company policies to all employees and their dependents. We do not have any part-time staff. The following benefits are provided to its employees:



Parental Leaves



1. Female employees only.

2. 100% retention rate and all are still employed 12 months after their return to work.

Facilities at Mid-Country Refinery (MCR) Housing Complex

- Employees who are availing the residential facility at the MCR, benefit from allotment of Company-owned housing, hard and soft furnishings, and household appliances.
- The School at PARCO's Mid-Country Refinery (MCR) Housing Complex provides subsidized education to the employees' children till the pre-university level.
- Ibn-e-Sina Hospital (ISH) a Primary Care Hospital located within the premises of the MCR Housing Complex, which provides round-the-clock medical services to the employees and their families.
- Officer's Club Facility is one of the salient features, and here employees can dine-in, and arrange get-togethers and family events.
- Recreational facilities, which include a Cricket Ground, Football ground, Tennis court, Basketball court, Swimming pool, Gymnasium, and sports center, ensure a healthy lifestyle for their employees.



Employee Training and Education

At PARCO, we strive to cultivate our human capital through comprehensive training programs. We implement a formalized process of Training Needs Analysis, Personal Development Plan and Career Planning for all employees.

- In order to encourage employees to enhance their professional competence, PARCO provides membership of reputable professional bodies and organizations which impart technical, professional and managerial knowledge to the employees through the 'Organizational Membership' policy.
- PARCO provides a Traineeship program for Engineers, Technologists and Business Graduates. Under this program, a sizeable number of graduates are inducted who go through rigorous classroom and field training.
- PARCO's extensive Management Development Program (MDP) is based on the company's current and future requirements as well as individual learning needs and talent gaps.
- PARCO offers 4 to 6-week paid internships to students of Engineering and Management degree programs to give them practical / industry exposure and to help them fulfil their academic requirements.
- Providing Environmental and OHS training ensures that employees are trained on environmental challenges, PEQS and other legal and compliance requirements.
- However, with a very low attrition rate and retirement at the age of superannuation, transition assistance programs have not been introduced.



Average hours of training per year per employee

Average Hours of Training and Education by Position and Gender

Average Hours of Training and Education by Position and Gender	6/30/2022	6/30/2021
Average training hours per Senior Management	8.4	3.1
Average training hours per employee	7.1	5.5
Average training hours for male employees	7.1	3.8
Average training hours for female employees	6.7	3.8
Total hours of health, safety, and emergency response training for full-time (direct) employees	4103	2244



Employee Engagement

- Long Service Awards
- Family Funfair
- International Women's Day



Responsible Recruitment

PARCO does not engage in any form of forced or child labour in its operations. PARCO is committed to upholding the highest standards when it comes to labour practices. We ask our Suppliers and Service Providers to abide by the laws of the country and to eliminate any form of forced or child labour.

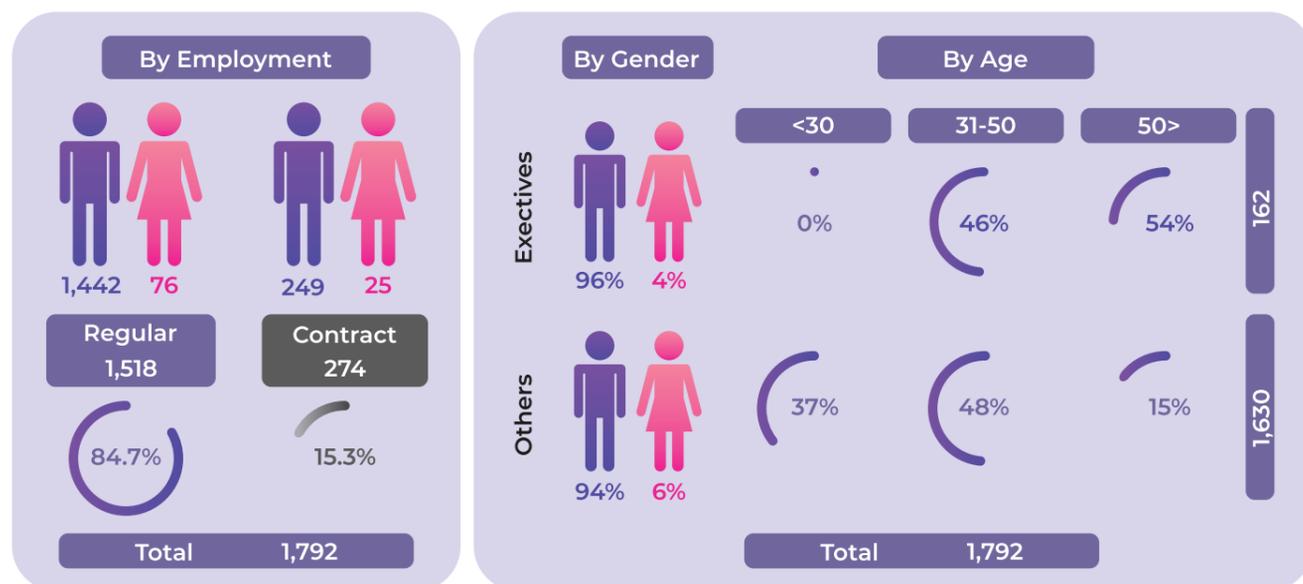
Third-Party Audit of Labour Conditions

In Pakistan, third-party audits are carried out by the Labor Directorate, Employees Old Age Benefits Institution (EOBI), Social Security Department, and Workers Children Education, among others, to ensure the elimination of child labour and compliance with Labor Laws.

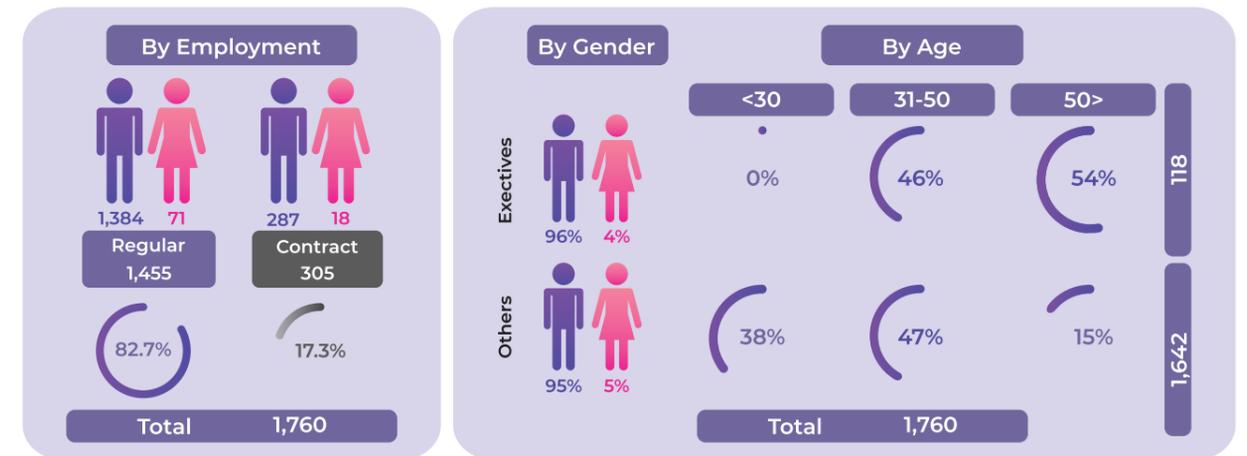
Diversity and Inclusion

PARCO focuses on building a better business that is inclusive and diverse with regard to gender balance, differently abled, diverse religious groups and race & ethnicity. Our goal is to ensure employees are treated with mutual respect and provided equal opportunities so they feel engaged and recognized. Our culture is supported by regularly updated policies.

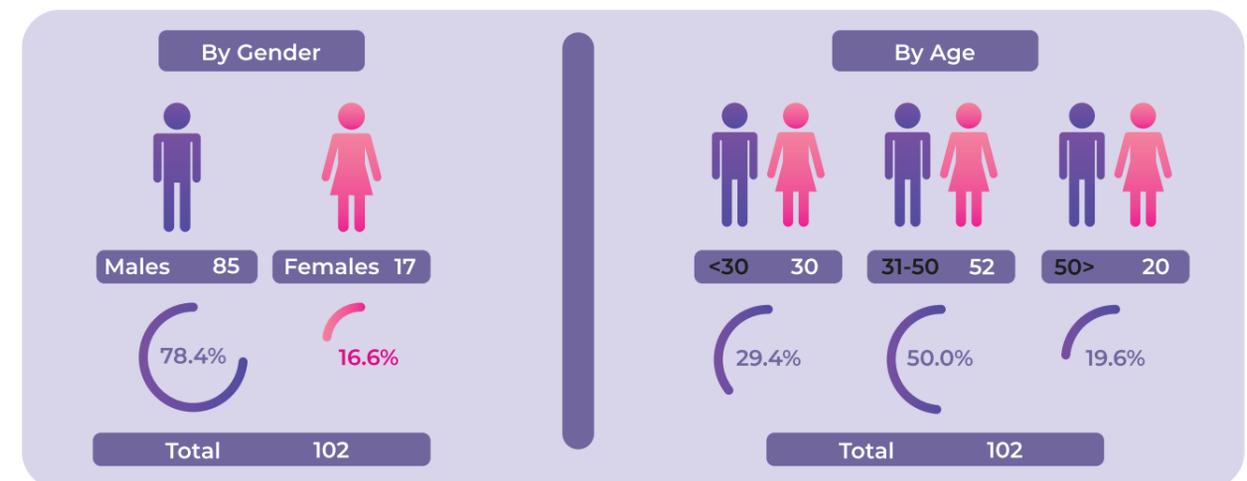
Employee Data as on 30 - June - 2022



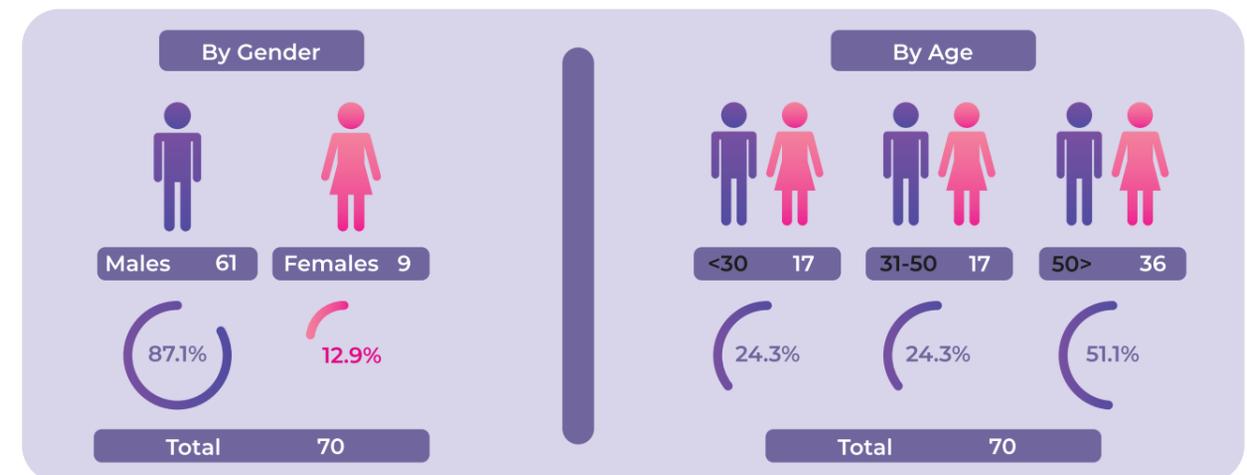
Employee Data as on 30 - June - 2021



New Joiners from 01-Jul-21 to 30-Jun-22



Turnover (Attrition)* as on 30 - June - 2021



1) No significant change in employee data during the period as compared to last year.

2) PARCO operates only in Pakistan and assumes it is a single region.

3) The employment information has been compiled from the SAP-HCM module and no assumptions were made.

4) Data relating to human resources controlled and managed by suppliers and service providers is not disclosed.

Women Empowerment

PARCO understands the importance of Women's Empowerment for sustainable economic growth. As a petroleum engineering organization, we actively encourage women to apply for employment, both at our offices and remote facilities, as part of our commitment to eliminate any potential impact of Non-discrimination and Equal Opportunity. We are proud to have female employees at all levels and departments, a few of whom have even progressed to key positions in the company key positions.

Our goal is to eradicate any form of discrimination in a male-dominated industry and society. We strongly believe in equal career growth opportunities for all our valued employees. We provide an equal compensation ratio to men and women in all categories at all locations in terms of salary, remuneration and benefits.

Merit-driven Promotions

PARCO is proud to have an effective divisional and departmental Scorecard system including ESG goals, which encourages employees, including executive director/managing director and senior executives, to aspire and excel in their roles. The organization is open to everyone, and the policy is to develop and promote internal employees through career and succession planning. All promotions are based on merit and performance, which is reviewed bi-annually for supervisory and management staff, and annually for all others.

To ensure fairness, external pressure is strictly prohibited, and any employees found exerting such will be automatically disqualified and face disciplinary action.



Human Rights

Protecting human rights is fundamental to our corporate values that are reflected in our policies and practices to protect the rights of our employees as well as individuals throughout our supply chain, and the communities where we work. We also assist and encourage our business partners to do the same. PARCO became a signatory to the UN Global Compact at a participant level in 2011 and committed to upholding and promoting the principles of the Global Compact within our spheres of influence.

Our corporate procedures demonstrate our dedication to making sure that everyone who works for us does so voluntarily in a secure environment. We make sure we have safeguards and controls to prevent any negative impact of discrimination, slavery, underage labour, and any restrictions on freedom of association or collective bargaining for non-management staff. We are committed in upholding human rights, and we expect the same standards of behaviour from our suppliers and business partners. Additionally, we are establishing a dedicated Whistle-blow Management System under the Compliance function.



Freedom of association and collective bargaining

All non-management employees are under collective bargaining agreement, while terms of employment for management are based on industry best practices and in complete harmony with the Collective Bargaining Agent (CBA).

Though changes are rare in our operations and thereby we don't have any policy for minimum notice period, we ensure timely discussion of any changes in employees' responsibilities, or any operational change and offer a reasonable notice period, this policy applies to all employees either covered in CBA or not.

Protection against Harassment

Being in full compliance with the "Protection Against Harassment of Women at the Workplace Act, 2010" and its Amendment- Act 2022", our objective is to create a safe working environment for women which is free of harassment, abuse and intimidation so that they can work with dignity.

Corporate Social Responsibility at PARCO

As a good corporate citizen, the company focuses on meeting the expectations of its internal and external stakeholders professionally and strategically. PARCO also undertakes a wide range of projects to benefit society in areas of education, health, environment, sports, culture, community development, road safety, and response to natural calamities.

Adopting relevant SDGs has helped us in developing a CSR strategy that works towards solving the problems of communities. We rely on proximity, proactivity, and long-term relations. The area addressed are the result of a material issues assessment, human rights focus, risk and impact management, and stakeholder engagement.



At PARCO, we create strategic linkages with communities in close proximity to PARCO's installations through effective interventions in the areas of health, education, empowerment, environment, sports and infrastructure. These interventions have brought impactful results for the communities, especially as the world experiences post-pandemic and economic effects. Our CSR initiatives have also won accolades from local and international juries which is a testament to the PARCO's commitment. PARCO employees actively take part in these initiatives along with the core CSR team to achieve greater impact.

Good Health and Well-Being

5000+ Vaccinated Individuals

300 families free of cost Health Services

At PARCO, we recognize the importance of good health and well-being as a foundation for long-term development and the success of the 2030 agenda for sustainable development. Furthermore, the Company has continued its Hospital Upgradation Project for the second year running, working to enhance access to quality healthcare for neighbouring communities. In addition, PARCO and PAPCO have upgraded 19 government healthcare facilities in areas close to the cross-country Pipeline, Stations, Terminals, and Mid-Country Refinery.



Moreover, PARCO is proud to partner with Layton Rahmatulla Benevolent Trust (LRBT) – Pakistan's largest non-government organization providing state-of-the-art comprehensive eye care – to manage eye camps near its Mid-Country Refinery and the Corporate Headquarters in Karachi.

At the Mid-Country Refinery, PARCO's Community Welfare Clinic has been providing basic healthcare facilities to domestic workers and their families. Moreover, PARCO has also been actively supporting those with special needs, mental health issues, and impaired hearing in both children and adults, to improve their quality of life.

Education

Education to over 1,000 students

In the realm of education, PARCO has made significant progress by collaborating with TCF for nearly two decades, to provide quality education to over 1,000 students across three campuses in Karachi and Mahmoodkot. The Company continues to support its schools and has also partnered with other educational institutions to provide primary, secondary and professional education. Furthermore, PARCO supports government schools near its facilities in Sindh and Punjab, through its Schools and Clinics Support Program.



Empowerment

171 students have graduated from Sewing and Embroidery Display centre

In PARCO's CSR strategy, gender equality is emphasized as a fundamental human right and a foundation for a peaceful and prosperous world. To achieve gender equality, PARCO constantly enhances its policies and procedures through its management systems and CSR initiatives.



Among PARCO's social investments are the Vocational Training Center for Women at MCR, the Vocational Training Centre at the Women's Central Prison in Karachi and the Vocational Training Institute at Mehmoodkot. Additionally, several initiatives are aimed at supporting gender equality in healthcare and education.

At the Mid-Country Refinery, the Company runs a Sewing and Embroidery Display centre providing dress-making and embroidery lessons. In 2021-22, two batches of 30 students graduated from this centre. In total, 171 students have graduated till now.

Infrastructure

Upgraded 19 government healthcare

PARCO takes great pride and interest in the development and beautification of the city of Muzaffargarh. This year, the company has implemented several projects to improve the city, such as the installation of "Welcome to Muzaffargarh" signage and solar-powered street lights at Faisal Stadium. Moreover, a roundabout on the Dera Ghazi Khan road was also given a facelift. Additionally, a reverse osmosis water filtration plant has been set up to provide the communities living near the Mid-Country Refinery with access to clean drinking water. Moreover, several other eco-friendly projects are currently being undertaken for the continued development of Muzaffargarh.

Promoting Sports

Supported several sports tournaments and events

Sports also play a big part in PARCO's corporate social responsibility initiatives, and the company has organized several tournaments and events for the employees in the past year, such as cricket, squash, table tennis, and long tennis. Moreover, Pakistan Tennis Federation received support from the company to develop young players and help them reach new heights in the sport.

The 3rd Chief of Air Staff International Sailing Championship 2022, held in March 2022, saw 97 sailors and officials from 11 countries participating. Pakistani sailors excelled in the Championship, dominating the medal table when the curtains were drawn. PARCO, in addition to its sponsorship of the Championship, also supported Jeep rallies and the Thal and Cholistan deserts. Through the support of these activities, the harsh climate of these desert regions was brought to the attention of the public, providing much-needed help to the communities living there.



Community Environment

At PARCO, we specialize in processing and handling hydrocarbons, which can bring with them potential hazards. To ensure the safety and well-being of our employees, customers, service providers, communities, and environment, PARCO is proactive in identifying, minimizing, and mitigating such risks. Our wide range of technical, social, and environmental projects demonstrate our commitment to these efforts.

To further guarantee compliance, PARCO is implementing a local community environmental monitoring program. This includes ambient air, groundwater, and noise surveys in close proximity to the local community. Through this plan, the company can guarantee that its operations do not lead to the pollution of soil or water in the area. Data is being collected and stored in a database for trend analysis over the past years. It includes the following monitoring of the local community:

- Ambient Air Quality Monitoring around peripheral boundaries of the Refinery
- Offsite Ground Water Monitoring from different locations in the local community
- Noise Level Monitoring at the boundary peripheries of the Refinery

The area near the PARCO Mid-Country Refinery is filled with independent Service Stations for trucks, lorries and other vehicles, which have the potential to contaminate ground water. In the past few years, several oil depots have been set up nearby. PARCO is aware of this and is actively monitoring the environment, collecting data and analyzing trends. So far, the results of tests conducted by independent third parties have been satisfactory.

Community's Ambient Air Monitoring

Emissions are a potential risk for ambient air quality. Being a responsible organization, we always strive to use cleaner fuel for our heaters and a robust system for better efficiency of the heaters. To check the impact of emissions on ambient air, air sampling is conducted twice a year by a third-party laboratory accredited by EPA. NO_x, SO_x, CO, O₃ and particulate matter are the variables being tracked. All results conducted during the past year have been well within permissible limits.



Noise Survey

In all operating areas of the refinery and station & terminals, noise assessments are carried out regularly. Sign boards & signs are pasted on high noise zone and accordingly ear muffs & earplugs are made compulsory. In addition to this, noise monitoring is also conducted outside boundary walls by third parties in order to ensure that neighbourhoods outside the facilities of PARCO remain unaffected.

Community's Ground Water Monitoring

The surrounding groundwater of refinery premises is being monitored biannually through EPA certified-third party laboratory to ensure the safe usage of water by the local community. Water samples from the surrounding community are being tested from different locations outside the refinery as per PEQS requirements.

Certifications from Environmental Protection Agency (EPA)

- PARCO being a responsible corporate organization in Pakistan is committed to meeting all EPA legal requirements. Prior to the commencement of any project, the company conducts Environment Impact Assessment (EIA) or Initial Environment Examination (as the case may be as per EPA rules). After public consultation, the EIA study report along with Environmental Management Plans (EMPs) are submitted to the EPA concerned jurisdiction. Once EPA approval is acquired for the construction phase, the company complies with all terms and conditions.
- All compliance reports are submitted on a quarterly basis and the final compliance report is submitted for the operational phase NOC.

Collaborations for the People

At PARCO, we believe that our employees are not just our greatest asset, but also a valuable part of our larger community. That's why we are committed to collaborating with hospitals, training centres, and other organizations to create programs and initiatives that promote health, wellness, and personal development for our employees. By working together with these organizations, we can provide our employees with access to a wider range of resources and opportunities, and create a supportive and inclusive work environment that feels like a second home. Our collaborations also enable us to give back to the community and make a positive impact on the lives of our employees and their families. By prioritizing the well-being of our co-workers, we are strengthening our company culture, enhancing employee satisfaction, and ultimately driving our continued success.

Harnessing the Power of Sustainability



Syeda Batool

Group Company Secretary & General Manager Legal

“At PARCO, we believe that doing good and doing it well go hand-in-hand. As a member of PARCO family, I am honored to lead the way in demonstrating that our "Adding Value Through Sustainability" approach is a win-win for society, our employees and our stakeholders. Let's harness the power of sustainability to create a better future for all.”

PARCO FOR A PURPOSE

- Economic Impact
- Accountability and Transparency
- Creating Shared Value
- Business Ethics
- Collaboration for a Purpose

HIGHLIGHTS



Established a dedicated Transformation Function to encourage employees to bring innovative ideas, and analyze and implement those ideas accordingly



Migration to new IT Data Center within 10 hours



PARCO received the Global Compact Best Practices Sustainability Award



Digitalization Journey initiated



SMART SECURITY – through the application PSOC (PARCO Security Operation Center)



Roll out Project Path for SAP S/4 HANA



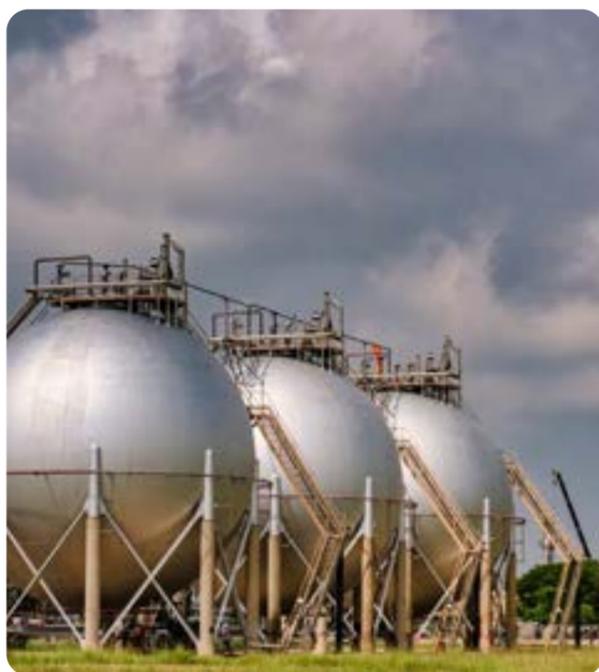
PARCO achieved Information Security Management System (ISMS) standard certification i.e., "ISO/IEC 27001:2013"

Economic Impact

PARCO's focus is end-to-end value creation across its value chain, contributing to the national economy by maximizing the utilisation of indigenous resources. Local inclusion is evident in all aspects of the business, from employment to procurement practices - all executive staff are Pakistani nationals and the majority of procurement, excluding crude oil, is locally sourced. Though the utilization of indigenous crude has been increased, the company's local procurement share amounts to only 12%, as Pakistan's indigenous oil reserves and exploration are very limited and inadequate to meet national fuel demands. As far as imports excluding crude oil are concerned, they amount to only 0.2% of total procurements.

PARCO is committed to ethical business conduct and this is reflected in its tax strategy. The company is transparent when it comes to payments to the government, as this helps make informed decisions for the future. Due to the environmental impacts of fossil fuels, which are heavily taxed around the world. By collecting and paying taxes to the government, PARCO helps them to invest wisely in underdeveloped areas and combat environmental impacts.

At PARCO, we not only emphasize on moral practices, but we also ensure that our tax planning is consistent with these values. Being open and clear about our tax payments is considered a necessary economic move that allows us to make wise decisions. As a result, we collect indirect taxes on behalf of the government, such as petroleum levies, to help them invest in underdeveloped areas and reduce our environmental footprint.



Accountability and Transparency

PARCO is committed to sustainability and responsible business conduct that also applies to its value chain and business partners, which includes implementing governance structures, performance reporting processes, human rights, and accountability measures that are overseen by the Board. We are committed to act ethically, responsibly, and in compliance with applicable laws, rules, and regulations, as well as internationally accepted guidelines, conventions, or similar standards relating to corruption, money laundering, fraud, modern slavery, forced and child labour, environment, human rights, financial accountability or similar activities. Additionally, our sustainability efforts and policy commitment are reinforced by the policies and procedures that are put in place to ensure our organization remains compliant when making decisions, achieving targets, and advancing projects. Lastly, the Internal Audit function is tasked with conducting periodic assessments to ensure that all our business units abide by the strictest compliance standards.

Controlling the competitive market environment is strongly discouraged by PARCO. We are committed to the growth of our company and nation and always look for opportunities to expand our reach and collaborate with partners. We strive to maintain arm's length relationships with our competitors and joint partners for the benefit of all parties.

All policies, procedures, processes, and guidelines are available on the staff intranet and any change therein is communicated through circulars. Relevant policies are also disseminated to business partners, where applicable.

Key international policies and principles	Embedded in
<ul style="list-style-type: none"> UN Guiding Principles on Business and Human Rights UN Global Compact (UNGC) Core ILO conventions International Bill of Human Rights 	<ul style="list-style-type: none"> Code of Conduct and Ethics Compensation Policy Benefits policy Harassment Policy
<ul style="list-style-type: none"> UN Rio Declaration on Environment and Development 	<ul style="list-style-type: none"> Health, Safety, Environment (HSE) Policy Quality Policy

Anti-Corruption

At PARCO, we are dedicated to ensuring that our operations are free from any form of corruption or unethical practices to safeguard against negative financial and reputation impacts. Though no formal training was conducted during the year, our directors and our employees are informed of their commitments through a comprehensive code of conduct and are aware of the importance of ethical business conduct and good governance. We have planned a comprehensive training program on Anti-corruption in 2023 & 2024 for all categories of employees.

It is against PARCO's policy to offer anything of value, either directly or through third parties, to any individual, including public officers, in order to secure or maintain a business, influence decisions, or obtain an undue advantage.

Employees have been provided with the necessary training and kept informed of the proper procedures to report any potential incidents of corruption to senior management and to ensure complete adherence to anti-corruption protocols. All pipeline, refinery and marketing operations were assessed for risk related to corruption and no corruption-related incidents have been reported during the year through the risk assessment.

Though overall responsibility for embedding, implementing, and reviewing the policy commitment rests with the Managing Director, administrative heads ensure the implementation of their areas as well as with the respective value chain partners. Regular training is provided to employees for keeping them abreast of development and refresh their knowledge.

Anti-Competitive Behavior

PARCO vigorously competes in the market, while maintaining a fair and ethical approach to business. We do not engage in any prohibited or unethical practices in order to gain an advantage in any customer or supplier relationships. We also ensure that no agreements are formed that could limit free and fair competition, nor do we share pricing and bidding information with competitors or any third parties outside the company. We firmly oppose any anti-competitive behaviours, as well as prohibit any horizontal agreements or monopolization within the industry. At present, no legal actions are pending nor completed during the current reporting period regarding anti-competitive behaviour or violations of anti-trust and monopoly laws.

Creating Shared Value

PARCO is a leading energy lifeline of the country that is dedicated to creating a more sustainable future. The company has committed to taking a proactive approach to sustainability and is actively working to reduce its environmental footprint, ensure ethical practices, and support the communities in which it operates. Through its sustainability approach, PARCO is creating shared value for its stakeholders, the environment, and society.

First and foremost, PARCO is dedicated to minimizing its environmental impact through the implementation of various initiatives. The company has invested in energy efficiency technologies and renewable energy sources, such as solar, to reduce its conventional energy consumption. Moreover, the company has taken steps to reduce greenhouse gas emissions, minimize water consumption, and prevent the release of pollutants and toxins into the environment.

In addition to its environmental efforts, PARCO is committed to ethical practices and the well-being of its employees. The company has established a stringent set of labour guidelines and a comprehensive employee health and safety policy. Moreover, it is dedicated to fostering an inclusive and supportive environment in which employees feel valued and respected.

Finally, PARCO is dedicated to giving back to the communities in which it operates. Through its Corporate Social Responsibility program, the company has provided educational opportunities and economic development initiatives to local communities. The company has also partnered with local organizations to support a variety of causes, such as health, education, and the environment.

Overall, PARCO's sustainability approach reflects its commitment to creating shared value for its stakeholders, the environment, and society. The company has taken an innovative approach to sustainability and is dedicated to driving positive change through its policies and initiatives. As PARCO continues to grow and evolve, it will remain focused on creating a more sustainable and equitable future for all.

Sustainable Supply Chain

Our success relies heavily on the capabilities, expertise and compliance of our strategic partners and alliances, as well as the overall supply chain network. Consequently, to manage any potential ESG impacts, PARCO expects all business associates to abide by the highest standards of integrity and ethics, and to have implemented sound labor practices, respect human rights, protect the health, safety and environment, and demonstrate a zero-tolerance policy towards corruption.

In addition, PARCO has outsourced auxiliary services such as janitorial, security, horticulture and transport, etc., where respective service providers are responsible for managing and controlling any resources used for executing these services. Furthermore, our suppliers were categorized based on their contracts and evaluated according to strict criteria, in accordance with our Contract Management (Services and Supplies) guidelines. After assessing all new and existing suppliers before the commencement of major contracts, no significant social or environmental negative impacts were reported during the year.

We strive to maintain the highest standards of quality management and regularly collect feedback from our business partners. We take grievances seriously and strive to address them with due care. To ensure the fairness of our process, end users are not allowed to have direct contact with vendors and all communication is made through our internal functions before awarding a contract.

PARCO is committed to eliminating discrimination during the selection of business partners. To uphold this commitment, we have established a system of checks and balances to prevent discriminatory conditions from being introduced. Any form of extortion and bribery, given or taken, is considered as serious misconduct according to the Company's policy. We have also created separate committees to ensure transparent, merit-based prequalification, quotations opening, and tender opening processes.

Quality Management System

For product information and display, PARCO complies with strict local laws and regulations and strongly emphasises ethical standards, safety, and social and environmental impacts. PARCO maintains high-quality standards as per ISO requirements and a 'Certificate of Quality' (COQ) is issued for each batch of product. Sales are mostly made to OMCs and bulk customers, either through tank lorries or pipelines, and the COQ is also shared with customers to ensure that all technical parameters with allowable limits have complied. Moreover, no incidents of non-compliance with regulations and voluntary codes concerning the product and service parameters, safety, and environment were reported.

Approach to Tax

PARCO's tax strategy is based on the core principles of ethics and compliance. We are dedicated to following all applicable federal and provincial tax regulations of Pakistan.

Our fundamental objective is to respect and adhere to all relevant tax laws, while achieving our corporate objectives, creating value for our shareholders, promoting sustainable economic growth for the people of Pakistan, and avoiding any tax-related risks and inefficiencies in our business operations.

At PARCO, compliance and ethical conduct are the core principles. We strive to create and maintain a culture of personal accountability, supported by strict policies and standards that ensure everyone is aware of the expected behaviour. There is zero tolerance for tax evasion and we also ensure that our business partners, employees, and other stakeholders comply with the applicable tax laws. PARCO endeavours to build and maintain an open, constructive relationship with Pakistan's tax authorities, based on mutual respect, transparency, and trust. This supports Federal / Provincial tax authorities in developing their capability and improving their understanding of our industry, business, and relevant tax aspects, and allows appropriate focus on areas of potential risk or uncertainty.

Tax disclosure in Company's Audited Annual Financial Statements is governed by the Company's accounting policy, Income Tax Ordinance, 2001; IFRS/IAS and Companies Act, 2017. These disclosures are reviewed by the Company's tax advisor and assurance is given by the external auditors. Tax risk and compliance are governed through SOPs, checklists and control sheets which have been adequately designed in conformity with the tax laws applicable in Pakistan. We follow established procedures and channels when dealing with tax authorities transparently, which may involve direct engagement or using the services of a tax consultant or legal advisor. The Chief Financial Officer reviews and approves the tax strategy in consultation with the GM Finance subject to changes in applicable laws or corporate objectives.

We provide regular information to relevant tax authorities as required by law. We actively support the development of effective tax systems, administration, and legislation through business and trade associations, feedback to chambers of commerce, and directly to the exchequer as well as the Federal Government. We contribute to initiatives that may improve the country's rating for ease of doing business, simplify the country's tax regimes, encourage investment, and build trust and sustainable growth through various forums including trade bodies, as well as directly to tax authorities and Federal Government.

Business Ethics

Employees' Code of Ethics

At PARCO, we strive to ensure that our business practices adhere to the highest levels of compliance and ethical conduct. We believe that it is our responsibility to uphold such standards, and as a result, we are committed to instilling a culture of personal accountability in at workplace. This is supported by our policies and standards, which serve to create awareness among our employees of the expected behaviour.

We are dedicated to following all applicable laws and ethical principles to maintain a positive corporate reputation and prevent any legal or civil liability. To ensure that our employees uphold these values, each individual is required to sign a declaration agreeing to the principles outlined in our code of conduct, which includes guidelines on avoiding discrimination and ensuring fair and ethical dealings with all internal and external stakeholders, such as customers, suppliers, vendors and communities.

PARCO's Incident Reporting System (IRS) encourages all employees to report any unethical or illegal behaviour and uphold organizational integrity. Our zero-tolerance policy for any kind of workplace harassment is an integral part of our organizational culture. Inquiry committees are established to investigate any harassment claims and relevant disciplinary action is taken with the option of appeal against any decisions made. We also strive to ensure that the human rights of our employees are respected. We ensure our policy commitments available to external stakeholders on the company website. Additionally, workshops are conducted to further increase our employees' understanding of sustainability in business. No incident of discrimination is reported during the year.

Regulatory Compliance

PARCO is committed to maintaining the highest standards of corporate practices, ensuring compliance with all regulatory requirements and adhering to the highest ethical standards. Our approach is to comply with stringent requirements where applicable and to keep up to date with all municipal, provincial, and national regulations. We strive to comply with the relevant social, economic, and environmental laws, resulting in the avoidance of any fines or non-monetary penalties during the year.

To further ensure we meet best practices and ethical standards, an audit is conducted on each division to verify compliance with applicable accounting standards as well as SECP (Securities and Exchange Commission of Pakistan), Financial/Tax/Labor/ Environment laws, and other National and Provincial Legislations.

The Internal Audit department of PARCO is tasked with periodic audits to ensure compliance, improve existing business processes, and provide reports to the Audit Committee of the Board of Directors. This division approaches the risk management process in a systematic way, strengthening internal controls while still making it beneficial for the business, and promoting a good corporate governance system

Collaborations for a purpose

At PARCO, we are committed to creating a sustainable future for tomorrow. That is why we are always delighted to explore partnerships with like-minded organisations to drive positive change in our communities. We are looking to engage with organizations that share our values and our commitment to a sustainable tomorrow; We collaborate for the purpose of preserving tomorrow.

In addition to our collaboration with these organizations, PARCO will provide and seek support to help each other achieve our sustainability goals. We will look to a variety of sources to make this happen, including financial support, technical assistance, and more.

By working together with our partners, we can make a greater impact and make a real difference in the world. We are excited to join forces with these organizations and create a brighter, more sustainable tomorrow.



A Brighter Future, Powered by Sustainability

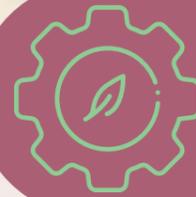


Sharon Dias

General Manager Corporate Communication & Health Care Services

I am inspired by PARCO's unwavering commitment to "Sustainable Energy For A Better Life". Our efforts today will pave the way for a brighter and more sustainable future for all. Let's continue to lead the change.

PARCO FOR THE FUTURE



Environmental Management



Climate Crisis



Efficient Use of Resources



Cultural Transformation



Corporate Social Responsibility

1 Environmental Management

PARCO is committed to ensuring sustainability and planet preservation as a responsible corporate citizen, recognizing that our future depends on resource efficiency, environmental management, and resolving the climate crisis. We aim to create a better tomorrow despite unprecedented challenges.



By reducing emissions, expanding our renewable energy sources

By achieving carbon neutrality through introduction of Carbon Neutrality Program.

Promoting recycling programs and protecting water-related ecosystems

By aligning with SDG and becoming CFC-free in 5-7 years.

3 Efficient Use of Resources

PARCO aims to using resources sustainably and reducing consumption. Our futuristic goals include:



Pursuing Zero Waste through responsible resource management.

Minimizing reliance on single-use materials for a more sustainable future.

Supporting R&D of sustainable materials for resource consumption reduction.

Investing in energy and water efficiency solutions.

Creating a sustainable future through responsible environmental practices.

PARCO FOR

THE FUTURE

2 Climate Crisis

PARCO is committed to collective responsibility in addressing the climate crisis and is undertaking several initiatives to achieve this goal



Invest in green energy and renewable sources

Collaborate with partners to promote sustainability

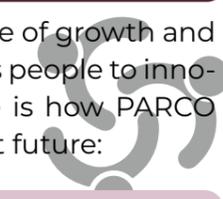
Educate employees about reducing the environmental footprint

Commit to reduce its impact on the climate crisis

Promote collaboration on circular economy initiatives

4 Cultural Transformation

PARCO cultivates a culture of growth and excellence to empower its people to innovate and transform. Here is how PARCO positions itself for a bright future:



Empowering employees through training, development, and collaboration for common goals

Adopting digital solutions to improve work efficiency, culture and streamlining policies

Strengthening partnerships for sustainability, and contractors' safety and wellbeing

5 Corporate Social Responsibility

PARCO recognizes the importance of responsible CSR for a sustainable future and is committed to implementing initiatives to achieve this goal by:



Reducing pollution, protecting endangered species, and developing renewable energy.

Implementing community development initiatives and support local and global organizations.

Addressing social and environmental issues for a better future.



Annexure:

- Assurance certificate
- GRI Index
- SDGs Index
- UNGC Index
- List of Abbreviations
- ESG champions

Independent Assurance Statement

For the Pak-Arab Refinery Limited Sustainability Report 2022

Scope

We have been engaged by Pak-Arab Refinery Limited (PARCO) to perform an 'assurance engagement', as defined by International Standard on Assurance Engagements ISAE 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", hereafter referred to as the engagement, on the information included in the Sustainability Report 2022 ("the subject matter") referring to the period from July 1st, 2021, through June 30th, 2022. The report was co-reviewed by Muhammad Imran & Co., Cost & Management Accountants.

Assurance scope	Level of assurance	Assurance criteria
1. PARCO's declared adherence to the GRI's Standards 2021 – In accordance	Reasonable assurance	Global Reporting Initiative's (GRI) Standards 2021 and GRI II Oil & Gas Sector 2021
2. Review of the policies, initiatives, practices, and performance (qualitative and quantitative information) reported and referenced in the report.	Limited assurance	Completeness and accuracy of selected reported policies, initiatives, and performance data
3. PARCO application of AccountAbility Principles of Inclusivity, Materiality, Responsiveness, and Impact.	Limited assurance	The criteria set out in AA1000AP (2018) for the principles of Inclusivity, Materiality, Responsiveness, and Impact

Pak-Arab Refinery Limited's Responsibilities

Pak-Arab Refinery Limited's management is responsible for selecting the criteria and for presenting the Sustainability Report in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records, and making estimates relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Corporate Social Responsibility Centre Pakistan's (CSRCP) Responsibilities

Our responsibility is to express a conclusion on the subject matter based on the evidence we have obtained. We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ISAE 3000 (Revised), and the terms of reference for this engagement as agreed with Pak-Arab Refinery Limited. Those standards require that we plan and perform our engagement to obtain assurance in line with the assurance levels mentioned in the scope and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

Statement of Independence, Impartiality, and Competence

CSRCP operates a strict conflict of interest check and has confirmed our independence to work on this assurance engagement with Pak-Arab Refinery Limited. The review team has not provided consulting services and was not involved in the preparation of any part of the report. CSRCP is a specialized sustainability consulting firm. The review team has the required combination of education, experience, training, and skills for this assurance engagement.

Description of Procedures Performed

Our procedures were designed to obtain the required level of assurance on which to base our conclusion.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on the effectiveness of internal controls.

We carried out a desk review of the final draft report and communicated with Pak-Arab Refinery Limited to determine the accuracy and authenticity of the report content, data points, methodologies, and policies around the organization's social, environmental, and economic data and activities.

Our procedures for this engagement included:

- Review adherence to the requirement of GRI Standards 2021 and GRI 11 Oil & Gas Sector 2021;
- Review of the policies, initiatives, practices, and standard disclosures regarding the company's material sustainability topics contained in the report;
- Review of consistency of data/information within the report;
- Analysis of the report content against AccountAbility principles of Inclusivity, Materiality, Responsiveness, and Impact;
- Elaboration of the adjustment report; and
- Final review of the report content.

Use of GRI Standards 2021

PARCO declares the report to be in accordance with the GRI Standards 2021. CSRCP reviewed the use of the GRI Standards GRI 2, GRI 3, GRI 11 and the Topic-Specific Standards, considering those standards linked to the material topics. In case of a lack of response, PARCO provides omission statements in line with the requirements of GRI 1. Based on the analysis, minor recommendations to complete the content have been made. PARCO has integrated our recommendations into the report.

Adherence to AccountAbility Principles of Inclusivity, Materiality, Responsiveness, and Impact

CSRCP reviewed the report to analyze adherence to AccountAbility Principles of Inclusivity, Materiality, Responsiveness, and Impact. The main considerations of this analysis for this report were the following:

- The report addresses how the company identifies and engages with different stakeholders and how input from stakeholders informs business strategies and practices.
- The material topics, identified and prioritized considering the requirement of GRI 1 Foundation 2021, GRI 3 Material Topics 2021 and GRI 11 Oil and Gas Sector 2021, addressed in different sections of the report, supported with information on management systems and performance data.
- Pak-Arab Refinery Limited has an appropriate governance structure supported by the risk management system, policies and externally certified quality, environmental, and health & safety management systems, which involve a high-level analysis of risks, non-compliance with applicable laws and regulations, and corrective actions.

Limitations and exclusions

Excluded from the scope of our work is any verification of information relating to:

- Verification of financial figures and sustainability performance data;
- Positional statements (expression of opinion, belief, aim, or future intention of Pak-Arab Refinery Limited) and statements of future commitment.

Statement of conclusion

Assurance Scope 1 - PARCO's declared adherence to the GRI's Standards 2021 – In accordance

We confirm that the report meets the requirements of in accordance criteria of the GRI Standards 2021. The compliance with GRI Standards has been disclosed in more detail in the GRI Content Index which provides omission statements in case data has not been provided.

Assurance Scope 2- Review of the policies, initiatives, practices, and performance (qualitative and quantitative information) reported and referenced in the report

Nothing has come to our attention that causes us to believe that the information in Pak-Arab Refinery Limited's Sustainability Report 2022 is not fairly stated in all material aspects.

Assurance Scope 3 – PARCO's application of AccountAbility Principles of Inclusivity, Materiality, Responsiveness, and Impact.

Nothing has come to our attention that causes us to believe that all four AA1000 AccountAbility Principles are not fairly stated in the report content and elaboration.

However, we can appoint areas of improvement for the next reporting cycle:

- Pak-Arab Refinery Limited's environmental impact has increased this year while it has not defined targets for material environmental impact areas. We recommend defining targets for material impact areas while taking into consideration climate science.
- Pak-Arab Refinery Limited evaluates its supply chain partners in the areas of corruption, human rights, and environmental standards in accordance with its contract management guidelines but does not provide information about the value chain impacts. We recommend Pak-Arab Refinery Limited share value chain impacts and its approach to managing these impacts in future.

Restricted use

This report is intended solely for Pak-Arab Refinery Limited and is not intended to be and should not be used by anyone other than Pak-Arab Refinery Limited. Any reliance placed on the report by any third party is entirely at its own risk.

Islamabad, April 12, 2023



Muhammad Arfan Nazir,
Director,
Corporate Social Responsibility Centre Pakistan.



Muhammad Imran,
Muhammad Imran & Co.,
Cost & Management
Accountants Pakistan.
ICMAP Membership # 1382



GRI Index

for Sustainability Report

The following table has been provided to help the reader in locating content within the document and specifies each of the GRI Standards used and lists all disclosures included in the report. Each disclosure is followed by a reference to the appropriate pages in the 2022 Sustainability Report or other publicly available sources.

Statement of use	Pak Arab Refinery Limited has reported in accordance with the GRI Standards for the period 1 July 2021 to 30 June 2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	GRI 11: Oil and Gas Sector 2021

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION (PAGE NO.)	OMISSION			GRI SECTOR STANDARD REF. NO.11
			REQUIRE- MENT(S) OMITTED	REASON FOR OMISSION	EXPLANATION FOR OMISSION	
General Disclosures						
GRI 2: General Disclosures 2021	1. The organization and its reporting practices					
	2-1 Organizational details	19, 21-22				
	2-2 Entities included in the organization's sustainability reporting	01				
	2-3 Reporting period, frequency and contact point	01				
	2-4 Restatement of information	01				
	2-5 External assurance	02, 104-106				
	2. Activities and workers					
	2-6 Activities, value chain and other business relationships	19, 21-22, 39, 47-48				
	2-7 Employees	79-80				
	2-8 Workers who are not employees	19, 21-22, 39, 47-48	a-c	Confidentiality constraints	Page no. 80	
	3. Governance					
	2-9 Governance structure and composition	24-26	c (iii, iv and vi)	Not Applicable	Directors are nominated/selected in line with the JV Agreement and company's Articles of Association	
	2-10 Nomination and selection of the highest governance body	24	b	Not Applicable		
	2-11 Chair of the highest governance body	24				
	2-12 Role of the highest governance body in overseeing the management of impacts	26, 32				

	2-13 Delegation of responsibility for managing impacts	26				
	2-14 Role of the highest governance body in sustainability reporting	26				
	2-15 Conflicts of interest	25				
	2-16 Communication of critical concerns	32-33, 38				
	2-17 Collective knowledge of the highest governance body	26				
	2-18 Evaluation of the performance of the highest governance body	25	a-c	Confidentiality constraints	Nature of information is confidential	
	2-19 Remuneration policies	75, 81	Highest governance body	Confidentiality constraints	Nature of information is confidential	
	2-20 Process to determine remuneration	75				
	2-21 Annual total compensation ratio			Confidentiality constraints	Nature of information is confidential	
4. Strategy, policies, and practices						
	2-22 Statement on sustainable development strategy	Inside Cover, 3-4				
	2-23 Policy commitments	11, 82, 9				
	2-24 Embedding policy commitments	93				
	2-25 Processes to remediate negative impacts	09, 32, 44				
	2-26 Mechanisms for seeking advice and raising concerns	12, 20, 32, 44				
	2-28 Membership associations	13				
5. Stakeholder engagement						
	2-29 Approach to stakeholder engagement	12, 44				
	2-30 Collective bargaining agreements	79				
Material Topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	29				
	3-2 List of material topics	02, 30				

GHG emissions						11.1
GRI 3: Material Topics 2021	3-3 Management of material topics	31, 44, 51, 54				11.1.1
GRI 302: Energy	302-1: Energy consumption within the organization	52-53				11.1.2
	302-2: Energy consumption outside of the organization		a-c	Information unavailable/incomplete	Page no. 53	11.1.3
	302-3: Energy intensity	52-53				11.1.4
	302-4: Reduction of energy consumption	52-53				
GRI 305: Emissions 2016	305-1: Direct (Scope 1) GHG emissions	55-56				11.1.5
	305-2: Energy indirect (Scope 2) GHG emissions	55-56				11.1.6
	305-3: Other indirect (Scope 3) GHG emissions		a-g	Information unavailable/incomplete	Page no. 56	11.1.7
	305-4: GHG emissions intensity	55-56				11.1.8
Climate adaptation, resilience, and transition						11.2
GRI 3: Material Topics 2021	3-3 Management of material topics	31-33, 42-44, 51, 101				11.2.1
GRI 201: Economic Performance 2016	201-2: Financial implications and other risks and opportunities due to climate change	41				11.2.2
GRI 305: Emissions 2016	305-5 Reduction of GHG emissions	52-53				11.2.3
Climate adaptation, resilience, and transition						11.3
GRI 3: Material Topics 2021	3-3 Management of material topics	31, 44, 56-57				11.3.1
GRI 305: Emissions 2016	305-7: Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	13				11.3.2
GRI 416: Customer Health and Safety 2016	416-1: Assessment of the health and safety impacts of product and service categories	79				11.3.3
Biodiversity						11.4
GRI 3: Material Topics 2021	3-3 Management of material topics	31, 44, 62-63				11.4.1

GRI 305: Emissions 2016	304-1: Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	62-63				11.4.2
	304-2: Significant impacts of activities, products, and services on biodiversity	62-63				11.4.3
	304-3: Habitats protected or restored	63				11.4.4
	304-4: IUCN Red List species and national conservation list species with habitats in areas affected by operations	63				11.4.5
Waste						11.5
GRI 3: Material Topics 2021	3-3 Management of material topics	31, 44, 55-56				11.5.1
GRI 306: Waste 2020	306-1: Waste generation and significant waste-related impacts	57-58				11.5.2
	306-1: Waste generation and significant waste-related impacts	57-58, 101				11.5.3
	306-3: Waste generated	59				11.5.4
	306-4: Waste diverted from disposal	59				11.5.5
	306-5: Waste directed to disposal	59				11.5.6
Water and Effluents						11.6
GRI 3: Material Topics 2021	3-3 Management of material topics	31, 44, 59-60				11.6.1
GRI 303: Water and Effluents 2018	303-1: Interactions with water as a shared resource	60-61				11.6.2
	303-2: Management of water discharge-related impacts	60-61				11.6.3
	303-3: Water withdrawal	61-62				11.6.4
	303-4: Water discharge	61-62				11.6.5
	303-5: Water consumption	61-62				11.6.6
Asset integrity and critical incident management						11.8
GRI 3: Material Topics 2021	3-3 Management of material topics	31, 41, 44, 60, 71				11.8.1
GRI 306: Effluents and Waste 2016	306-3: Significant spill	60				11.8.2

Occupational health and safety						11.9
GRI 3: Material Topics 2021	3-3 Management of material topics	31, 44, 67-68, 70				11.9.1
GRI 403: Occupational Health and Safety 2018	403-1: Occupational health and safety management system	68				11.9.2
	403-2: Hazard identification, risk assessment, and incident investigation	68, 70-71				11.9.3
	403-3: Occupational health services	73-74				11.9.4
	403-4: Worker participation, consultation, and communication on occupational health and safety	67-68, 70, 95				11.9.5
	403-5: Worker training on occupational health and safety	69				11.9.6
	403-6: Promotion of worker health	73				11.9.7
	403-7: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	71-72, 95				11.9.8
	403-8: Workers covered by an occupational health and safety management system	68				11.9.9
	403-9: Work-related injuries	67-73	b	Confidentiality constraints	Page no. 80	11.9.10
	403-10: Work-related ill health	68, 70, 74	-	-	-	11.9.11
Employment practices						11.10
GRI 3: Material Topics 2021	3-3 Management of material topics	31,44, 67				11.10.1
GRI 401: Employment 2016	401-1: New employee hires and employee turnover	80				11.10.2
	401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	75-76				11.10.3
	401-3: Parental leave	75				11.10.4
GRI 402: Labor/Management Relations 2016	402-1: Minimum notice periods regarding operational changes	82				11.10.5
GRI 404: Training and Education 2016	404-1: Average hours of training per year per employee	78				11.10.6

	404-2: Programs for upgrading employee skills and transition assistance programs	77				11.10.7
	404-3: Percentage of employees receiving regular performance and career development reviews	81				
GRI 414: Supplier Social Assessment 2016	414-1: New suppliers that were screened using social criteria	95				11.10.8
	414-2: Negative social impacts in the supply chain and actions taken	95				11.10.9
Waste						11.11
GRI 3: Material Topics 2021	3-3 Management of material topics	31, 44, 79				11.11.1
GRI 202: Market Presence 2016	202-2: Proportion of senior management hired from the local community	91				11.11.2
GRI 401: Employment 2016	401-3: Parental leave	75				11.11.3
GRI 404: Training and Education 2016	404-1: Average hours of training per year per employee	78				11.11.4
GRI 405: Diversity and Equal Opportunity 2016	405-1: Diversity of governance bodies and employees	26, 79-80				11.11.5
	405-2: Ratio of basic salary and remuneration of women to men	59				11.11.6
GRI 406: Non-discrimination 2016	406-1: Incidents of discrimination and corrective actions taken	98				11.11.7
Child Labor, Forced labor and modern slavery						11.12
GRI 3: Material Topics 2021	3-3 Management of material topics	31, 44, 79				11.12.1
GRI 408: Child Labor 2016	408-1: Operations and suppliers at significant risk for incidents of child labor	79, 95				
GRI 409: Forced or Compulsory Labor 2016	409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor	79, 95				11.12.2
GRI 414: Supplier Social Assessment 2016	414-1: New suppliers that were screened using social criteria	95				11.12.3

Freedom of association and collective bargaining						11.13
GRI 3: Material Topics 2021	3-3 Management of material topics	31, 44, 82				11.13.1
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1: Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	82, 95				11.13.2
Economic Impacts						11.14
GRI 3: Material Topics 2021	3-3 Management of material topics	31, 44, 85, 91, 94				11.14.1
GRI 201: Economic Performance 2016	201-1: Direct economic value generated and distributed	Page 53 of the Annual Report				11.14.2
GRI 204: Procurement Practices 2016	202-2: Proportion of senior management hired from the local community	91				11.14.3
Local communities						11.15
GRI 3: Material Topics 2021	3-3 Management of material topics	71-72, 95				11.15.1
GRI 413: Local Communities 2016	413-1: Operations with local community engagement, impact assessments, and development programs	83-88				11.15.2
	413-2: Operations with significant actual and potential negative impacts on local communities	86-87				11.15.3
Conflict and security						11.18
GRI 3: Material Topics 2021	3-3 Management of material topics	31, 44, 67				11.18.1
GRI 410: Security Practices 2016	410-1: Security personnel trained in human rights policies or procedures	39				11.18.2
Anti-competitive behavior						11.19
GRI 3: Material Topics 2021	3-3 Management of material topics	31, 44, 92-93				11.19.1
GRI 206: Anti-competitive Behavior 2016	206-1: Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	93				11.19.2
Anti-corruption						11.20
GRI 3: Material Topics 2021	3-3 Management of material topics	31, 44, 93				11.20.1
205: Anti-corruption 2016	205-1: Operations assessed for risks related to corruption	93				11.20.2

	205-2: Communication and training about anti-corruption policies and procedures	93, 95, 97-98				11.20.3
	205-3: Confirmed incidents of corruption and actions taken	93				11.20.4
Payment to governments						11.21
GRI 3: Material Topics 2021	3-3 Management of material topics	31,44, 91-92, 96				11.21.1
GRI 201: Economic Performance 2016	201-1: Direct economic value generated and distributed	Page 53 of the Annual Report				11.21.2
	201-4: Financial assistance received from government			Not applicable	No financial assistant received from government	11.21.3
GRI 207: Tax 2019	207-1: Approach to tax	96-97				11.21.4
	207-2: Tax governance, control, and risk management	32, 96-97				11.21.5
	207-3: Stakeholder engagement and management of concerns related to tax	96-97				11.21.6
	207-4: Country-by-country reporting	96-97		Not applicable	All operations are only in Pakistan	11.21.7
Public policy						11.22
GRI 3: Material Topics 2021	3-3 Management of material topics	13, 31, 44, 90-91, 97				11.22.1
GRI 415: Public Policy 2016	415-1: Political contribution	98		Not applicable	No political contribution made	11.22.2
Sustainable Supply Chain						
GRI 3: Material Topics 2021	3-3 Management of material topics	31, 44, 95				
GRI 308: Supplier Environmental Assessment 2016	308-2: Negative environmental impacts in the supply chain and actions taken	91				

Topics in the applicable GRI Sector Standards determined as not material	
TOPIC	EXPLANATION
Applicable GRI Sector Standard(s)	GRI 11: Oil and Gas Sector 2021
11.7 Closure and rehabilitation	No significant site is expected to closure and rehabilitation from operations
11.16 Land and resource rights	No significant impacts on land and resource rights from operations
11.17 Rights of indigenous peoples	No significant impacts on rights of indigenous peoples from operations

SDGs Index

for Sustainability Report



No.	Goal	Our Action to Drive Results	Page No.
1	No Poverty	• Education	• 84
		• Empowerment	• 85
2	Zero Hunger	• Empowerment	• 85
3	Good Health and Wellbeing	• Employee Health and Well-being	• 73-74
		• Good health and Well-being	• 84
4	Quality Education	• Education	• 84
		• Empowerment	• 85
5	Gender Equality	• Diversity and Inclusion	• 79-81
		• Empowerment	• 85
6	Clean Water and Sanitation	• Water and Wastewater	• 59-61
		• Community's Groundwater Monitoring	• 88
7	Affordable & Clean Energy	• Opportunities - Valve Addition and Future Projects	• 42-43
		• Energy Data	• 52
		• Renewables	• 53-54
8	Decent Work & Economic Growth	• Safe Working Environment	• 71-73
		• Occupational Safety Data	• 72
		• Responsible Recruitment	• 79
9	Industry, Innovation and Infrastructure	• Risk and Opportunities	• 32-43
		• Environmental Management	• 101
10	Reduced Inequalities	• Diversity and Inclusion	• 79-81

No.	Goal	Our Action to Drive Results	Page No.
11	Sustainable Cities and Communities	• Other Air Emissions	• 57
		• Infrastructure	• 85
		• Community Environment	• 86-87
12	Responsible Consumption and Production	• Waste Management	• 57-58
		• Solid Waste Data	• 59
		• Efficient use of resources	• 102
13	Climate Action	• Climate Change	• 51
		• GHG Emissions	• 55
		• Climate Crisis	• 101
14	Life Below Water	• Biodiversity	• 62-64
15	Life Above Land	• Biodiversity	• 62-64
16	Peace, Justice and Strong Institutions	• Accountability and Transparency	• 92
		• Business Ethics	• 97-98
17	Partnership for The Goals	• Awards	• 23
		• Awards	• 83

UNGC Index

for Sustainability Report



No.	Principle	Commitment	Our Action to Drive Results	Page No.
1	Businesses should support and respect the protection of internationally proclaimed human rights.	At PARCO, we deliver Energy with Responsibility", PARCO respects all human beings and considers employees as its greatest asset, striving to support employees, their families, nearby communities and their stakeholders in accordance with Human Rights.	<ul style="list-style-type: none"> Employee Health and Wellbeing Employee Emergency Preparedness Safe Working Environment Compensation and Benefits Facilities at MCR Housing Complex Employee Training and Education Corporate Social Responsibility at PARCO Community Environment 	<ul style="list-style-type: none"> 69 71-72 73 75 76 77 83 86-87
2	Businesses should make sure that they are not complicit in human rights abuses.	PARCO makes all possible efforts to avoid complicity in Human Right Abuses and abides by the laws of Pakistan.	<ul style="list-style-type: none"> Responsible recruitment Women Empowerment Merit-driven promotions Protection against harassment Accountability and Transparency 	<ul style="list-style-type: none"> 79 81 81 82 92
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	PARCO believes in addressing employee issues practically and providing the right of collective bargaining to all its workers by complete compliance to all Industrial Relations Ordinances and Laws.	<ul style="list-style-type: none"> Responsible Energy Lifeline Freedom of Association and Collective Bargaining 	<ul style="list-style-type: none"> 20 82
4	Businesses should uphold the elimination of all forms of forced and compulsory labour.	PARCO forbids engagement of any form of child labour in its operations or by any of its business partners.	<ul style="list-style-type: none"> Employee Compensation and Benefits Responsible recruitment Sustainable Supply Chain 	<ul style="list-style-type: none"> 75 79 95

No.	Principle	Commitment	Our Action to Drive Results	Page No.
5	Businesses should uphold the effective abolition of child labor.	PARCO forbids engagement of any form of child labour in its operations or by any of its business partners	<ul style="list-style-type: none"> Responsible recruitment Education (Corporate Social Responsibility at PARCO) Sustainable Supply Chain 	<ul style="list-style-type: none"> 69 71-72 73
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	PARCO provides equal employment opportunity and supports diversity of human capital in all its functions	<ul style="list-style-type: none"> Employee Training and Education Diversity and Inclusion Education (Corporate Social Responsibility at PARCO) Employees' Code of Ethics 	<ul style="list-style-type: none"> 77 79-81 84 97-98
7	Businesses should support a precautionary approach to environmental challenges.	PARCO is committed to comply with all provincial environmental quality standards and ensures minimal impact on the environment	<ul style="list-style-type: none"> Certifications Transition in Refining Technology Climate Change Air Emissions Waste Management Effluent Management Certifications from Environmental Protection Agency (EPA) 	<ul style="list-style-type: none"> 24 34 51 56-57 57-58 60-61 88
8	Businesses should undertake initiatives to promote greater environmental responsibility.	PARCO and its employees show responsibility in operations and in adjoining communities	<ul style="list-style-type: none"> Collaboration for Planet Emergency Preparedness Increasing Safety Awareness and Performance Community Environment 	<ul style="list-style-type: none"> 64 69 70 86-87



List of Abbreviations

No.	Principle	Commitment	Our Action to Drive Results	Page No.
9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	PARCO makes all efforts to minimize the impact of its operations on environment by utilizing technologies that are environmentally friendly	• Expansion and Dualization of Pipeline Network	• 34
			• Transition in Refining Technology	• 34
			• Climate Change	• 51
			• Energy	• 51
			• Emissions	• 54
			• Hazard Identification and Control	• 70
10	Businesses should work against corruption in all its forms, including extortion and bribery.	PARCO does not allow any form of corruption and monitors its business transactions with internal and external stakeholders to eliminate this malpractice	• Accountability and Transparency	• 92
			• Sustainable Supply Chain	• 95

Abbreviation	Explanation
AABU	Asphalt Air Blowing Unit
API	Application Programming Interface
ARC	Audit, Risk and Compliance
AUP	Aspen Unified Process
AU-PIMS	Aspen Unified Process Industry Modelling System
Blood CP with ESR	Blood Copper-Ceruloplasmin with Erythrocyte Sedimentation Rate
BPD	Barrels Per Day
CBA	Collective Bargaining Agent
CFCs	Chlorofluorocarbons
CHQ	Corporate Headquarters
CO	Carbon Monoxides
CO2	Carbon Dioxide
CO ₂ e	Carbon Dioxide Equivalent
COQ	Certificate of Quality
COSHH	Control of Substances Hazardous to Health
CP Stations	Cathodic Protection Stations
CSR	Corporate Social Responsibility
DEI	Diversity, Equity and Inclusion
DHDS	Diesel Hydro Desulphurisation
DRA	Drag Reducing Agents
ECG	Electrocardiogram
EFP	Employee Federation of Pakistan
EMPs	Environmental Management Plans
EMS	Energy Management System
EOBI	Employees Old Age Benefits Institution
EPA	Environmental Protection Agency
EPIs	Energy Performance Indicators
ESG	Environmental, Social, and Governance
ETP	Effluent Treatment Plant
FBS	Fasting Blood Sugar
FGRS	Flare Gas Recovery System
FO	Furnace Oil
FOC	Fiber Optic Cable
FPCCI	The Federation of Pakistan Chamber of Commerce and Industry
GHG	Greenhouse Gas Emissions
GM	General Manager
GPS	Global Positioning System
GRI	Global Reporting Initiative
GRM	Gross Refinery Margin

HDD	Horizontal Directional Drilling
HIRA	Hazard Incident Reporting and Analysis
HR	Human Resource
HSD	High-Speed Diesel
HSE	Health, Safety, Environment
HVAC	Heating, Ventilation, and Air Conditioning
IDS	Intrusion Detection System
IFRS/IAS	International Financial Reporting Standards/ International Accounting Standards
IMO	International Maritime Organisation
IMS	Integrated Management System
IPCC	Intergovernmental Panel on Climate Change
IRS	Incident Reporting System
ISAC	Information Sharing and Analysis Center
ISMS	Information Security Management Systems
ISO	International Standardisation Organisation
IEC	International Electrotechnical Commission
IUCN	International Union for Conservation of Nature
JV	Joint Venture
K Tons	KiloTons/ 1000 Tons
KMK	Karachi Mahmoodkot
KPI	Key Performance Indicators
KPT	Kemari Port Trust
kWh	Kilo Watt hour
LHV	Lower Heating Value
LNG	Liquified Natural Gas
LP	Linear Programming
LPG	Liquified Petroleum Gas
LRBT	Layton Rahmatulla Benevolent Trust
LTA	Lost Time Accident
LTIR	Lost Time Incident Rate
MCR	Mid Country Refinery
MDP	Management Development Program
MFM	Mahmoodkot Faisalabad Machhike
MJ	Megajoule
MOGAS	Motor Gasoline
mtpa	Million Tons Per Annum
NEPRA	National Electric Power Regulatory Authority
NEQs	National Environmental Quality Standards
NFEH	National Forum of Environment & Health
NFPA	National Fire Protection Agency
Nm3	Normal Cubic Metre
NMA	N-Methyl Aniline
NMVOCs	Non-Methane Volatile Organic Compounds

NoC	No Objection Certificate
NOX	Nitrogen Oxides
ODS	Ozone Depleting Substances
OEM	Original Equipment Manufacturer
OH&S	Occupational Health and Safety
OHSE-MS	Occupational Health, Safety and Environment Management System
OIT	Oil Import Terminal
OMC	Oil Marketing Companies
OSHA	Occupational Safety and Health Administration
P&L	Profit and Loss
PAPCO	Pak-Arab Pipeline Company Limited
PARCO	Pak-Arab Refinery Limited
PEQs	Punjab Environmental Quality Standards
POSC	PARCO Security Operation Center
PPE	Personal Protective Equipment
PPGL	PARCO Pearl Gas Limited
PQ	Port Qasim
R&D	Research and Development
RBI	Risk Based Inspection
RCAs	Root Cause Analyses
RCM	Reliability Centered Maintenance
RFID	Radio Frequency Identification
RLNG	Regassified Liquefied Natural Gas
RoW	Right of Way
SAP S/4 HANA	Systems, Applications and Products S/4 High-Performance Analytic Appliance
SAP-HCM	Systems, Applications and Products-Human Capital Management
SDGs	Sustainable Development Goals
SECP	Securities and Exchange Commission of Pakistan
SOPs	Standard Operating Procedures
SOX	Sulphur Oxides
TDS	Total Dissolved Solids
TJ	Terajoule
TNA	Training Need Analysis
TQ1	First Quarter of a Year
TRIR	Total Recordable Incident Rate
UAV	Unmanned Aerial Vehicle
UN	United Nations
UNGC	United Nations Global Compact
Urine/Stool DR	Urine/Stool Detailed Report
UV	Ultraviolet
VTIs	Vocational Training Institutes
WOP	White Oil Pipeline

Our ESG Champions



It encapsulates PARCO's exemplary journey towards sustainability

Aiman Ali

Heal the world, make it a better place

Farah Munawar



We don't have another planet – let's take care of this one

Abdul Qadeer



ESG reporting is one step ahead of regulatory compliance

Mushtaq Bhatti



Making a Difference Together: A Journey towards a Greener World

Jasir Hussain

Let the Nature Work

Abdul Karim Dero



Sustainability is about survival

Arslan Zaman

Invest in the future you want to see: ESG is the way to make it happen

Omer Bin. Saeed



Earth is our only home, no option but to save it

Bilal Fatehullah



Think sustainable to make our tomorrow better

Yousuf Naseem



Since inception, sustainability has been at the core of PARCO's Modular Growth

Salman Zakir



Let's strive together for a sustainable intergenerational ethics

Rashid Ashraf

Let's create a world where the environment does not need protection

Gul Ameer



Everything is bound together

Munawar Ali



The climate is changing, so should we

Maaz Hashimi

Leave no one Behind

Tauqir Ahmed



Sustainability is no more a choice, it's an obligation towards our future generations

Tayyebah



Sustainability is the key to unlock eco-friendly future

Jakey Raj



Sustainability is only possible by joining hands. Our ESG Champions has made this possible at PARCO.

M. Faisal Qureshi

PAK-ARAB REFINERY LIMITED (PARCO)
is a fully integrated energy company and is
one of the largest companies in Pakistan's corporate sector.



If you have questions about this report, please contact:
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