

# Advancing our sustainability journey

Sustainability Report 2015-2016



شركة صناعة الكيماويات البترولية (ش.م.ك)

**PETROCHEMICAL  
INDUSTRIES COMPANY K.S.C.**

إحدى شركات مؤسسة البترول الكويتية  
A Subsidiary of Kuwait Petroleum Corporation

*Possibilities without limit*

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# CEO statement

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It gives me great pleasure to share PIC's 2015-2016 Sustainability Report with you. The report is comprehensive, describing the progress we have made in achieving the 2017 PIC Sustainability Goals. We launched these goals in 2013, setting ambitious targets for operational excellence and corporate social responsibility. I would like to highlight some of the key achievements you will find in the report.

At a time when PIC has decreased its use of precious natural resources and reduced its environmental footprint, we have also produced a record 1.3 million metric tons of petrochemical products. This speaks of the increased efficiency in our operations, in large part because of our sustainability goals and the projects put in place to achieve them.

To strengthen the local economy, we have emphasized procuring from local providers. In 2015-2016, this reached 77 percent of total procurement, nearly 3 percent above the previous year. Furthermore, we are nearing the 2030 85 percent Kuwaitization target put forward by our parent company, Kuwait Petroleum Corporation (KPC). As of 2015-2016, we are less than one percentage point away from achieving the target.

As the Head of the Safety, Health and Environment Executive Committee, I am pleased to report that our performance was recognized with two significant awards: the Royal Society for the Prevention of Accidents (RoSPA) Managing Occupational Road Risk (MORR) HSE Silver Award and the Arab Fertilizer Association HSE award.

With respect to safeguarding the environment, I am pleased to announce that our head office received Leadership in Energy and Environmental

Design (LEED®) Gold certification. PIC was one of the first companies in Kuwait to receive this recognition. While already having reduced the level of energy intensity and emissions at our plants compared to the baselines set in 2012-2013, we are planning to spend KWD350,000 during 2016-2017 to further increase our energy efficiency.

Our commitment to sustainability extends beyond our operations. We have implemented a number of programs to promote healthy living among our employees and members of our community, especially Kuwait's youth. Through educational programs and contests, we also have encouraged our youth to think about how they can contribute to sustainability.

Last year, PIC was honored to receive the prestigious Arabia Corporate Social Responsibility award. We appreciate this recognition of our accomplishments. But we also understand that there is so much more to do. With increasing interest across the globe in growing economies responsibly, sustainability will only become more important. We are proud to be one of the leaders in our region. We will continue to share what we learn on our sustainability journey with our stakeholders, and to learn from them as well.

I would like to thank all of our stakeholders for responding positively to the sustainability initiatives carried out over the past four years and I look forward to our future collaborations.



**Mohammed Abdullatif Al-Farhoud**  
Chief Executive Officer

# About this report

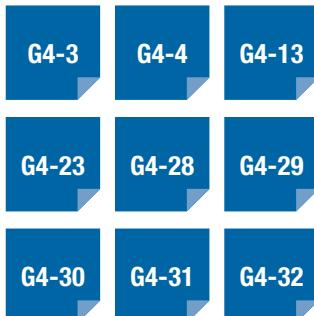
*Fourth sustainability report, in line with GRI G4 Guidelines, covers sustainability performance from 1 April 2015 to 31 March 2016. The report contains Communication on Progress (COP) on our efforts to implement the UNGC principles.*



## Feedback

Your feedback will help us in enhancing our efforts toward meeting all our stakeholder requirements and interests.

We invite readers to send their comments, reactions and views regarding this sustainability report to [sustainability@pic.com.kw](mailto:sustainability@pic.com.kw)



Petrochemical Industries Company K.S.C. (PIC) is proud to present our fourth sustainability report to our stakeholders. This report highlights our environmental, social and economic performance during the reporting period from 1 April 2015 to 31 March 2016.

This report, like our previous sustainability report of 2014-2015, has been prepared in accordance with the Global Reporting Initiative Guidelines version 4 (GRI G4) and more specifically, the “core” disclosure requirements. We have also used the GRI Oil and Gas Sector Supplement to report the issues that could potentially be material to the organization.

The reporting approach has been guided by the four principles for defining the report’s content as specifically outlined by the GRI, namely stakeholder inclusiveness, sustainability context, materiality and completeness. Determining

materiality, or identifying the most important issues for our organization, has been a critical part of the reporting process. We have identified key material aspects and performance indicators based on a detailed materiality assessment process (refer to **pages 37-39**).

This report focuses on our performance on the material aspects identified and provides an update on the initiatives linked to our sustainability strategy and the 2017 PIC Sustainability Goals. We also cover our progress on 2015-2016 sustainability objectives, which revolve around the following themes: ensuring effective stakeholder engagement on sustainability, enhancing PIC’s occupational health, safety and labor performance, and assessing and managing sustainability impacts within PIC’s value chain. We have described our approach to the management of economic, social and environmental impacts related to the identified material aspects. We have also presented a comparison of our current performance on quantitative indicators (where relevant) with that of the previous reporting periods, to highlight our continuing journey toward sustainability excellence.

## **Report boundary**

The report boundary covers our assets in Kuwait on which we have direct operational control. This report includes performance data for the fertilizer operations in the State of Kuwait, with production activities in the Shuaiba Industrial Area and our head office in South Sabahiya. A detailed boundary for each material issue has been included in the Materiality Assessment section (refer to **page 39**). We currently do not have operational control over our subsidiaries and joint ventures (JVs) and therefore have not included them within the report boundary. The sale of one of our JVs during the reporting period, has led to changes in the overall size and structure of our organization when compared to the previous reporting period. Another significant organizational change was combining the Olefins and Aromatics strategic business units (SBU) into a single Olefins and Aromatics business unit.

## **Data collection and report development**

To collect information for this report, our data collection teams utilized data templates and a data collection process which was based on GRI G4 requirements. Data collection guidelines were clearly defined for the data collection teams, which included a data provider, a verifier and a data owner. Each data collection team has verified and signed off the data presented in this report. Please refer to the GRI index (refer to **page 84**) for a comprehensive list of our disclosures.

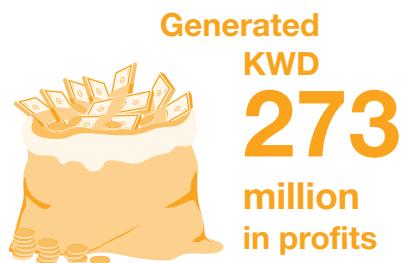
## **Alignment to UNGC and Sustainable Development Goals**

We have expressed our commitment to uphold the 10 principles of the United Nations Global Compact (UNGC). We have highlighted our performance and efforts to implement the UNGC principles in the UNGC COP section of this report.

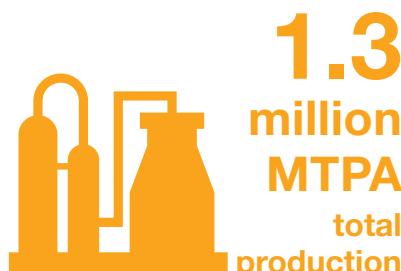
The United Nations adopted the 2030 Agenda for Sustainable Development in September 2015. This agenda, which consists of 17 Sustainable Development Goals (SDGs), aims to stimulate global action to end poverty and hunger; combat inequalities; build peaceful, just and inclusive societies; protect human rights and promote gender equality; and ensure the lasting protection of the planet and its natural resources. These SDGs outline the global priorities and aspirations for a sustainable society and planet. They call on businesses to direct their creativity and innovation toward solving sustainable development challenges. We, at PIC, understand that a combined global effort is required to realize the SDGs. As a responsible corporate citizen, our mission is to drive sustainable growth in Kuwait and also in all the countries where we have made investments. We are proud to contribute toward this effort through the 2017 PIC Sustainability Goals and have mapped the relevant SDGs with each of the 2017 PIC Sustainability Goals (refer to **pages 26-29**).

# 2015-2016 performance highlights

## Economic



**77%** of procurement spent on locally based suppliers



KWD **5.1** million savings through **56** lean Six Sigma projects



Customer (fertilizer) satisfaction score of **86%**



Kuwaitization rate of **84.6%**

**8** HSE related Six Sigma projects

## Social



**17,393** training hours



**73%**  
employees  
underwent  
HSE training



**8.7%**  
of employees  
are women



**0**  
work  
fatalities



**0.11**  
recordable  
injuries per  
200,000  
man hours



**0.06**  
process safety  
incidents per  
200,000 man  
hours



**KWD  
155,000**  
invested in  
community  
programs

## Environment



**21%**  
reduction  
in GHG  
emissions  
intensity  
(compared to  
2012-2013)



**6%**  
reduction  
in energy  
intensity  
(compared  
to 2012-2013)



**23%**  
reduction  
in water  
intensity  
(compared to  
2012-2013)



**17%**  
fall in waste  
water  
discharge  
intensity  
(compared to  
2012-2013)



**25%**  
reduction  
in water  
consumption  
at our  
head office  
(compared to  
2014-2015)



**36%**  
decline in  
hazardous  
waste  
generated  
(compared to  
2012-2013)



**33%**  
decline  
in non-  
hazardous  
waste  
generated  
(compared to  
2012-2013)



**KWD  
185,000**  
spent on  
environmental  
initiatives

# 2015-2016 awards



# Certifications

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We ensure that quality and safety always remain part of our day-to-day operations. Our commitment has been

validated by a number of internationally recognized standards and certifications, including International Organization for Standardization (ISO), Responsible Care®, and Occupation Health and Safety Assessment Series (OHSAS).

These certifications assure our customers and stakeholders that we meet their needs with high-quality products and services.



Certification for PIC head office building



Energy Management System



Responsible Care®



Environmental Management System



Health and Safety Management System



Food Safety Management System



Australian Quarantine and Inspection Services (AQIS) certification



Information Security Management System



Quality Management System



Inspection Quality Management System



Laboratory Quality



Asset Management System

# About us

*PIC is a subsidiary of the Kuwait Petroleum Corporation (KPC). In the downstream sector, PIC plays a key role in driving the diversification of the Kuwaiti economy and ensuring sustainable growth in the country.*



We invite you to learn more about us and our sustainability performance at [www.pic.com.kw](http://www.pic.com.kw).

G4-7

PIC is a manufacturer and marketer of chemicals, and is the petrochemical arm of KPC. Established in 1963 by the Amiri Decree, PIC was the first chemical complex in Kuwait and the region. More than 50 years later, PIC continues to play an important role in diversifying Kuwait's economy and maximizing the value of hydrocarbon resources.

PIC has diversified its portfolio through both local and international investments, and has become an industry leader in the Middle East. A full 70 percent of our production is in Kuwait. We complement our operations in Kuwait through strategic partnerships and JVs around the world, which play an important role in our global growth and product diversification.

Our focus on sustainability is central to our business strategy. Our products help improve the quality of life across the world, from olefins and aromatics that are building blocks to modern industrial society, to fertilizers that help increase crop yields. As part of our sustainability goals, we strive for greater

operational excellence, and increased safety performance. We also seek opportunities to empower the communities in which we operate.



## Our vision

We aspire to be both a recognized global petrochemical player and admired by our stakeholders, leveraging Kuwait's national resources in value-added partnerships to drive growth.

## Our mission

PIC, as a subsidiary of Kuwait Petroleum Corporation, shall achieve a position of leadership with downstream extension into high-value petrochemical businesses while ensuring integration with KPC activities both domestically and internationally by:

- ⦿ Maximizing value addition of Kuwait hydrocarbons resources
- ⦿ Advancing our organizational performance through people empowerment and infusing industry best practices
- ⦿ Creating a challenging and fulfilling environment that will support skills and capabilities development
- ⦿ Collaborating closely with our partners toward a sustained and diversified global growth
- ⦿ Fostering the national economy

## Our values

⦿ **Integrity:** We will act with openness, trust, respect, fairness, transparency, honesty, reliability, high ethical standards, professionalism and accountability.

⦿ **Excellence:** We operate with attention to high performance, operational excellence, continuous improvement, high-quality products and services, and customer focus.

⦿ **Flexibility:** We are attuned to market conditions, demonstrating innovation, responsiveness and willingness to change.

⦿ **Motivation:** We seek to develop a collaborative workplace, where teamwork and loyalty are driven by a high-performance culture.

⦿ **Partnership:** We develop long-term, value-adding relationships that support growth and enhance operational excellence.

⦿ **Commitment to HSSE and society:** We are committed to environmental protection, safety, security, and healthy workplaces, as well as corporate social responsibility in Kuwait and host communities.

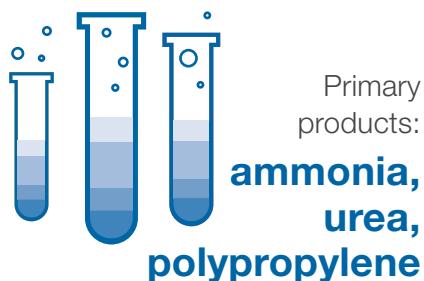
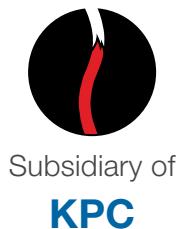
⦿ **Corporate thinking:** We share a concern for KPC's interests and issues, striving for alignment with enterprise-wide goals versus business segment objectives.

# PICT at a glance

G4-4

G4-9

## Our key facts



Produced  
**1.3**  
million  
MTPA of  
petrochemicals  
in 2015-2016

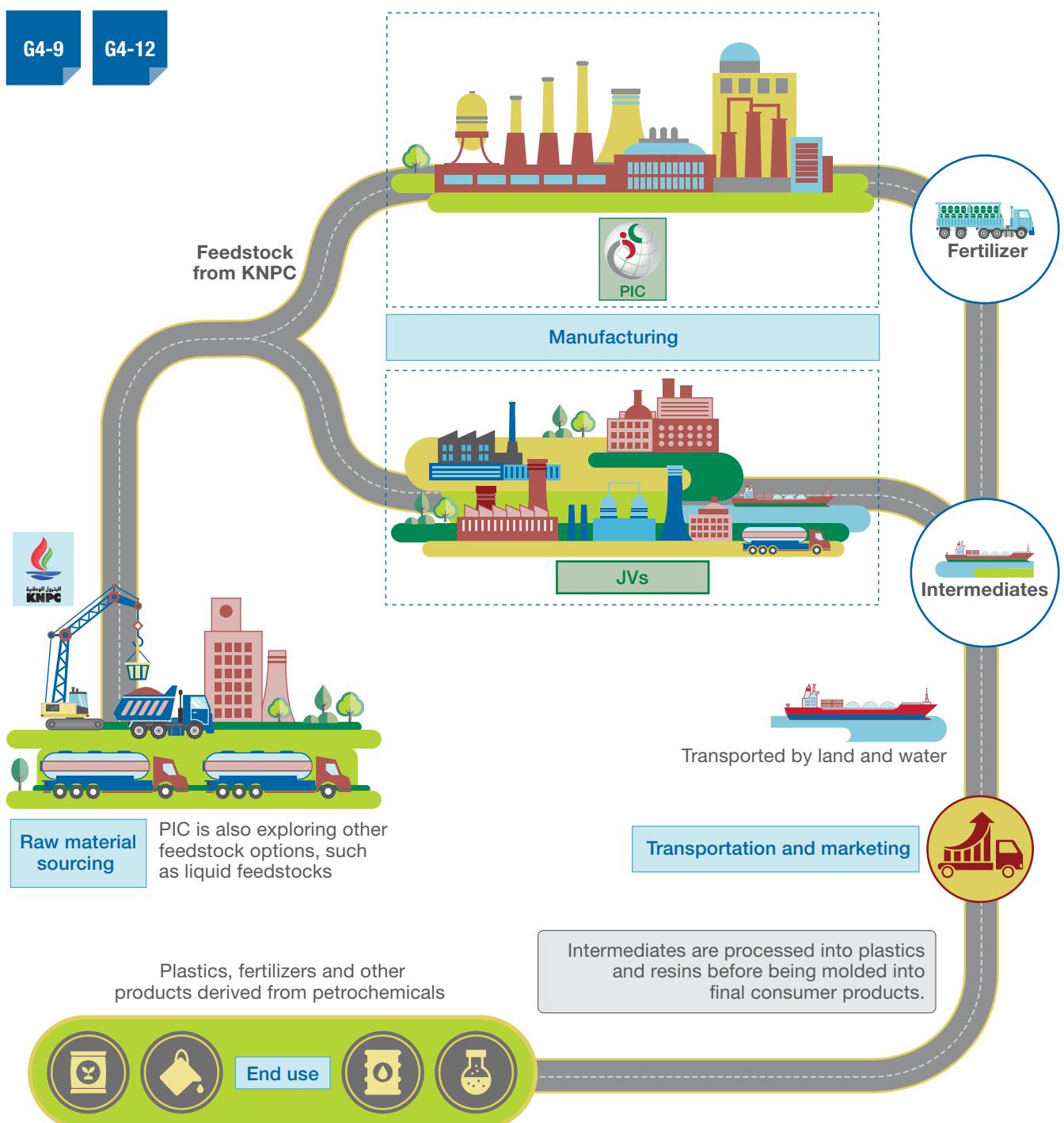


JV products:



**Polyethylene, Ethylene Glycol,  
Paraxylene, Benzene, Styrene,  
Methanol, Monoethylene Glycol  
(MEG), Diethylene Glycol (DEG),  
Polyethylene Terephthalate (PET)**

## Our value chain



## Our strategic business units

G4-9

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Currently, 70 percent of the petrochemical products in our portfolio are manufactured in Kuwait. Fertilizers, olefins and aromatics are our main chemical products. We own and operate a fertilizer plant in Kuwait for the production of ammonia and urea. We also own a propylene plant operated through EQUATE, one of our JVs.

### Fertilizers

PIC's ammonia and urea complex is one of the largest in the Middle East.

It has a production capacity of 1,040,000 MTPA of urea and 620,000 MTPA of ammonia.

### Olefins and aromatics

PIC is one of the largest paraxylene (PX) marketers in the region and produces PX in the state-of-the-art aromatics complex of our JV, Kuwait Paraxylene Production Company (KPPC).

The aromatics complex produces a total of 820,000 MTPA of PX and 390,000 MTPA of benzene (BZ).

BZ, which is produced by the aromatics complex, is used locally for the production of styrene monomer (SM) by the Kuwait Styrene Company (TKSC).

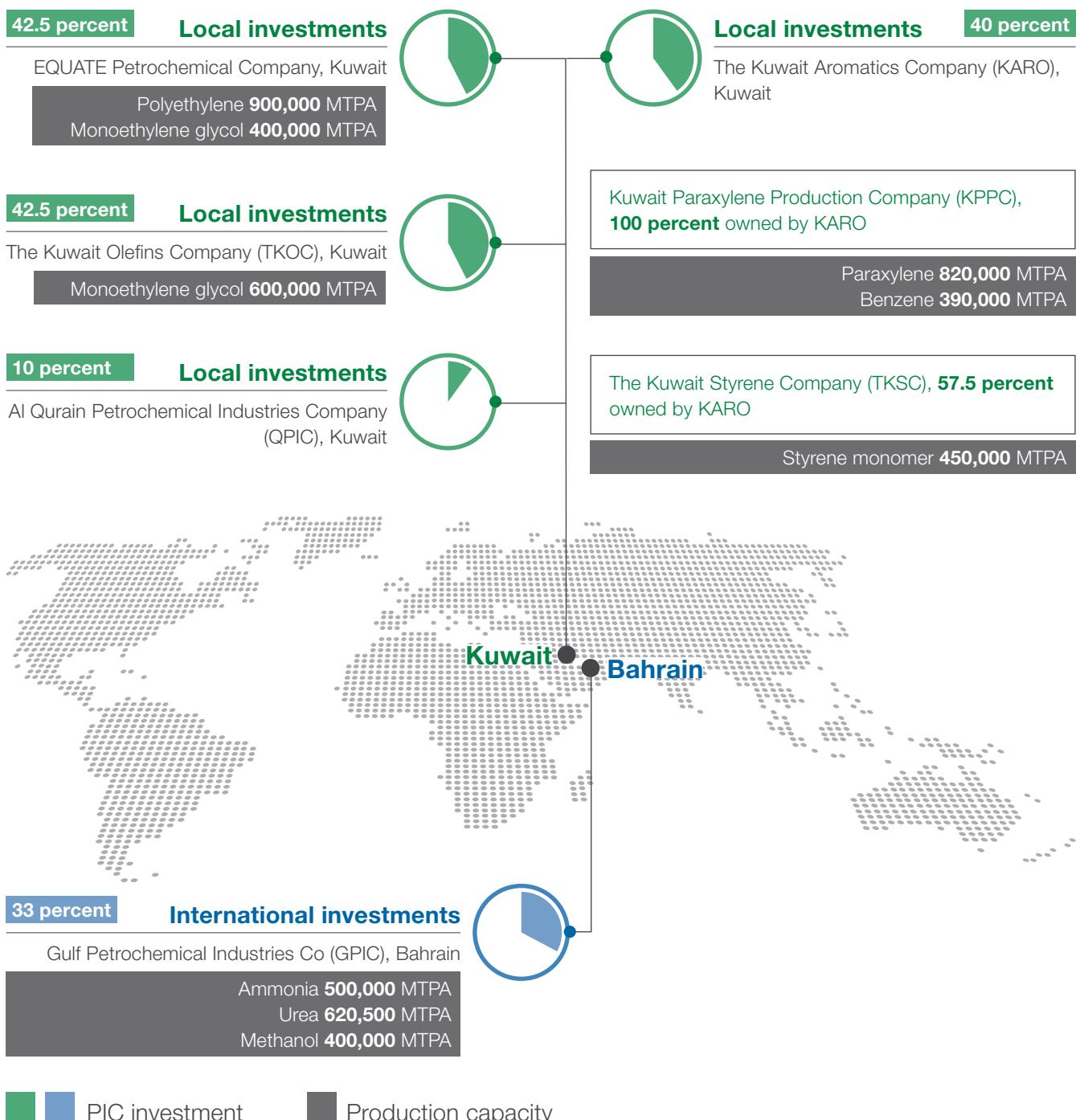
The world-class olefins complex in Kuwait supplies ethylene to EQUATE for the production of polyethylene, ethylene glycol and propylene.

PIC's fully-owned olefins plant in Kuwait (operated by EQUATE) produces 150,000 MTPA of polypropylene.

## Our joint ventures

G4-6      G4-9      G4-17

PIC has partnered with several national and foreign companies to form JVs. We have been able to diversify our product offerings, expand into global markets and increase local sector participation through our JVs.



# Governance

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PIC's operations are overseen by a seven-member Board of Directors — the chairman of the board and six non-executive members, including PIC's CEO. The Board of Directors' primary purpose is to ensure that the Company fulfills all its commitments to stakeholders. Five business and corporate groups report to the office of the CEO. These include two SBUs organized by products (Olefins and Aromatics, and Fertilizers), and three corporate departments that support the SBUs and their activities (Administration and Finance, Legal and Six Sigma). Every SBU and department plays a strategic role in creating value for our Company and its stakeholders.

## Board of Directors



**Ahmad Habeeb**  
Chairman



**Mohammed Al-Farhoud**  
CEO and Board Member



**Hashem Sayed Hashem**  
Vice Chairman



**Osamah AbdulRahman Al-Duajij**  
Board Member



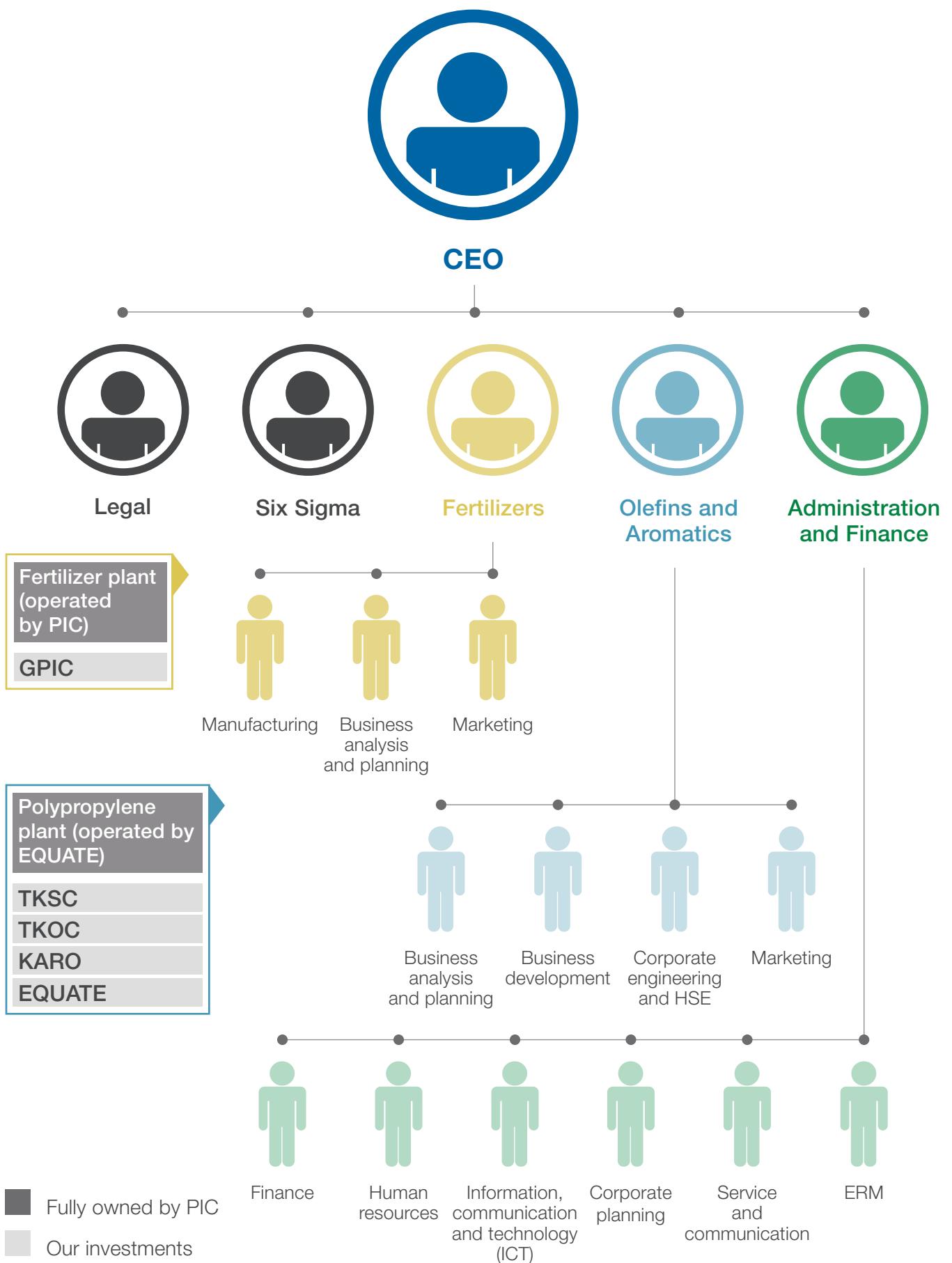
**Abdullah Al-Azmi**  
Board Member



**Ahmad Al-Jimaz**  
Board Member



**Esam Naser Al-Houti**  
Board Member



# Our external commitments

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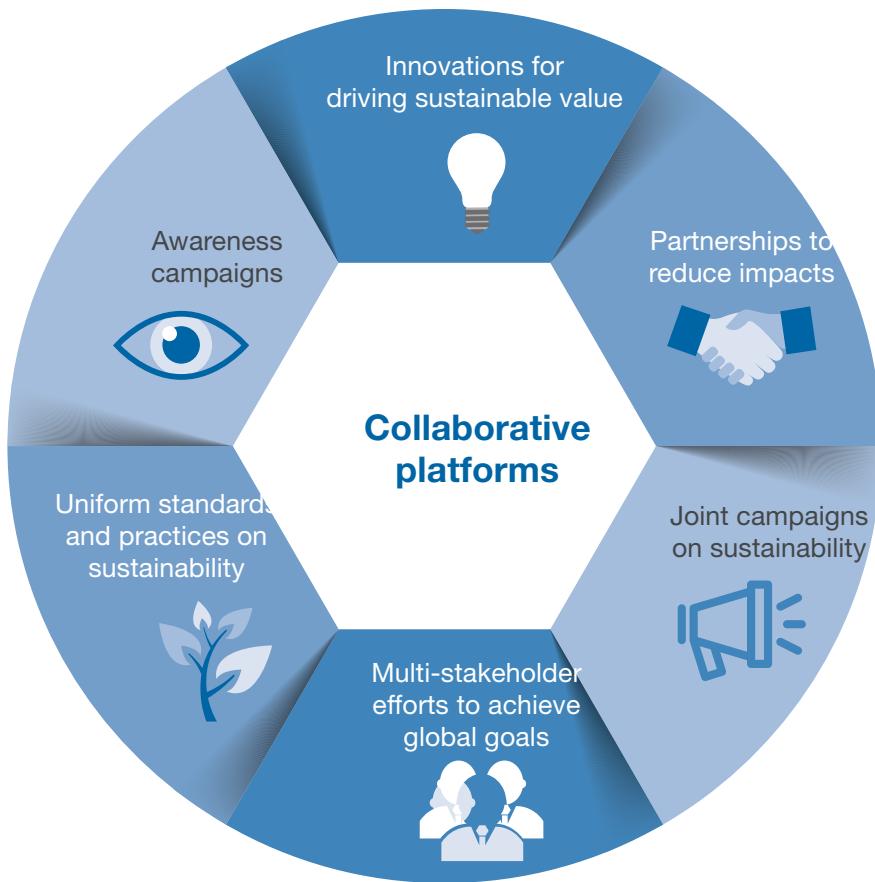
G4-16

Global sustainability issues are so complex and challenging that working in isolation is not a viable option. Collaborations and partnerships are the key factors to unlock and solve sustainability challenges. They inspire creativity, drive better performance and produce

innovative solutions. As a responsible organization, we have worked with both regional and international organizations through our commitments and memberships. One such global framework we have been part of is the UNGC, which, as of April 2016, has more than

8,000 companies and 4,000 non-businesses participating. Our approach is to use such platforms to collaborate with our peers to enhance awareness and practices on sustainability within the region.

## Our approach to collaboration for driving sustainability



## United Nations Global Compact

UNGC is the world's largest corporate sustainability initiative with more than 12,000 signatories in 170 countries. It encourages companies to adopt sustainable and socially responsible policies in compliance with the UNGC principles on human rights, labor, environment and anti-corruption. Through the UNGC, member organizations can share proven and emerging best practices, and interact with a wide range of stakeholders, from UN agencies to governments and civil society, among others. The UNGC has been a driving force behind the development of the SDGs. It has developed the SDG compass, in collaboration with the GRI and the World Business Council for Sustainable Development (WBCSD), which provides guidance to companies

on how they can align their strategies and initiatives toward achieving the SDGs. (For more information on the relationship of PIC's sustainability journey and SDGs, please refer to **pages 25-29**)

In 2013, PIC became a signatory to the UNGC. We have been publishing our COP since then. From commitments to the environment, to finalizing our Human Rights Position statement, and developing training programs on human rights for our employees, the UNGC principles continue to play an important role in our sustainability journey. We have used this report to submit our annual COP on the 10 UNGC principles and have assessed ourselves to qualify for Global Compact active level. We uphold our basic responsibilities to people and the planet. By incorporating these principles into our strategy, policies and procedures, we enhance the stage for long-term sustainable performance.

## Member of the Gulf Petrochemicals and Chemical Association



While keeping with our commitment to partnership and collaboration, PIC became a founding member of the Gulf Petrochemicals and Chemical Association (GPCA). GPCA supports the growth and sustainable development

of the petrochemical and chemical industries in the GCC region. PIC serves on three GPCA committees — Fertilizers, Responsible Care and International Care — and we participate in many GPCA-sponsored conferences, conventions, annual forums and networking platforms. Through our membership with GPCA, we are able to share best practices, inspire and learn from our peer companies to drive the sustainability agenda. The association also enables us to establish contacts with industry executives, potential customers and influential decision-makers in various parts of the GCC region and throughout the world.

GPCA is a major driving force behind the Sustainability and Quality Assessment System (SQAS) initiative in the Gulf. SQAS evaluates the quality, safety, security and environmental performance of logistics service providers and chemical distributors. It aims to promote sustainability, flexibility and transparency in supply chains across the Gulf region. Furthermore, GPCA has played a vital role in the adoption of Responsible Care® in the region. Our collaboration with GPCA and member companies helps us continue to improve our leadership in the areas of health and safety, security and the environment while accomplishing important business objectives.



For more information on GPCA, please refer to its website [www.gpca.org.ae/](http://www.gpca.org.ae/)

## Member of the International Fertilizer Industry Association



PIC has been a member of the International Fertilizer Industry Association (IFA), a not-for-profit business and industry association, which represents the fertilizer industry globally. IFA currently has 542 members spread across 81 countries, with 50 percent of members in developing economies.

IFA member companies deal with all activities related to the production, trade, transport and distribution of fertilizers, their raw materials and intermediates.

We endorse IFA's 12 safety, health and environmental (SHE) principles that represent the association's commitment to responsible and sustainable fertilizer production and use.



For more information on IFA, please refer to its website [www.fertilizer.org/](http://www.fertilizer.org/)

# Value creation through sustainability

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Human society is at a crossroad. Global megatrends such as rapid urbanization, rise in global population, climate change and natural resource scarcity

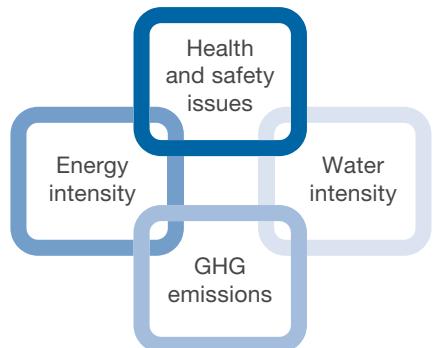
have far-reaching impacts on economies, industries, societies and individuals. Governments as well as businesses have increasingly come to understand that long-term growth is inherently linked with environmental, social and economic development.

Through our sustainability programs, we seek to ensure that the petrochemical industry in our region recognizes sustainability as a key factor toward ensuring continued success and prosperity for future generations.

Kuwait is one of the  
**33** countries most likely to be  
water-stressed by **2040<sup>1</sup>**



Key sustainability issues in the petrochemical industry



Kuwait has the  
**highest ecological footprint<sup>2</sup>**



Kuwait has the  
**highest per capita GHG emissions** globally<sup>4</sup>



Level of  
**unemployment** in Kuwait is  
**19.4 percent**  
(percent of total labor force aged 15-24)<sup>3</sup>



Kuwait ranks  
**3rd** in per capita primary energy consumption in the Middle East<sup>5</sup>



<sup>1</sup> CAIT Climate Data Explorer, World Resources Institute

<sup>2</sup> Living Planet Report 2014, WWF

<sup>3</sup> World Bank database, 2014

<sup>4</sup> CAIT Climate Data Explorer, World Resources Institute

<sup>5</sup> International Energy Statistics, Energy Information Administration

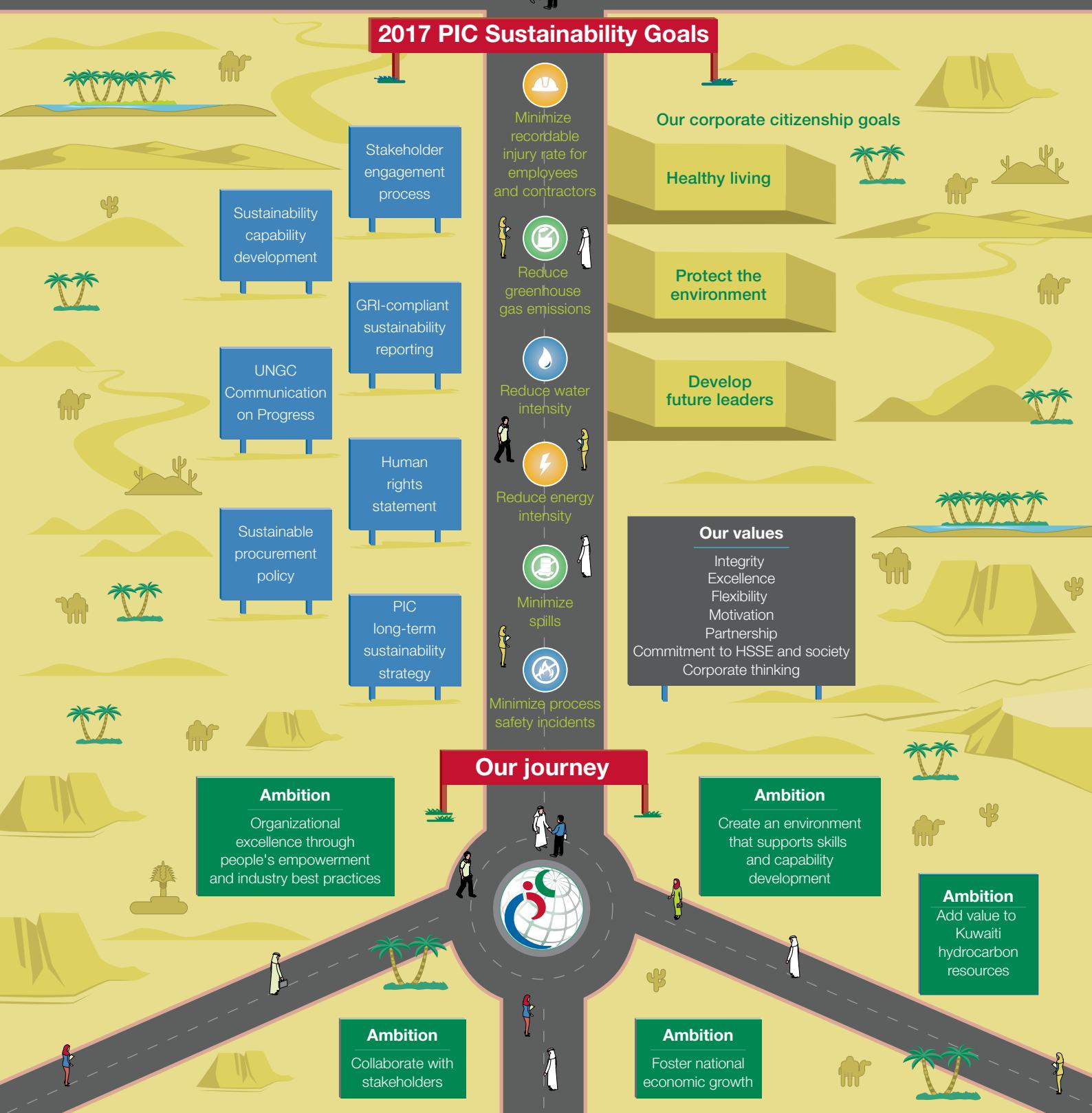
# Empowering national development

## Vision

We aspire to be both a recognized global petrochemical player and admired by our stakeholders, leveraging Kuwait's national resources in value-added partnerships to drive growth.



## 2017 PIC Sustainability Goals



# 2017 PIC Sustainability Goals

Our commitment to sustainability was formalized with the development and adoption of our sustainability strategy in 2012. This sustainability strategy, reinforces our commitment to contributing to the economic, social and environmental well-being of our Company, our communities and our country.

In 2012, we conducted a detailed analysis of the most material aspects affecting the Company. The key material aspects identified were resource efficiency, environmental protection, asset integrity, health, safety, talent development and local community impact. To accelerate the implementation of the strategy and to address the key material aspects identified, we introduced the 2017 PIC Sustainability Goals in 2013. These goals fall into two areas: operational excellence and responsible corporate citizenship. Through the operational excellence goals, we are making our operations safer and more efficient and productive. The responsible corporate citizenship goals focus on developing current and future leaders in sustainability and championing healthy lifestyles and the conservation of natural resources.

Through these goals, we intend to lead the journey toward safer, more efficient and productive operations, minimize our impact on the planet, develop current and future leaders in sustainability, and thereby enhance our impact on Kuwaiti society and the region.



## Sustainable development goals

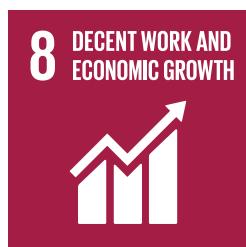
Governments and businesses around the world are making conscious efforts to address the key sustainability issues impacting every nation. To address the current sustainability issues, the UN has introduced a set of SDGs to guide countries on their sustainable development journey. The 17 SDGs focus on ending poverty and hunger everywhere; combating inequalities within and among countries; building peaceful, just and inclusive

societies; protecting human rights and promoting gender equality and empowerment of women and ensuring the lasting protection of the planet and its natural resources.

Over the next 15 years, with these new goals, countries are expected to organize efforts to achieve sustainable development. Businesses cannot be passive spectators, but are expected to assume leading roles in the path toward sustainable development.

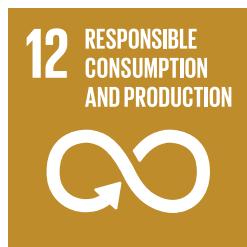
As responsible corporate citizens, we at PIC understand

that we need to play an important role in ensuring the success of these global goals and lead the transition to a sustainable society.



## THE GLOBAL GOALS

For Sustainable Development



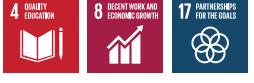
# Our progress toward the 2017 PIC Sustainability Goals

The table below shows our progress toward the 2017 PIC Sustainability Goals and their relevance to the UN's SDGs.

2017 PIC Sustainability Goals	Target	Our progress in 2015-2016	SDGs	Relevance of 2017 PIC Sustainability Goals to SDGs
<b>Operational excellence</b>				
Minimize recordable injury rate for employees and contractors	No more than 0.13 recordable injuries per 200,000 man-hours of work	<b>0.11 injury rate for 2015-2016</b>	<b>Goal 3:</b> Ensure healthy lives and promote well-being for all at all ages <b>Goal 8:</b> Promote inclusive and sustainable economic growth, employment and decent work for all  	By reducing the injury rates at our sites, we provide our employees with a safe and secure working environment.
Minimize process safety incidents	No more than 0.1 process safety incidents per 200,000 man-hours of work	<b>0.06 process safety incidents per 200,000 man-hours of work</b>	<b>Goal 3:</b> Ensure healthy lives and promote well-being for all at all ages <b>Goal 6:</b> Ensure access to water and sanitation for all <b>Goal 8:</b> Promote inclusive and sustainable economic growth, employment and decent work for all <b>Goal 11:</b> Make cities and human settlements inclusive, safe, resilient and sustainable    	By improving the process safety conditions at our sites, we create a safe and secure working environment. Minimizing such incidents also helps us reduce our impact on the environment.

<b>Minimize spills</b>	No more than 1 spill to the environment each year	<b>0 spills</b>	<p><b>Goal 3:</b> Ensure healthy lives and promote well-being for all at all ages</p> <p><b>Goal 6:</b> Ensure access to water and sanitation for all</p> <p><b>Goal 12:</b> Ensure sustainable consumption and production patterns</p> <p><b>Goal 14:</b> Conserve and sustainably use the oceans, seas and marine resources</p> <p><b>Goal 15:</b> Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss</p> 	We emphasize the importance of environmentally sound management of our chemicals and waste. By minimizing spills, we reduce environmental impact on land and water.
<b>Reduce greenhouse gas emissions</b>	Reduce GHG emissions intensity by 14 percent by 2017 compared to the 2012-2013 baseline (2.43 tCO <sub>2</sub> eq/MT of ammonia)	<p><b>20.9 percent reduction in GHG intensity compared to the 2012-2013 baseline</b></p> <p>2015-2016 GHG intensity to date: 1.92 tCO<sub>2</sub>eq/MT of ammonia</p>	<p><b>Goal 13:</b> Take urgent action to combat climate change and its impacts</p> <p><b>Goal 14:</b> Conserve and sustainably use the oceans, seas and marine resources</p> <p><b>Goal 15:</b> Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss</p> 	We realize that our emissions have an impact on the bigger picture of climate change. To address this challenge, we have implemented measures to reduce our GHG emissions.

<b>Reduce energy intensity</b>	Reduce energy intensity by 6 percent by 2017 compared to the 2012-2013 baseline (51.72 GJ/MT of ammonia)	<b>6.4 percent reduction in energy intensity compared to the 2012-2013 baseline</b> 2015-2016 energy intensity to date: 51.72 GJ/MT of ammonia	<b>Goal 7:</b> Ensure access to affordable, reliable, sustainable and modern energy for all  <b>Goal 8:</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all  <b>Goal 12:</b> Ensure sustainable consumption and production patterns  <b>Goal 13:</b> Take urgent action to combat climate change and its impacts	<p>Improving energy intensity helps reduce our environmental footprint and make a positive impact on climate change. Reducing energy intensity also fosters innovation and sustainable industrialization, and contributes to the sustainability of the communities where we operate.</p>
<b>Reduce water intensity</b>	Reduce water intensity by 25 percent by 2017 compared to the 2012-2013 baseline (4.8m³/MT of ammonia)	<b>22.9 percent reduction in water intensity compared to the 2012-2013 baseline</b> 2015-2016 water intensity to date: 3.7 m³/MT of ammonia	<b>Goal 6:</b> Ensure access to water and sanitation for all  <b>Goal 8:</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all  <b>Goal 12:</b> Ensure sustainable consumption and production patterns	Reducing our water intensity enables us to ensure that we support Kuwait in saving water, which is especially important, given the region's water scarcity.
<b>Responsible corporate citizenship</b>				
<b>Champion the conservation of natural resources and work to protect our environment</b>	Working with NGO partners, PIC will help address environmental challenges in Kuwait and	We helped encourage the protection of natural resources through our programs and initiatives.	<b>Goal 12:</b> Ensure sustainable consumption and production patterns  <b>Goal 14:</b> Conserve and sustainably use the oceans, seas and marine resources	Through our collaborations with NGOs, we help the Kuwaiti community address issues related to the

	improve life for future generations by supporting resource conservation	Some of the key activities were: <ul style="list-style-type: none"> <li>⇒ Best Model Project Contest</li> <li>⇒ Greening gardens in schools</li> <li>⇒ Go Green Project</li> <li>⇒ The Kuwait Green Wall Project</li> </ul>	<b>Goal 15:</b> Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss  <b>Goal 17:</b> Revitalize the global partnership for sustainable development  	environment and natural resources.
<b>Champion healthy lifestyles and make life better</b>	Working with NGO partners, PIC will focus each year on one healthy living challenge to help people lead long and healthy lives	Conducted initiatives and programs to promote healthy lifestyles among local communities including: <ul style="list-style-type: none"> <li>⇒ Safety promotion project at Kuwait University</li> <li>⇒ Health awareness campaign with school children</li> <li>⇒ Fire protection training sessions</li> </ul>	<b>Goal 3:</b> Ensure healthy lives and promote well-being for all at all ages  <b>Goal 17:</b> Revitalize the global partnership for sustainable development  	Through our collaborations with NGOs, we help the Kuwaiti community to develop a healthy lifestyle.
<b>Sponsor talent with a passion to build a better tomorrow</b>	Working with NGO partners, PIC will advance sustainability culture by fostering the development of young minds to fully consider the future impact of today's activities	Promoted youth development through initiatives such as: <ul style="list-style-type: none"> <li>⇒ Al-Mubader "The Initiator" national project</li> <li>⇒ Training equipment to applied educational institutions</li> <li>⇒ Lectures to university students on the petrochemical industry</li> </ul>	<b>Goal 4:</b> Ensure inclusive and quality education for all and promote lifelong learning  <b>Goal 8:</b> Promote inclusive and sustainable economic growth, employment and decent work for all  <b>Goal 17:</b> Revitalize the global partnership for sustainable development  	Through our collaborations with NGOs, we promote the development of youth in Kuwait.

# Key sustainability achievements for 2015-2016

G4-2

Sustainability is a key aspect in our approach to risk management, and was thus integrated into our Enterprise Risk Management (ERM) process. We have referred

to applicable sections of GRI guidelines for the assessment of our sustainability risks. Doing so has enabled us to ensure that relevant sustainability issues are addressed during risk identification. Based on these guidelines, the ERM department filtered all the sustainability risks and developed mitigation plans with ownership assigned to specific departments.

As part of our sustainability strategy, we adopted various

SMART objectives to enhance our sustainability maturity. The objectives were identified on the basis of inputs from a detailed functional sustainability maturity assessment, materiality assessment, stakeholder inputs and sustainability risks identified by the ERM department. We have considered the following sustainability risks in 2015-2016:

- ⌚ Change in public opinion on PIC

Theme	Key sustainability risk identified	What we committed to do in our previous sustainability report (2014-2015)	2015-2016 objectives
<b>Ensuring an effective internal stakeholder engagement on sustainability</b> 	⌚ Skill development	Identify suitable methods for annual engagement with PIC employees	Improve engagement and sustainability awareness
<b>Ensuring an effective external stakeholder engagement on sustainability</b> 	⌚ Change in public opinion on PIC	Engage with external stakeholder groups to share expertise on sustainability	Enhance internal communication on sustainability risks  Communicate progress on sustainability objectives to PIC workforce  Use social media to enhance communication on sustainability
<b>Enhancing occupational health, safety and labor performance</b> 	⌚ Skill development ⌚ Compliance risk	Enhance employee development and performance	Develop a plan for engaging with external stakeholders on sustainability initiatives  Share expertise on sustainability at national and international forums  Use the Think-K platform to share sustainability best practices
<b>Assessing and managing sustainability impacts within the value chain</b> 	⌚ Change in public opinion on PIC	Obtain LEED certification  Monitor the progress made against the 2017 PIC Sustainability Goals and assess further opportunities for the reduction in GHG emissions, water and energy use  Enhance our sustainability impact in collaboration with our suppliers	Enhance labor performance by improving the training cell  Improve occupational health and safety performance  Obtain LEED certification for PIC head office  Assess and reduce sustainability impacts of operations  Plan for external assurance of scope 1 and 2 GHG emissions  Implement sustainable procurement policy and collaborate with vendors to enhance sustainability impact within the value chain

- ⦿ Skill development of PIC workforce
- ⦿ Strategic objectives alignment
- ⦿ Health, safety and environment (HSE) policies and procedures compliance

In 2015-2016, the SMART sustainability objectives aimed to enhance stakeholder engagement, safety and labor performance, and manage sustainability impacts within PIC's value chain. Each objective was

assigned to a specific owner within the organization, who had the responsibility of ensuring completion of the respective objective. In order to ensure commitment and accountability, performance on each objective was linked to the owner's performance target through their balanced scorecards. The Sustainability Committee reviewed progress on each objective every month to ensure satisfactory completion of the

objectives. The ERM department also monitored progress on the objectives every quarter. At the end of the reporting period, the department assessed the role of the objectives in risk mitigation, or in the reduction in the severity or likelihood of sustainability risks. The accompanying table provides a snapshot of the sustainability objectives for 2015-2016. Further details will be provided in the subsequent sections of the report.

## What we have achieved

- ⦿ Launched sustainability eLearning course for all employees on different sustainability topics
- ⦿ Held an internal workshop to communicate the importance of sustainability objectives in mitigating identified risks
- ⦿ Provided quarterly updates on risk mitigation to Sustainability Committee
- ⦿ To encourage internal collaboration on sustainability, non-managerial representatives presented their departmental activities on sustainability at the Sustainability Champions meetings
- ⦿ Developed new internal process to communicate sustainability-related content via social media
- ⦿ Developed annual stakeholder engagement plan with clear guidelines on roles, responsibilities, frequency of engagement and modes/channel of communication
- ⦿ Workshops conducted with external stakeholders to share PIC's expertise on integrating sustainability into risk management
- ⦿ eLearning module on Human Rights developed
- ⦿ Shared our expertise on sustainability through our presentation on "mitigating climate change challenges" at the Think-K event hosted by PIC in January 2015
- ⦿ Comprehensive training plan developed for shift and process controllers, and process engineers to improve labor performance
- ⦿ PIC employees provided with on-the-job trainings by experienced training providers
- ⦿ 97 percent recommendations from previous safety audits completed
- ⦿ Conducted 43 awareness programs to enhance occupational health and safety performance
- ⦿ Crisis Management Center inaugurated
- ⦿ LEED Gold certification for PIC head office obtained
- ⦿ Baseline electricity consumption set at 37 kWh per employee
- ⦿ Developed a Business Opportunity Plan that identified four new projects over a five-year period to improve levels of energy and GHG emissions efficiency
- ⦿ Continuous improvement opportunities to reduce water intensity identified using Six Sigma methodology
- ⦿ External assurance on PIC's GHG emissions data collection and calculation methodology completed
- ⦿ Awaiting final assurance statement
- ⦿ Workshop held with key suppliers on basic principles of sustainable procurement
- ⦿ Developed detailed evaluation criteria with sustainability factors for all suppliers

# Sustainability governance

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- ➲ *Sustainability Committee chaired by CEO*
  - ➲ *Monthly progress meetings*
  - ➲ *ENGHSE in charge of coordinating activities*
  - ➲ *Sustainability champions within each department*
- 

We believe that effective management of sustainability risks can improve business performance. A robust sustainability governance model allows us to effectively manage our sustainability risks and performance.

Effective governance supports our commitments, defines expectations and responsibilities, formalizes sustainability decision-making authority and ensures accountability. Sustainability performance is effectively managed, closely monitored and reported. We share best practices with our JVs and encourage our partners and suppliers to follow the path of sustainability.

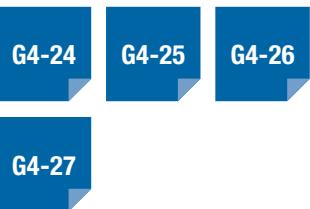
The Sustainability Committee, chaired by the CEO, is responsible for overseeing and providing the direction for our sustainability agenda. The committee meets monthly to monitor progress on PIC's sustainability objectives and material key performance indicators (KPIs). The deputy CEOs and managers of all relevant departments are members of this committee.

The Corporate Engineering and HSE (ENGHSE) department's project management office (PMO) is responsible for coordinating sustainability

performance monitoring and reporting. Individual departments and functions are responsible for implementing plans in their areas and for finding solutions to the specific sustainability challenges they face.

Sustainability champions in each department help drive progress and share good practices across the organization. Our balanced scorecard system includes sustainability targets and goals for each year and sustainability performance is integrated in the department managers' compensation scheme. This provides an additional motivation for effective participation in sustainability initiatives.

# Stakeholder engagement and materiality assessment



We give importance to communication with internal as well as external stakeholders and obtain stakeholders' feedback, comments and suggestions on PIC's sustainability strategy. Stakeholder engagement

and feedback are key inputs that help us define the annual SMART objectives as part of our corporate sustainability strategy.

We understand that our stakeholders have different concerns and expectations. Our goal is to ensure continuous engagement with our stakeholders through multiple channels in order to be aware of their expectations and to respond to their concerns. We consider our

stakeholders as critical partners in our sustainability journey and aim to enhance stakeholder value through our sustainability initiatives.

In 2013, we established the sustainability stakeholder engagement guidelines, to help enhance our stakeholder identification and selection process. We are currently in the process of implementing the engagement strategy and guidelines.



The table below highlights the key issues and concerns specific to each stakeholder group and the process we employed to engage with them.

<b>Stakeholder</b>	<b>Key concerns</b>	<b>Mode of engagement</b>
<b>KPC</b>	⌚ Financial sustainability ⌚ Corporate governance	⌚ Meetings ⌚ Official letters and emails
<b>Employees</b>	⌚ Professional development ⌚ Long-term job security ⌚ Health and safety ⌚ Grievance mechanism	⌚ Suggestion and complaint mailbox ⌚ Office automation system ⌚ Corporate intranet, online training ⌚ Onboarding manual ⌚ Departmental sessions ⌚ Town hall meetings
<b>Kuwaiti or local government</b>	⌚ Contribution to the Kuwaiti economy ⌚ Compliance with laws and regulations	⌚ Regulatory compliance ⌚ Meetings, conferences and collaborations ⌚ One-on-one meetings with governmental authorities
<b>Local and international customers</b>	⌚ Product and price ⌚ Distribution and service ⌚ Safety and security of products ⌚ Responsible operations and sustainability	⌚ Customer satisfaction survey ⌚ Marketing and media ⌚ Periodic visits, meetings and consultation ⌚ Routine communications ⌚ Feedback mechanism ⌚ Hotline service ⌚ Trade fair, forums ⌚ Online services
<b>Suppliers and contractors</b>	⌚ Timely payments ⌚ Long-term partnerships	⌚ Contract negotiations ⌚ Real-time communications ⌚ Tender conference ⌚ Periodic supplier visits ⌚ Conferences and exhibitions ⌚ Supplier assessments
<b>Labor unions</b>	⌚ Employee rights ⌚ Democratic management ⌚ Transparency	⌚ Routine communications ⌚ Meetings of employee representatives

<b>Stakeholder</b>	<b>Key concerns</b>	<b>Mode of engagement</b>
<b>Media</b>	<ul style="list-style-type: none"> <li>⌚ Transparency and disclosure</li> <li>⌚ Responsible operations</li> <li>⌚ Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>⌚ Reports and press releases</li> <li>⌚ News conferences</li> <li>⌚ Multichannel communications</li> <li>⌚ Media monitoring</li> <li>⌚ Public exhibitions</li> </ul>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>⌚ Support for community</li> <li>⌚ Job creation</li> <li>⌚ Local environmental impacts</li> </ul>	<ul style="list-style-type: none"> <li>⌚ Organized events</li> <li>⌚ Employee volunteering</li> <li>⌚ Sponsorships</li> <li>⌚ Leaflets and presentations</li> <li>⌚ Open-door events</li> <li>⌚ Corporate blogs</li> <li>⌚ Press releases</li> </ul>
<b>Nongovernmental organizations (NGOs)</b>	<ul style="list-style-type: none"> <li>⌚ Impact on environment and communities</li> <li>⌚ Support for local causes</li> </ul>	<ul style="list-style-type: none"> <li>⌚ Events and conferences</li> <li>⌚ Sponsorships</li> </ul>
<b>JV partners</b>	<ul style="list-style-type: none"> <li>⌚ Corporate governance</li> <li>⌚ Profit distribution</li> <li>⌚ Information sharing</li> <li>⌚ Cooperation and mutual benefits</li> </ul>	<ul style="list-style-type: none"> <li>⌚ Contract negotiations</li> <li>⌚ Conferences</li> <li>⌚ Top management meetings</li> <li>⌚ Data correspondence</li> <li>⌚ Routine business communications</li> <li>⌚ Joint social projects and initiatives</li> <li>⌚ Collaboration forums such as GPCA/ IFA</li> </ul>
<b>PIC Sustainability Committee</b>	<ul style="list-style-type: none"> <li>⌚ Sustainability performance</li> </ul>	<ul style="list-style-type: none"> <li>⌚ Roundtable discussions</li> </ul>
<b>Competitors</b>	<ul style="list-style-type: none"> <li>⌚ Impact on environment</li> <li>⌚ Support for local causes</li> </ul>	<ul style="list-style-type: none"> <li>⌚ GPCA and IFA committees</li> <li>⌚ Board and committee meetings</li> </ul>
<b>Kuwait Environment Public Authority (KEPA)</b>	<ul style="list-style-type: none"> <li>⌚ Support for community</li> <li>⌚ Sponsorships and job creation</li> <li>⌚ Environmental laws and compliance</li> </ul>	<ul style="list-style-type: none"> <li>⌚ Biannual face-to-face meetings</li> <li>⌚ Organized meetings</li> <li>⌚ Sponsorships</li> </ul>
<b>Industry associations</b>	<ul style="list-style-type: none"> <li>⌚ Responsible operations and sustainability</li> <li>⌚ Leading business practices</li> </ul>	<ul style="list-style-type: none"> <li>⌚ Forums and conferences</li> </ul>



## Sharing sustainability best practices with KPC



### Think-K event

Our parent company, KPC, organizes an annual Think-K event with its subsidiaries. The event focuses on enhancing mutual cooperation and the exchange of experience and information. PIC hosted the 2015 Think-K event and introduced Health, Safety, Security and Environment as key topics. We gave particular attention to reducing the impacts of climate change from both a global and a local perspective through our presentation — *Mitigating climate change challenges*.

### Managing sustainability risks

Our ERM department conducted an awareness session for KUFPEC, a KPC subsidiary, to share the role of ERM in managing sustainability risks. The session covered the importance of having a good governance mechanism for sustainability and the benefits of embedding sustainability into KUFPEC's core operations. We also shared our sustainability reports and guidelines for GRI indicators.

### Sharing our human rights position statement with KPC

We have recently developed a human rights position statement based on international and regional principles and frameworks. This statement has been shared with KPC, which will help raise awareness on human rights among the KPC subsidiaries.

## Materiality analysis

G4-2

G4-18

G4-19

G4-20

G4-21

Materiality analysis is the process of identifying the most significant sustainability aspects that are important to the business and also to the organization's stakeholders. The focus on material sustainability aspects enables an organization to devote time, effort and money to issues that are of maximum importance. We have conducted a materiality analysis to define the most important and relevant sustainability aspects for PIC.

We have used the following methodology to identify our material aspects.

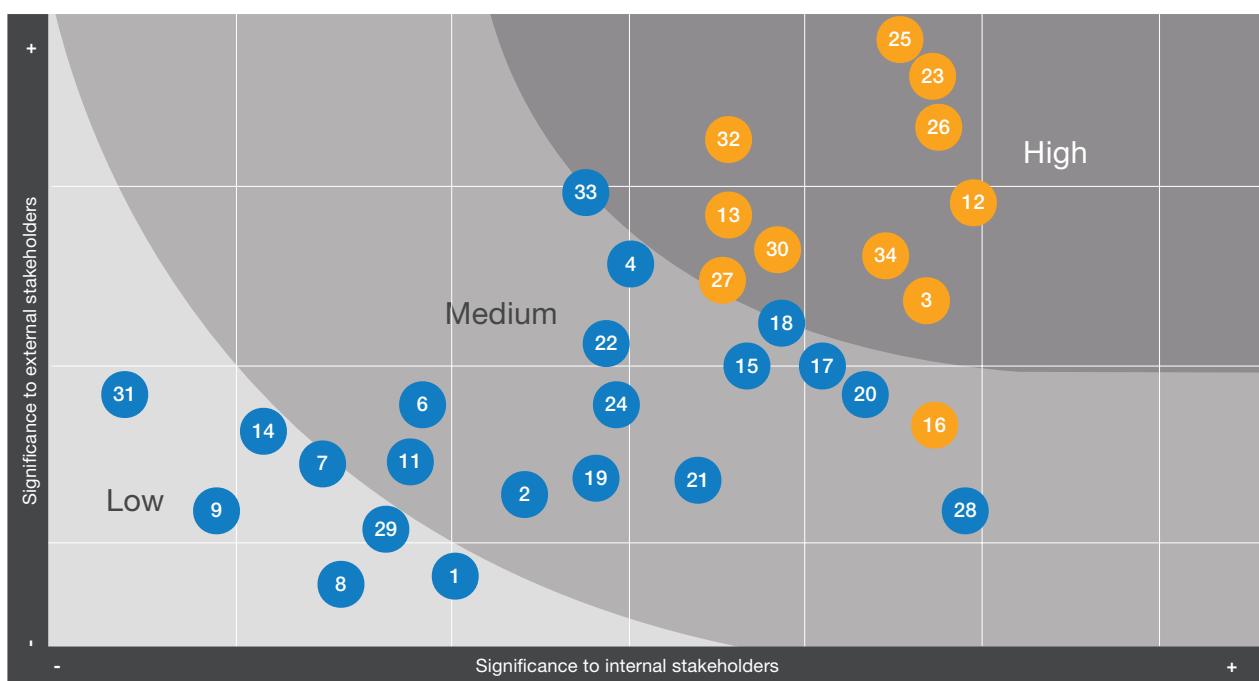
- ⦿ **Identified universe of potentially relevant aspects and methodology for obtaining feedback:** The potentially relevant aspects for PIC were identified on the basis of stakeholder interviews, research on the material aspects described by sustainability and petrochemical-related standards, and issues reported by leading global and regional organizations in the petrochemical sector. As a result, we identified 35 potentially relevant aspects.
- ⦿ **Obtained internal stakeholder input to assess the “importance of sustainability aspects to the organization” (x-axis of the materiality plot):** Internal stakeholders at PIC at various levels of the organization

were asked to rank each of the identified material aspects based on their importance.

- ⦿ **Obtained external stakeholder input to assess the “importance of sustainability aspects to external stakeholders” and performed additional external peer review (y-axis of the materiality plot):** We engaged with our key external stakeholders and conducted peer review to rank the material aspects.

We assessed the results on a materiality matrix as shown below. The materiality matrix charts the importance of sustainability aspects to internal stakeholders within an organization and maps it against the importance of the same aspect to external stakeholders.





- |  |   |
|--|---|
| <p>1 Employment and labor/management relations</p> <p>2 Local recruitment</p> <p>3 Occupational health and safety</p> <p>4 Training and education</p> <p>5 Diversity, equal opportunity and nondiscrimination</p> <p>6 Stakeholder grievance mechanisms</p> <p>7 Investment</p> <p>8 Freedom of association and collective bargaining</p> <p>9 Abolition of child labor and forced or compulsory labor</p> <p>10 Indigenous rights</p> <p>11 Operational and supplier human rights assessment (policies and procedures)</p> <p>12 Local communities</p> <p>13 Anti-corruption and anti-competitive behavior</p> <p>14 Public policy participation</p> <p>15 Compliance</p> <p>16 Asset integrity and process safety*</p> <p>17 Customer health and safety</p> <p>18 Marketing communications, product and service labeling</p> | <p>19 Customer privacy</p> <p>20 Customer satisfaction</p> <p>21 Fossil fuel substitutes</p> <p>22 Materials</p> <p>23 Energy use and energy efficiency in PIC</p> <p>24 Water use management in PIC operations</p> <p>25 Biodiversity</p> <p>26 Emissions and air quality</p> <p>27 Effluents and waste</p> <p>28 Products, services and transport</p> <p>29 Overall environmental protection expenditure</p> <p>30 Supplier environmental assessment</p> <p>31 Economic performance</p> <p>32 Market presence (including local content)</p> <p>33 Indirect economic impacts in communities</p> <p>34 Procurement practices to support local suppliers</p> <p>35 Resource efficiency</p> |
|--|---|

- Key material aspects covered in the report
- Other sustainability aspects important for PIC

\*Asset integrity and process safety was not identified as a material aspect but was included based on peer review and internal stakeholder consultation

From the materiality analysis, we have identified 11 material aspects most relevant to us and our stakeholders. Our performance on these material aspects has been reported in this sustainability report. The material aspects reported and their impact boundaries are as follows.

Aspect boundary		Material aspects for PIC									
		Social			Environment			Economic			
Boundary within the organization	Occupational health and safety	Local communities	Anti-corruption and anti-competitive behavior	Asset integrity and process safety	Energy use and energy efficiency	Biodiversity	Effluents and waste	Emissions and air quality	Supplier environmental assessment	Market presence (including local content)	Procurement practices to support local suppliers
	PIC Sustainability Committee	●	●	●	●	●	●	●	●		
	Employees	●	●	●	●	●	●	●	●		
	Labor unions	●	●	●						●	
	KPC	●		●	●					●	●
	JV partners			●						●	●
	Suppliers and contractors	●	●	●	●	●	●	●	●	●	●
	Local communities		●			●	●	●		●	●
	Kuwaiti or local government		●	●	●	●	●	●		●	●
	NGOs		●			●					●
Boundary outside the organization	Kuwait Environment Public Authority					●	●	●	●		
	Media	●	●	●	●	●	●	●		●	●
	Local and international customers			●	●		●		●		
Competitors			●								

# Advancing economic development

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PICT has long worked to advance all three dimensions of sustainability: strong economics, sound environmental performance and good corporate citizenship. We strive to ensure that our operations and investments yield positive value in all three areas. In this section, we discuss the role we play in contributing directly and indirectly to Kuwait's economic development.

The key material aspects covered in this section are:

- ⦿ Market presence (including local content)
- ⦿ Procurement practices to support local suppliers

# Strengthening Kuwait's economy

Kuwait's GDP stood at KWD51 billion in 2014. In 2014, the oil economy comprised 65.4 percent of GDP — the largest of any sector. The advent of sustained low oil prices highlighted the need for economic diversification to ensure continued economic growth.

## Kuwait GDP by main economic activities, 2014<sup>6</sup>



As of 2014, manufacturing was the third-largest sector in Kuwait. A significant share of the manufacturing sector is composed of the petrochemical industry, which has grown by 11 percent during the past

decade. Continuing to pursue non-oil growth is a cornerstone in Kuwait's Vision 2020, which calls for an increase in spending on infrastructure, economic diversification and regulatory reforms. We, at PIC, have done

our share to help the growth of Kuwait's non-oil economy by setting new records in fertilizer production in 2015-2016.

<sup>6</sup> The GCC Chemical Industry, Facts and Figures 2014

## Kuwait manufacturing added-value by sub-sectors, 2014<sup>7</sup>

### Refining



### Petrochemicals and chemicals



2014	24 percent
2013	25 percent
2012	25 percent
2011	16 percent

### Other manufacturing



2014	27 percent
2013	28 percent
2012	32 percent
2011	34 percent

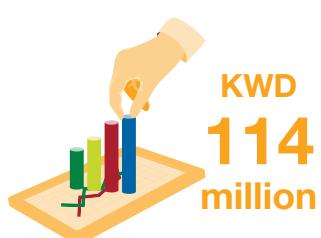
## Our economic performance

G4-DMA Economic performance

G4-EC1



Direct economic value generated\*



Economic value distributed\*\*

We have established our presence in global markets through JVs and partnerships. We performed successfully this year, producing 1.3 million metric tons of petrochemical products in 2015-2016 and generated revenues of KWD388 million.



Economic value retained\*\*\*

\* Includes earnings from the sale of assets (KWD268 million) and PIC revenue (KWD120 million)

\*\* Equals operating costs including community investment, employee wages, benefits, payments to government and other expenses

\*\*\* Includes inventory adjustments (KWD1 million)

In line with our vision to expand our petrochemical activities, we are reviewing investment opportunities, boosting our

presence globally and increasing our share in world markets. These expansion activities will help us meet our plan to

produce 15 million metric tons of petrochemicals annually by 2020.

<sup>7</sup> The GCC Chemical Industry, Facts and Figures 2014

## Nurturing local talent

G4-DMA Market presence

G4-EC6

Apart from its direct financial impact on the economy, the petrochemical industry also contributes towards the socio-economic development of Kuwait. It has been estimated that each direct job opportunity in the GCC's petrochemical sector creates three to four additional indirect jobs<sup>8</sup>.

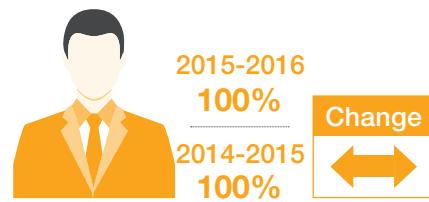
Providing career opportunities to the local population and supporting their learning and development enables us to contribute toward improving the livelihoods and career prospects of youth. We give particular attention to the local community by focusing our efforts and attention primarily on Kuwaiti nationals. With 84.6 percent of our employees originating from Kuwait, we are far ahead of schedule to achieve KPC's target of 85 percent Kuwaitization by 2030.

We understand the value local talent can bring to our economy and are actively engaging with educational institutions to support them in developing capable and talented future generations. During the past year, we gave presentations on our production processes, as well as explained our vision and mission statements to students at the American University of the Middle East and the Australian University of Kuwait. This provided business

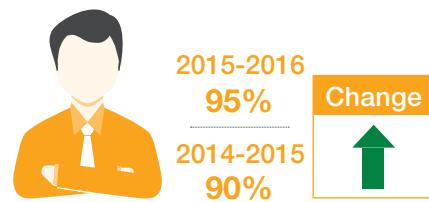
students with valuable insights into the petrochemical industry and helped them understand whether they can envision a career within the sector. Similarly, we engaged with students at Kuwait University (KU) on available employment opportunities and what type of contracts are usually provided to new employees.

### PIC local employees

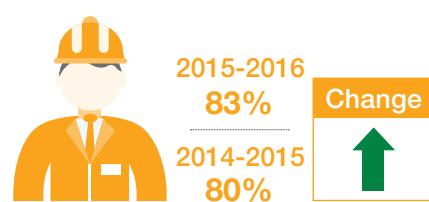
Top management (percent)



Middle management (percent)



Employees (percent)



## Encouraging local suppliers

G4-DMA procurement practices

G4-EC9

We favor the purchase of goods and services from local suppliers whenever possible.

Compared to 2014-2015, we increased the share of materials purchased from local suppliers by 2.6 percent. This increase stands in contrast to a drastic fall in the total amount purchased and the number of purchase orders issued, which is due to the shutdown of the plant in 2014-2015. Purchasing locally may not be the most cost-effective solution for our Company, but it allows us to support the local economy by engaging with local businesses. An added benefit is that this insulates PIC from risks within the global supply chain that lie beyond our control.

### Materials purchased from local suppliers

Percent spent on local procurement



Number of purchase orders (POs)



Amount in KWD millions



## Serving our customers well

G4-DMA Product and service labeling

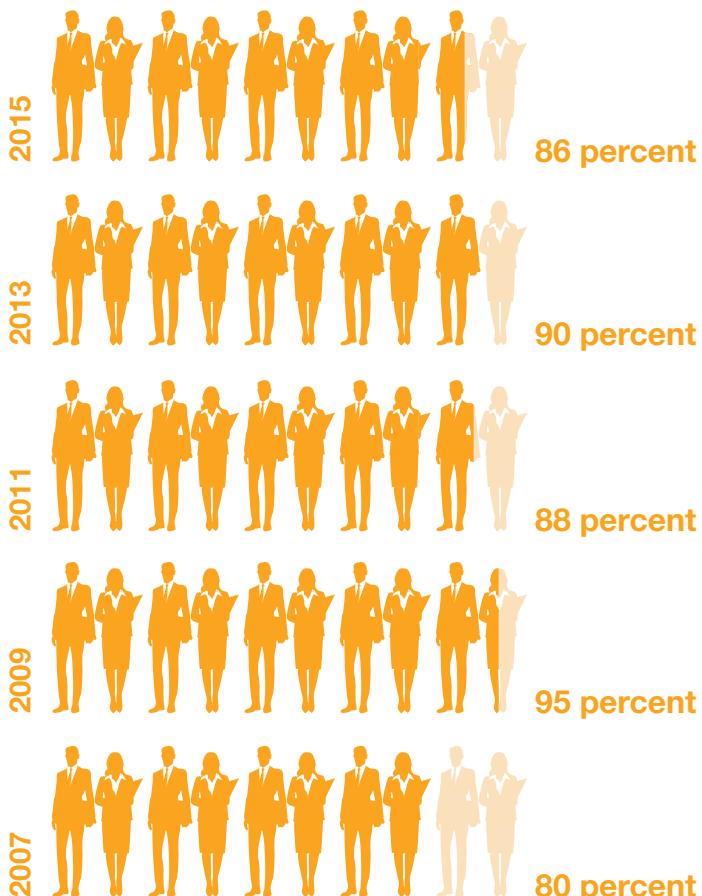
G4-PR5

Products supplied by petrochemical firms like ours form the basic ingredients of a large range of products for industrial and agricultural use. These products range from solvents and adhesives to plastics and resins. Maintaining the highest quality and ensuring the safety of our products and services are of fundamental

importance to us. We want our products to not just meet, but to exceed customer expectations. We have achieved Responsible Care® certification since 2011 and we strive to achieve zero accidents, no injuries and a minimal impact on the environment. Our commitment extends beyond our operations and includes the transportation, use and disposal of our products. We promote our customers' awareness of safety issues through the distribution of Material Safety Data Sheets (MSDS).

We also conduct a customer survey every two years via an independent external agency to measure how well we are meeting our customers' needs and how we can improve our products and services. For the satisfaction survey conducted for our fertilizer customers in 2015-2016, we had a response rate of 82 percent. The overall satisfaction score of our fertilizer customers was 86 percent. We can, therefore, conclude that the majority of our customers were satisfied with our products and services.

### Results of customer satisfaction survey (fertilizer customers)



### 2015-2016 survey results and outcomes

- ➲ The highest scores we received were for quality, shipping and marketing staff responsiveness.
- ➲ The three areas requiring improvement were payment terms, staff efficiency on handling shipping documents and flexibility in executing contracts.
- ➲ Solutions to improve our performance were identified during a brainstorming session and we are preparing for their implementation.

# Advancing our people and communities

Our vibrant workforce	p.48
Creating a safe workplace	p.52
Engaging with our local communities	p.56
Fostering ethical behavior	p.58

## SDGs covered in this section





We are committed to being a responsible corporate citizen. We want to operate in a manner that promotes inclusion and the well-being of our people and the local community. As a result, we have launched numerous programs and initiatives for both internal and external stakeholders.

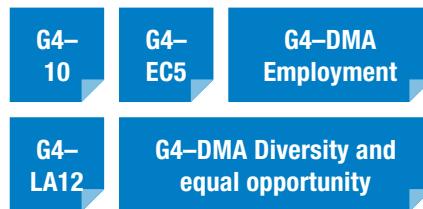
The key material aspects covered in this section are:

- ⦿ Occupational health and safety
- ⦿ Local communities
- ⦿ Anti-corruption and anti-competitive behavior
- ⦿ Asset integrity and process safety

# Our vibrant workforce

We are fully aware that our employees are the cornerstones of our success. With this in mind, we do our utmost to create a work environment free of discrimination with principles of equality present in all aspects of our day-to-day work, including hiring, training and promotions.

## Creating a diverse and inclusive work environment



For PIC, an inclusive environment promotes diversity at all levels. Employees from different cultural backgrounds feel comfortable to prosper in our Company. Apart from

Kuwaiti employees, we also employ nationals of Bahrain, Egypt, India, Jordan, Lebanon, Pakistan, Palestine, Saudi Arabia and Syria. We are committed to providing equal opportunities to every employee, irrespective of their race, gender or culture. For example, both male and female employees receive wages equal to or above the minimum entry level across the Company in accordance with Kuwaiti law. We employed 535 employees in 2015-2016 and females constituted 8.7 percent of our workforce.

## Demographics and gender diversity of our employees

### 2015-2016

427      57.4

488 (total number of male employees)

### 2014-2015

468      61.5

534

### 2013-2014

503      56.5

564

### 2012-2013

474      58.5

535

### 2015-2016

44      3

47 (total number of female employees)

### 2014-2015

46      3

49

### 2013-2014

46      3

49

### 2012-2013

43      3.1

47

Years	Total number of employees
2015-2016	535
2014-2015	583

Years	Total number of employees
2013-2014	613
2012-2013	582

- Top management
- Middle management
- Employees

## Employee welfare and well-being

G4–  
EC3

G4–  
LA2

In today's competitive world, skilled and experienced employees are very sought after. For all employees, regardless of their level, we provide salaries in line with industry standards and that of peer companies in the petrochemical sector. As a result, salaries for our employees are significantly higher than the legal minimum wages in Kuwait. Furthermore, our employees are provided with benefits such as annual leave entitlement, social security benefits, medical insurance coverage, family increments, and inflation adjustments, among others. Providing such remuneration packages aids us in hiring and retaining key personnel.

Our commitment to our employees continues even after their retirement. We ensure that all our employees, including non-Kuwaitis with GCC residency, receive secure retirement salaries. The retirement benefits for each employee are calculated on the basis of the employee's length of service at PIC and pay grade.

Moreover, we actively engage with retired employees by holding annual ceremonies to honor their hard work and dedication to support us in fulfilling our mission and vision.

In 2015-2016, we have taken a holistic approach toward the

Retirement benefit plan for PIC employees		
Employment duration	Kuwaiti	Non-Kuwaiti (GCC residents only)
<b>0-5 years</b>	Yearly payment equivalent to 30 days of salary	Yearly payment equivalent to 15 days of salary
<b>&gt;5 years</b>	Yearly payment equivalent to 45 days of salary	Yearly payment equivalent to 30 days of salary

well-being of our employees, by running awareness campaigns on diabetes, anti-smoking, first aid, while highlighting the link between health and nutrition. A large number of employees participated in a walkathon around our head office, promoted by our IT and Communication Department to increase health awareness.

We also arrange for our employees to be examined by our physicians. All employees working at the head office meet with our physicians at least once every two years. PIC employees

working in Shuaiba meet our physicians once a year and undergo certain tests twice a year, depending on the nature of their work. Employees above the age of 50, and those facing occupational health hazards, can meet our physicians as and when required. We also track the occupational illnesses and diseases faced by our employees to understand the impact of our awareness and safety programs.



PIC celebrates World No Tobacco Day

## Investing in our employees' capabilities

G4-LA9

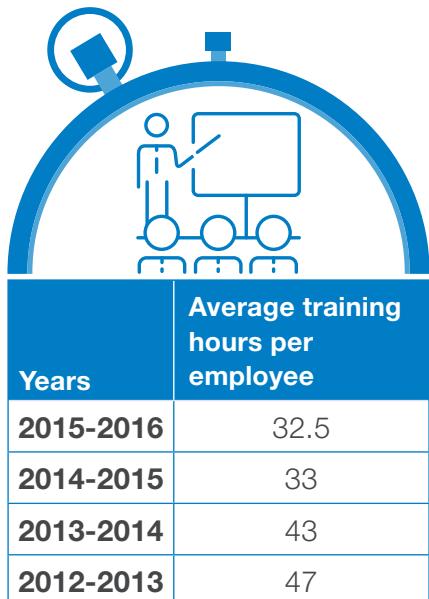
G4-LA11

G4-DMA Training and education

We want all our employees to perform their best and achieve their full potential. As a result, we provide a wide range of learning and development opportunities to enhance their skills and facilitate their personal and professional growth.

While the average number of hours of training provided to all employees fell over the past four years, employees can still use the equivalent of an entire working week to develop their skills. In aggregate, our employees received 17,393 training hours in 2015-2016, with an average of 32.5 training hours per employee.

### PIC training hours



Our training methods include eLearning, general and specialized training courses to obtain degrees and rotational programs with other oil sector companies to exchange expertise and on-the-job-training. The key training programs for 2015-2016 were the third cycle of the Fast Track Development Program, sustainability capability development modules, as well as two workshops on emotional intelligence and risk and precaution in high-voltage areas.

### PIC employee training data: 2015-2016



#### Training hours by gender

	Total training hours	Average training hours
Male	14,735	30
Female	2,658	57

#### Training hours by position

	Total training hours	Average training hours
Employees	14,280	30
Middle management*	3,113	51
Top management*	0	0

## Fast Track Development Program

The program provided carefully selected high-potential employees with the knowledge, skills and capabilities needed to perform successfully. The program included advanced training courses and onsite coaching guidance.



*The Fast Track Development Program is tailored to match with PIC's culture and develop our senior and junior PIC staff as per the new unified generic competency framework. This is a two-year program designed to assure quality through training courses, coaching and simulation activities.*



**Asma Mohammed**  
Program Coordinator

## Emotional intelligence workshop

This workshop was tailored to provide our management with an understanding of emotional intelligence and how it could be effectively used to engage with their team members.

\* Managers and above (middle management consists of team leaders and managers) participate in KPCs K-Lead program. Their training hours are not recorded within PIC.

Furthermore, to enable senior-level employees to increase their skills, we held three events focusing on adaptability and learning, communication and ownership. A fourth event is scheduled for 2016-2017, focusing on HSE and sustainability. We expect the learnings from these events to be implemented by senior employees so that their impact is felt across the entire organization.

A training coordinator within each department meets with PIC's manpower development analyst to agree on a career development path for our employees, which is incorporated into their personal development plan. Each manager or team leader is asked to discuss career development, including training requirements with team members twice a year.

### **Feedback on performance**

We are committed to helping our employees continuously improve their job performance. We use an annual performance appraisal system to give constructive feedback to all employees. Appraisals are conducted at least twice a year, but most often three times in a year. The first appraisal meeting is held at the beginning of the year to set objectives or goals and the second meeting is a mid-year review. The third meeting closes this process and assesses whether the objectives or goals



Workshop on emotional intelligence

### **Building capabilities in sustainability**

It would be difficult for PIC to realize our sustainability goals without the support and informed engagement of our employees. Raising employee awareness and training them on sustainability can result in improved employee engagement and advancing our sustainability strategy. We are currently utilizing eLearning modules on sustainability as a primary mode of engagement with

our internal stakeholders. We plan to reach 100 percent of our employees through these modules. We use multiple methods to communicate sustainability topics to our employees. These methods include a monthly sustainability newsletter on relevant topics such as sustainable supply chains, human rights and water conservation. We have also placed sustainability-focused electronic and print signage throughout our headquarters.

were met. This process provides employees with valuable insights on their performance and helps them understand potential areas for improvement.

# Creating a safe workplace

## G4-DMA Occupational health and safety

At PIC, we recognize that keeping our workforce safe and healthy positively impacts both their performance and the success of our Company. We support the well-being of our employees and contractors through the implementation of various programs and initiatives.

## Safety governance

### G4-LA5

Safety is integrated into every aspect of our operations. Our **Health, Safety, Security, Sustainability, Environment (HSSSE) and Quality policy** provides safeguards for our employees, contractors, visitors, customers, suppliers, distributors and the public. Our line management, supported by our occupational health and safety management systems, is responsible for implementing the HSSSE and Quality Policy. The **Safety, Health and Environment Executive Committee (SHEEC)** is headed by our CEO, who oversees the management of safety risks throughout the Company. We also include our employees in the safety decision-making process. About 60 percent of

our workforce is represented in joint management-worker health and safety committees. Our commitment to safety and a high level of safety performance has been recognized by certifications from OHSAS and Responsible Care®.

### Safety programs and initiatives

Our safety programs are designed to raise awareness, provide training and follow-up on near misses and accidents. These programs cover both our employees and contractors, and help instill a culture of awareness.

### Key health and safety initiatives and programs for 2015-2016:

⦿ **Near misses:** Near misses are early warning signs of accidents. They function as red flags, enabling us to reduce or eliminate potential accidents before they occur. All near misses are reported immediately to the Safety and Occupational Health department. The department also investigates potential causes and coordinates with the area owner to initiate an immediate action to prevent recurrences and communicates results with

the concerned departments. In 2015-2016 we recorded 80 near misses.

#### ⦿ Crisis Management Center (CMC):

This is a fully equipped room with communication and surveillance technology, which is designed to be used during crisis situations. Our top management can meet at CMC to obtain up-to-date information about the nature of the crisis and communicate with key stakeholders.

⦿ **Safety and fire drills:** Mock drills help us verify our level of readiness to protect workers, buildings and equipment and to test emergency and evacuation plans. We conducted four safety and fire drills in 2015-2016, three at our plants in Shuaiba and one at our head office. We addressed all gaps identified during these drills.

⦿ **HSE training:** 72.5 percent of our employees underwent HSE training. Key programs are:

- ▶ **HSE awareness trainings and campaigns:** We conducted a total of 43 HSE awareness sessions and campaigns in 2015-2016. Sessions included near-miss

- awareness for contractors, heat-stress awareness, a safety induction program and firefighting awareness training with fire simulation equipment, among others.
- ▶ **Process hazard analysis (PHA) course:** Our Process Safety Committee held a PHA course for 31 PIC employees and 3 KNPC employees. Participants gained knowledge on operation-related risks and how to conduct evaluation studies to prevent industrial accidents.
  - ▶ **Permit to work (PTW):** PTW authorization training was conducted and permit cards issued for 75 PIC employees and 81 contractors.
  - ⌚ **Pointing system:** As a part of this program, the management conducted unannounced plant or workshop visits. Cards (green, yellow and red) are issued to employees based on their compliance with PIC HSE regulations. We believe that appreciation of safe behavior will motivate employees, while negative feedback would discourage unsafe behavior at work.
  - ⌚ **RC 14001® audit** was completed and certification renewed.
  - ⌚ **Integrated external surveillance audit** on ISO 9001, ISO 14001, and OHSAS 18001 was conducted and renewed successfully.
  - ⌚ We have instituted the PIC CEO Health, Safety, Security and Environment (HSSE) Award that recognizes contributions made by employees to promote and enhance HSSE awareness in PIC. The slogan for our 2015 award was “You have the key.”



Fire drill conducted at PIC plant in Shuaiba

## Our safety performance

G4-LA6

G4-OG13

G4-EN34

**G4-DMA Environmental grievance mechanisms**

**G4-DMA Asset integrity and process safety**

G4-LA7

3 GOOD HEALTH AND WELL-BEING



6 CLEAN WATER AND SANITATION



8 DECENT WORK AND ECONOMIC GROWTH



11 SUSTAINABLE CITIES AND COMMUNITIES



As a part of the occupational health and safety audits conducted on a monthly basis, we monitor various areas within operations on aspects such as air analysis within PIC, lighting levels, vibration, noise exposures and indoor air quality. The findings for 2015-2016 indicated that our performance was well within local regulatory limits.

At PIC, we not only measure and record our safety performance, but also include the performance of our contractors, as they are an integral part of our operations. We continue to meet the 2017 PIC Sustainability Goals with a recordable injury rate of 0.11 (2017 target: 0.13) and process safety incident rate of 0.06 (2017 target: 0.1). We had only one process safety incident in 2015-2016, which resulted in 14 days away from work for one of our operators.



Winners of CEO HSSE awareness award for Ammonia Safety Hours Project

### 2017 PIC Sustainability Goals

**Recordable injuries per 200,000 man-hours**

2015-2016	0.11
2014-2015	0.08
2013-2014	0
2012-2013	0



**Process safety incidents per 200,000 man-hours**

2015-2016	0.06
2014-2015	0.04
2013-2014	0
2012-2013	0



No work-related fatalities were recorded among our employees and contractors in 2015-2016, and 97.3 percent of the fatality prevention recommendations were completed by the respective departments. None of our employees were involved in occupational activities with high incidence or high risk for specific diseases. However, some of our employees faced minor illness and were either given sick leave, light duty, exempted from certain activities or transferred to other units.

#### PIC 2015-2016 safety statistics

Types of injury	PIC and contractors
Injury rate	0.11
Lost day rate (severity rate)	1.7
Absentee days	30
Work-related fatalities	0

Our commitment to ensuring the health and safety of our workforce was recognized when we received the Royal Society for the Prevention of Accidents (RoSPA) MORR HSE Silver Award for 2015. RoSPA is a British non-profit organization that recognizes commitment to continuous improvement in the prevention of occupational accidents and illnesses.

We also received the Arab Fertilizer Association (AFA)'s HSE award, which recognizes member companies that strive in continuously improving its HSE performance or have demonstrated a sustained and continued outstanding HSE performance for at least five years.



RoSPA MORR HSE Silver Award



The AFA's HSE award

# Engaging with our local communities

G4-S01

G4-S02

G4- DMA Local communities

At PIC, we believe that we can wield a positive influence and constructively work toward improving the quality of life of local communities. We look beyond making financial contributions and toward building partnerships. We have aligned our community programs with our sustainability goals for 2017 and are working with our NGO partners to promote healthy lifestyles, conserve natural resources and develop talent in our local communities.

## Safe and healthy communities



We keep track of health and safety risks that could affect communities close to our plants. Our ERM department has identified three key risks that could threaten our positive relationship with local communities:

- ➲ Risk of release of hazardous materials
- ➲ Risk of air, water and land pollution
- ➲ Change in public opinion if the previous two risks materialize

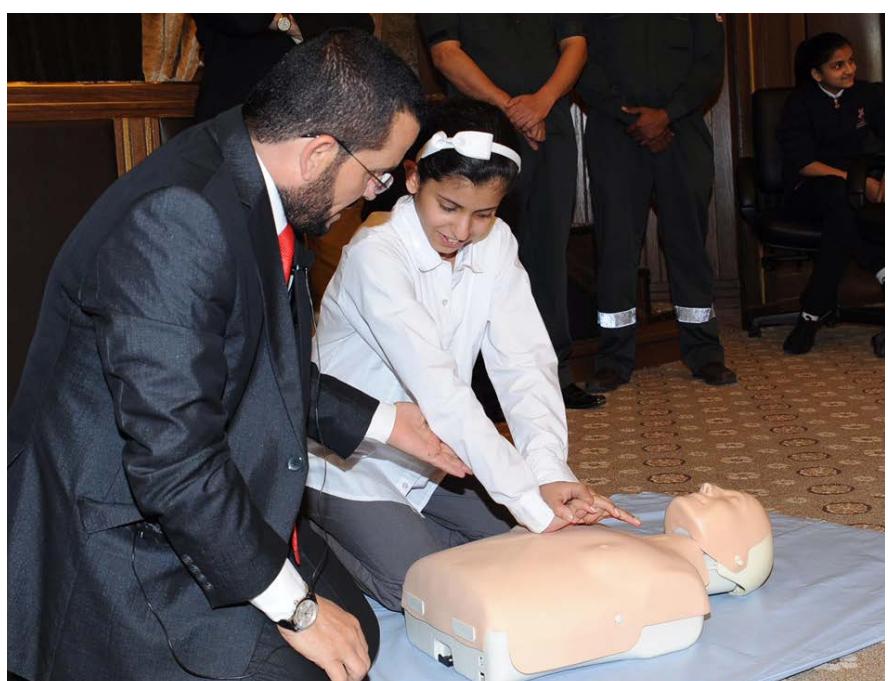
We continue to devise initiatives and policies to address the above risks and prevent them from materializing.

We also aim to spread health and safety awareness in our communities. In this spirit, we undertook a number of projects and initiatives. A chosen sample of the initiatives includes:

➲ **Safety promotion project at Kuwait University:** Our HSE department participated in the safety promotion at work sites project, which was held at the College of Medicine at Kuwait University.

➲ **Health awareness with school students:** We held a health awareness meeting about lung resuscitation with the students of Um Saad Al-Ansariah Intermediate Girls' School. It was an interactive session which was well appreciated by the students.

➲ **Fire protection training for Ministry of Oil employees:** Our safety team organized a training program for Ministry of Oil employees on safety measures and methods of fire protection.



Health awareness for Um Saad Al-Ansariah Intermediate School in Bubyan Club

## Preserving our environment

Conserving our natural resources is a collective responsibility, which needs to be practiced by the entire community. Our initiatives help raise awareness on environmental issues in the community.

### ⦿ Best Model Project

**contest:** In order to encourage school children to embrace sustainability, we held a Best Model Project, wherein schools competed in making models out of environmental waste. The winners were announced at an event called “Our environment is our responsibility.”

### ⦿ Greening gardens in schools

**schools:** We participated in greening gardens in an intermediate school in the Hawalli Educational Area. The students were informed about the environmental benefits of afforestation and were given seeds to create their own gardens at home.

### ⦿ Open day at Bubyan Club

**Club:** We held an open day at the Bubyan Club with a group of students. Students were taught about the importance of saving water and electricity, and strategies implemented by PIC to achieve these goals through Six Sigma projects.



📷 Greening gardens in schools

## Promoting development of local youth



Training and educating young people from local communities enhances the skill set and employability of local youth, supporting growth of the local economy. A number of our initiatives were specifically targeted at youth:

### ⦿ Al-Mubader “The Initiator” national project:

We exclusively sponsored this project that aims to support youth and develop business leadership in Kuwait. This project was a part of the Kuwaiti pavilion at Expo Milano 2015. By fostering innovation among Kuwaiti youth, Al-Mubader contributed to the theme

of the Kuwaiti pavilion “Challenge of Nature,” showcasing how Kuwaitis used education, technology, science and renewable energy to make the desert habitable.

**⦿ Training equipment to Public Authority for Applied Education and Training (PAAET):** We delivered equipment to the Faculty of Technology Studies of PAAET to aid students in their practical training sessions.

### ⦿ Lecture by Mohamad Shafi Al-Ajmi to Kuwait University students:

One of our engineers delivered a lecture to chemical engineering students at Kuwait University on the petrochemical industry and the main products of PIC.

# Fostering ethical behavior

<b>G4-DMA Anti-competitive behavior</b>	<b>G4-S03</b>
<b>G4-S04</b>	<b>G4-S05</b>
<b>G4-S07</b>	<b>G4-HR1</b>
<b>G4-DMA Labor practices grievance mechanisms</b>	<b>G4-HR2</b>
<b>G4-DMA Anti-corruption</b>	<b>G4-56</b>
<b>G4-DMA Investment</b>	<b>G4-LA16</b>

Ensuring that day-to-day operations are conducted ethically is paramount to maintaining positive relationships with stakeholders. Our Code of Conduct, set by our parent company, KPC, serves as a guideline that directs the behavior of our employees when they deal with colleagues, vendors, customers, contractors, government agencies and the general public. The key focus areas of the Code of Conduct are **Respect** for colleagues, protect the **Environment**, positively contribute to the **Community**, and act **Ethically**. New employees are trained on the Code of Conduct upon joining PIC. Other employees have to undergo a refresher course every year. Our ERM department conducts an analysis of the corruption risks

in order to prevent the risks from materializing. Certain risks were identified in 2015-2016 and we are working toward resolving them. We did not have any legal actions filed against us for anti-competitive behavior, anti trust or monopoly practices in 2015-2016. Furthermore, there were no incidents of corruption involving our employees in 2015-2016.

We also have a grievance mechanism in place to allow our employees to report any potential violations of labor practices. During 2015-2016, we received 32 such grievances, 17 of which were successfully resolved while 15 cases are pending, as of the date of publication of this report.

We ensure that every contract and investment signed by us complies with both Kuwaiti and international labor regulations and laws. Given that we employ a significant number of temporary workers through our suppliers and contractors, we look beyond our operations and safeguard the rights of our temporary workforce by raising awareness and conducting training for both our employees and contractors.

Respecting human rights is a fundamental part of our work culture. We set our commitments in our **Human Rights Position Statement** that was developed in 2014-2015. The statement communicates our support of the principles contained within the Universal Declaration of Human Rights, UN Global Compact, United Nations Guiding Principles on Business and Human Rights, relevant conventions and standards of the International Labor Organization, national and international laws, as well as KPC Code of Conduct. Further details on our commitment toward human rights can be read in the UNGC COP section of this report.

We have developed a human rights eLearning course and will be launching it during the first quarter of 2016-2017. The module covers the basic tenets of human rights, the business case for human rights, how to integrate human rights into business management and supporting human rights beyond core business operations.



# Advancing environmental stewardship

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Managing our environmental impact	p.62
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Managing water use	p.65
Managing our GHG emissions	p.67
Managing spills	p.69
Managing our waste	p.70
Protecting our biodiversity	p.71
Promoting environmental consciousness in the supply chain	p.72

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## SDGs covered in this section





We have played a significant role in driving environmental stewardship in Kuwait and in the region through our efforts in monitoring, managing and reporting on the impact of our business on the environment. Our environmental programs and initiatives are driven by the 2017 PIC Sustainability Goals. In this section, we outline our performance and approach toward managing our most material impacts on the environment.

The key material aspects covered in this section are:

- ⦿ Energy and resource use
- ⦿ Effluents and waste
- ⦿ Biodiversity
- ⦿ Supplier environmental assessment

# Managing our environmental impact

G4-DMA Overall

G4-14

G4-EN31

G4-DMA Environmental grievance mechanisms

G4-EN34

As a recognized petrochemical player, we are committed to minimizing our environmental impact. We have attained ISO 14001 (Environmental Management) and Responsible Care® certifications within both our operations and value chain. These certifications allow us to integrate leading environmental quality and management practices into our business and promote resource conservation at every stage of our products' life cycles.

We had no environmental incidents, environmental exposure complaints or fines from regulatory bodies for the entire year. While we did receive one complaint in 2015-2016 from a neighboring company, our investigation revealed that the cause lay outside of PIC and thus beyond our control.

We have made significant investments in the year to minimize our environmental impact. In 2015-2016, we spent KWD185,000 toward environmental projects and initiatives. A significant portion of

that investment was to achieve LEED certification.

We are continuing our investments in environmental quality improvements by budgeting KWD350,000 to change conventional light bulbs to LED bulbs and purchase additional energy-saving equipment in 2016-2017, such as occupancy sensors, solar lanterns, electricity meters for the head office and Bubyan Club.



## LEED certification at our head office



As part of our strategy to reduce our environmental footprint, we have implemented multiple projects to make our head office building in South Sabahiya more resource-efficient. Our head office has successfully met the criteria set by the US Green Building Council for Leadership in Energy and Environmental Design (LEED) Gold certification for existing buildings. Some of the projects adopted, which helped us to achieve considerable resource savings at our head office, include:

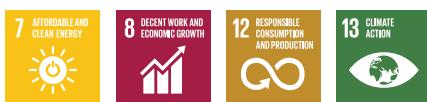
- ⌚ Installation of solar water heaters
- ⌚ Installation of lighting control system to ensure efficient usage of the lighting
- ⌚ Installation of variable frequency drives for the air handling units (AHU's)

In 2015-2016, the energy consumed per person at our head office was 37kWh. We will be tracking this in the future to understand the effectiveness of our various energy-saving projects.

# Managing energy use



## G4-DMA Energy



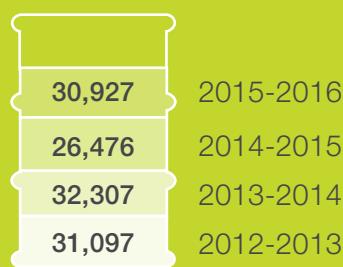
As an organization in an energy-intensive industry, we understand our impact on national energy demand and, therefore, have various ongoing initiatives linked to managing our energy use. Greater efficiency in energy use will help us to reduce our operational costs and our direct environmental impact. Accordingly, we have developed a Business Opportunity Plan (BOP), identifying four new projects over a five-year period to improve our levels of energy efficiency. The four projects identified in the BOP are:

- ➲ Preheating the process gas in the convection section of the ammonia reformer, saving 1.36 MMBTU/h of fuel gas
- ➲ Installation of a new heat exchanger in the ammonia IV convection section to increase the combustion air temperature, saving 15 MMBTU/h
- ➲ Recovery of CO<sub>2</sub>, ammonia, and steam in the off-gases from the process condensate unit for reuse in the hydrolyzer

- ➲ Installation of valve-passing detectors on natural, process and synthesis gas, and CO<sub>2</sub> vents, reducing energy loss and GHG emissions

Our energy use is composed of direct energy consumption (natural gas which is used both as a process input and as a fuel in our operations) and indirect energy consumption (electricity procured from the national grid). Diesel consumption has not been included in our energy usage calculations, as it is used only for maintenance vehicles and not in our operations.

### Direct energy consumed (in thousand GJ)

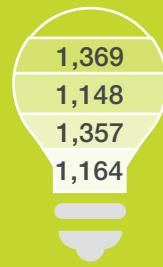


**0.54 percent fall between 2012-2013 and 2015-2016**

We have been monitoring our direct energy consumption since 2012-2013. Our consumption has come down by about 0.54 percent from 31,097,318 GJ in 2012-2013 to 30,927,873 GJ in

2015-2016 despite increases in production in the same period. This has been predominantly due to the efforts of the Energy Optimization Committee, which has been active since 2002. In 2015-2016, a key focus of the Committee was to improve the reliability and efficiency of our plants, which helped us reduce unplanned shutdowns, thereby minimizing energy loss.

### Indirect energy consumed (in thousand GJ)



2015-2016  
2014-2015  
2013-2014  
2012-2013

**17 percent rise between 2012-2013 and 2015-2016**

In 2014-2015, we identified an uncalibrated electricity meter which had led to underreporting of our electricity consumption by two percent. As part of our continued efforts to ensure accuracy of reported data and the integrity of our data collection process, we replaced analog electricity meters with digital ones with a higher accuracy and reliability. We have

therefore restated the indirect energy consumption figures for 2012-2013 and 2013-2014.

We also monitor our indirect energy consumption (electricity usage) to assess our demand for power and to achieve the objective of overall energy intensity reduction. Our indirect energy consumption has increased by 17 percent in 2015-2016 compared to 2012-2013. This increase is predominantly due to the increase in production of ammonia and urea, by 11 percent and 20 percent respectively. We believe that we will be able to play an important role in reducing our dependence on the local grid and have even initiated a renewable energy project under the direction of KPC.

## Total energy intensity

As part of managing our energy consumption we aim to reduce the energy intensity of our operations. Estimating our total energy intensity helps us to understand our energy consumption per unit of ammonia produced and, thereby, benchmark our performance with that of our peers. As part of the 2017 PIC Sustainability Goals, we aim to reduce our total energy intensity by 6 percent when compared to the 2012-2013 baseline.



### Supporting renewable energy development



The Solar Energy Technology Utilization Team (SETUT) was formed by KPC in July 2014, to follow His Highness the Amir of Kuwait's plan to generate 15 percent of Kuwait's total electricity production from renewable energy sources. PIC established an Executive Committee for Optimization of Energy and Utilization of Renewable Energy to enhance the current energy efficiency as well as to utilize renewable energy. The operations manager and members from Corporate Planning and Technical Services lead the working team.

The main activities of the working team are to:

1. Follow through with energy-saving initiatives in the fertilizer plant, replacing incandescent lights with LED lights at our facilities
2. Initiate a consultancy study for solar PV power systems in head office and Bubyant Club
3. Contribute to the KPC project to build a world-class solar power plant in the Al-Shagaya area

### Energy intensity (GJ/MT of ammonia produced)

2015-2016	48.38
2014-2015	48.41
2013-2014	48.98
2012-2013	51.72



**6.4 percent fall in energy intensity between 2012-2013 and 2015-2016**

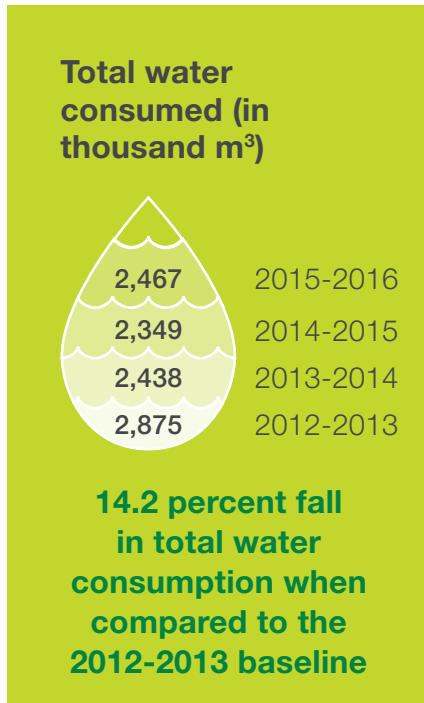
During this reporting period, we have achieved the best production performance in the history of our organization, driven predominantly by increased efficiency in our operations. Our energy intensity has fallen by 6.4 percent in 2015-2016 when compared to our 2012-2013 baseline. We will continue to monitor our performance in the following reporting period to ensure that we successfully meet our targets.

# Managing water use



We are aware of our responsibility to minimize water usage at PIC, especially while operating in a country classified as one of the most water-stressed. The increasing per capita consumption of desalinated water in the country burdens the country's energy resources as well. Our operations utilize significant volumes of water, and the water we use is from municipal sources, which highlights the importance of effective management of this scarce resource. We aim to reduce the water intensity of our operations by:

- ⦿ Identifying opportunities for reduction of water intensity of operational activities
- ⦿ Implementing identified opportunities and reporting progress



We have been constantly monitoring the consumption of our operations and have set stringent targets for ourselves as part of the 2017 PIC Sustainability Goals. Over the last four years, water usage has declined by 14.2 percent, highlighting the success of our efforts to reduce water consumption of our plants.



Our water intensity has fallen by 22.9 percent over the last four years, because we succeeded in improving the level of productivity of our plants, while reducing our total water consumption. On a monthly basis, we recycle 400m<sup>3</sup> of water, most of which is used to generate steam for production and machine rotation of compressors. A minor share is used for irrigation of vegetation around our plants. We will continue pursuing water-saving projects to increase the efficiency of water used in order to meet our target of 25 percent reduction in water intensity as part of the 2017 PIC Sustainability Goals.

## Waste water discharge

We recognize the environmental impact of industrial waste water discharges and we have been closely monitoring the waste water discharge from our processes. We have undertaken several projects, including a Six Sigma project, to reduce the hydrolyzer discharge intensity. The waste water discharge per MT of ammonia production has come down 17.2 percent from 384.8 m<sup>3</sup>/MT in 2012-2013 to 318.4 m<sup>3</sup>/MT in 2015-2016. We also introduced a sewage water treatment plant to reduce the water consumption at our head office. The plant enabled us to reuse 100 percent of the sewage and rainwater drainage in irrigation and agriculture after treatment. Through this plant we were able to reduce water consumption by 25 percent, which helped us save about 213,000 gallons/month of water (approximately KWD5,400 per year).



## Reducing hydrolyzer effluent to open sewer in urea plants

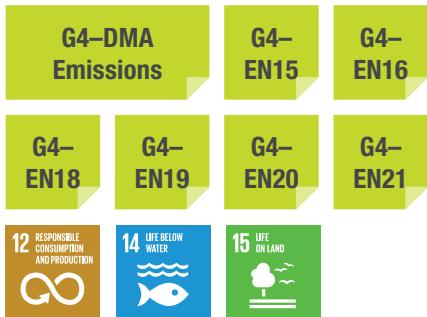


We are currently in the advanced phase of implementing the water-saving Six Sigma project to lower the current effluent level of 3,349 MT/day to less than 1,004 MT/day. We have identified the probable causes for this with the help of Six Sigma methodology and prepared a list of mitigating measures for implementation. The objective is to reduce the urea hydrolyzer unit effluent waste water.



Water treatment station at PIC head office

# Managing our GHG emissions



We acknowledge the impact of GHG emissions on the environment and have monitored and disclosed our emissions over the past few years. Tracking our carbon emissions enables us to identify processes that PIC could use to emit less CO<sub>2</sub> and implement these carbon reduction measures.

## Our GHG emissions (scope 1 and scope 2)

Scope 1 emissions cover emissions from activities owned or directly controlled by PIC. This includes emissions from combustion in owned or controlled boilers, production plants and vehicles. Our success in reducing the fuel intensity of every unit produced at our facilities has translated into a corresponding reduction in the direct carbon emissions from fuel consumed.

We have made significant progress in reducing the carbon intensity of our products in the last four years. Our scope 1 carbon emissions have fallen by 21 percent from 1,241,232 metric tons of carbon

dioxide (MTCO<sub>2</sub>) equivalent in 2012-2013 to 984,463 MTCO<sub>2</sub> equivalent in 2015-2016.

Scope 2 emissions include GHG emissions from the generation of the electricity we purchase. Our total scope 2 emissions for 2015-2016 were 273,201 MTCO<sub>2</sub> equivalent, representing a 26 percent increase from the 2012-2013 emissions due to higher energy consumption to support an increase in production.

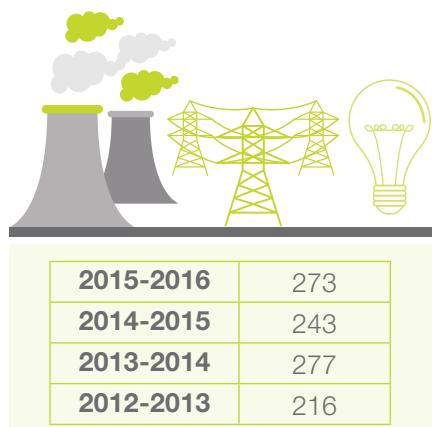
Our total emissions (scope 1 and scope 2 combined) have also fallen by 13.7 percent from 1,457,840 MTCO<sub>2</sub> equivalent in 2012-2013 to 1,257,664 MTCO<sub>2</sub> equivalent in 2015-2016. One of our key sustainability objectives is to reduce the GHG emissions

### Scope 1 emissions (in thousand MT)

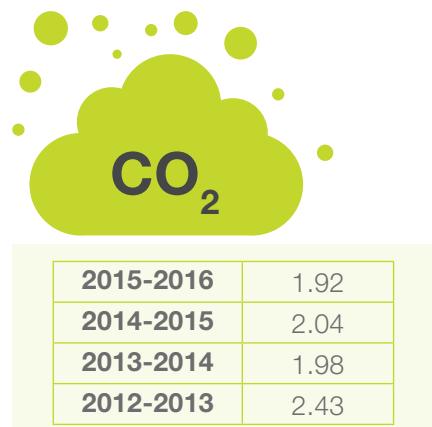


**13.7 percent fall in total CO<sub>2</sub> emissions between 2012-2013 and 2015-2016**

### Scope 2 emissions (in thousand MT)



### Emissions intensity (MTCO<sub>2</sub>/MT of ammonia)



**20.9 percent fall in emissions intensity between 2012-2013 and 2015-2016**

intensity of the ammonia we produce through technological innovation and efficient use of raw materials. The GHG emissions intensity has come down by nearly 20.9 percent compared to the base year levels of 2012-2013.

### **External assurance for scope 1 and 2 GHG emissions**

One of our sustainability objectives was to secure external assurance for the scope 1 and 2 GHG emissions. An independent third-party assurer will communicate any omissions or inaccuracies through suggestions and recommendations in the assurance report that will accompany the emissions report.

This is a KPC-wide project intended to minimize errors and enhance confidence in our

reporting process. We have already conducted an external review of our GHG information system, data collection process and methodology.

### **Other emissions to air**

Apart from scope 1 and 2 GHG emissions, we also monitor other emissions including nitrogen oxide and sulphur oxide, carbon monoxide, ammonia gas and urea dust emissions.

Our SO<sub>x</sub> and NO<sub>x</sub> emissions have fallen by 5 percent and 42 percent, respectively, in the period between 2012-2013 and 2015-2016. However, in the same period, our CO, ammonia gas and urea dust emissions have increased on account of higher production in 2015-2016 when compared to 2012-2013.

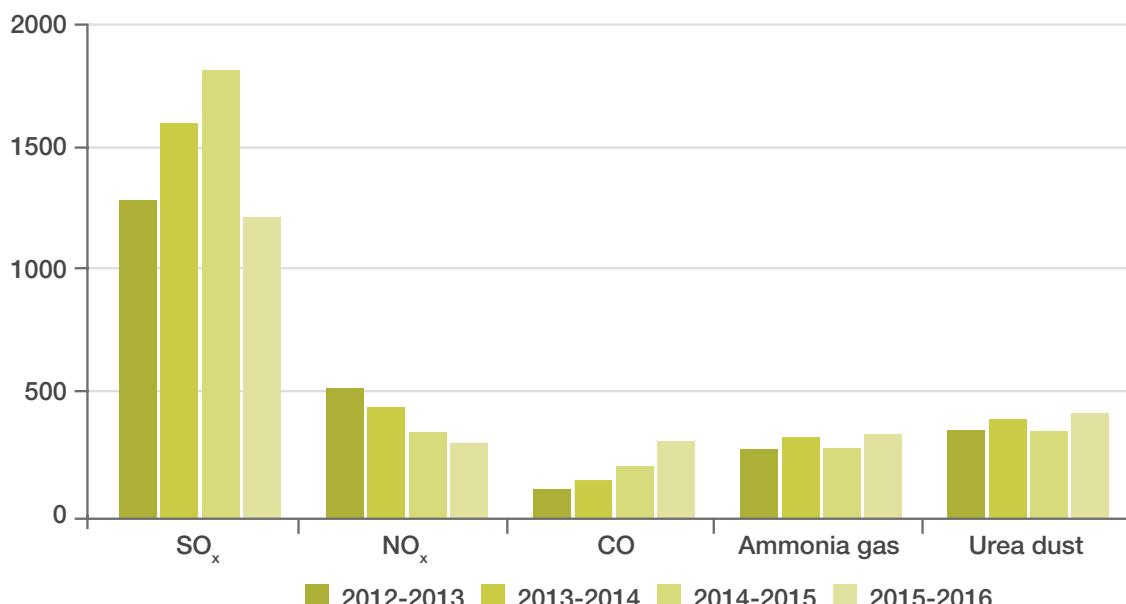
### **Elimination of flaring within PIC operations**



The flare system in urea plant-B used to burn ammonia-bearing process off-gases. Natural gas was injected into the flaring process as an assist gas. The flare system emitted a significant amount of NO<sub>x</sub> and GHG emissions and also caused financial losses to PIC.

A Six Sigma project was initiated and remedial solutions related to optimizing plant operating conditions were successfully implemented in May 2015. Flaring was completely eliminated through this project, saving PIC around KWD86,000 per annum.

### **Other emissions, in MT**



\*Our ammonia plant is the source of our urea dust and ammonia gas emissions

# Managing spills



It is our responsibility to ensure that our operations do not result in the release of products or other hazardous materials to the environment through accidental spills. We target to have no more than one spill each year as

per the 2017 PIC Sustainability Goals. We strive to conduct our businesses in compliance with local regulations, industry standards and regional and international best practices. We achieved zero spills in 2015-2016, predominantly due to the effective HSE-related policies and procedures adopted within our operations.

To ensure effective compliance, we conducted regular HSE awareness campaigns for our employees, which also included sessions on safe

handling of our products. As a responsible corporate citizen, we understand the potential risks related to accidental spills during product usage by our customers. We are committed to the elimination and reduction of environmental impacts during product usage. We promote customer awareness about the safe handling and usage of our products through Material Safety Data Sheets (MSDS) provided to our direct customers.



Repairing equipment to reduce the likelihood of spills within our operations

# Managing our waste

G4-DMA Effluents  
and waste

G4-  
EN23

Waste management from our operations and facilities will help reduce our impact on the environment. We work closely with our waste management contractor to ensure that all our waste generated is managed as per local regulations.

Our non-hazardous waste generation has declined by nearly 33 percent from 453MT in 2012-2013 to 305MT in 2015-2016. Our hazardous waste generation fell from 120MT in 2012-2013 to 77MT in 2015-2016.

We have been building our recycling capacity over the last few years as it brings significant cost savings and reduces our environmental impact. The amount of recycled waste for the year 2015-2016 was 12MT compared to nearly 102MT in 2012-2013. The significant fall in recycled waste during the 2015-2016 period has been due to improvements in the waste management process used by our external contractor.

## Waste generated, in MT

### Hazardous waste



2015-2016	77
2014-2015	218.8
2013-2014	112.73
2012-2013	120.05

### Non-hazardous waste



2015-2016	305
2014-2015	425
2013-2014	414.66
2012-2013	453

## Recycled and reused waste, in MT



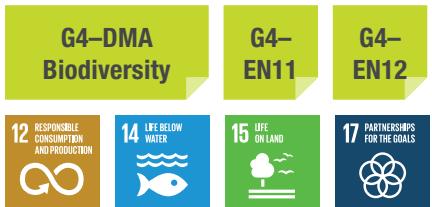
2015-2016	12
2014-2015	139.81
2013-2014	64.58
2012-2013	101.80

## Supporting recycling innovation



In line with our objective to enhance our sustainability impact, we supported an invention by Sadek Ahmad Kasem, the winner of the “Arab Inventor” title, to recycle the material used in manufacturing plastic cans for 3D printing. According to the agreement with the inventor, we will conduct workshops for our employees to foster the spirit of green innovation. We continue to support projects that serve society, notably those that give incentive to youth and encourage development and creativity.

# Protecting our biodiversity



Although our fertilizer plant is not located in areas of high biodiversity value, we are committed to ensure that our operations have a minimal impact on the natural environment of Kuwait.

GHG emissions and resultant global warming can have adverse consequences on plant and animal life. Hence, we have set ambitious targets to curb carbon emissions and reduce its intensity from our industrial processes. Moreover, we had no spills this year, avoiding any damage to the environment that might have resulted. In order to

mitigate the negative impacts of our operations, we, at PIC, have taken a leadership role in organizing events to conserve biodiversity in the region and build awareness about the importance of improving the ecological balance in Kuwait.

## Initiatives to protect Kuwait's natural environment

⦿ **Go Green Project:** The event aimed to increase the green spaces in the areas surrounding PIC offices. Our CEO, Mr. Mohammad Al-Farhoud led the participation of management and employees. The event enabled participants to gain practical experience on growing and feeding plants and flowers with proper quantities of off-grade urea.

We will be expanding the green spaces around our head offices and plant sites with the active involvement of our employees.

## ⦿ The Kuwait Green Wall Project:

**Project:** The Kuwait Green Wall Project, started in November 2012, has the ambitious target of planting 315,000 trees along the Kuwait border over a 10-year period. As an incubating partner and promoter of the project, PIC is actively working with Kuwait Energy and the Environmental Voluntary Foundation to deliver this project on time. The Green Wall will serve as a shield against the negative effects of desertification in the region.



Our employees participating in the Go Green Project

# Promoting environmental consciousness in the supply chain

## G4–DMA Supplier environmental assessment

G4–EN32

G4–EN33

G4–12

As a company with facilities across the globe, we recognize that our corporate responsibility extends beyond our operations and needs to include the conduct of our suppliers. We spent over KWD4.1 million purchasing products and services from 258 suppliers (local and international).

This presents us with a real opportunity to encourage our suppliers to adopt sustainable values and standards. We work closely with our vendors and suppliers to ensure effective integration of environmental and social considerations in our procurement process.

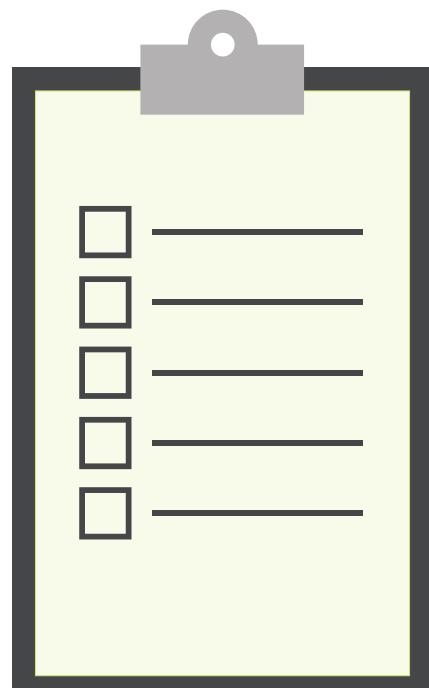
We have continued to focus on our chemical and oil suppliers as they account for a significant portion of our procurement expenditure. Environmental and social considerations were integrated into all oil and chemical supplier agreements in 2014-2015. Our commercial department is in the process of implementing a sustainable procurement policy covering all key suppliers.

We have also developed a new supplier assessment questionnaire to evaluate our oil and chemical vendors based on their compliance to sustainability considerations.

The questionnaire is to be filled in by all major suppliers regarding their policies and commitments on sustainability. We also give preference to suppliers who demonstrate sustainability excellence, as part of our supplier selection practices.

## Supplier engagement

Supplier engagement is essential toward maintaining a sustainable supply chain. We held an engagement workshop with our major chemical and oil suppliers in February 2016. The workshop was conducted to highlight PIC's commitment to sustainable procurement, and to ensure the vendor's commitment to the supplier sustainability assessment. This workshop helped foster open dialogue between our suppliers and raise awareness about sustainability issues. In the future, we plan to develop a process that will capture suggestions identified by our suppliers and customers for sustainable opportunities for PIC.



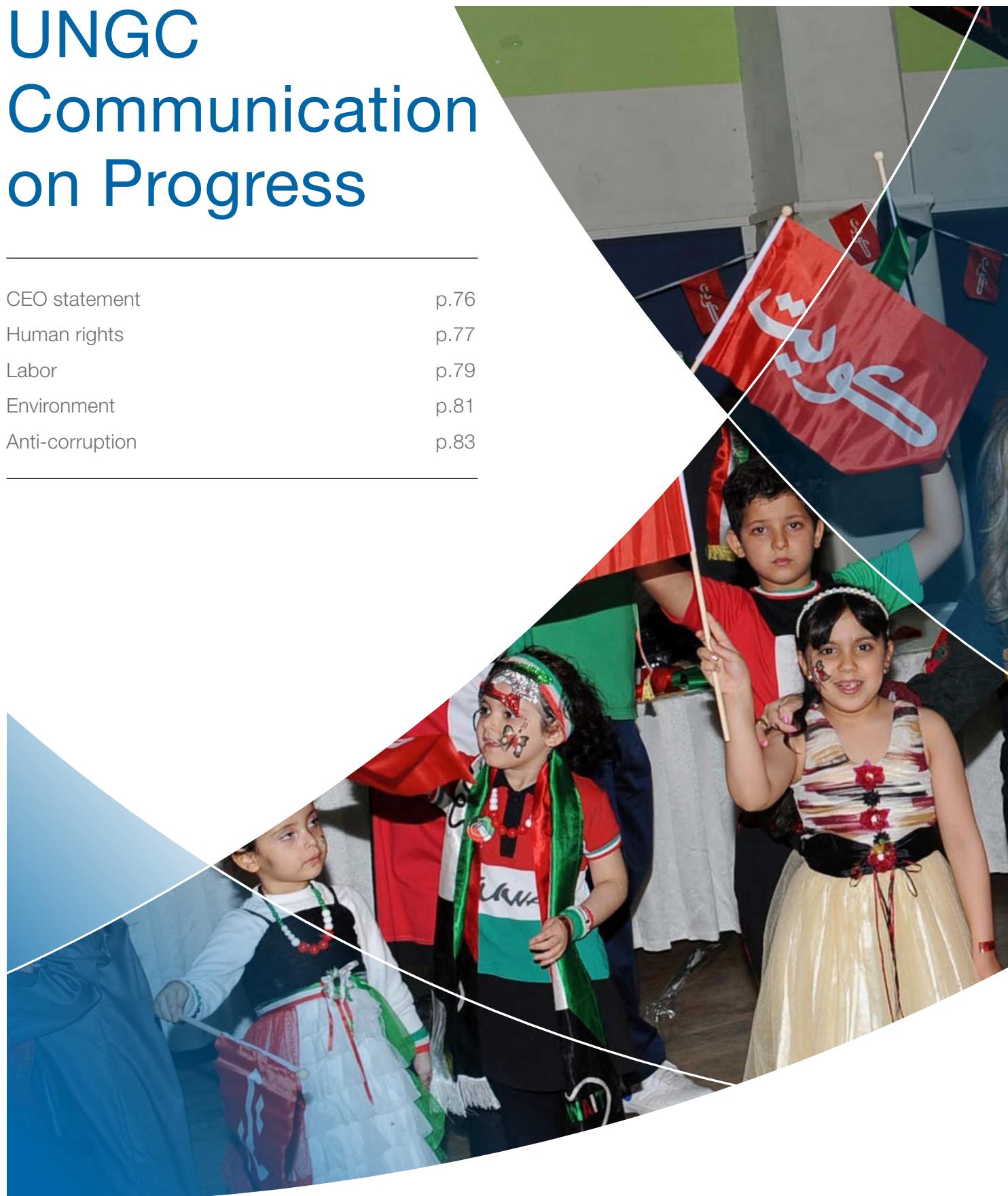


# UNGC Communication on Progress

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COMMUNICATION ON  
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

# CEO statement



Since 2013, PIC has been a signatory to the United Nations Global Compact (UNG). We are committed to advance the 10 principles of the UNG. We strongly believe that the principles are closely linked to our corporate mission and we look at the UNG as a partner on our sustainability journey.

These pages represent the formal Communication on Progress (COP) under the UNG for the year 1 April 2015 to 31 March 2016. The COP encapsulates the major policies and initiatives we have developed to address the principles of the UNG,

covering labor, environment, anti-corruption and human rights. Progressing towards our 2017 PIC Sustainability Goals and implementing our yearly sustainability objectives has enabled us to make significant progress.

But our efforts extend beyond the 2017 PIC Sustainability Goals to include significant milestones such as integrating sustainability into our Enterprise Risk Management process and issuing PIC's Human Rights Position statement. Both of these initiatives continue to be integrated into our business.

For example, we launched human rights eLearning modules for employees this past year.

Celebrating our successes will not make us complacent. PIC will continue to champion responsible business practices in and beyond the State of Kuwait. We will strive to create value for all our stakeholders.

A handwritten signature in blue ink, appearing to read "Mohammed Abdullatif Al-Farhoud".

**Mohammed Abdullatif  
Al-Farhoud**  
Chief Executive Officer

# Human rights

## **Principle 1:**

*Businesses should support and respect the protection of internationally proclaimed human rights*

## **Principle 2:**

*Businesses should make sure that they are not complicit in human rights abuses*

## **Our commitment**

### **Human rights position statement**

Our human rights position statement emphasizes our commitment toward incorporating human rights into our business operations. Our human rights commitments are:

- ⌚ To develop an organizational culture that supports internationally recognized human rights principles, and to avoid complicity in human rights abuses
- ⌚ To improve our human rights performance by investing in training employees to think and act globally toward social, environmental, health and economic issues
- ⌚ To give equal rights and opportunities for males and females
- ⌚ To seek an open dialogue with stakeholders, and participate in community engagement activities
- ⌚ To ensure that the provision of security is consistent with international standards of best practice and the laws of the countries in which we operate, using security services only where necessary, and requiring

the use of force only when necessary and proportionate to the threat

### **Human rights alignment with Kuwaiti law**

All of our contracts and significant investment agreements require compliance with Kuwaiti labor laws and the human rights requirements that Kuwait recognizes. Some of the human rights responsibilities highlighted by Kuwait are:

- ⌚ States have the duty to protect against human rights abuses within their territory and/or jurisdiction by third parties, including business enterprises
- ⌚ States have the responsibility to take appropriate steps to prevent, investigate, punish and redress abuse through effective policies and legislation
- ⌚ States should set out clearly the expectation that business enterprises domiciled in their territory and/or jurisdiction respect human rights throughout their global operations

- ⦿ States should take appropriate steps to ensure the effectiveness of domestic judicial mechanisms when addressing business-related human rights abuses

## Code of conduct

We follow the Code of Conduct of our parent company, Kuwait Petroleum Corporation (KPC). The Code of Conduct provides a set of guidelines to all employees in the conduct of their business and professional activities when dealing with colleagues, vendors, customers, contractors, government agencies and the public. The Code of Conduct was updated to address human rights elements of the UNGC and GRI. The code covers some key human rights aspects, such as:

- ⦿ Conducting business in a healthy, safe and environmentally acceptable manner
- ⦿ Ensuring nondiscrimination in all aspects of our relationship with employees
- ⦿ Providing equal employment opportunities in conformance with all applicable laws and regulations to individuals who are qualified to perform a particular job
- ⦿ Allowing employees to carry out pro bono work at registered charitable organizations

## Initiatives and outcomes

### Communicating our position on human rights

Our human rights position statement has been communicated to internal and external stakeholders through our monthly sustainability champions meetings and the 2014-2015 Sustainability Report.

### Human rights training for employees

We believe that it is important to train our employees to promote a culture of upholding values and positive attitudes related to human rights. Currently, we are in the process of launching an eLearning module on human rights, which will be rolled out to our employees in 2016-2017. Through the training, we intend to update our employees on the international principles of human rights, the role of businesses in upholding human rights and how we can support human rights beyond our business operations. We consider it an important investment in building a just society where the human rights of all individuals are valued.

### Sharing our expertise at national and international forums

As a commitment to spread human rights awareness, we plan to share our expertise and performance in human rights to our industry peers through national and international forums during 2016-2017. We have already identified relevant forums and conferences where we could present our activities related to human rights.

### World Humanitarian Day

We celebrated the World Humanitarian Day at PIC on 19 August to commemorate the recognition of His Highness Sheik Sabah Al Ahmad Al Jaber Al Sabah as a humanitarian leader by the UN. He was honored for his leadership in support of humanitarian operations in nations under crisis around the world. A day-long humanitarian campaign was held to engage with the local community and give support to those in need. Laborers were provided with cold water and juice to support them in hot weather conditions. Through our humanitarian campaign, we are committed to continue the tradition of helping the wider community and supporting charities as a prominent aspect of our sustainability strategy.

# Labor

## **Principle 3:**

*Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining*

## **Principle 4:**

*The elimination of all forms of forced and compulsory labor*

## **Principle 5:**

*The effective abolition of child labor*

## **Principle 6:**

*The elimination of discrimination in respect of employment and occupation*

## **Our commitments**

### **Unions**

We abide by the Kuwait Labor Law, which allows for the formation of unions. Both Kuwaiti and non-Kuwaiti employees can enroll directly in unions. Eighty-eight percent of our employees are members of unions. In 2015-2016, we conducted three training courses for union workers which focused on functional distinction skills, health, safety and environment and creativity, management and leadership.

### **Labor policies**

We abide by the Kuwait Labor Law, which prohibits the employment of children below 14 years of age. We ensure that we comply with local labor regulations in all geographies where we invest.

### **Diversity, inclusion and equal opportunity**

PIC is committed to upholding principles of diversity, inclusion and equal opportunity:

- ➲ We comply with all relevant Kuwaiti regulations related to diversity, inclusion and equal opportunity.

- ➲ We ensure that we are fair to all applicants applying for positions within our Company and we do not discriminate against anyone on the basis of ethnicity, gender or religion.

### **Code of Conduct**

The Code of Conduct prohibits any discrimination based on nationality, race, religion or gender. We approach all employees equally, regardless of gender and nationality, and ensure that all have access to the same opportunities, as well as training and performance reviews.

### **Occupational health and safety**

At PIC, we understand that occupational health and safety is essential to the success of our Company. Our Health, Safety, Security, Sustainability, Environment (HSSSE) and Quality Policy provides safeguards to ensure the safety of our employees, contractors, visitors, customers, suppliers, distributors and public. Our commitment to safety is highlighted by Occupation Health and Safety Advisory Services (OHSAS) and Responsible Care® certifications.

We have also set specific targets related to health and safety performance as part of the 2017 PIC Sustainability Goals:

- ⦿ No more than 0.13 recordable injuries per 200,000 man-hours of work
- ⦿ No more than 0.1 process safety incidents per 200,000 man-hours of work

## Initiatives and outcomes

### Ensuring gender diversity

Considering that 8.7 percent of PIC's employees are women, we support their growth by participating in events such as the Middle East Women Leaders Conference in Dubai. At this event, our Strategic Planning Team Leader, Mrs. Abeer Sadek Ma'rafi, won the fifteenth *Middle East Woman Leader in Oil and Petroleum Industry Excellence Award*. The head of our Legal Department Ms Hessa Twaijri was also identified as one of the most influential and innovative in-house counsel within the Middle East and North Africa.

Last year, our parent company, KPC, held the first Professional Women's Network (PWN) meeting for its subsidiaries. The aim of PWN is to outline a road map for the development of promising women in the oil sector by organizing a series of events and awareness campaigns with oil companies.

### Reporting grievances

We have a grievance mechanism in place to allow our employees

to report any potential violations of labor practices.

During 2015-2016, we received 32 such grievances, out of which 17 were successfully resolved, while 15 cases were pending as of the publication of this report.

### Health and safety

In 2015-2016, we held various events to encourage employees to adopt healthy lifestyles. Given the prevalence of lifestyle diseases in Kuwait, we focused on initiatives such as International Diabetes Day, World Anti-Smoking Day and "Healthy Nutrition" Awareness sessions for our employees.

In order to encourage our employees to work in a safe and environmentally friendly manner, we are encouraging our employees to participate in the CEO HSSE award. This award covers three categories: Environment and Occupational Health, Safety and Security and HSSE Awareness. Applications were accepted for initiatives/programs that promote and enhance the environment and health; changes to behavior, procedures, design or operation that raise safety and security standards; and programs designed to educate and motivate employees, contractors, students and the public at work, in the community or at home.

In 2015-2016, we inaugurated our new Crisis Management Center (CMC) that allows our top management to monitor any crisis situation and communicate

with key stakeholders. In 2015-2016, we received the Royal Society for the Prevention of Accidents (RoSPA) MORR HSE Silver Award and Arab Fertilizers Association HSE Award.

We have developed a sustainable procurement assessment tool to evaluate our oil and chemical suppliers. One of the assessment criteria covers our suppliers' adherence to local labor laws in terms of certificates relevant to employment practices from the Ministry of Social Affairs and Labor (MOSAL) in Kuwait.

In 2015-2016, we recorded no fatalities among our employees or contractors. We also had a relatively low recordable injury rate of 0.11 and one process safety incident in 2015-2016.

### Labor practices

In 2015-2016, there have been zero reported incidents of child and forced labor within our operations. We are also working closely with our suppliers to encourage them to adopt fair labor practices within their operations. We have integrated social considerations, including fair labor practices, into all oil and chemical supplier agreements. We also assess the social and environmental performance of our suppliers using the supplier sustainability assessment questionnaire developed in 2015-2016. Sustainability excellence has also been incorporated as a criterion for supplier selection.

# Environment

**Principle 7:**  
*Businesses should support a precautionary approach to environmental challenges*

**Principle 8:**  
*Undertake initiatives to promote greater environmental responsibility*

**Principle 9:**  
*Encourage the development and diffusion of environmentally friendly technologies*

## Our commitment

### Environmental policy

Our Health, Safety, Security, Sustainability, Environment and Quality Policy focuses on environmental issues by mandating the elimination of adverse environmental impacts and promoting resource conservation at every stage of our product life cycle.

We comply with all the existing Kuwaiti environmental regulations governing our operations. We have also signed an agreement with the Kuwaiti Environment Protection Authority (KEPA) to share environment-related data with the KEPA and other institutions.

### 2017 PIC Sustainability Goals

Our 2017 PIC Sustainability Goals have a strong focus on reducing environmental impacts, including energy usage, water usage and GHG emissions. For each goal, we have set targets to ensure that we reduce our environmental footprint.

## Initiatives and outcomes

### Reducing energy usage

We have made a commitment to reduce the energy intensity of our operations by 6 percent compared to 2012-2013 levels as part of our 2017 PIC Sustainability Goals. As of 2015-2016, we have achieved an energy intensity reduction of 6.4 percent compared to the 2012-2013 baseline. Our initiatives to reduce energy usage include:

➲ LEED certification of our head office. We received a Gold certification for existing buildings in our head office. To reduce our energy usage, we implemented solar water heaters, a lighting control system and variable frequency drives for the air handling units.

➲ PIC is conducting a preliminary study to assess the use of solar photovoltaics (PV) at PIC facilities. This was part of KPC's commitment to follow His Highness the Amir of Kuwait's plan to generate 15 percent of the total energy production from renewable energy sources. PIC is part of the technical team that was formed to carry out the study.

## **Managing water usage**

We pledged to reduce the water intensity in our operations by 25 percent from 2012-2013 levels as part of our 2017 PIC Sustainability Goals. Key initiatives to achieve this goal include a Six Sigma project to reduce effluents by 70 percent and a running project, ensuring 400 m<sup>3</sup>/hour of water recycling continuously from all our operations.

We have already achieved a 22.9 percent reduction in the water intensity of our operations compared to the 2012-2013 level.

## **Reducing GHG emissions**

We set ourselves a target of reducing GHG emissions intensity by 14 percent in the five years leading up to 2017. Through technical innovation and the efficient use of raw materials, we have been successful in reducing emissions. GHG emission intensity has decreased by 20.9 percent from 2012-2013 levels.

## **Minimizing spills**

Our 2017 PIC Sustainability Goals set a target of no more than one spill each year, although we believe that one spill is one too many. We conducted regular HSE awareness campaigns for our employees, which included sessions on safe handling of our products and processes. Through our commitments to protecting our environment and compliance to HSE-related policies and procedures, we succeeded in having no spills in 2015-2016.

## **Managing waste**

We promote the recycling and reuse of waste produced to reduce hazardous and non-hazardous waste that causes adverse environmental impacts. We recycled 12MT of waste in 2015-2016.

## **Sustainable procurement**

The sustainable procurement policy was developed in 2014-2015, and we are in the process of implementing the policy to cover our key suppliers. We have also developed a new supplier assessment questionnaire to evaluate our oil and chemical vendors based on their compliance to sustainability considerations. A workshop with key suppliers was conducted to highlight our commitment to sustainable procurement and to ensure the vendor's commitment to the supplier sustainability assessment.

## **Management systems**

We hold ourselves to the highest environmental performance and operational excellence standards. We are certified to ISO 140001: 2004 Environmental Management Systems and ISO 50001:2008 Energy Management Systems.

## **Environmental awareness and responsibility**

The balanced scorecard system for our employees includes sustainability targets to ensure that each department implements actions necessary to meet our corporate goals.

Furthermore, we conducted a number of key initiatives that encourage communities to be environmentally friendly. One of the initiatives was to help greening the gardens at schools and to provide students with seeds to create their own garden at home. This initiative educated students about the environmental benefits of gardening and the need for afforestation. We have also focused on developing the green space around the PIC offices through our Go Green project. We continue working on our prestigious Kuwaiti Green Wall project. The project's goal is to plant 315,000 trees along the Kuwaiti border over 10 years.

We are also supporting our parent company, KPC, in their renewable energy development program through a number of initiatives, including bringing in energy saving programs in our plants, installation of LED lights at our head office and the study for a solar PV-powered system in PIC facilities.

## **External assurance of scope 1 and 2 emissions**

In order to ensure the accuracy of our GHG emissions data collection and reporting process, we conducted a third-party review of our GHG information system, data collection process and methodology. The external audit did not reveal any omissions or inaccuracies in our GHG quantification and reporting process.

# Anti-corruption

## **Principle 10:**

*Businesses should work against corruption in all its forms, including extortion and bribery*

## **Our commitments**

### **Code of Conduct**

- ⦿ Employees are expected to act with the highest integrity and report any violations of law or policies to the compliance officer.
- ⦿ Employees are expected to report any potential conflict of interest to the compliance officer and abide by the given instructions.
- ⦿ Employees may not offer, solicit or accept a bribe in any form and may not permit third parties acting on behalf of PIC to do so.
- ⦿ If employees receive gifts valued over KWD100 or its equivalent, they are expected to declare the same to their supervisor.

PIC continues to demonstrate adherence to fair business practices and zero tolerance for corrupt business activities. We did not have any legal actions filed involving us for anti-competitive behavior, anti-trust or monopoly practices in 2015-2016. Furthermore, there were no incidents of corruption involving PIC employees in 2015-2016.

## **Initiatives and outcomes**

### **Risk assessment**

Our Enterprise Risk Management (ERM) department conducted an analysis of the corruption risks faced by PIC and has identified two corruption-related risks for 2015-2016. We are currently working toward managing and addressing these risks.

# GRI Index

● Complete    ● Partial    ○ Non-disclosure

## General standard disclosures

GRI indicator	Level of disclosure	Page No	Comments
<b>Strategy and analysis</b>			
G4-1	●	5	
G4-2	●	22, 30, 37	
<b>Organizational profile</b>			
G4-3	●	6	
G4-4	●	14	
G4-5	●	7	
G4-6	●	17	
G4-7	●	12	
G4-8	○	–	Confidential
G4-9	●	14-17	
G4-10	●	48	
G4-11	●	–	88% of our employees
G4-12	●	15, 72	
G4-13	●	7	
G4-14	●	11, 62	
G4-15	●	20-21	
G4-16	●	20-21	
<b>Identified material aspects and boundaries</b>			
G4-17	●	16, 17	
G4-18	●	37-39	
G4-19	●	37-39	

For more details on GRI G4 indicators listed above, please refer to [g4.globalreporting.org](http://g4.globalreporting.org)

G4-20	●	39	
G4-21	●	39	
G4-22	●	63	
G4-23	●	7	
<b>Stakeholder engagement</b>			
G4-24	●	34, 35	
G4-25	●	33	
G4-26	●	34, 35	
G4-27	●	34, 35	
<b>Report profile</b>			
G4-28	●	6	
G4-29	●	6	
G4-30	●	6	
G4-31	●	6	
G4-32	●	6, 7	
G4-33	●	– While we work closely with credible international partners to ensure global standards in sustainability reporting, we do not yet seek external assurance.	
<b>Governance</b>			
G4-34	●	18, 19	
<b>Ethics and integrity</b>			
G4-56	●	13, 58	
<b>Specific standard disclosures</b>			
Standard disclosures	Level of disclosure	Page no	Comments
<b>Category: Economic</b>			
<b>Material aspect: Economic performance</b>			
G4-DMA	●	43	
G4-EC1	●	43	
G4-EC3	●	49	

For more details on GRI G4 indicators listed above, please refer to [g4.globalreporting.org](http://g4.globalreporting.org)

#### **Material aspect: Market presence**

G4-DMA	●	44
G4-EC5	●	48
G4-EC6	●	44

#### **Material aspect: Procurement practices**

G4-DMA	●	44
G4-EC9	●	44

#### **Category: Environmental**

##### **Material aspect: Energy**

G4-DMA	●	63, 64
G4-EN3	●	63
G4-EN5	●	63, 64
G4-EN6	●	63, 64

##### **Material aspect: Water**

G4-DMA	●	65, 66
G4-EN8	●	65
G4-EN10	●	65, 66

##### **Material aspect: Biodiversity**

G4-DMA	●	71
G4-EN11	●	71
G4-EN12	●	71

##### **Material aspect: Emissions**

G4-DMA	●	67, 68
G4-EN15	●	67
G4-EN16	●	67
G4-EN18	●	67
G4-EN19	●	67, 68
G4-EN21	●	68

##### **Material aspect: Effluents and waste**

G4-DMA	●	70
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For more details on GRI G4 indicators listed above, please refer to [g4.globalreporting.org](http://g4.globalreporting.org)

G4-EN22	●	66
G4-EN23	●	70
G4-EN24	●	69

#### Material aspect: Overall

G4-DMA	●	62
G4-EN31	●	62

#### Material aspect: Supplier environmental assessment

G4-DMA	●	72
G4-EN32	●	72

G4-EN33      ●      72      Supplier assessment questionnaires were introduced in 2015 and we will engage with our suppliers to assess significant impacts in the future.

#### Material aspect: Environmental grievance mechanisms

G4-DMA	●	62
G4-EN34	●	62

### Category: Social

#### Sub-category: Labor practices and decent work

##### Material aspect: Employment

G4-DMA	●	48
G4-LA2	●	49

##### Material aspect: Occupational health and safety

G4-DMA	●	52-55
G4-LA5	●	52
G4-LA6	●	54, 55      We currently do not track gender-based safety performance statistics
G4-LA7	●	54

##### Material aspect: Training and education

G4-DMA	●	50
G4-LA9	●	50
G4-LA11	●	51

For more details on GRI G4 indicators listed above, please refer to [g4.globalreporting.org](http://g4.globalreporting.org)

<b>Material aspect: Diversity and equal opportunity</b>		
G4-DMA	●	48
G4-LA12	●	48
<b>Material aspect: Labor practices grievance mechanisms</b>		
G4-DMA	●	58
G4-LA16	●	58
<b>Sub-category: Human rights</b>		
<b>Material aspect: Investment</b>		
G4-DMA	●	58
G4-HR1	●	58
G4-HR2	●	58 Human rights eLearning module to be rolled out in 2016
<b>Sub-category: Society</b>		
<b>Material aspect: Local communities</b>		
G4-DMA	●	56, 57
G4-SO1	●	56, 57
G4-SO2	●	56
<b>Material aspect: Anti-corruption</b>		
G4-DMA	●	58
G4-SO3	●	58
G4-SO4	●	58
G4-SO5	●	58
<b>Material aspect: Anti-competitive behavior</b>		
G4-DMA	●	58
G4-SO7	●	58
<b>Sub-category: Product responsibility</b>		
<b>Material aspect: Product and service labeling</b>		
G4-DMA	●	45
G4-PR5	●	45
<b>Category: Oil and gas sector</b>		
<b>Material aspect: Asset integrity and process safety</b>		
G4-DMA	●	54
G4-OG13	●	54

For more details on GRI G4 indicators listed above, please refer to [g4.globalreporting.org](http://g4.globalreporting.org)



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