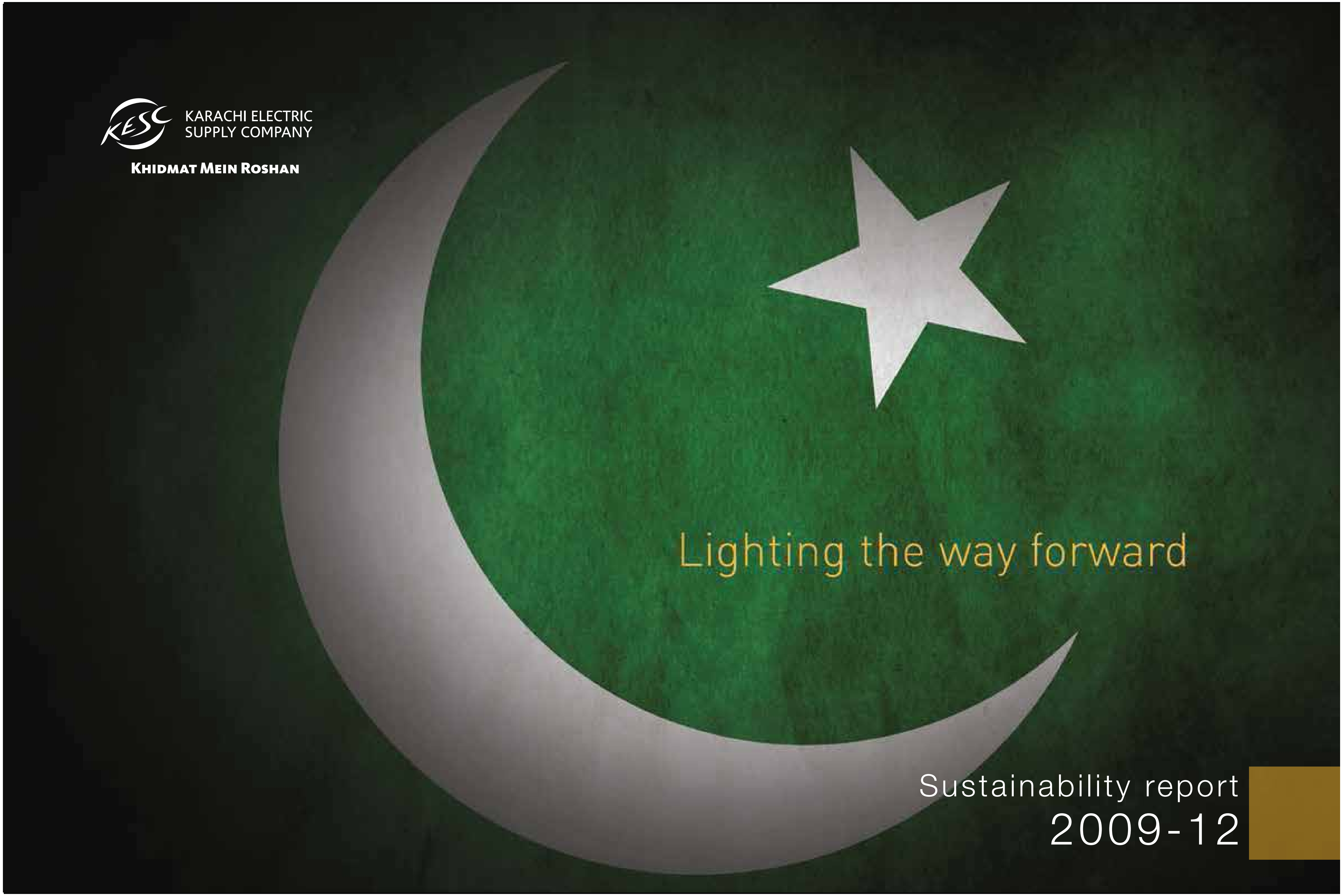

KARACHI ELECTRIC
SUPPLY COMPANY
KHIDMAT MEIN ROSHAN
Lighting the way forward
Sustainability report
2009-12

What's inside...

Detailing our efforts

"I particularly appeal to our intelligentsia and students to come forward and rise to the occasion. You have performed wonders in the past. You are still capable of repeating history."

QUAID-E-AZAM MUHAMMAD ALI JINNAH

For the first time in 17 years and seven years after its privatisation, KESC, a unique public-private partnership model in the energy sector, declared a profit for the year 2011-12.

KESC – On The Sustainability Track

KESC is the only vertically integrated power utility in Pakistan that is fueling the growth of the country's economic hub.

Making a positive impact on over 20 million lives in Karachi, KESC is undoubtedly the epitome of social, commercial and industrial life in Karachi. Karachi, the largest metropolis of the country and one of the largest cities in the world. We remind ourselves every day of the great responsibility that we have on our shoulders to provide socio-economic development of over 20 million individuals, thousands of commercial entities and some 35 thousand industrial units. We are and will always be driven by this sense of responsibility and the opportunity to make a difference by improving our performance across the whole spectrum of responsible and sustainable investments.

For the first time in 17 years and seven years after its privatisation, KESC, a unique public-private partnership model in the energy sector, declared a profit for the year 2011-12. KESC is the only vertically integrated power utility in Pakistan that is fueling the growth of the country's economic hub. Founded in 1913, KESC was nationalised in 1952 and privatised again in 2005 with the government retaining 25% stake. In 2008, the present Abraaj backed management took charge of the company. At that juncture, it was recognised that whilst the business was barely a going concern, through a focused 360-degree value creation model, which recognised the significance of stakeholder engagement, governance, social responsibility, operational transformation, financial investment and "smart" turnaround strategies, KESC could be transformed into a dynamic and sustainable entity.

Abraaj committed USD 361 million to kick-start the transformation process while the government committed USD 135 million to maintain a 25% stake in the company. The focus of this investment was on efficiency gains through new generation capacity, improved transmission and distribution networks, reduction in technical & distribution losses and inculcation of a corporate culture fully geared to deliver the desired level of service and quality. It was the resolve of the management that an ESG driven value creation approach would realise the desired economic gains.

During 2008-2011, KESC was able to attract financing for its various development projects from a diverse set of financiers. IFC, ADB, OeKB and a number of other financial institutions endorsed KESC's turnaround plan and provided funding in excess of USD 700 million. In 2012, KESC became the first power sector company to launch a USD 21 million term finance certificate in an effort to diversify its balance sheet, also providing an investment opportunity to individual investors whose confidence in the power utility's turnaround potential was restored over time.

In line with its vision to deliver uninterrupted, safe and affordable power to its consumers, KESC, over the last three years, added 1,010 MW of fresh generation capacity that represents 49% increase in its capacity and resulted in 14% improvement in its fleet efficiency. That not only augmented the supply capability but also allowed KESC to sanction 400 MW load to over 200,000 new applications. Major enhancement of the transmission and distribution capacities significantly improved the reliability of KESC's system.

Considering the impact of a dynamic industrial sector on the economic and social fronts, KESC adopted the "No Load Shed" policy for this sector in 2009. KESC was also the first power utility that introduced the concept of fixed schedule load shedding. This approach has also helped KESC establish a correlation between theft and load shedding duration, which in turn has helped reduce the distribution losses that are currently at 29.7%, the lowest in the last 18 years.

KESC is going through a transformation process whereby we are bringing in a new performance driven culture in the company and a change to the mindset of people. We have successfully right-sized the company through the Voluntary Separation Scheme (VSS), reducing our by almost 4,500. By doing so, we have also created headcount space in our core functions. In parallel, we have been engaged in attracting fresh talent from the best educational institutes; young, driven minds who, we believe, would act as change agents and also provide future leadership in the years to come. We are firmly committed to providing meaningful and targeted training opportunities to our people and developing skills and attitudes that are essential to transform KESC into a progressive and dynamic entity.

The safety and health of our people is core to every aspect of our business. During the past few years, we have painstakingly implemented and integrated safe work habits and systems in our operations. Compliance to safety procedures is given extreme importance and it is an integral part of our performance management system.

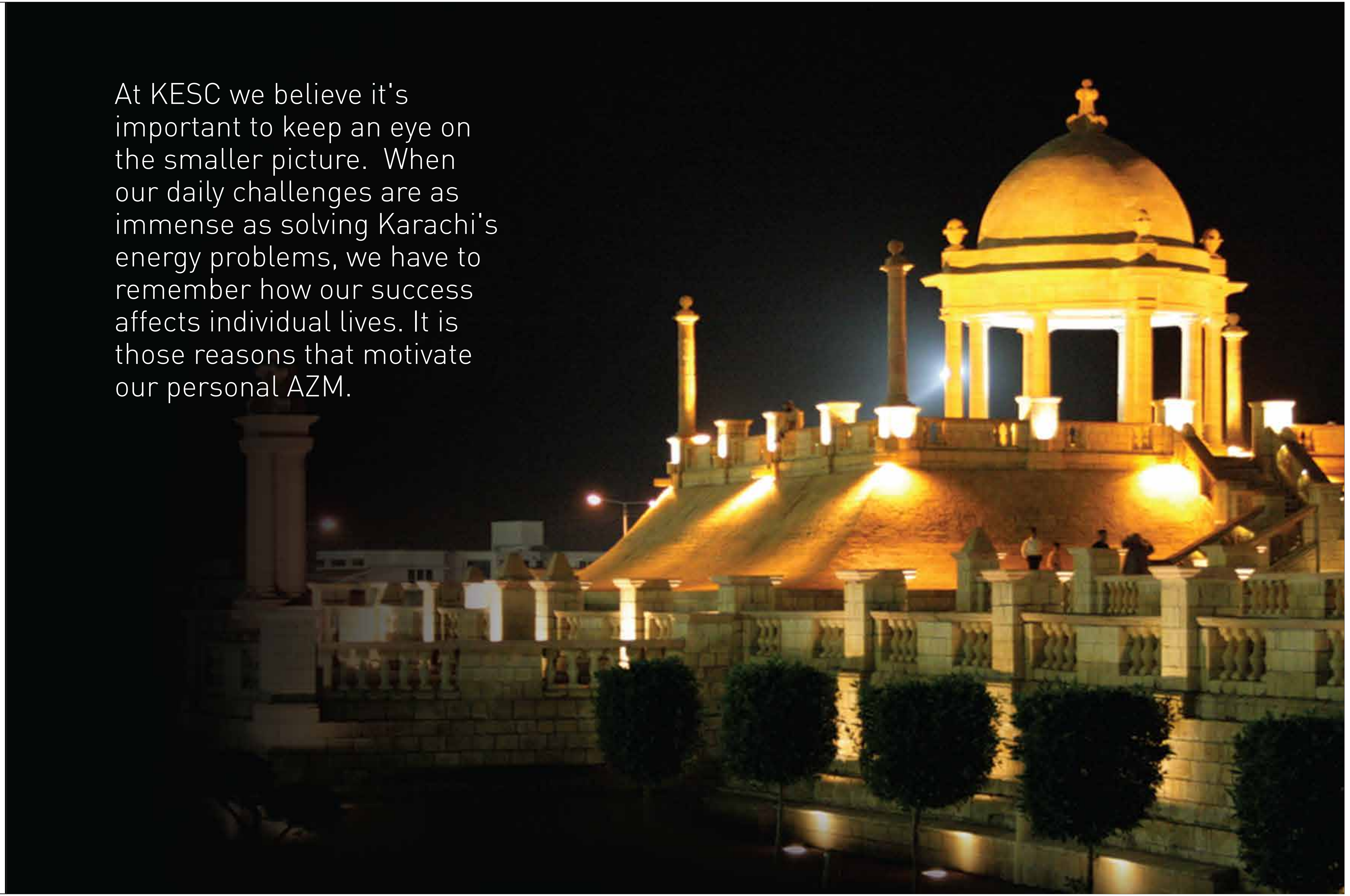
Early this year, KESC undertook the largest cultural change management program in the corporate history of the country. The program is aimed at people driven productivity gains by aligning the entire workforce with the new vision and values and establishing KESC as a performance driven organisation. Some 8,500 employees have already gone through the first phase of this program. This initiative will go a long way in creating a value driven culture that would greatly enhance KESC's ability to deliver true value to its stakeholders.

It is our vision to provide uninterrupted, safe and affordable power supply to Karachi. All our past and present investments and efforts are driven by that very vision. Today, KESC has sufficient capacity to meet the power demands of the city; however, shortage of gas supply has been one of our biggest obstacles. Our gas supply is erratic and not in line with the commitment made by the government of Pakistan. It is imperative that these commitments be honoured because the right fuel-mix is critical for our ability to realise our vision. We are continuously engaged with the government and the gas company in order to reach a sustainable solution to this challenge.

Development initiatives at KESC during the last three years have established that any entity, if managed professionally, can be transformed into a sustainable outfit. KESC's turnaround provides a practical public-private partnership model that can be adopted by other public sector institutions in general and power sector companies in particular.

Tabish Gauhar
Chairman

At KESC we believe it's important to keep an eye on the smaller picture. When our daily challenges are as immense as solving Karachi's energy problems, we have to remember how our success affects individual lives. It is those reasons that motivate our personal AZM.



KESC –
Lighting the way forward

We are adopting increasingly forward-looking strategies and are constantly engaged in implementing state-of-the-art processes with our sights set on the future of the company.

Message from the Chief Excutive Operating Officer

Our sustainability policy revolves around economic value creation, essentially through social and environmental gains across our stakeholder universe.

The relationship between our remarkable heritage of over ninety-nine years and our future commitments plays a vital role in determining our path going forward. In this regard, we are proud of the fact that, in the last few years, we have managed to create a platform for sustainability planning and policy setting. During this three-year period, our primary focus has been to reverse the decline resultant of the previous eras of mismanagement, while at the same time ensuring the setting of a strong foundation with an outlook to the long-term. All our policies were tailored as such, leaving little room for anything else but a drastic turnaround.

To restore the public's faith in KESC, Abraaj Capital injected US$361 million to kickstart the transformation process, while the government invested US$135 million to maintain a 25% stake in the company. The focus of this investment was on efficiency gains through added generation capacity, saving our generation and distribution infrastructures from the decay that they had suffered to reduce losses and the inculcation of a corporate culture fully geared to delivering the level of quality and service desired and expected by our customers.

One of the key organisational goals of KESC has always been to become an exemplary customer-centric organisation in the region. Based on initial research, a mere 7% of our customer base believed that KESC was responsive in terms of resolving complaints and a similar proportion believed that the monthly bills were accurate. In the last few years, a number of major customer-driven initiatives have been implemented, most notably, revamping of our 118 Call Centre, with strong emphasis on prompt service orientation, rapid service response time, along with feedback orientation, creating a service quality benchmark for other public utilities to follow. Introduction of the Integrated Business Centre concept (IBCs), offering an enhanced customer experience under one roof, facilitated the customers immensely and gave us credibility by helping us earn their trust in our commitment to provide quality service. Currently there are sixteen operational IBCs within our network. Apart from these initiatives, customer facilitation has also been the intention behind the setting up of various e-billing payment channels, the introduction of direct customer access windows through email and SMS facility and our increased presence on social media. To instill the true spirit of this new customer-focused approach, KESC undertook the largest corporate culture change-management programme in the corporate history of Pakistan for over 11,000 employees.

Now that we have managed to reform and expand our required capacities, we are adopting increasingly forward-looking strategies and are constantly engaged in implementing state-of-the-art processes with our sights set on the future of the company. In the coming years, KESC plans to continue this process of reform by engaging in mega projects that will bring both, the country and the power sector of Pakistan, up-to-date with the world's best practices. KESC has taken a lead role in redefining Pakistan's future fuel strategy in the energy sector.

Syed Nayyer Hussain
Chief Executive Officer

We also have the brilliance of thought and depth of wisdom that can put Pakistan back onto the sustainability track

As the sole provider of power in Karachi and surrounding areas, we at KESC fully recognise the significant responsibility that we have on our shoulders.

Message from the Chief Engagement Officer

Our sustainability policy revolves around economic value creation, essentially through social and environmental gains across our stakeholder universe.

This is our first attempt to share our journey towards a future of sustained energy. Our sustainability policy revolves around economic value creation, essentially through social and environmental gains across our stakeholder universe. We firmly believe in integrating our corporate philosophy and operational performance to meet the expectations of our stakeholders. Over the last three years, KESC has created many performance benchmarks and pioneered many innovative projects, hence, creating a 'Thought Leadership Platform' for the entire power sector.

As the sole provider of power in Karachi and surrounding areas, we at KESC fully recognise the significant responsibility that we have on our shoulders. We firmly believe that KESC's own turnaround and sustainability is fundamentally linked to economic, social and environmental value creation for a diverse set of our stakeholders who we engage with on a daily basis.

We have consciously developed a 360° value creation model that guides us in defining our role in much broader terms and puts greater focus on building strong ties with all our key stakeholder groups, ensuring regular, open and transparent two-way communication, something that was neglected completely in the pre-privatisation era.

We call this model: KESC's SEEDS: KESC's Stakeholder Engagement & Enrichment Drives for Sustainability.

SEEDS is a holistic approach that fully recognises the impact of our performance on sustainable development across our stakeholder's universe. It ensures that community goals set by KESC work in harmony with the financial objectives of the organisation.

SEEDS essentially drive four distinct programs: ESG Initiatives, Social Investments, Stakeholder Engagement and Thought Leadership.

Adherence to global best practices with regards to environmental, social and governance principles is an integral part of our business strategy. KESC's first sustainability performance report reflects this very commitment in practical terms. It is a matter of pride for all of us that KESC will be the first power utility to publically disclose its sustainability analysis carried out by independent international experts.

During the past 3 years, KESC has preached and practiced thought leadership, challenging the status quo, breaking away from the past and introducing many innovative interventions that are now widely acknowledged as "best practices" and often collectively referred to as the "KESC Model".

While we face a number of challenges as a nation, it is our firm belief that we also have the brilliance of thought and depth of wisdom that can put Pakistan back onto the sustainability track. KESC's Thought Leadership Forum is our contribution towards a solution-oriented and pragmatic approach by bringing progressive minds on one platform and promoting enlightened thoughts.

We hope that this report will provide a more pragmatic and multi-dimensional overview of KESC to all our stakeholders and well-wishers.

Ghufran Atta Khan
Chief Engagement Officer

About This Report

This report presents KESC's first sustainability analysis. The purpose of this assessment is to provide a benchmark for comparing the combination of the organization's social, economic, governance, and environmental performance against established standards and across time. In so doing, the report communicates the organization's performance utilizing the Global Reporting Initiative (GRI), G3.1. KESC plans to use the results and conclusions reached in this report to further improve its sustainability performance in the future.

The report--a first of its kind for the organisation and the power sector in Pakistan--analyzes the organisation's performance over a three-year period, from July 2009 to June2012. KESC plans to maintain this practice and is committed to conducting this exercise and issuing similar reports on a biennial basis. The report covers activities that are located within the KESC direct space and the ones related to its community and respective stakeholders. Moreover, while the report locates KESC in the wider Pakistani Electric supply field, it nevertheless focuses on the organisation's immediate Karachi-based universe. In this way we have limited the scope of this report to the activities of KESC in the direct sense, not including analyses of outsourced operations and sustainability-related activities of the entities working on the commercial supply and demand sides of KESC's operations. We hope to expand our sustainability-related monitoring and disclosure capacities to account for our suppliers as well by the next reporting cycle.

Generally speaking, KESC follows basic and widely used international standards in its data measurement, compilation, and calculations. Moreover, the information needed to assess our performance in relation to GRI, G3.1 generally require straightforward measurements and analyses. Assumptions regarding measurements in this report are, therefore, unlikely to affect the information provided or pose problems for future performance comparison. KESC is likewise committed to communicating and broadcasting any substantial changes in measurement assumptions and analyses in its future sustainability reports.

The report - a first of its kind for the organisation and the power sector in Pakistan - analyses the organisation's performance over a three-year period

The report was compiled by the Corporate Social Responsibility (CSR) department of KESC, in collaboration with Distribution, Generation, Human resources, Finance, Corporate Compliance, HSEQ, Strategy and Marketing & Communications departments with some assistance from external consultants. In compiling this report, the team's goal was to satisfy the disclosure standards stipulated in GRI, G3.1, Level A, as a tool for both external disclosure and internal assessment for future planning. Despite all the challenges that the organisation faced in its recent past, the reforms conducted in relation to its management systems were such that it is now able fully to report on most of the information required by the standards. Like most companies, however, KESC is able to report only partially on some of the GRI, G3.1 disclosure indicators. These are marked-out as such in the disclosure table at the end of this report. In this regard, KESC is also committed to installing the mechanisms needed to monitor and compile all missing information by the end of the current reporting cycle, which ends on June 2014.

We look forward to your feedback, suggestions and queries on our first sustainability reporting initiative, which can be directed to: zehra.mehdi@kesc.com.pk

Zehra Mehdi
GM - Sustainability Management


Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Karachi Electric Supply Company Limited** has presented its report "Integrated Sustainability Report" (2012) to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 7 November 2012

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

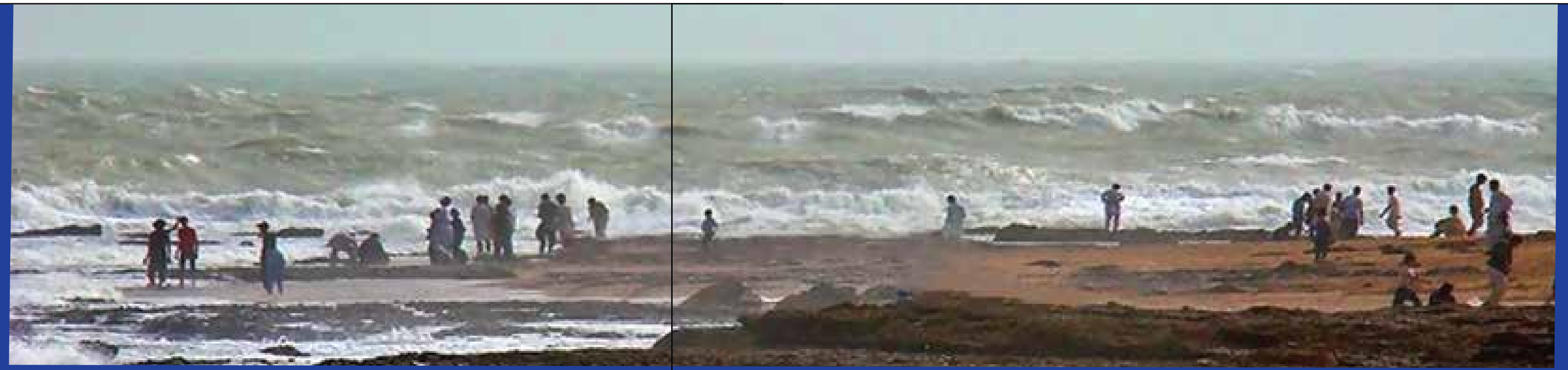
The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 23 October 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

"We should have a State in which we could live and breathe as free men and which we could develop according to our own lights and culture."

QUAID-E-AZAM MUHAMMAD ALI JINNAH










About Karachi Electric Supply Company (KESC)

KESC is the main provider of electric power to the 20 million people of Karachi. Incorporated on September 13, 1913 under the Indian Companies Act of 1882, KESC has played a pivotal role in the economic and social landscape of Karachi ever since. KESC was nationalised in 1952 and then privatised once more on November 29, 2005. In September 2008, Abraaj Capital Limited acquired equity stake in Karachi Electric Supply Power, the holding company of KESC, and took administrative control of the organisation. Abraaj committed a substantial equity investment of USD 361 million in the organisation in a three-year period, all of which has already been invested. The Government of Pakistan is the second largest shareholder of KESC with 25.6% shareholding after KESP, which holds 74.1% of the shares.

In turning the organisation around, the new management faced many challenges. The previously poor financial performance of the organisation intertwined with its poor social performance to impede the new management's reform goals. The organisation was adamant, however, to reform on all levels, managing in the past four years to become one of Pakistan's more accomplished social and environmental performers, while significantly improving its financial prospects at the same time. The nature of these reforms is communicated in the report that follows.

The KESC Universe

KESC provides electricity to the eleventh largest city in the world.

KESC's Network of Reach

- Residential 1.8 million
- Industrial 65,000
- Total 2.4 million
- Public Sector 12,500
- Commercial 512,000
- Area Covered 6,000 square kilometres

Sixteen **Intergrated Business Centres (IBCs)** located across Karachi

On the employment side, the organisation employs more than 11,000 workers in different capacities; in doing so, it provides direct income to 11,000 households.

At present, KESC is the only vertically integrated power utility in Pakistan, in charge of managing the Generation, Transmission and Distribution of electricity to our consumers.

GENERATION

- Available Capacity: 2050MW (June 30, 2012)
- Fuel types: Gas, HFO
- About 45% of the electricity is purchased from WAPDA & IPPs
- Nearly 55% of the electricity is generated through our own system

TRANSMISSION

- 61 grid stations & 129 power transformers
- Network of 220, 132, and 66 kV circuits
- Current transmission losses less than 3%

DISTRIBUTION

- 11kV Feeders: 1,307 Nos
- 11kV Overhead: 2,642 KM
- 11kV Underground: 5,351 KM
- 400V Overhead: 10,807 KM
- 400V Underground: 1,202 KM
- 11kV Distribution S/S/PMTs: 15,40711kV
- Distribution Capacity: 4,957 MVA

Whether it is the addition of 1110 MW in the installed capacity of our KESC fleet or the commissioning of essential grid stations around Karachi, or the recovery of megawatts from de-rated existing plants, or the rehabilitation of critical extra high tension lines – all these activities speak of our resolve and commitment to deliver reliable and affordable electricity to the people of Karachi. The timely completion of our flagship 560 MW Combined Cycle Project at Bin Qasim, marks the dawn of a bright future.

Arshad Zahidi
Chief Generation & Transmission Officer

GENERATION

The KESC fleet has 2341MW of installed capacity to cater to the city's requirement. The main generation units consist of:

- Bin Qasim Power Stations 1 & 2
- Korangi Power Complex
- GE-JB Gas Engine Power Stations at SITE and Korangi
- Korangi Combined Cycle Power Plant
- The newly commissioned, state-of-the-art, Bin Qasim II 560MW Combined Cycle Power Plant

KESC also imports power from Independent Power Producers, WAPDA and Captive Power Plants to offset the deficit in supply.

TRANSMISSION

KESC's transmission system comprises a total of 1,248 kilometers of 220kV, 132kV and 66kV transmission lines with 61 grid stations. Moreover, our grid is inter-connected with the NTDC grid system through two double circuit 220kV transmission lines.

DISTRIBUTION

KESC's Distribution Department boasts one of the largest electricity distribution networks in the world. This network includes power lines, substations and pole-mounted transformers.

KESC has been able to improve losses and recoveries in low and medium loss areas through process driven initiatives. Apart from focus on continuous process improvements, several pilot

Containing longstanding electricity distribution issues in the huge Metropolis has indeed been a gigantic task that Karachi Electric Supply Company has successfully been accomplishing; milestone after milestone. Over the recent years, KESC has been able to reduce losses drastically and enhance recoveries considerably. Several pilot projects involving capital expenditure are also being explored to achieve greater efficiency and loss reduction.

KESC's 118 Response Center has become an important part of KESC's outreach programme.

Replacement of uncovered and open-to-theft copper wire with protected Aerial Bundled Cabling is viewed as a key inventiveness towards sustained loss reduction. KESC is also actively looking to put in place a Smart Grid System to reduce aggregate technical and commercial (AT&C) losses and to increase revenue. This will be a major step towards modernising the distribution infrastructure in line with recently implemented technology such as SAP IS-U.

Syed Muhammad Taha
Chief Distribution Officer

projects involving capital expenditure are currently being explored to achieve greater efficiency and energy loss reduction.

Aerial Bundled Cabling (ABC) is being explored as means towards sustained loss reduction in areas infested with illegal consumption of electricity. A pilot project was completed during the year despite fierce and, at times, violent resistance. The results indicate a significant impact on loss reduction, from the high 20s to a single digit number on these transformers. On the basis of this success, the ABC project is being rolled out in other areas of the city.

KESC is actively looking to put in place a Smart Grid System with two basic objectives: to reduce AT&C losses through improved energy monitoring and visibility, which also includes remote service disconnections, and to increase revenue through minimizing the outage response time. This will also be a major step towards modernizing the distribution infrastructure in line with existing technology, such as SAP IS-U.

During the current financial year, KESC initiated a Load Regularization Drive to regularize illegal load extension by industrial and ordinary consumers. This will enable KESC to manage and plan its network in an informed manner. KESC also identified consumers who were illegally relying on gas generators as a primary means of electricity supply while using KESC only as a backup. KESC intends to disconnect their reserve sanctioned load and divert the supply of such consumers to meet the demand from pending new connection applications. KESC's 118 Response Centre is part of KESC's outreach program, not only providing timely and accurate information to consumers but also employing agents from a cross section of society in particular those who are physically challenged.

Alternative channels of bill distribution have been introduced including bill delivery through email and SMS while e-bills have also made available for download on the company's website. Aerial Bundled Cabling (ABC) is being explored as means towards sustained loss reduction in areas infested with illegal consumption of electricity. A pilot project was completed during the year despite fierce and, at times, violent resistance. The results indicate a significant impact on loss reduction, from the high 20s to a single digit number on these transformers. On the basis of this success, the ABC project is being rolled out in other areas of the city.

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Milestones Achieved

Following are some of the accomplishments and achievements of KESC's different departments:

In the past three years, a total of 1010MW new generation capacity (an increase of 49%) has been added to the KESC fleet, owing in part to the newly commissioned 560MW CCPP - BQPS II

Fleet efficiency has increased from 30.5% in 2008 to 34.9% in 2012

Improvement of 2.4 % in Transmission and Distribution (T&D) losses through infrastructure/system improvement with T&D losses decreasing to a 17-year record low of 29.7% in FY 2012

Growth via network enhancements and new electricity connections to 25,143 consumers in FY12, equivalent to a total of 195 MW in terms of load

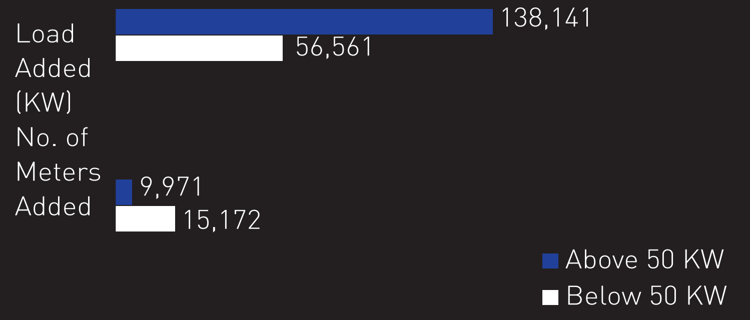
Collections improved to 95% in areas consuming more than two thirds of energy

Integrated Business Centres (IBC) model successfully executed as part of the reorganisation of the Distribution Business

Implemented SAP Industry Solution for Utilities for better integration of business processes. Currently rolled out in 16 business centres and public sector Consumers, covering almost 80% of the revenue base

Under the segmented Load-Shed Policy Initiative, a one-of-its-kind in the utility sector, low loss areas, industrial consumers and strategic installations representing nearly 43% of the energy sent out are exempted from load shed. KESC has incorporated a zero-hour load shed policy on Sundays and on national holidays. This novel approach, that other power distribution companies are trying to adopt, is now referred to as the "KESC Model"

New Connections Figures for FY12



Human Resources

- Re-alignment of workforce through restructuring across the board
- Third successive performance-based appraisal
- Outsourcing of non-core functions
- Induction of 100 young professionals as of June 2012 (14 Management Trainees and 86 Trainee Engineers) with 80%-85% average retention rate
- Standardised and structured learning interventions through AZM Learning Institute. Initiatives aligned with business strategy at corporate and business unit level for development of a highly-skilled workforce

Awards & Honours

- KCCPP - Certified with the world class ISO 9001 standard and OHSAS – 18001
- Best Fast-track Power Project in Asia - 2009
- Asian Power Plant of the Year - 2009
- NFEH Environment Excellence Award - 2011
- NFEH/FPAP Fire & Safety Award - 2011 (for third consecutive year) recognised by NFEH
- OHS&E Encouragement Award - 2010 (Awarded by Employer's Federation of Pakistan)
- Corporate Social Responsibility Business Excellence Award - KESC received this award at the first CSR Business Excellence Awards ceremony, organised by the National Forum for Environment & Health (NFEH) in collaboration with the United National Environmental Program (UNEP)

Our Flagship Power Plant: State of the art BQPS-II

In order to reduce the demand-supply gap and increase the efficiency of KESC's generation fleet, in the past four years, a total of 1010 MW new generation capacity has been added to the KESC fleet through three major projects. The most ambitious project undertaken by the new management for generation capacity and efficiency enhancement is the installation of the new 560 MW Combined Cycle Power Station at Bin Qasim, with a site efficiency of 45.5%.

The contract for the construction of 560 MW Combined Cycle Project at Bin Qasim was signed in June 2008. Following the takeover by the Abraaj Management, a rigorous technical review was carried out of the said contract and related documents by the new management in order to ensure a robust design structure for the plant. This resulted in the proposition and implementation of a number of conceptual design changes, the main ones being redesigning of the fuel gas compressors to enable operation at a low fuel-gas pressure, gas turbine combustion system modification to handle a lower fuel-gas calorific value and redesign of the air filtration system.

Approximately USD 452 million capital investment has been made for the project. Sources of funding include Sponsor Capital's equity, financing facilities from IFC and ADB and loans from a syndicate of local commercial banks. The Engineering, Procurement and Construction (EPC) contract for the project has been carried out by Harbin Power Equipment Limited, a Chinese EPC contractor with a strong track record in the execution of EPC contracts on a regional and international level.

In strict compliance with the National Environment Quality Standards (NEQS) and World Bank guidelines, liquid effluence at BQPS-II is discharged into the sea without damaging the aquifer of the vicinity. Strict measures have been taken right from the construction phase to follow the guidelines to control environmental pollution and produce electricity while respecting environmental restrictions.

This project is now complete and the station is fully operational since May 2012 when its PTOC-4 (Provisional taking over certificate) was signed after the successful completion of all required commissioning and performance tests. The KESC team has taken over the operations of the Combined Cycled Plant with all relevant BOPs in the last quarter of the current fiscal year. Furthermore, to fulfill the regulatory requirements, the plant's third party heat rate test was successfully performed in compliance with NEPRA's directives in June 2012.

The addition of this power project has taken KESC one step closer to self-reliance in power generation and in meeting Karachi's long-term power needs.

The accomplishment is a landmark achievement in the energy sector and with the addition of state-of-the-art 560-MW CCPP; KESC can proudly claim that the Bin Qasim Power Complex stands as the country's largest, with an installed capacity of 1820 MW.

KESC is committed to ensuring a safe work environment. Through rigorous training sessions, field safety audits, job safety analyses and risk assessment tools, potential hazards are identified on a continuous basis. KESC is determined to instigate a behavioural change with regards to safety on the grassroots level throughout the organisation.

A clear vision creates
a bright future

Our Vision and Values

Our Vision:

To restore and maintain pride in KESC, Karachi and Pakistan.

Our Mission:

Brightening lives by building the capability to deliver uninterrupted, safe and affordable power to Karachiites.

Our Values:

WE BELIEVE

We speak as a professional, committed to helping the customer. As an organisation, we have a long way to go to provide the service we all deserve, so we cannot boast. We can do what we say we will do. Be accountable and continue to do better.

WE ARE TRUSTWORTHY

We speak simply, but never patronize. Long and complicated explanations are confusing and can appear as if we have something to hide.

WE ARE OPEN

We speak clearly and concisely. If the customer needs our assistance, or if we need to give them information, we don't waste their time. We tell the truth and are completely open and transparent. By explaining the 'good' and the 'bad', we can gain the customer's trust and respect. We always ask for their involvement, never demand it.

WE ARE DEPENDABLE

We can be relied upon to do the right thing by everyone we come across and act in a responsible manner to people, places and the environment.

WE THINK ABOUT YOU

We take time to listen to you and understand your needs. You are at the heart of what we do. We speak with a welcoming human smile in our voice. A conversation that begins this way shows that we are approachable and are here to help the customer.

Governance, Compliance & Organisation

Board of Directors

CHAIRMAN
Tabish Gauhar

CHIEF EXECUTIVE OFFICER
Syed Nayyer Hussain

DIRECTORS

Non-Executive:
Imtiaz Kazi
Muhammad Zargham Eshaq Khan
Naveed Alauddin
Shan A. Ashary
Mubasher H. Sheikh
Omar Khan Lodhi
Michael G. Essex (Under SECP Approval)

Executive:
Syed Arshad Masood Zahidi
Muhammad Tayyab Tareen
Syed Nayyer Hussain

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY
Syed Moonis Abdullah Alvi

CHIEF ENGAGEMENT OFFICER
Ghufran Atta Khan

Board Committees

BOARD AUDIT COMMITTEE (BAC)
Omar Khan Lodhi (Chairman)
Mubasher H. Sheikh
Syed Nayyer Hussain

BOARD FINANCE COMMITTEE (BFC)
Muhammad Tayyab Tareen (Chairman)
Shan A. Ashary
Syed Nayyer Hussain
Omar Khan Lodhi

BOARD TECHNICAL COMMITTEE (BTC)
Tabish Gauhar (Chairman)
Syed Arshad Masood Zahidi
Syed Nayyer Hussain
Syed Naveed Ahmed (Chief Business Development Officer)

BOARD HR COMMITTEE (BHRC)
Omar Khan Lodhi (Chairman)
Shan A. Ashary
Syed Nayyer Hussain
Tabish Gauhar

BANKERS
Allied Bank Ltd.
Askari Bank Ltd.
Bank Alfalah Ltd.
Citibank
Faysal Bank Ltd.
Habib Bank Ltd.
KASB Bank Ltd.
MCB Ltd.
National Bank Ltd.
Sindh Bank Ltd.
Standard Chartered Bank Ltd.
Standard Chartered Modaraba
Summit Bank Ltd.
United Bank Ltd.

LEGAL ADVISER
Abid S. Zuberi & Co.

SHARE REGISTRAR
M/s. Central Depository Company of Pakistan Ltd. (CDCPL)

AUDITORS
M/s. KPMG Taseer Hadi & Company, Chartered Accountants

Governance

The Companies Ordinance 1984 and Code of Corporate Governance (CCG) properly describe qualification and expertise for appointment of the Board Members. Furthermore, the sponsors/holding organisation of KESC has a systematic procedure to determine the qualification and expertise for nominating members in BOD of the Organisation.

Compliance

Registered in all stock exchanges of Pakistan, KESC abides by a number of codes including, the Code of Corporate Governance, Companies Ordinance 1984, Listing Regulations of Stock Exchanges and Memorandum, and Articles of Associations of the Organisation.

In compliance with the Code of Corporate Governance, among other things, KESC has ensured that:

- It has effective representation of independent non-executive directors, including those representing minority interests, on its Boards of Directors so that the Board as a group includes relevant core competencies
- All financial statements are prepared in conformity with the provisions of the Companies Ordinance 1984 adhering to International Financial Reporting Standards
- Proper books of accounts have been prepared and maintained with estimates based on reasonable and prudent judgment
- It has published and circulated a statement along with its annual reports to set out the status of its compliance with the best practices of corporate governance
- The statement of compliance with the best practices of corporate governance is reviewed and certified by statutory auditors before publication
- There is implementation and monitoring of an effective system of internal control
- Strategic plans and decisions have been covered adequately in the Director's Report

Top Regulatory Bodies

KESC is the only vertically integrated utility involved in generation, transmission and distribution and hence it has business licenses for each respective area. As part of the regulatory regime, KESC reports to the apex corporate regulatory body of the country, Securities and Exchange Commission of Pakistan (SECP) in addition to Karachi, Lahore and Islamabad Stock Exchanges.

KESC also reports to NEPRA for its annual performance with regards to the regulated system parameters. It also reports to NEPRA for compliance against various other components, including legal and operational issues. In addition, KESC also reports on issues related to consumer complaints and dispute resolution.

Tariff is completely a regulatory component controlled by NEPRA. KESC implements tariff structure as per NEPRA's regulations.

Role of Internal Audit in KESC

KESC treats internal auditing (IA) as an autonomous, objective assurance and consulting activity designed to add value and improve its operations. It nudges the organisation closer to its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

KESC's Internal Audit Department (IAD) is independent of the activities being audited and the Chief Internal Auditor (CIA) reports directly to the Board Audit Committee (BAC) established by the Board of Directors (BOD).

KESC's IA activities observe three main external standards:

- Local **Code of Corporate Governance** issued by the SECP
- The **IIA's (Institute of Internal Auditors) International Professional Practices Framework (IPPF)** and the **International Standards for the Professional Practice of Internal Auditing (Standard)**
- **Information System Audit and Control Association (ISACA),** an affiliate firm of **FAC (International Federation of Accountants)** and **Global Technology Audit Guideline (GTAG),** a practice guide of **IPPF**.

The IAD is also governed by an IA Charter approved by the Board Audit Committee, which describes the Purpose, Authority, Responsibility and Reporting Relationship of IAD.

Before privatisation, IAD was confined to the role of pre-audit and authorisation of some critical transactions of the organisation and reported to the CFO. From that less-organised structure to the current state of an independent unit reporting directly to the BAC, IA has passed through its own journey of transformation.

All Assurance Audit Activities are performed in accordance with the risk-based Internal Audit Plan, annually approved by the BAC, whereas Consulting Activities are based on the services requested by the Operating Management, with agreed Objectives, Scope and Reporting.

IAD assists the Board of Directors and its Audit Committee in discharging its governance responsibilities by delivering the following:

- Alignment of audit activities with the Organisation's Strategic Plan, assisting operating management to accomplish its objectives
- Risk assessment of audit universe and reviewing the process of identifying and managing the risks
- Review of the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information
- Review of the systems established to ensure compliance with policies, plans, laws, procedures, and regulations that could have significant impact on operations and reporting
- Review of the means of safeguarding organisation assets (tangible and intangible) and verifying their existence
- Review of the economy and efficiency with which resources are employed

IAD has been performing a pivotal role by:

- Evaluating and improving the effectiveness of Controls, Risks and Governance Processes of KESC through its various assurances and consulting activities in almost all areas
- Providing able recommendations for the improvement of the various phases of operations and processes considering the organisation's objectives
- Following-up agreed recommended solutions till effective implementation to ensure the avoidance and recurrence of similar issues

The goal of transforming the organisation into a profit making, transparent, and effectively governed utility is phenomenal, but IAD is well equipped and geared up to deliver and execute its role with passion and high aspirations.

Standards of Business Conduct

All KESC employees have to abide by the Statement of Ethics and Business Practices (SEBP). Both management and non-management employees must observe the highest ethical standards in the conduct of business activities. The SEBP is intended to assist KESC employees in meeting the standards of professional and personal integrity expected and required of them. KESC employees will act with integrity at all times, to protect and safeguard the reputation of the Organisation. Any breach of the SEBP guidelines is regarded as misconduct.

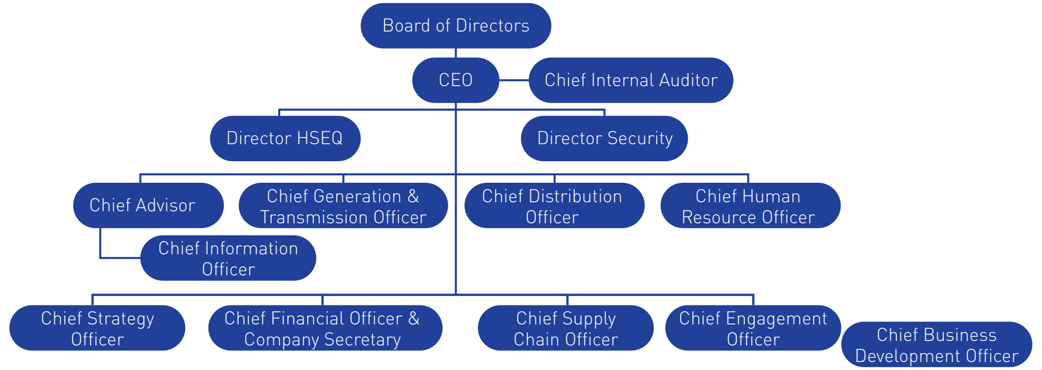
The Statement of Business Conduct and Regulatory Bodies regulates a number of areas for KESC employees including:

- Conflict of interest
- Confidentiality
- Contributions
- Inducement payments
- Proper recording of funds, assets, receipts and disbursements
- Agreements with agents, consultants, sales representatives or suppliers
- Relationships and dealings with government officials, media, suppliers, customers, consultants, intermediaries and other parties
- Health & Safety
- Environment
- Alcohol, drugs, gambling and smoking
- Receiving gifts
- Work place harassment
- Treatment of fellow employees
- Other acts of misconduct

Organisation

KESC has been undergoing intensive re-organisation since its privatisation. The new management created many new positions to account for missing functions, and relocated old ones where they belonged best. As it stands, the organisation has an elaborate structure that has been communicated to all employees. The chart below presents the first tier of a much more elaborate structure. Now, all functions necessary for KESC's sustainability are accounted for, and responsibilities are clearly delineated.

Moreover, all aspects of operations are conducted as per new systems, work instructions, and SOPs, in compliance with the requirements of the regulatory bodies and codes that were discussed in this section.



The Future of Governance and Compliance in KESC

KESC believes that the more it improves its governance the more it will need to adopt the world's best practices and the respective voluntary codes that govern them. Our desire to adopt the GRI disclosure standards is a clear example of this commitment. In relation to this, we expect the future of our governance and compliance to follow the same stages discussed in the section on our general sustainability above; to complete our ongoing reform process, and then, to capitalise on this reform to implement the world's best practices after we have laid their foundation. We are currently concluding the first phase, and have already started entering the second.

The first phase included setting up an efficient and effective board, revamping our top management functions, improving all our procedures, putting in place measures that assure compliance with all relevant and compulsory codes of ethics. Phase two began with our move to adopt voluntary codes, starting with this GRI report, and will move on to include similar actions in this current planning period.

With respect to the governance and compliance requirements under the GRI standards, pending issues include the following:

KESC's shareholders are well represented in KESC's BOD, and therefore play paramount roles in determining the organisation's direction. Likewise, the organisation tries to involve its employees in its policy setting process.

Nevertheless, the organisation is still committed to improving this process by creating more institutional mechanisms for shareholders and employees to provide recommendations or direction to the BOD, including mechanisms that regularly seek, categorise and analyse these recommendations for each of the major policy components, and returns regular feedback to the initiators of these recommendations.

Sustainability Performance currently plays a crucial role in performance appraisal and organisation policies, but its linkage with compensation is not yet systemised. KESC thus plans to create and spell out clear linkages between its ESG performance and the compensations and qualifications of its BOD members, senior managers, and executives.

KESC is also planning to enhance the policies, procedures, and mechanisms that ensure conflicts of interest are avoided.

Following the aforementioned improvements, the organisation will be in a good position to move to screen and adopt relevant ESG-related voluntary codes and enhance its performance accordingly.

Sustainable Foundations: Unbundling the Business

Many vertically integrated utilities around the world have been unbundled into separate business units. Ownership unbundling of electricity networks is a key feature of markets undergoing energy market reform and looking to increase competition in the long run. The electricity sector in Europe, most provinces in Canada, the USA and Australia are just a few examples where electricity sector unbundling has subsequently resulted in deregulation and higher competition. Unbundled elements are managed as separate business units. This is motivated by a desire for greater efficiency and better service to consumers, which is the ultimate goal of the efforts initiated by KESC.

Rationale and Benefits of Unbundling

The unbundling project entails several social and economic benefits for KESC and its consumers. Performance improvement across the value chain should result in better services and higher consumer satisfaction. Unbundling KESC into separate Business Units (BUs) should be beneficial as the aim is to create more manageable units. Since each segment will be run as an autonomous business entity, it will be responsible for its own profitability and costs. Allocation of costs to each BU will eliminate the use of profits from one activity to cover losses from another. Allocation of assets, liabilities, costs and losses will help in identification and improvement of key problem areas in the utility value chain, thereby resulting in improved service to consumers.

Being an integrated utility, the tremendous size of KESC network resulted, in increased leakages in the form of theft, loss of collections and technical losses. After unbundling, each BU will focus on its core operational metrics i.e. on one aspect of the utility value chain. Separating each BU shall give the management of each entity a focused agenda of targeted improvements, which should result in mitigation of factors that hamper performance. This shall result in higher efficiency, better operational performance and increased investments in each BU, thus improving the overall performance and sustainability of the utility value chain for consumers. Problem areas can be easily identified, thereby focusing strategic investments in loss making areas. This will act as an incentive for improved service quality, cost management and efficiency enhancement due to tighter controls and management of BUs.

Generation BU shall seek to improve efficiency targets in order to improve profitability, which in turn will reduce the cost of generating electricity. Transmission BU shall seek to reduce technical losses in its domain. The Distribution BU shall focus on customer satisfaction, improved fault turnaround time, and making strategic and focused programmes to reduce theft and, in turn, losses. Efficiency improvement and loss reduction will help cover the mismatch between the cost of generation and consumer end tariff, thereby resulting in improved quality of service for consumers.

KESC's Karachi

28 Customer care centres serving in 4 regions

Customer base of approximately 2.5 millon

	Region 1
FY 12 Distribution Loss	30.2%
FY 12 AT&C Loss	35.7%
Qtr 1 FY 13 D. Loss	32.5%
Qtr 1 FY 13 AT&C Loss	41.0%
# of IBCs	2
# of VIBCs	5
# of Consumers	534,762
Ord. Consumers Consumption (Kwh)	5.0
Ind. Consumers Consumption (Kwh)	288.4
Number of Grid Stations	12

Low Loss Areas
- SITE
- Uthal

Medium Loss Areas
- Lyari I

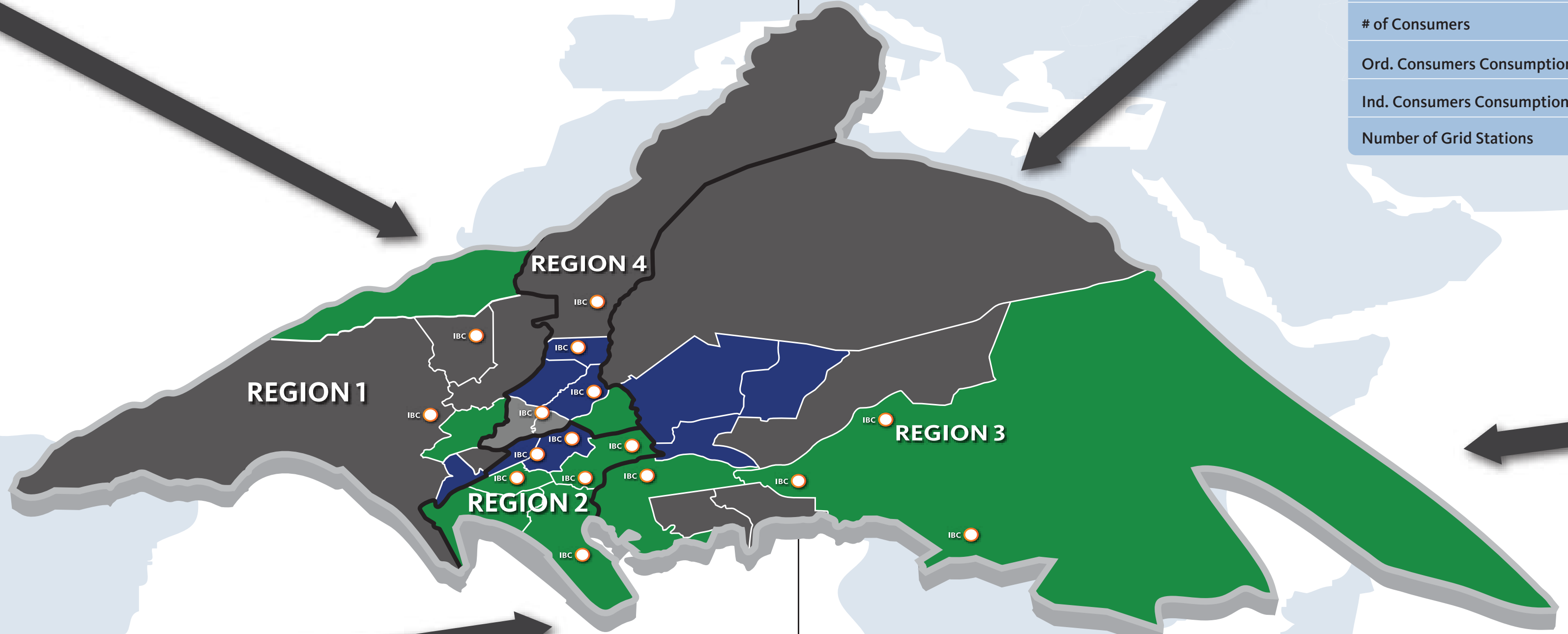
High Loss Areas
- Baldia
- Orangi I
- Orangi II
- Lyari II

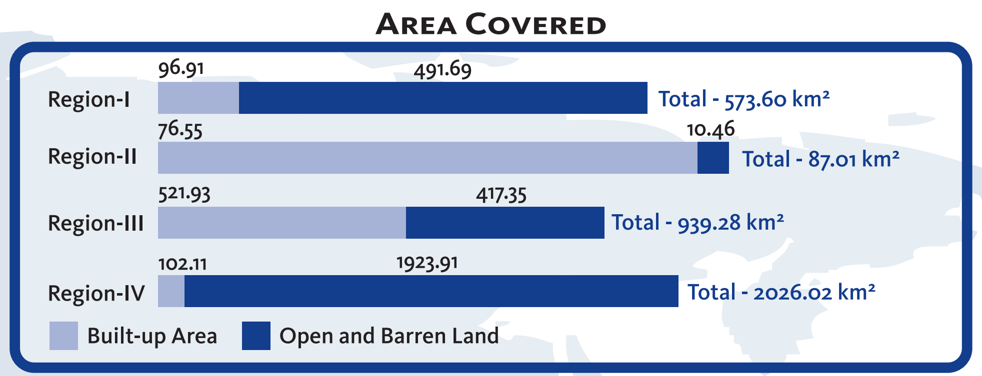
	Region 2
FY 12 Distribution Loss	19.1%
FY 12 AT&C Loss	22.8%
Qtr 1 FY 13 D. Loss	20.5%
Qtr 1 FY 13 AT&C Loss	25.2%
# of IBCs	6
# of VIBCs	-
# of Consumers	585,424
Ord. Consumers Consumption (Kwh)	9.3
Ind. Consumers Consumption (Kwh)	229.1
Number of Grid Stations	13

Low Loss Areas
- Defence
- Clifton
- Saddar
- Tipu Sultan

Medium Loss Areas
- Garden
- Bahadurabad

High Loss Areas
- -





	Region 4
FY 12 Distribution Loss	34.4%
FY 12 AT&C Loss	43.0%
Qtr 1 FY 13 D. Loss	35.2%
Qtr 1 FY 13 AT&C Loss	45.9%
# of IBCs	4
# of VIBCs	3
# of Consumers	626,319
Ord. Consumers Consumption (Kwh)	7.7
Ind. Consumers Consumption (Kwh)	92.9
Number of Grid Stations	11

Low Loss Areas
- Gulshan-e-Iqbal

Medium Loss Areas
- North Nazimabad
- Federal B Area
- North Karachi

High Loss Areas
- Surjani
- Nazimabad
- Liaqatabad

KESC has 2050 MW of dependable fleet capacity

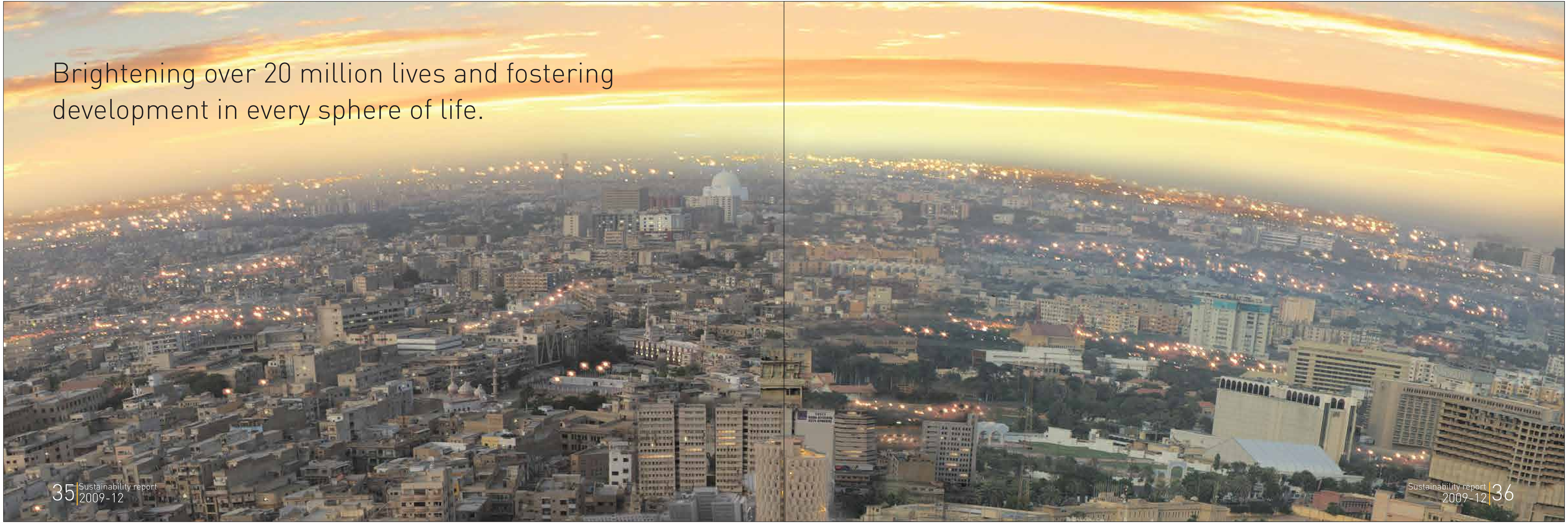
	Region 3
FY 12 Distribution Loss	29.5%
FY 12 AT&C Loss	38.2%
Qtr 1 FY 13 D. Loss	32.5%
Qtr 1 FY 13 AT&C Loss	43.2%
# of IBCs	4
# of VIBCs	4
# of Consumers	587,787
Ord. Consumers Consumption (Kwh)	6.4
Ind. Consumers Consumption (Kwh)	350.6
Number of Grid Stations	25

Low Loss Areas
- KIMZ
- Bin Qasim

Medium Loss Areas
- Gulistan-e-Johar
- Shah Faisal

High Loss Areas
- Korangi
- Gadap
- Landhi
- Malir

55% of the city exempted from load shed



Brightening over 20 million lives and fostering development in every sphere of life.

Sustainability in KESC: Achievements and Challenges

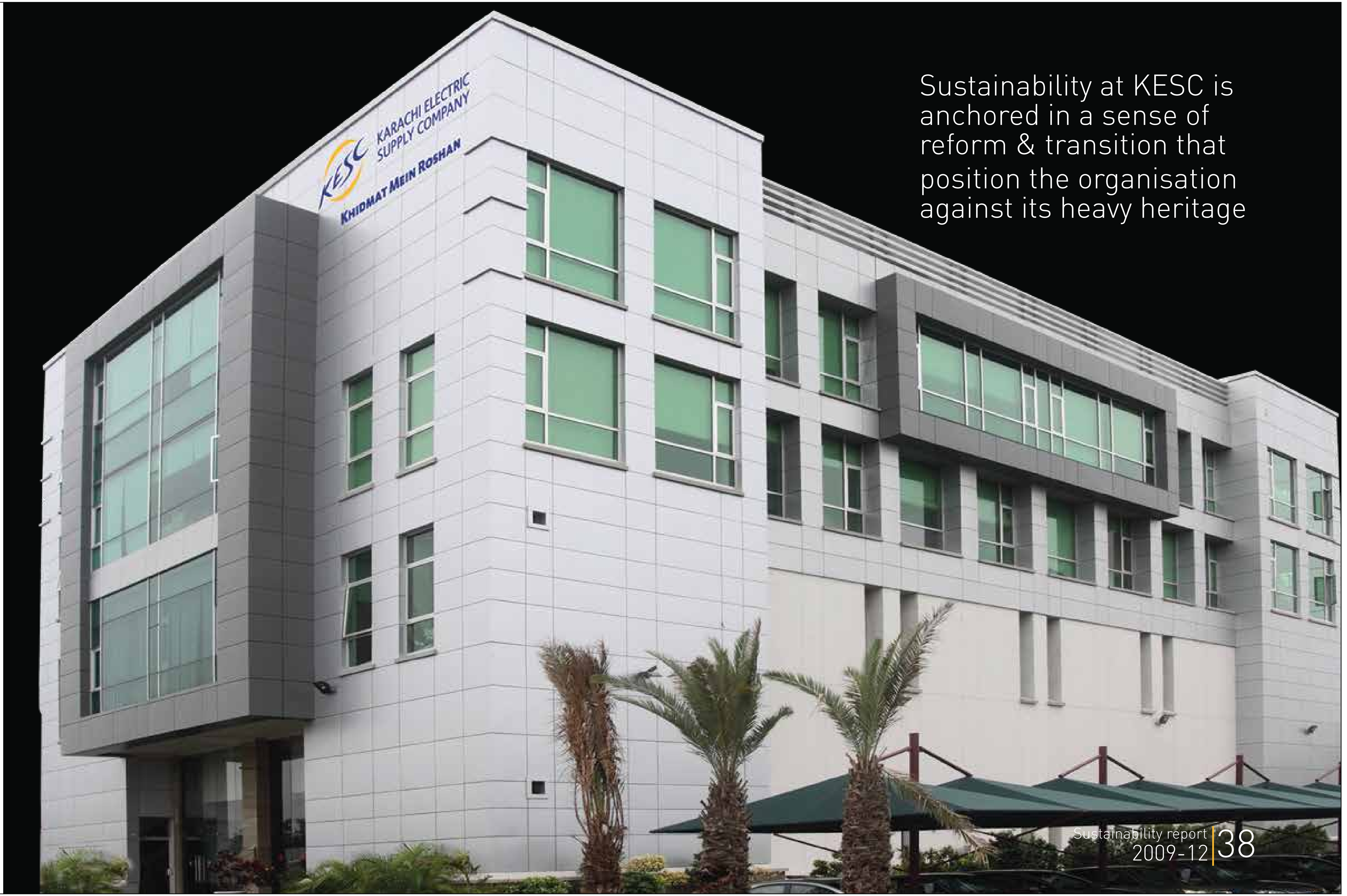
This report works with a specific understanding of Sustainability Management. The best definitions of this concept tend to base it on a blend of Sustainable Development and Corporate Social Responsibility (CSR). The Brundtland Commission's widely used definition of Sustainable Development defines it as, meeting the needs of the present without compromising the ability of future generations to meet their own needs. The World Business Council for Sustainable Development offers an equally authoritative definition for CSR as the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

The report, moreover, promotes "Sustainability Management" as a management model that proactively seeks to enhance long-term value creation for investors, shareholders, society, and employees in ways that preserve the rights of future generations to meet their needs. International standards such as The UN Global Compact and the Global Reporting Initiative are further used to translate this overarching mandate into performance areas and principles, including: economic performance, governance methods, labour management, health and safety principles, human rights principles, environmental performance, anti-corruption values, and product responsibility and development.

Bearing this in mind, sustainability at KESC is anchored in a sense of reform and transition that positions the organisation against its heavy heritage. This heritage has been stifling KESC's financial performance for quite some time now, due to the many problems that the organisation had accumulated over time. In 2008, Abraaj Capital decided to take up equity shares in the organisation, injecting new finance into its operations and taking over its management.

Since then the new management has established many future goals for the organisation, moving it through a transitional period that witnessed a plethora of reforms, as discussed below. This has earned the organisation the respect of many financial and non-financial organisations, manifested in KESC's ability to attract over USD 1 billion in debt and equity, from very credible financial institutions, including the IFC, as well as gain many awards in the fields of safety, Corporate Social Responsibility, improved management performance, and environmental performance. KESC's credibility has reached such a level that it now trains other companies in its field on how to tackle environmental issues.

KESC expects to move forward even faster in this reform direction in the coming few years, and seeks nothing less than to become among the world's leaders in the field of sustainability. We are therefore committed to improve our ESG performance even more, and pioneer the development and implementation of the best practices in our field and beyond. This will require us to improve our performance in the areas that we have already targeted as well as install new controls to measure performance aspects that we have not had the ability to measure thus far. The report therefore details our future plans and commitments as much as it presents our current position, achievements and challenges.



Sustainability at KESC is anchored in a sense of reform & transition that position the organisation against its heavy heritage

Our Sustainability Policy:

Our sustainability policy revolves around economic value creation, essentially through social and environmental gains across our stakeholder universe. We firmly believe in integrating our corporate philosophy and operational performance to meet the expectations of our stakeholders.

- We shall provide and maintain a clean, healthy and safe operating environment for our employees, customers and the community
- We will build and preserve strong partnerships with communities, customers, trade & industry associations, governments, media, academia and non-governmental organisations – all of whom have a role to play in building a sustainable energy system
- We will ensure open and transparent communications with all our stakeholders
- We will continuously endeavour to enhance our value proposition to our consumers and adhere to our promised standards of service delivery
- We will respect the universal declaration of human rights, international labour organisation's fundamental conventions on core standards and operate as an equal opportunity employer
- We shall encourage our business partners to adopt responsible business practices, strong business ethics and the highest standards of an honest code of conduct
- We will continue to serve our communities by implementing sustainable community development programmes through public/private partnerships in and around our core areas of operation

Past Challenges

When the current management took charge, KESC was in a state of disarray, suffering from major problems that led to poor performance in every department. Many of the chronic problems that plagued KESC's operations were: endemic power theft; inadequate supply; rampant blackouts; antiquated tariff structures that did not cover costs; the unwillingness of government agencies to pay bills owed to other agencies (circular debt); and a disorganised staff that was seen as unresponsive at best, or corrupt at worst. Moreover, the disillusioned populace had little trust in the ability of the state, seen as including the power organisation, to provide essential services and thus they tended to take matters into their own hands through power theft and non-payment of bills.

The workforce of 18,000 was more than 33% too large, yet union opposition and a longstanding history of jobs for life made layoffs almost impossible. Various government departments owed KESC billions of Pakistani rupees in back bills, debt that threatened KESC's ability to enter into long-term, lower-cost fuel contracts. Even those contracts that had been signed were unreliable because power generation was the lowest priority for the government owned gas supplier, therefore, KESC was among the first to suffer supply interruptions. The tariff structure, although improved, still did not allow the utility to earn a rate of return on its investment, as was customary in the majority of regulated industries, nor did it allow KESC to respond quickly to changes in prices.

Not a single megawatt of energy had been added to the grid since 1997, and 10 out of 17 power plants were technically obsolete, each averaging around 27 years of age. Maintenance and upgrading of these facilities were virtually non-existent. The networks were so fragile that even light rain could trip them out. An even more dire issue was that a majority of KESC's plants were furnace oil-based, the most inefficient and environmentally unfriendly energy source on the planet. Financially, KESC was haemorrhaging money; monthly cash loss, initially reported as 30.8%, had proved to be in excess of 35%, which meant millions of rupees in theft, corruption and bad debts every month. The result was a shortfall in cash flow that paralysed the organisation. The fact that oil was being externally sourced, coupled with poor distribution and management of past capital investments, posed a great financial crisis for the new management that came in to take over KESC.

Some Of The Major Roadblocks Identified At The Time Of The Current Management's Takeover Were The Following:

Negotiating Power Purchase and Pricing

Several long-running issues with the government, the regulator NEPRA, and the National Transmission and Dispatch Organisation (NTDC) had to be resolved. These included rationalising the tariff structure to allow the organisation to recover its full costs for fuel, operations, and maintenance; increasing the allocation of natural gas; signing a contract with NTDC through which KESC could purchase supplemental power at the same price as the state-owned distribution companies; and permission for KESC to offset payments owed by state-owned entities against payments KESC owed to NTDC.

The financial quagmire created by the last two had become so dire that it affected KESC's ability to borrow. The pricing dispute between KESC and NTDC stemmed from NTDC's decision to charge KESC for its power purchases at the marginal cost rate, which was almost twice as much as the typically used average cost. KESC wanted either average cost pricing or the fixed cost it had enjoyed when it was government owned. For purposes of tariff setting, the regulator had not classified KESC as a distribution organisation, even though it handled power distribution for its customers. Without such classification, NTDC could charge it a higher price for power and offset the fees charged state-owned distribution companies. This so-called contingent liability in KESC's books had reached USD 600 million.

Rationalising the Tariff Structure

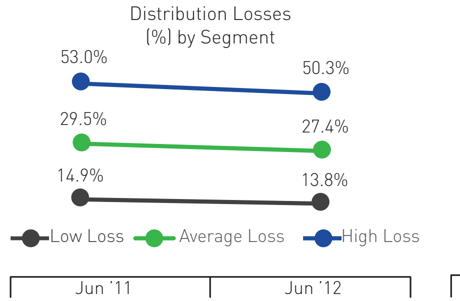
The tariff structure was a further problem, as it did not allow KESC to cover its costs and make a rate of return. The vast majority of regulated utilities were allowed to price on a cost-plus basis — costs judged by the regulator to be reasonable were passed through to the consumers and the utility earned a rate of return above that. The current KESC tariff was set so low that by 2008, KESC had accumulated USD 649 million in operating losses. A long-term Power Purchase Agreement (PPA) was yet another issue. A PPA would commit NTDC to providing a certain amount of power at a set cost, allowing KESC to improve reliability, reduce costs, and reduce power interruptions. While rationalising the tariff structure would increase rates, signing a PPA with NTDC would ameliorate that. Raising rates, though, would likely precipitate a round of street protests and riots, if not a general strike, so the subsequent improvements would have to be made quickly. Moreover, government agencies controlled the sale and supply of natural gas. This fuel is substantially cheaper than the alternative, furnace oil, for running KESC's generators, but power plants ranked behind fertiliser manufacturers, industry, and residential customers for supply priority. Insufficient gas supplies thus forced KESC to use fuel that was three times as expensive as gas, and if furnace oil was unavailable, the organisation had to cut power.

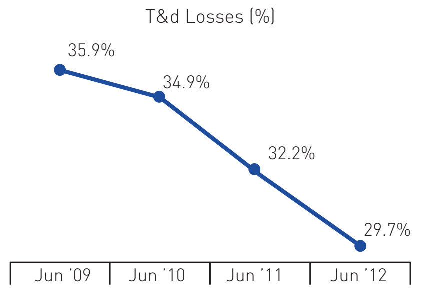
Reducing Transmission and Distribution (T&D) Losses

Due to technical problems (old equipment and corroding wires) and administrative issues (inaccurate billing and theft), KESC's system lost roughly 38% of the power generated. The new management has taken several measures to counter this and the aforementioned issues by investing in the network systems and enhancing capacity at all levels.

In addition to increasing the system's efficiency through improvements in planning and infrastructure, the new management planned to implement a series of non-technical measures. These included reorganising billing and distribution to reduce operational inefficiencies and developing a strategy to reduce theft. There were a number of technical responses to deter theft. If billing was improved, the organisation would at least know what it owed. Corrections to infrastructure — elevating lines, sealing meters, or installing coated cables — would reduce opportunities for theft. Part of the theft issue was cultural. There was implicit political backing for power theft in areas that were important to politically powerful individuals. Moreover, simply disconnecting thieves was difficult because society viewed access to electricity as a right.

Further complications arose if KESC tried to disconnect thieves who were politically well-connected. In early surveys, almost 30% of customers said that KESC "encouraged us to steal power." KESC staff hired prior to privatisation received their power without charge. Why, then, should their neighbours have to pay? The sense of entitlement with respect to electricity pervaded society. Disconnections were easy to circumvent through a kunda (hook connection) attachment, especially in thickly populated urban slums (some 500,000 - 600,000 households). These areas, rife with law and order issues, represented the vast majority of KESC's uncollected revenue and T&D losses. As soon as a KESC crew swept a neighbourhood for illegal attachments, a new rat's nest of wires would appear. Even some apartment houses stole power with impunity. In part, this was due to the Electricity Act of 1910, which classified electricity theft as a minor offence, incurring a fine and a jail term of up to two months.

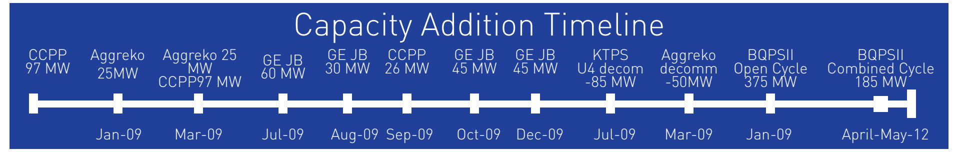




Building New Generation Capacity

Efforts towards new generation capacity included several initiatives. The first was maintaining and rehabilitating existing generation plants to produce as much power as possible. This maintenance involved simple steps, such as cleaning the machinery or ensuring it was dispatched (brought on line) in the most efficient sequence.

Next, the new management would construct two new gas-fired plants for which the former owners had received approval. To make up for power shortages, the new management was seeking to purchase temporary power and had received multiple offers to supply it. In the longer-term, the new management wanted to expand KESC's own generation options and diversify the fuel mix by developing the use of renewable sources and coal-fired plants.



Building Administrative Capacity

The vast majority of KESC's 18,000 employees were government employees that were practically impossible to remove. A few hired since privatisation had year-to-year contracts, or the more standard "employment at will" contract, which paid a higher salary. A culture of disenfranchisement and disinterest, though, had been in place for more than 20 years. Records in payroll did not match the records in human resources, nor were there standard policies around hiring, firing, promotions, or transfers. Management was inept, disengaged, and mistrusted by non-management.

Although four unions represented the employees, there was no collective bargaining agreement. Moreover, staff relations were deeply politicised. Political connections might shield certain workers, thus vastly complicating the chain of command.

Finally, corruption was a problem, and press accounts abounded of KESC employees who demanded bribes in exchange for quicker installation of a customer's meter or would (for a fee) seal off a meter to ensure it did not run.

The unions had made it clear that any effort to move permanent workers to contract employment, even at higher pay rates, would be met with sit-ins and threats against those who agreed. However, a large number of the permanent workers were near retirement age.

Restructuring the Organisation for Customer Focus

To improve the public's dim view of the Organisation, the new management planned various public relation campaigns to improve communication within and outside the organisation. Only 7% of the customers believed that KESC was responsive in resolving complaints and the same proportion believed that the monthly bills were accurate. The call centre was inadequately staffed to respond to customer complaints, especially during the busy rainy season, when calls would ring unanswered. There was no single point of contact for customer complaints. Billing complaints could not be answered through the customer helpline, although all technical complaints had to be referred to it.

In terms of customer service, the structure was similarly inefficient. Business Operations handled billing complaints (only) through service centres that were placed in five different regions. Technical complaints were handled through the Distribution Network offices, which were located in three zones not aligned with the Business Operations regions. There were 102 customer service centres, but no dedicated customer service people. Strictly defined job descriptions further reduced employee responsibility and the lack of team ethic often meant that customer concerns were inadequately addressed.

Our Sustainable Investment Policy – Crafting the Energy Future

KESC's sustainability policy is shaped by many factors, two of which need to be emphasised here: our developmental responsibility; and the way our recent reforms influence our future plans and commitments.

The relationship between our heavy past heritage and our future commitments and plans plays an equally important role in determining our policies. In this regard we are proud to say that in three years we managed to create a platform for sustainability planning and policy setting out of a completely unsustainable mess. During this three-year period, our primary focus was to mend the mess that we inherited by increasing our operational efficiencies, enhancing our management system, and saving our generation and distribution processes from the decay that they suffered. Our policies were thus tailored to this end, which left little room for anything else. Now that we have managed to reform and expand our respective capacities, we are adopting increasingly forward-looking policies and are engaged in seeking state of the art operations.

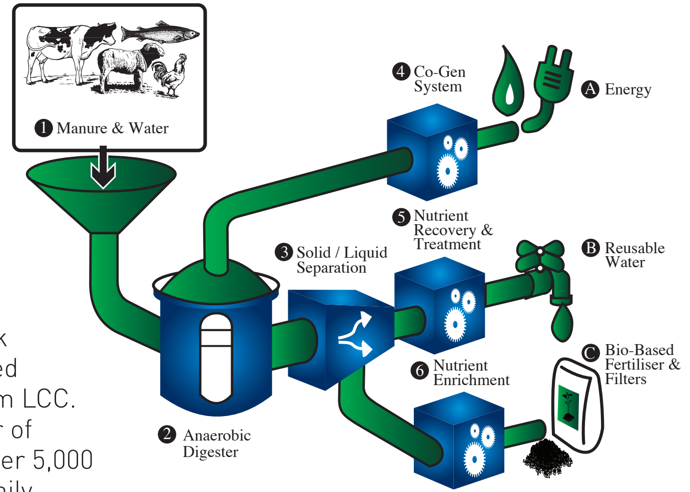
In the coming period KESC is planning not only to complete its reform process, and continue what it started three years ago, but also to engage in mega projects that will bring the power sector in Pakistan up to date with the world's best practices. We believe that during the past three years we have managed to lay the foundation that enables us to seek nothing less than redefining the future fuel strategy of the energy sector of Pakistan. This way we can begin exploring and investing in fuel options that are reliable, affordable with low carbon impact, and from bio-fuel to coal.

In policy terms, these initiatives mark KESC's entry into its second reform stage: incoming a forward-looking future after spending three years undoing the ruins of the past. In doing so, KESC will honour its great responsibility while also providing thought and action leadership to the entire Pakistani power sector that can emulate this model and find long-term sustainable solutions to the power crisis in the country.

KESC has taken a lead role in redefining the future fuel strategy of the energy sector of Pakistan. From Biogas to coal we are exploring and investing in fuel options which are reliable, affordable and have low carbon impact.

Bio Waste Energy Project

KESC is in the final phase of establishing the world's largest Bio Waste-to-Energy plant in the vicinity of Landhi Cattle Colony (LCC), Bin Qasim Town, Karachi. The mandate of this project is to collect biodegradable waste from cattle farms, poultry farms, as well as organic industrial waste and kitchen waste from the large food outlets, hotels, restaurants and large scale residential complexes throughout the city; treat the waste, capture waste gas emissions and generate electricity from the resulting biogas and be a source for organic fertiliser to the farming community. A Memorandum of Understanding has been signed with the Karachi Dairy Farming Association (KDFA) for dung collection of 4,000 tonnes per day.



The LCC is considered to be one of the largest cattle colonies in the world, with a cattle population in the range of 350,000-400,000 within the same vicinity. Around 60-65% of Karachi's milk supply is collected, stored and then distributed from LCC. Due to the large number of cattle, LCC generates over 5,000 tonnes of cattle waste daily which, due to the lack of disposal systems, is being dumped into the local waterways. This environmental catastrophe negatively affects local hygiene and poses a potential risk of spreading disease across the city by affecting the milk that is being generated from within the colony.

Attesting to a strong commitment to develop and implement this endeavour, KESC engaged Canadian technology providers M/S Highmark Renewable ("HRR") for the purpose of conducting a technical feasibility study of the project and the waste. A detailed technical and economic feasibility report prepared after three months of testing attests to the potential of generating 22 MW of power; this would constitute

KOEL
KARACHI ORGANIC ENERGY (PVT) LIMITED

the largest project of its kind. Furthermore, the project also anticipates production of approximately 300 tonnes of organic fertiliser that can be used as a soil conditioner to enrich nutrient deficient soil.

A separate company Karachi Organic Energy Limited (KOEL) has been incorporated. Orient is to take the EPC lead, which will be backed by GE and Highmark. Potential project partners include GE, IFC, Acumen Fund, Aman Foundation and fertiliser companies.

This project has the potential to be registered with the 'United Nations Framework Convention on Climate Change' (UNFCCC) as a Clean Development Mechanism (CDM) activity, as electricity will be generated through renewable fuel as compared to fossil fuels. A methodology has been identified/created for registration of this project as a CDM project. Expected Certified Emission Reductions (CERs) are up to 100,000 tonnes of CO2 and CO2 equivalents.

The impact of the Project, both on the city's environment and its socio-economic condition, will be significant; additionally, the project's contribution to the farming community and its scale makes it one of the biggest and most attractive RE projects in the world.

Thar Coal Power Plant

The province of Sindh is endowed with huge coal resources, comprising as much as 185 billion tonnes, out of which over 175 billion tonnes is in Thar. Thar's coal reserves are amongst the largest in the world, covering an area of 10,000 Square KM, which translates to a potential of generating 100,000 MW of electricity over a period of 100 years.

In December 2009, KESC signed a Memorandum of Understanding (MOU) with Oracle Coalfields PLC, an organisation incorporated in UK, intending to develop a coal mine in Thar region that will provide fuel to the coal-fired power plants that KESC is pursuing. The idea is to generate 1100-1200 MW of capacity in three phases. According to the MOU, Oracle Coalfields will own and operate the mine. Joint Development Agreement between KESC and Oracle Coalfields has been signed.

KESC has started working towards developing a Coal-Fired Power Plant of initial capacity of 300 MW (overall 1,200 MW) at mine mouth of Oracle's Block VI at Thar Coalfield, Sindh. KESC has floated a Request for Proposal (RFP) to prospective consultants for the development of a bankable feasibility study of the proposed power plant. Proposals received from leading international consultants (Lahmeyer International, Fichtner, RWE, Mott MacDonald, Knight Piesold and Harbin) for Power Plant feasibility are under evaluation.

KESC has initiated dialogues with potential investors and with Sindh Engro Coal Mining Company (SECMC) to discuss different areas of collaboration including mine mouth power plant, coal supply, power off take, and equity participation. Simultaneously, dialogue has been opened with NTDC for the development of a transmission network and wheeling of electrical power from the proposed power plant to the KESC network.

Oracle Coalfield has been granted license for coal development in Block VI of the Thar Coalfield, which covers 66.1 KM. They have engaged SRK Consulting UK Ltd ("SRK") as an independent consultant to manage the feasibility study to a bankable standard. SRK is an independent international consulting group with particular expertise in the field of mining and exploration. The group is a leading provider of mining due diligence and feasibility studies and provides consultancy to major mining houses. In addition, and working in consultation with SRK, Oracle has also appointed Aquaterra, an international water and environmental consultancy organisation, to complete a hydro-geological assessment, as well as Dargo Associates Ltd, a group of dedicated coal experts and commercial professionals.

Oracle has completed the Environmental & Social Impact Assessment (ESIA), sub crop drilling, hydrogeology, geotechnical and geophysical studies, and is close to completion of a bankable feasibility study.

Coal Conversion Project

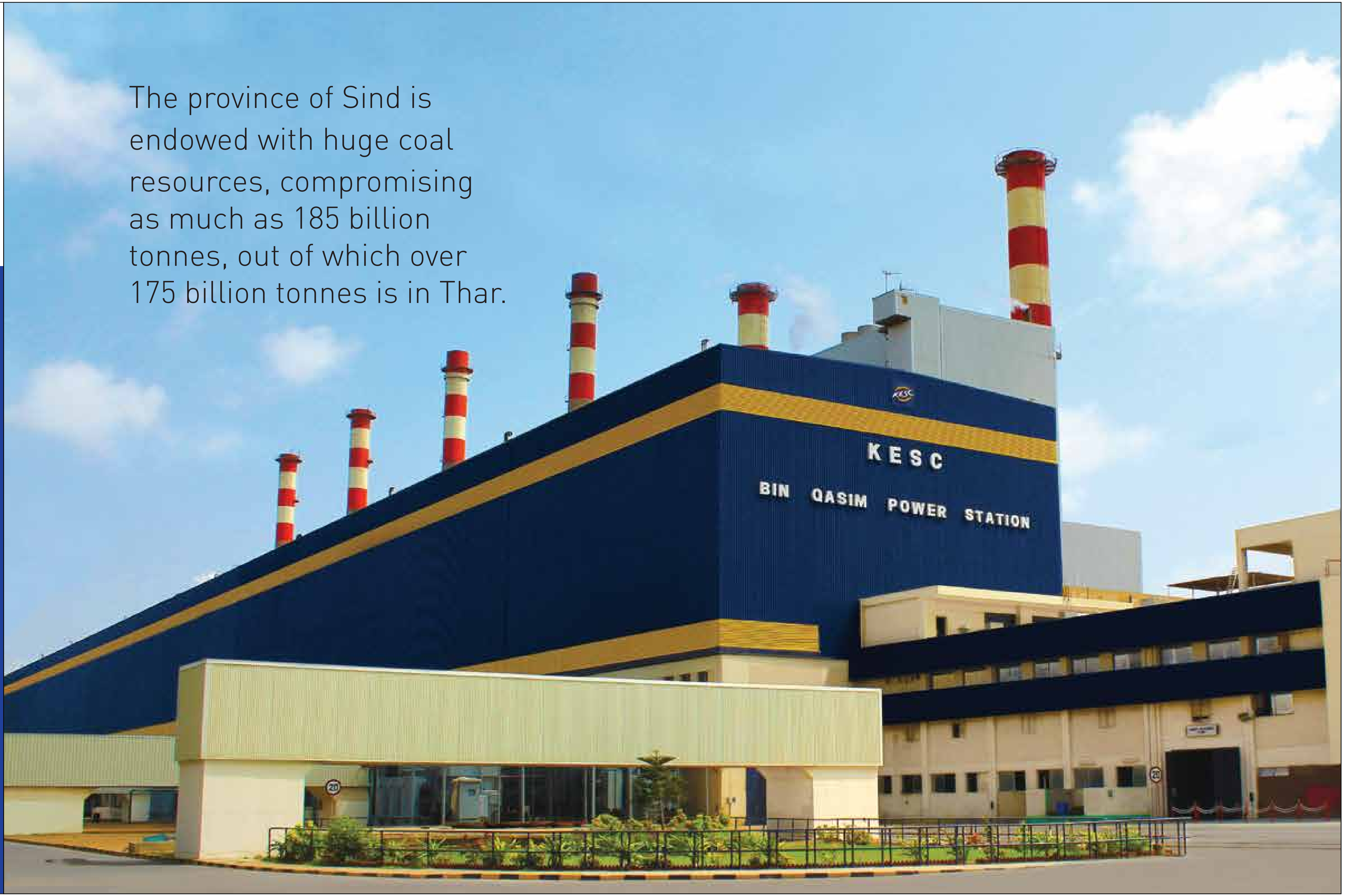
In order to reduce its cost of generation, KESC intends to convert its 1,260 MW (210 MW x 6) Bin Qasim Power Plant to coal in phases, starting with 420 MW in the first phase of the project. Replacing RFO based boilers with coal-fired technology would help KESC in diversifying its existing fuel mix, attain fuel security, better utilise its existing fleet and reduce cost of generation, along with giving consumers much needed relief in tariff.

KESC and BEEGL (a Hong Kong based investment company) have entered into a Joint Development Agreement of USD 200mn for Bin Qasim Coal Conversion Project (starting with Phase I - 2 units of 210 MW each), whereby BEEGL will fund the Project.

Project Feasibility study has been completed and draft bid documents for EPC contractors have been shared with investors for their review and feedback.
KESC and BEEGL are jointly engaged with potential EPC bidders all of whom showed keen interest.

The project is designed to use imported coal initially, with the intention that this could be replaced with indigenous Thar Coal when it becomes available going forward.

The province of Sind is endowed with huge coal resources, compromising as much as 185 billion tonnes, out of which over 175 billion tonnes is in Thar.



Financial Sustainability

The problems that KESC inherited from its previous management stifled the economic performance and position of the organisation. Due to previous mismanagement, the organisation has been for years carrying over losses associated with under pricing, electricity theft, and delays in payment from its many government clients, as discussed before. Capital investment was also low due to lack of funds, and thus the organisation had not been renewing and expanding its equipment as needed.

The situation began to change since privatisation (in November 2005): the Sponsors of the Organisation have invested in KESC for its ongoing as well as future projects and also to meet its operating shortfalls. Currently, KES Power Limited (holding organisation) holds 74.1% shares in the Organisation while the Government of Pakistan's (GOP) share in the equity stands at 25.6%

In September 2008, KES Power Limited (KESP) entered into an agreement with Abraaj Management Limited (Abraaj) and consequently Abraaj acquired equity stake in KESP. With capital commitment of USD 361 million over a three year period starting 2009, of which USD 300 million have already been invested, and with GoP's proportionate investment in the additional equity, KESC has been able to execute a five year business plan of increasing the generation capacity by 1,000MW, which is integral in addition to the establishment of a modern Generation and T&D system, automation of the entire billing system and improvement in customer service. Further more, since October 2008, over a period of three years, various local and international investors and lenders have injected equity and debt of nearly USD 1 billion into KESC.

During the past few years, the overall performance has improved; Contribution Margin has increased to 29.3% amounting to PKR 14.7 billion and Positive EBITDA of PKR 17.4 billion has been achieved as compared to PKR 3.5 billion in FY11.

As expected, this change has reflected positively on net profit, with KESC achieving the highest Profit in its history. The organisation has been working on expanding its capacity and sales, reducing electricity theft, streamlining its operations and improving efficiency in ways that have cut enormous parts of its production costs. In line with our general sustainability policy, that was discussed above (see page: 13), the current planning cycle is expected to witness more positive results as our reform actions reap more expected fruit, and even better results once our ambitious mega projects start to deliver.

As a result, many international financial institutions have expressed confidence in the organisation's financial prospects, including the IFC and ADB, to the extent that they have major shares USD 1 billion debt and equity investments made in the last 3 years into KESC.

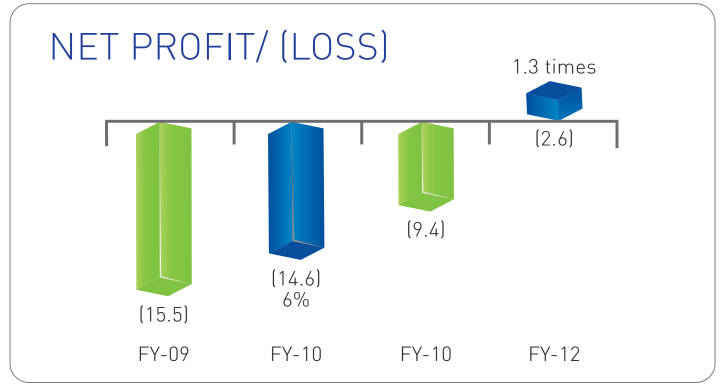
Working with IFC and ADB as financial partners also ensures compliance to IFC Performance Standards on Social and Environmental Sustainability, and the relevant ADB EHS guidelines. As part of its financing requirements, ADB also requires implementation of the ESMS (Environmental and Social Management Schedule) in accordance with its Safeguard policies (Environment, Involuntary Resettlement, Human Rights), and the technical standards required in the IFC documents. IFC, ADB & OeKB-(Austrian ECA) are our major investment partners having strong human rights mandates. (Approx. 80% long term financing out of the total $365m)

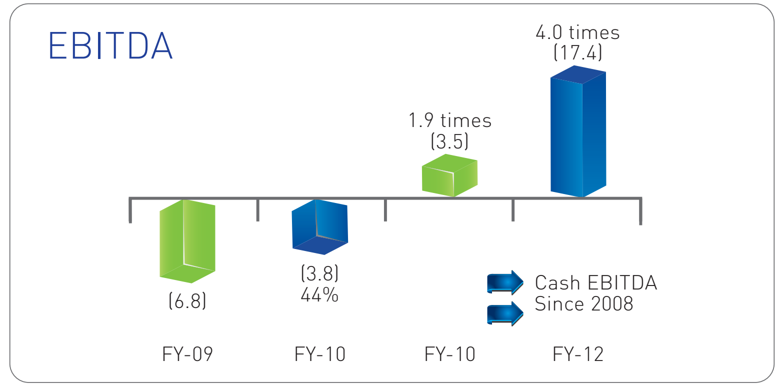
Finance

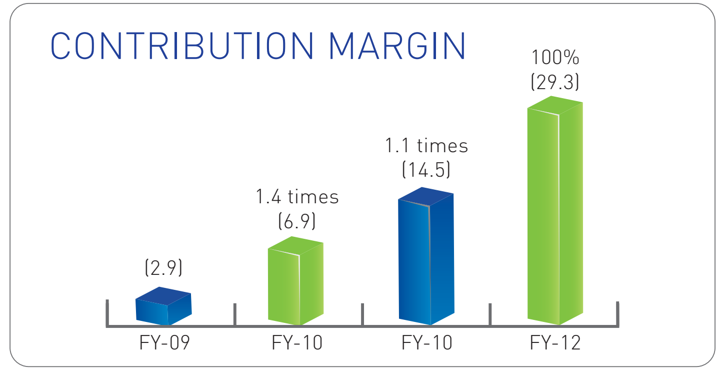
- Improvement in key Financial Figures, including First Recorded Profit in 17 years
- Total Capital Expenditure of approximately PKR 80 Billion
- Successfully closed Pakistan's first Utility Sector Retail Bond of PKR 2 Billion, fully subscribed within 6 weeks
- USD 361 Million injection completed as per commitment, with full subscription by GOP of USD 125 Million

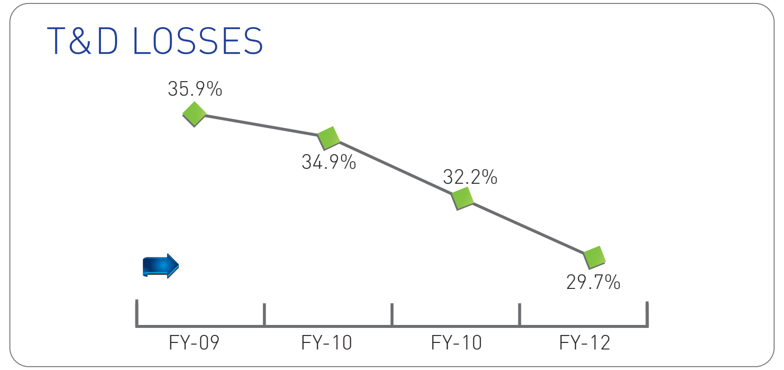
Finance Snaphot

Highest profit in KESC history and the first after a gap of 17 years









Thus far our restructuring and reform has been exceptionally successful, to the extent that the organisation has managed to top many performance excellence charts in a short period of three years, especially in relation to its environmental and H&S performance. KESC considers these awards as external testimonies to the effectiveness of its newly introduced reforms.

Profit & Loss Account	2012	2011	2010
		('000 Rupees)	
Revenue			
Sale of energy	92,569,725	85,926,679	74,274,710
Tariff adjustment	70,029,156	44,581,068	29,453,496
Rental of meters & equipment	216,748	213,433	208,309
	162,815,629	130,721,180	103,936,515
Expenditure			
Purchase of electricity	(74,657,982)	(65,296,292)	(59,881,477)
Fuel & oil	(58,596,694)	(50,694,196)	(37,180,851)
	(133,254,676)	115,990,488	(97,062,328)
Generation, transmission & distribution	(13,301,239)	(14,481,300)	(10,925,814)
Gross profit / (loss)	**16,259,714**	**249,392**	**(4,051,627)**
Consumers' services & administrative expenses	(12,218,247)	(9,814,339)	(8,378,749)
Other operating income	7,140,066	4,880,547	4,751,526
Other operating expenses	(910,557)	(242,523)	(235,002)
	(5,988,738)	(5,176,315)	(3,862,225)
Operating loss	**10,270,976**	**(4,926,923)**	**(7,913,852)**
Finance cost	(7,702,419)	(5,127,376)	(6,823,638)
Loss before taxation	**2,568,557**	**(10,054,299)**	**(14,737,490)**
Taxation			
Current	(948,584)	(874,964)	
Prior	-	(11,331)	
Deferred	1,000,366	1,547,060	96,274
	51,782	660,765	96,274
Net Profit/Loss for the year	**2,620,339**	**(9,393,534)**	**(14,641,216)**

Balance Sheet	2012	2011	2010
		('000 Rupees)	
Assets			
Property, plant and equipment	169,031,230	167,491,103	141,432,310
Intangible asset	19,117	22,927	37,602
	169,050,347	167,514,030	141,469,912
Long-term loans	45,440	61,360	75,383
Long-term deposits and prepayments	118,701	18,436	22,399
Due from the Government			158,687
	169,214,488	167,593,826	141,726,381
Current Assets			
Current portion of amount due from the Government	317,750	634,750	476,063
Stores and spares	6,104,686	6,140,246	4,945,239
Trade debts	49,381,277	39,356,297	29,029,574
Loans and advances	504,801	463,238	806,022
Trade deposits and prepayments	2,214,629	2,999,092	12,150,099
Other receivables	41,519,735	17,860,046	16,069,414
Derivative financial assets	2,135,048	36,534	766,453
Taxation			470,829
Cash and bank balances	1,183,765	1,268,670	1,189,424
	103,361,691	68,758,873	65,903,117
Total assets	272,576,179	236,352,699	207,629,498
Equity & liabilities			
Share capital and reserves			
Share capital	92,957,949	80,335,490	74,966,045
Reserves			
Capital reserves	509,172	509,172	509,172
Revenue reserves	5,372,356	5,372,356	5,372,356
Accumulated losses	(82,854,799)	(87,332,960)	(80,812,538)
Other reserve	(621,373)	(1,333,346)	(560,147)
	(77,594,644)	(82,784,778)	(75,491,157)
Total equity	15,363,305	(2,449,288)	(525,112)

Balance Sheet	2012	2011	2010
Accumulated losses	(82,854,799)	(87,332,960)	(80,812,538)
Other reserve	(621,373)	(1,333,346)	(560,147)
	(77,594,644)	(82,784,778)	(75,491,157)
Total equity	15,363,305	(2,449,288)	(525,112)
Surplus on revaluation of property, plant & equipment	27,095,083	28,952,905	31,826,017
	42,458,388	26,503,617	31,300,905
Liabilities			
Non-current liabilities			
Long term financing	43,183,473	47,157,037	39,289,102
Long-term deposits	4,754,318	4,332,650	4,040,288
Deferred liabilities	5,158,406	5,605,790	5,767,124
Deferred revenue	16,103,412	16,144,963	16,249,362
Specific grant from the government	-	348,606	348,606
Deferred tax liability	14,589,659	15,590,025	17,137,086
	83,789,268	89,179,071	82,831,568
Current liabilities			
Trade and other payables	98,892,023	75,299,452	54,799,202
Accrued mark-up	3,739,614	5,009,065	4,770,125
Short-term borrowings	23,420,575	21,374,141	13,441,796
Short-term deposits	5,387,090	8,215,674	4,276,499
Taxation	661,926	266,023	
Provisions	9,978	9,978	12,127
Current maturity of non-current liabilities	14,217,317	10,495,678	16,197,276
	146,328,523	120,670,011	93,497,024
Contingencies & commitments			
Total equity & liabilities	272,576,179	236,352,699	207,629,498

Cash Flow Statement	2012	2011	2010
		('000 Rupees)	
Cash Flows From Operating Activities			
Cash generated from operations	(244,248)	16,599,586	6,861,934
Payment in respect of fatal accident	-	(2,149)	(3,800)
Deferred liabilities paid	(1,411,852)	(890,346)	(552,638)
Income tax paid	(552,681)	(149,444)	(250,281)
Receipts in deferred revenue	762,273	1,000,477	644,768
Finance cost paid	(8,307,719)	(6,698,823)	(4,497,601)
Interest received on bank deposits	327,493	218,132	338,386
Net cash (used in) / generated from operating activities	(9,426,734)	10,077,433	2,540,768
Cash Flows From Investing Activities			
Capital expenditure incurred	(4,735,190)	(30,865,389)	(14,156,765)
Proceed from disposal of fixed assets	814,845	116,530	151,009
Receipt from GOP - PSO and PIRKOH	317,000	-	238,031
Long term loans	15,920	14,023	17,584
Long term deposits	(100,265)	3,963	227,184
Net cash used in investing activities	(3,687,690)	(30,730,873)	(13,522,957)
Cash Flows From Financing Activities			
Subscription of right shares	12,754,944	5,391,713	14,869,122
Receipt / (payment) of long term financing - net	(2,061,039)	7,138,534	(5,374,837)
Transaction cost incurred on right issue			
Short term borrowing repaid / acquired - net	(132,488)	(22,265)	(141,884)
KESC Azm certificates receipts	388,589	7,932,342	1,488,274
Security deposit from consumers	1,657,845	-	-
Net cash generated from financing activities	421,668	292,362	203,294
Net (decrease)/increase in cash and cash equivalent	13,029,519	20,732,686	11,043,969
	(84,905)	79,246	61,780
Cash and cash equivalent at beginning of the period			
Cash and cash equivalent at end of the period			
	1,268,670	1,189,424	1,127,644
	1,183,765	1,268,670	1,189,424

	2009-10 (PKR)	2010-11 (PKR)	2011-12 (PKR)
Revenue	103,936,515,000	130,721,180,000	162,815,629,000
Expenditure	107,988,142,000	130,471,788,000	146,555,915,000
Salaries, Wages & Benefits	8,938,118,000	10,411,943,000	10,887,244,000
Donations	1,316,000	10,874,000	11,613,000
Retained Earnings	Cumulative losses -	Cumulative losses -	Cumulative losses
Payments to Investors	Cumulative losses -	Cumulative losses -	Cumulative losses
Payments to Government	19,365,000	19,706,000	15,604,000
Community Investments	9,777,346	27, 448, 000	9, 200, 000

The aim of our Social Investment Program is to invest our resources.

Environmental Sustainability:

Toward a Low Carbon Future

Some of KESC's greatest sustainability risks and opportunities are tied to its environmental foot-print. Our goal is to ensure reliable and cost-effective energy supply with minimal environmental impact. This has pushed us to pursue plans to use low carbon and clean fuels: coal, natural gas and renewable forms of energy, and to focus on Energy Efficiency and Conservation as the other side of the coin, to cut down on fuel consumption. To do so, KESC has had to reinvent its environmental management systems by devising different operating procedures that govern the organisation's environmental performance, and introduce the required technical changes on our generation and distribution processes.

Reducing Greenhouse Gas Emissions

We continue to advance policies designed to reduce greenhouse gas emissions while minimising economic and social disruption to our customers. We know that the decisions we make today about the production and use of energy can help build bridges to a greener future. All our new generation plants are primarily based on a low-carbon solution – natural gas. We are also investing in projects based on bio fuels, coal and liquid natural gas, all of which are more sustainable. We are also using technology to increase our system efficiency, and have internalised systems to improve the greater efficiency of our operations. Over the last few years, our environmental performance has improved through firmly embedding the "Go Green" vision in our environmental policy, which is the driving force of our Environment Management System (EMS). The EMS not only meets legal requirements, but is also fully compliant with ISO 14001, the international standard for environmental management.

Environmental Monitoring Update

The elements of the "Go Green" drive are based on the use of emerging technology and a research based, and data driven, quantitative approach. All our activities impacting the environment have been carefully measured and monitored for stack emissions, ambient air, noise, effluent discharge and soil contamination at all our power plants. This has been done through a system of internal audits at the departmental level, regular oversight at the corporate level and reviews performed by independent external verifiers. This has ensured that we meet the environmental standards, following which KESC has now registered itself in the Self Monitoring & Reporting Tool (SMART) with the Environmental Protection Agency (EPA).

There were no spills or accidental releases of any pollutants during the period 2009-12 and no complaints or violation notices were received from any regulatory body of the land. No penalties or fines were incurred during the period.

We are in complete compliance with the National Environmental Quality Standards (NEQS) of Pakistan for stack emissions and effluent discharge control particularly with respect to boiler operations at our generating stations. We are continuously improving our ways of monitoring both. Third Party quarterly monitoring has been carried out consistently and regular reports are sent to the Environmental Protection Agency (EPA), International Finance Corporation (IFC) and Asian Development Bank.

Environmental Audit

The environmental audit was carried out by an Egyptian firm, ECO ConServ, in April 2010. The audit's goal was to identify EHS issues associated with the Transmission and Distribution assets and to recommend corrective actions / mitigation measures to EHS shortcomings. The specific objectives identified for the audit were as follows:

- To identify positive and negative EHS impacts related to the existing management practices of the T&D assets, and prioritise these impacts according to their significance
- To identify set of actions and measures that would eliminate or minimise negative EHS impacts and maximise positive impacts and benefits
- To evaluate existing HSE management and identify recommendations to promote and improve the organisation's environmental performance

The team visited 12 grid stations, 20 substations, and long stretches from overhead power lines in addition to the Transformers Workshop, Material Warehouse and the Baldiya Scrap Yard.

Material Usage

Gas and Furnace oil are the main raw materials used for electricity generation. The following table gives the total fuel usage with costs, including the cost of electricity bought from Independent Power Producers (IPP) for the last 3 years. On average 83% of the material used comprises of fuel.

Year	GAS			Furnace oil			Total Fuel Cost (Rs)
	Quantity (MMCFD)	Joules	Cost (Rs)	Quantity (MTONS)	Joules	Cost (Rs)	
2009-2010	187	66,188,417,205,176,700	22,561,914,846	481,428	20,495,962,289,582,000	14,618,935,664	3 37,180,850,510
2009-2011	154	55,124,600,184,385,500	20,574,658,000	681,364	29,007,889,596,549,900	30,119,538,017	50,694,196,017
2009-2012	169	60,496,986,006,901,200	27,074,299,046	560,133	23,846,706,348,646,100	31,522,394,620	58,596,693,666

Total Expenses (incl. IPPs & General Overheads)	KESC Fuel Cost as % of Total Expenses	Total cost of Furl (incl. IPPs) as % of Total Expenses
116,367,057,123	32%	83%
140,284,963,517	36%	83%
109,447,554,835	34%	84%

Apart from fuel, water is also used as a major raw material for generation. The following table gives details of water consumption and the source:

Station	Water Type	Source	Rate In: Cum/h	Drainage			Recycled
				Sewerage	Sea	Atmosphere	
BQPS-I	Raw Water	KWSB, PASMIC	150	30	75	15	30
	Sea	Port Qasim	192000		192000		
BQPS-II	Raw Water		0		0		
	Sea	Port Qasim	54423	32	54386	2	3
KCCPP	Raw Water	KWSB,	1		0		
	Sea	Korangi creek	12390		12345		
KGTPS	Raw Water	Tanker	1.8	0.5	0	1	0.3
	Sea						
SGTPS	Raw Water	Tanker	0.8	0.5	0		0.3
	Sea						

Sea Water is treated and used within the system

Material Handling and Waste Management

Material Handling and Waste Management was another area targeted to improve our environmental performance. We had teams established in each area of operation to dispose waste, if generated, in a safe and procedural manner.

Furthermore, we considered ways to improve waste management and priority was given to reducing waste generation. A corporate procedure was established and implemented through an extensive training programme. This significant effort has resulted in no accidents, spills or reports of contamination arising from any of our activities.

Noise monitoring around the plant boundaries is a regular feature of our activities as well and data is being maintained and analysed quarterly. We are in total compliance with the IFC, ADB and NEQS guidelines in this respect.

An educational and awareness campaign was developed that includes compliance with evolving environmental legislation, minimising impact on areas of ecological interest and on areas which impact community livelihood.

Various types of waste are being generated by the Organisation in its different Business Units and divisions. These include non-hazardous waste made up of wood, paper, scrap iron, copper conductor, aluminium conductor, tyres and tubes, scrap cables, energy meters, and hazardous waste, including used oils and batteries. Waste transition yards are established in each BU and Division to ensure effective waste management.

Our policy to implement the international standards for environmental management has enabled us to ensure consistently high environmental performance. We have trained our workforce as adequately as possible, choosing a long-term approach to enhance awareness at all levels.

Measures Focusing On The Usage Of Recycled Water And Its Discharge After Appropriate Treatment

Water is an essential utility to run any industrial unit and to meet the operational requirements of a power plant. Neutralisation treatment is carried out to process the effluence before final discharge to the sea. It is ensured that the water leaving the waste-water treatment plant is free of pollutants and complies with NEQS restrictions to protect marine habitat and maintain the natural ecosystem.

In recognition of its efforts, KESC has been awarded Environment Excellence Award for four consecutive years by NFEH and also been recognised by ACCA-WWF for its HSE practices.

Regular testing of neutralisation basins is carried out in order to assess its performance. The HSEQ department also gives recommendations and does cross-checking at different intervals on the control of oil/chemical spillages, monitoring of domestic effluents, placement of drain covers and water conservation measures in order to remain within NEQS limits and protect the environment.

State of the art water recycling plants have been installed in BQPSII and CCPP Korangi.

Reports on effluent discharge are sent to Pakistan and Sind's Environmental Protection Agencies on a quarterly basis under SMART for all our generation plants.

Environmental Systems Measure: 2012 Result

Our environmental system measures records our emissions, effluents, and solid waste. KESC's discharges lie well below what is stipulated by national Pakistani standards. Our improved performance has been widely recognised as the best in Pakistan, to the extent that some local distribution companies approach us for help with training their staff and improving their environmental systems. The figures show that we are operating well within the National Environmental Quality Standards set by the Government of Pakistan.

Emissions in Year 2012(Jan-Jun)

	NEQS for Gas Fired	Values of All Gas Fired PP (mg/Nm3)	NEQS for Oil Fired	BQPS mg/Nm3
CO	800	198.21	800	192.6
NOx	400	60.05	600	198.2
SO2	-	42.61	1700	1049.6
PM	300	67.30	300	175.3

The organisation disposes off its waste (hazardous and non hazardous) to Environment Protection Agency (EPA) certified contractors, who further dispose off according to waste disposal standards.

The following table indicates the quantities of waste disposed in year 2012 (of both types).

Effluent Results of Year 2012(Jan-Jun)

	NEQS	Unit	Values
Flow rate		m3/hr	220325
Temperature	40=<5	0C	27.53
pH value	6-9		7.96
BOD5	80	mg/l	40.63
COD	400	mg/l	246.88
Oil & Grease	10	mg/l	1.17
TDS	3500	mg/l	20414.25
TSS	200	mg/l	27.09

Waste Type	Quality/ Units	Disposal Department Reconciled Quantities/ Units	Remarks
Scrap Power Transformers	05 Nos	312 Nos *	Power 1 No, Aux. 5 Nos, Distr. 306 Nos
Old Vehicles	41 Nos	174 Nos	
Scrap Meters	332 M tons	673.35 M. Tons	
Scrap Copper Conductor/Wire	320 M tons	394.82 M. Tons	
Scrap Aluminum Cable	422 M tons	525.08 M. Tons	
Scrap Aluminum Conductor	85 M ton	111.670 M. Tons	
Used Tyres	1800 Nos	1851 Nos	
Used Tubes	1400 Nos	1650 Nos	
Scrap Iron	1200 M tons	1657.65 M Tons	
Scrap Batteries	497 Nos	2419 Nos *	Batteries 775 Cell Capacitors 1644
Used Oil	155660 Liters	199491 Liters	
Scrap Plastic Drums	126 Nos	541 Nos	
Scrap Wood	200 M tons	499.905 M Tons	
Scrap Empty Steel Drums	950 Nos	2265 Nos	
Scrap Copper Cable	140 M tons	164.720 M. Tons	
Scrap Waste Paper	118 M tons	141.012 M. Tons	
Scrap 132 KVA Air Circuit Breaker	05 Nos	NIL	

Material Transportation

Our final product electricity is transported through HT and LT cables from the plant to the grid and then through transformers & PMTs to millions of residential and commercial units. The final product is not exposed environmentally and thus has no impact during transmission and distribution. Our main fuels, furnace oil and gas, are transported by their respective suppliers through pipelines from the source to our plants, having negligible environmental exposure.

Future Environmental Efforts at KESC

Similar to other performance areas, we plan to align our future environmental efforts along the stages discussed in our general sustainability section (above). Firstly, we aim to complete our ongoing reforms process, and then, to capitalise on these reforms to further improve our environmental performance. Still a work in progress, the first phase included setting up an efficient environmental monitoring and management system, which thus far has performed quite exceptionally, to the extent that other companies have come to emulate it and to seek our consultation and training. We strive for continuous improvement, and for the upcoming phase we will focus on setting up the necessary mechanisms that screen the GRI performance aspects yet to be monitored. Pending issues include the following:

We managed to install a material monitoring system, but we plan to expand this system so that it reports more efficiently on the materials used by type, weight and/or volume, and the percentage of them that are recycled as input materials in each part of our process; in-turn communicating this data to all relevant entities. Once we complete this system we plan to set waste material reduction and recycling goals that are monitored periodically. We currently monitor our power consumption in general, but we plan to expand this system to include monitoring and analysing our energy consumption by source of energy as well, and the direct and indirect components of this consumption. Once we have this monitoring system in place we plan to set specific energy reduction KPIs, and to monitor the exact amount of energy saved due to each conservation activity and efficiency improvement that we undertake. KESC will concurrently monitor its total water consumption. Once we have this monitoring system in place we plan to set water reduction and recycling goals, and to screen our performance accordingly.

Finally, we plan to expand our effluents monitoring system to include monitoring of the total weights, not just emission rates, of relevant effluents and emissions.

Environment Protection through Tree Plantation

Life without technology seems impracticable and the human race simply cannot function without its different forms. However, technological advancement has certain adverse aspects to it that need to be minimised in order to derive full benefit. Excess emission of greenhouse gases in the atmosphere is one of the biggest issues the human race is facing at the moment.

KESC planted 30,000 trees across Karachi in order to reduce the adverse effects of greenhouse gases.

Carbon emissions lead to depletion of the ozone layer, which eventually contributes to an amplified level of global warming and other related issues. KESC, in an effort to be more socially responsible, has planned to create green zones all over Karachi in order to curtail the effect of carbon dioxide being released into the atmosphere through different production processes.

There is no ecologically protected area within the jurisdiction of our business operations except two power plants that are located within 10 kilometres of protected mangrove forests. KESC plans to look for more areas where carbon emissions are extremely evident, such as places near our own power plants, to reduce the perilous effects of greenhouse gases and to convert Karachi into an eco-friendly city.

Inadequate availability of energy resources effects the economic growth & in fact the lives of the citizens. Hence it is imperative that energy resources are consumed rationally & economically, thereby eliminating wastage & losses to the highest extent possible. The goal of sustainable development

Energy Efficiency: Leading the Way

The current shortage of energy in Pakistan has developed into a severe crisis. Shortage of energy not only causes misery to the general public in the shape of load shedding, but on a larger scale, it impacts industrial growth and economic development.

In the last five years, power consumption in the country has been significantly skewed towards wasteful use. Domestic and commercial sectors witnessed 62% growth, while industrial and agriculture growth was 18% and 17% respectively. In other words, growth in power usage for the industrial sector was only one-fourth (1/4) of the increase in the domestic and commercial sectors.

All our new generation plants are based on state-of-the-art Engery-Efficient technology.

KESC has led an energy efficiency revolution, both, regionally and nationally. We launched a comprehensive Energy Efficiency programme to foster sustained adoption of energy efficiency in all sectors. Since its inception in 2009, the programme has made rapid strides towards successfully creating awareness amongst residential and industrial customers.

Energy supply projects are highly capital and time-intensive. They have long gestation periods, thereby having a direct bearing on ecology and environment. The inadequate availability of energy resources affects economic growth, along with the lives of the citizens. Hence, it is imperative that energy resources are consumed rationally and economically, thereby eliminating wastages and losses to the highest extent possible. The goal of sustainable development, increasing concerns on environmental pollution, global climate change, and the ever-increasing gap between demand and supply has made Energy Conservation an integral part of our Generation Development programme.

One part of the plan towards fulfilling our AZM is to optimise 200 MW of energy through Energy Conservation initiatives. KESC believes that it is better to save one megawatt than to generate one megawatt.


Installation of energy efficient LED lights at Mazar-e-Quaid by KESC

Milestones Achieved Through Energy Conservation

- Optimised in terms of Absolute Power: 168.15 MW (19.05 MW from KESC system-oriented efficiencies, 149.1 MW from outreach activities)
- Conducted informative seminars, workshops, mass-intercept stall, educational activities and training programmes on Energy Conservation attended by approximately 1.53 million participants in total
- Opportunities provided to students/volunteers to visit the industry and gain awareness about Energy Conservation practices and methods adopted by energy efficient industries
- More than 30,000 school children sensitised and made aware through the E-force School Programme
- Created partnerships with several major industrial units under KESC's Energy Conservation Initiative and implemented energy efficiency measures in their specific units
- Load optimisation activities were also carried out in several large industrial concerns resulting in considerable power savings
- Power Factor Exercises were also carried out in industries where low power factor was improved to save the consumer from heavy penalties and improve the organisation's distribution network and quality of supply (details below)

Power factor improvement project

Capacity Released into the System (MVA)	Annual Energy Saving (MWH)	Amount Saving Million (PKR)	Reduction in Carbon Emissions (MT)
In-House			
138.21	272411.91	2724.12	56166.16
Outreach			
44.79	70947.36	851.37	14628.00
Total: 183	343359.27	3575.49	70794.16

Optimised load

Total Load Optimised (MW)	Annual Energy Saving (MWH)	Amount Saving Million (PKR)	Reduction in Carbon Emissions (MT)
In-House			
19.05	**41708.55**	**417.09**	8599.51
Outreach			
149.1	269185.62	2760.91	55500.96
Total: 168.15	310894.17	3178	64100.47

All the above calculations are based on per annum basis.

Our Energy Efficiency Awareness Initiatives

The objective of the Energy Conservation Initiative is to inculcate awareness with regards to energy efficiency, which emphasises on the adoption of smart consumption habits and conversion to energy efficient appliances. The focus is on spreading best practices in sustainable energy technology, building alliances and inspiring new energy ideas and actions. We are using different communication vehicles for interactive dialogue creation with all our stakeholders, especially our industrial and residential consumers. We consider this project to be a social service initiative from KESC and an important facet of Karachi's energy usage policy. We have created a huge interactive platform through various focused activities.

We consider our youth the future of this society and, accordingly, our primary focus has been the youth of Karachi, and indirectly their families, since we believe they will be the ones to truly take this initiative forward. Different youth focused activities such as the E-Force Programme and the Roshan Karachi-Roshan Pakistan Youth Initiative have been carried out to engage students from different schools, highlighting their talents and increasing their awareness levels by informing them about the importance of energy conservation. We have also held interactive sessions at various universities, involving students, at an unprecedented level.

In tandem, we conduct regular events at high traffic malls, entertainment centres and exhibitions to interact with our consumers and make them realise, both, the short-term and long-term benefits of adopting a more energy-efficient lifestyle. We have also made efforts to extend the reach of these awareness initiatives to the industrial sectors by involving major concerns.

One Company One AZM

Our People

Human Resource management was one of the biggest challenges that the new management had to address after the take over. The workforce was not properly organised and the management and non-management structure was lopsided. There was also lack of cohesion within the work groups. Absence of ownership was further leading to de-motivation, which was complicated by the fact that a performance oriented culture was missing.

KESC had inherited a workforce with a large number of ghost employees. Hiring during KESC's earlier days was politically aligned and there was a distinct divide between compensations during various periods of KESC's operations. Promotions were based on seniority rather than performance, and corruption was an endemic issue. The organisation structure was too rigid, with many layers and an overlapping and unclear chain of command. Job descriptions were either not defined or, where available, were often found inconsistent and misaligned with actual practice. Relevance of qualification was ignored in hiring and a majority of employees were working on jobs that did not match their skill set.

LOPSIDED MANAGEMENT & NON-MANAGEMENT
HEAD COUNT—30 SEP. 2008

	Head Count
Management	1,911
Non-Management	15, 528
Total	17,439

Absence of cultural harmony complicated matters even further, as groups were divided primarily on an ethnic basis, strengthened by a highly political and active labour union. The union has been operating under different political parties and hence has been influenced by many external interests. However, this fact did not assist the Organisation in gaining government support. Recently, the organisation had to face political and governmental criticism for restructuring the Organisation for future advancement and growth.

Human Resource Performance Overview and Strategic Way Forward

Our focus is the restructuring of human resources as they are a critical conduit in the final delivery of results. Over the last three years, the people management situation has improved. An emphasis on performance, reinforced through a Performance Management System, has led to improved motivation levels, while promotions and transfers through internal hiring, keeping in view the individuals' skills and capabilities, has led to greater ownership and reversal of brain drain. Infusion of new blood and management professionals has enriched the cultural harmony, while transparency in systems and operational efficiencies infuse the energy and trust needed to take us forward towards a sustainable future.

In so doing, KESC had to completely revamp its Human Resources policies and systems. As the following sections demonstrate, what KESC achieved in these few years has been nothing less than revolutionary. Our reforms rested quite deliberately on rewarding talent, performance, and most importantly conducting the latter transparently. It goes without saying that the old organisational culture tried to impede this change, but KESC's commitment to reform overcame all barriers. As it stands now, the Organisation links its compensation with performance and its salary scales are transparently broadcasted (see the table below). Almost complete, reform of our human resources system will move in the next planning phase to link compensation with ESG performance more robustly, and we are committed to completing this linkage by the next planning cycle (by year 2013).

KESC'S SALARY SCALE

	Min per Annum (PKR)	Max per Annum (PKR)
Top Level	4,752,000	8,760,000
Senior Management	1,680,000	5,160,000
Middle Management & Below	156,000	1,200,000

The following table presents KESC's annual increment matrix and how it links performance to compensation at the moment.

OUR ANNUAL INCREMENT MATRIX

	BE	ME	EE	OS
Top Level	0%	6%	10%	16%
Senior Management	0%	9%	13%	19%
Middle Management & Below	0%	13%	18%	24%

KESC believes in equality and non-discrimination. Accordingly job grades and salary ranges are the same across all job levels, regardless of the gender or ethnicity of the employee. Nevertheless, KESC did inherit a situation whereby the length of service, experience, performance ranking, and other factors that determine compensation vary across gender. This currently translates in a pay differential, but does not in any way influence the pay ceiling of our female workers. The differential is expected to equalise over time as our new female hires accumulate experience, service time and performance related capacities. The following table presents our gender pay differential as it stands now.

PAY DIFFERENCES ACROSS GENDER

	Avg. Remuneration of men to women
Deputy General Manager	1:0.94
Manager	1:0.94
Deputy Manager	1:1.10
Assistant Manager	1:0.94
Senior Officer	1:0.96
Officer	1:1.05
Junior Officer	1:0.74
Non-Management	1:1.53

Resourcing

Although KESC had a workforce of 17,200 employees, there were significant skill gaps that required external hiring and repositioning of employees to roles where they were better suited. Furthermore, there was a need to identify less competent employees and provide them with a chance to grow and develop. Our hiring philosophy is to support the turnaround and to address the Human Resource lopsidedness by focusing on the following:

- Recruiting the best-in-class talent at all levels (entry, middle and senior)
- Entry-level induction from top tier institutions
- Middle/Senior Level: From Power Sector, Engineering and FMCG Sector, Financial Sector, with relevant experience.

New Blood Infusion

At the time when the country was going through a major employment crunch and most of the organisations were retrenching their human resources, KESC was one of the few organisations that were hiring. The Organisation needed a boost of youthful energy and fresh perspectives. We started off with aggressive Management Trainee and Trainee Engineer Programs so that talent could be hired and developed from top tier institutions, both local and international. In the fiscal year 2010-11, the program proved to be one of the biggest across the country as 281 young professionals were inducted; whereas in 2011-12, 174 trainees were taken on board.

Middle/Senior Level Hiring

For various positions, KESC sought out individuals with relevant experience in blue chip corporate entities, including the Power Sector, Engineering and FMCG Sector, Financial Sector and other organisations. Approximately 673 officers were absorbed into the management cadre.

Internal Job Posting

A policy of allowing Internal Job Postings (IJPs) for any new role has been in place since early 2009. The IJPs have been successful in motivating the existing employees by giving them the opportunity to build their careers within the Organisation at positions that match their skill sets and give them career advancement opportunities.

The internal talent hunt has included both management and non-management employees and posts. The jobs are posted and announced through an Administrator on our website and through email.

This practice has received wide participation from the current base of employees and till June 2012, over 500 jobs have been filled through internal job posting. As a policy for every position, preference is given to an internal job posting rather than external hiring, if the skill sets required could be matched.

Job Enhancement

Twenty-eight job roles were redefined and enhanced with the purpose of improving employees' level of operation and value addition. This exercise resulted in promotion of 3,314 employees from non-management to management status.

Our Demographics

The following tables summarise the impact of our reforms on our new hires, and the distribution of these hires by gender.

NEW EMPLOYEE HIRES BY AGE GROUP AND GENDER

Year 2011	Female				Male					Grand Total
	Age Group			Total	Age Group				Total	
	20-30	31-40	41-50		20-30	31-40	41-50	51-60		
Total	14	1	0	15	191	53	32	7	283	298
Year 2012 (as of June 2012)	Female				Male					Grand Total
	Age Group			Total	Age Group				Total	
	20-30	31-40	41-50		20-30	31-40	41-50	51-60		
	19	2	0	21	137	23	18	4	182	203

As the table above shows, our hiring during the last two years has been focusing on injecting new blood; whereby the great majority of our new hires are below 30 years old. At the same time, most of our hires are also male, due to the nature of our industry and community as women in Karachi are less likely to seek "workmen" jobs in a power generation organisation.

We are trying to improve this situation by offering more management jobs and opportunities for women.

RATE OF NEW HIRES BY AGE & GENDER

Age Group	2011	2012 (as of June 2012)
20-30	69%	77%
31-40	18%	12%
41-50	11%	9%
51-60	2%	2%
Gender		
Male	95%	90%
Female	5%	10%

The next tables present KESC's employee turnover rates, broken down by gender and age. As the tables show, the rates are also in line with our move to inject new blood into KESC.

EMPLOYEE TURNOVER * BY AGE-GROUP & GENDER

	Year 2011			Year 2012 (as of June 2012)		
Age Group	Female	Male	Total	Female	Male	Total
20 – 30	24	119	143	6	68	74
31 – 40	7	51	58	1	43	44
41 – 50	-	29	29	-	42	42
51 – 59	7	328	335	1	75	76
60 & above	-	-	-	3	178	181
Grand Total	38	527	565	11	406	417

RATE OF EMPLOYEE TURNOVER

Year	Total Headcount	Total Resignation & Retirement cases		Female		Male	
		HC	%age	HC	%age	HC	%age
2009	17,231	511	3%	27	5%	484	95%
2010	16,580	666	4%	26	4%	640	96%
2011	13,248	565	4%	38	7%	527	93%
2012 **	11,377	417	4%	11	3%	406	97%

*Resignation & Retirement Cases

** Data as of June 2012

Currently our labour force stands over 11,000 employees, and its age breakdown has improved quite significantly from the situation that we inherited. The table below provides a breakdown of our workforce by age group. Each of these age groups comprises a plethora of ethnicities, leading to a truly cosmopolitan workforce.

EMPLOYMENT BY AGE GROUP

Age Group	Female	Male	Total
20 – 30	87	1,780	1,867
31 – 40	54	3,504	3,558
41 - 50	29	3,110	3,139
51 - 59	32	2,748	2,780
60 & above	-	33	33
Total	202	11,175	11,377

Training

KESC has historically suffered from an absence of a coherent, integrated training strategy that would fulfil business needs. Available training resources remained under-utilised, with ad hoc training programmes and nominations. Training needs were not professionally analysed, or linked to career development. In the last three years, the management has worked to develop and implement an integrated training strategy with active partnership of the Line Management and professional support.

The strategy is designed to leverage KESC's internal capabilities and external resources; optimising cost with value addition towards enhancing organisational effectiveness as well as people's development on a long-term basis.

No. of Training Sessions	290
Total Training Hours	39,299.6
Total no. of employees	10,015 (Male = 10,010; Female = 5)
Hrs/Employee	3.9 hrs/employee

The AZM kick-off workshop that was attended by around 200 senior management team members unanimously endorsed the renewed vision, mission and values of the Organisation.

AZM Program 2012

TRANSFORMATION THROUGH ONE AZM

AZM – Year of Turnaround Conference 2012 is the key initiative of 2012 and perhaps the largest cultural change management program ever undertaken by the corporate sector in Pakistan. The AZM kick-off workshop that was attended by around 200 senior management team members unanimously endorsed the renewed vision, mission and values of the Organisation. The team also endorsed four strategic focus areas and development related action plans aimed at the turnaround of KESC.

Subsequently, AZM was rolled out covering over 8,200 non-management employees from across the Organisation. Comprising 34 full day sessions, this phase concluded in July 2012. The key objective was to build strong communication links with employees, develop deeper employee insights, clear doubts and reinforce common direction and goal: We are One, Our AZM is ONE and together we will restore our city to its former glory as the "City of Lights". From entry level karkuns to junior officers, all strongly pledged their renewed AZM and commitment to the newly unveiled vision and values of KESC.

This powerful intervention has indeed marked the beginning of our journey towards a unified and value-driven corporate workforce. The core objective of the AZM intervention was to lay the foundation of a strong bond between management and employees and to transform the workforce into a cohesive unit based on a shared vision and a set of corporate values.

This initiative bridged the communication gap between the employees and management and further reinforced this relationship by providing new avenues of communication channels. The program was highly interactive comprising discussions on challenges and solutions, the way forward, customer care exercises, audio visuals inserts and team building activities. The AZM platform was used effectively to challenge prevalent myths and misconceptions and to build an atmosphere of trust and openness. Pre- and post- AZM research confirms that the workforce received this initiative very positively and the participation in the program has resulted in renewed vigour and enthusiasm among them. The program provided direction and alignment through clarity of goals and objectives, instrumental to organisational success. Participants also placed their thumb prints on the pledge board to further reinforce their commitment to KESC's AZM.

To keep all the stakeholders updated on the AZM Program initiative – 34 electronic messages were broadcasted covering 34 sessions which ensured timely dissemination of information. A Special Edition of the AZM Newsletter gave comprehensive coverage of the AZM Initiative to the internal and external audience. Through the quarterly Umeed e-newsletter an audience of 0.7 million was reached through emails. Specifically designed notice boards have been prepared and are to be placed at 14 IBC's showcasing visual information and press releases of AZM Program.

AZM Conference Phase III for the middle tier commenced in October, 2012 and was the successive session of the previously conducted AZM program for the top and senior management held on 31st January, 2012 and later for the lower management and staff from 5th June to 17th July, 2012.

With the primary focus on upgrading our employees' knowledge, skills and abilities, Learning & OD has already initiated standardised and structured learning interventions across KESC through the "AZM Learning Institute" (ALI). Several technical and competency-based training workshops are already in the design phase, which will help nurture the learning culture in the Organisation. To keep up the pace set by the AZM Conferences, in Jul-Aug, the 350 AZM Champions underwent numerous sessions at ALI for their personal and professional growth. Subsequently, the next quarter will witness a rigorous schedule of customised trainings in the name of "Tameel-e-Azm" – One of the largest Organisation Development initiatives that any private sector Organisation has carried out for its employees. Moreover, the Learning & OD team has been involved in facilitating trainings for different departments.

Under this employee engagement initiative – the AZM Cricket Tournament was organised on 6th May, 2012 at Moin Khan Academy. 15 matches were played in which all the departmental teams of KESC participated and exhibited their talent. Subsequently, the AZM Husn-e-Naat Khwani Competition was arranged and held at YMCA on 13th August 2012. The first of its kind in KESC's history, the event was enthusiastically participated in by employees from various departments across the Organisation. The audience of more than 800 heard the 20 participants express their vocal glorification at the auspicious occasion.

The AZM employee engagement program will continue during 2013 and will pass through various stages of evolution. This strategic initiative will go a long way in creating a value driven culture that would greatly enhance KESC's ability to deliver true value to all its stakeholders.

Resource Management

In the past, the absence of a defined resourcing process and poor adherence to the processes resulted in issues of transparency. There were also internal and external inequities in compensation. Processing delays were routine. Over the last three years, new resourcing policies have been designed and implemented that are aligned with business strategy. Based on best market practices and processes, these strategies utilise modern resourcing tools and techniques, in partnership with Line Management, ensuring adherence to the principles and processes.

Organisation Structure & Job Descriptions

Our reform efforts required revamping KESC's overall organisational structure. Existing processes were reviewed and aligned better with the business strategy. Positions were then identified and job titles assigned accordingly. Now, job descriptions provide a basis for meaningful assessment of the employee's performance against defined expectations.

Performance Appraisal System

An emphasis on performance, reinforced through implementation of our first Performance Appraisal System, has led to motivation and career growth orientation. Introduction of a system based on the principle of uniformity both for management and non-management employees is making a positive value addition to the overall work culture.

The appraisal system is based on biannual review – Preliminary and Final (June/December) and a "bell curve" approach. We have ensured that the system is based on an Organisation-Wide Transparency Policy. Each appraisal is validated by the HR Committee for each group via group Head's presentation.

ACTION	RESPONSIBILITY
Start individual meetings with colleagues on Performance review	Line Managers
Performance review Forms, 2011 Objective Setting Forms & PDLP to be submitted to HR after due approvals and process completion	Group Heads
Promotion Board Meetings	HR Business Partners & Leadership
Final lists to be sent to Compensation & Benefits	HRBP
Issuance of Performance Review letter to Employees	C&B and HR Services
Release Data for Payroll Processing	C&B and HR Services
Disbursement of revised salary through Payroll	HR Services and Payroll team

Time and Attendance System

In the old KESC culture, lack of discipline was common. Adherence to timings and attendance was particularly a major problem, as these were maintained manually, resulting in inadequate control of overtime.

The Automated Attendance and Shift Management Project was launched in April 2010, to regulate attendance and shift management and hence improve the overtime management. The project was successfully launched at six pilot locations, as a result of which attendance is now being marked through Smart Cards and Attendance Machines, while overtime is automatically calculated and processed through all channels on the HR Portal website. The system makes the entire process rapid and transparent.

Organisational Management Policies and Procedures

The policies and procedures regarding OM had become out dated and inconsistent over the years. Most of the procedures were not clearly defined. Furthermore, there was disparity in the benefits for employees, including the new hires and current group of employees.

Officers' service policy revision

The previous Officers' Service Rules were announced in 2002. All HR matters that needed changes have been incorporated and amended in the new KESC Officers' Service Policy 2010, which covers the leave policy, medical benefits entitlement, hiring policy, fatality policy and retirement policy rules. The new policy is in line with the best corporate standards and more attuned to the private sector compared to previous public sector related policy.

CBA Charter of Demands (COD)

The Labour Union's last charter of demands was signed in 1998. In order to make the management system all inclusive and open to dialogue, the new management of KESC decided to sign an agreement with the Labour Union (CBA). The objective was to settle many genuine demands amicably and conclude through the agreement. The salient features were:

- 5,700 contractual staff were regularised in May-Jun 2010
- Medical benefits entitlement expanded, such as benefits for parents
- Salary increments
- Staff cooperation for revenue recovery

Balancing the Resource Structure

KESC's goal has been to establish a leaner, more efficient organisation that focuses on personal development and transparent career advancement. Our focus has been to increase the efficiencies of the core functions that act as the backbone of the Organisation's progress: Generation, Transmission and Distribution.

The Organisation has been suffering in the past because of an imbalance in the resource structure, as most of the non-management strength of the Organisation was based in non-core functions. In order to strengthen our progress towards a sustainable future, the Organisation decided to outsource the non-core function to third party service providers, mainly due to the following reasons:

- Leaner, more efficient workforce
- Quality of service
- Financial gains

The following table gives a comparison of the financial differential that the Organisation gained through outsourcing of the non-core functions. An average of 82.9% reduction in compensation was achieved with outsourcing, and a 100% for the elimination of redundant jobs.

TOTAL COMPENSATION COMPARISON

Title	Non-Core Workers (Old Employees)	Outsourced Service Provider's Workmen	Percent Reduction
	Average Package	Average Package	
MTL Driver	33,839	12,994	62%
Office Assistant (BOEs)	32,282	19,742	39%
Office Attendant (Peon/ Messenger)	32,282	10,747	67%
Sanitary Worker	24,350	15,697 11,672	36% 52%
Security Guard	21,604	11,574	46%
Bill Distributer	25,515	19,468	24%
Redundant Surplus Positions	38,178	0	100%

Project Blue Sky – Voluntary Separation Scheme

On 31st December, 2010, KESC launched its Voluntary Separation Scheme (VSS), offering approximately 4,500 non-core, non-management employees the chance to leave the Organisation through a financially viable offer that would facilitate them to attain a better lifestyle and better growth opportunities. The total estimated payout was between PKR 5.5 to 6 billion and the payback was 4.5 years. Despite the Union's disruptions and non-ethical, often criminal, acts to make this scheme unsuccessful, the majority of the 4,500 targeted employees chose to accept and benefit from this offer, making the VSS a success.

Third party outsourcing has also been successfully implemented and, despite the hurdles, our resolve to become an exemplary organisation is strengthened by the day. Our current headcount, thus, dropped to 11,377 workers and employees, including 5,593 management and 5,784 non-management positions.

Non-core titles were transferred to VSS	
MTL Driver	1,228
Office Assistant	1,135
Security Guard	619
Office Attendant	568
Bill Distributer	459
Sanitary Worker	172
Computer Operator/Typist	33
Daftari	19
Dispatch Rider	18
Telephone Operator	18
Mason	18
Book Binder	13
Asst Computer Control	8
Plumber	5
Other Miscellaneous	146
Total	4,459

Employee Welfare and Support

The Employee Welfare Department is dedicated to the facilitation of employees through subsidised meals, residential colonies, educational and medical facilities. KESC's management created an Employee Support Fund, which is dedicated to helping our workforce according to their respective needs, such as getting access to appropriate medical, educational and other facilities.

Benefits provided to full-time employees that are not provided to temporary or part-time employees:

- Car & Fuel Allowances as per entitlement (Manager to GH Level)
- Mobile Phone & Blackberry Handsets with Allowances
- Leave Fare Assistance (One Gross per annum)
- Financial Assistance in case of Natural or Accidental Death
- Medical Services
- Hajj Leave (Once in whole Service), Iddat Leave, Maternity Leave & Regular 30 days leave per annum
- House Accommodation up to Manager Level
- Retirement Benefits: Gratuity & Provident Fund

Every month, a large portion of our Leaderships' salary is donated into this account to promote employee welfare and wellbeing. To ensure that this fund remains active and is utilised for the general betterment of our workforce, we announce wedding, medical and educational packages for the applicants. Several wedding packages were announced for underprivileged employees, which included furniture, electrical appliances, clothes and other items of need. Non-management staff is encouraged to apply for the packages, which are customised to their individual requirements, and the application process has been kept extremely easy for the same purpose.

Through this platform, we encourage our deserving non-management employees to take full advantage of this fund, so that we can assist them as much as possible. We owe a lot to our employees and this is just one of the initiatives through which we aim to provide them with support and show our gratitude for their commendable work.

Health sessions in collaboration with Marie Adelaide Leprosy Centre (MALC) were also organised for the lower cadre employees working in the power stations, with a focus on the prevention and cure of skin diseases that are prevalent amongst them due to the nature of their work.

Retirement Benefits

There are three types of Retirement Benefits that the Organisation offers, gratuity scheme, post-retirement medical benefits, and electricity rebate.

Gratuity scheme

The organisation operates an approved, unfunded, defined benefit gratuity scheme for its employees. The scheme provides for a graduated scale of benefits, dependent upon the length of service of the employee on terminal date, subject to the completion of a minimum qualifying period of service. Gratuity is based on the employees' last drawn salary.

Post-retirement medical benefits

The organisation also offers post-retirement medical coverage to eligible employees and their dependents. Under this unfunded scheme, all such employees and their dependents are entitled to such coverage for a period of 10 years and 5 years respectively.

Electricity rebate

The organisation provides a rebate on electricity bills to eligible retired employees for the first five years of retirement.

The organisation operates a contributory provident fund for all its eligible management and non-management employees. Equal monthly contributions are made to the fund, both by the organisation and the employees, at the rate of 10% of basic salary.

Following is a report on these provisions in the organisation's books as of 30th June 2011 (FY 2011 PKR in billions).	
Gratuity	4.010
Medical benefits	1.184
Electricity benefits	0.411
Total	5.605

Towards a Diverse, Harmonised Culture

Today KESC's face is changing. It has built a more diverse, inclusive and open culture. The dominant male population of KESC is now decreasing and female population is on the rise, especially in the management cadre.

Although the numbers are still very small (180 workers and 22 trainees, out of 11,377 total workforce), we hope that over the years it will be a healthy ratio, which will help balance the culture of the Organisation.

Over the years, KESC has also given equal opportunities to people with disabilities. We currently employ over 27 special people in the organisation, and these employees continue to make us proud.

Employment Type	Female	Male	Total
Contract	1	51	52
Regular	179	10,939	11,118
Trainee	22	185	207
Total	202	11,175	11,337

Employmee Category	Basic Salary of Men to Women
Deputy General Manager	1:1.09
Manager	1:1.06
Deputy Manager	1:1.03
Assistant Manager	1:1.01
Senior Officer	1:1.09
Officer	1:1.00
Junior Officer	1:1.12
Non-Management	1:0.36

The dominant male population of KESC is now decreasing and female population is on the rise, especially in the management cadre

Health & Safety: Critical for Success

In Oct 2008, when the present management took over the stewardship of KESC, besides the operational and financial challenges, it inherited a workforce that had never been exposed to an Organisational Safety culture. To begin with, KESC did not have a safety vision, safety policies or any organisational safety structure. Accidents were the order of the day, so they were never reported. In the absence of a defined safety management system, a piecemeal approach to safety was adopted, which was to address safety concerns as and when they became inevitable. It was a degenerative system that was hurting the organisation's finances and human resource.

In line with company's Azm of developing a safe and healthy environment for employees as well as consumers, a safety department was established in 2009, transforming from Safety to HSE to finally HSEQ (Health, Safety, Environment, & Quality) department. Within a a short span of time, the leadership's commitment has resulted in KESC making remarkable progress in moving towards the development of a safety culture within the company, where not only is everyone responsible for their own safety, but also the safety of their peers and assets alike. Through the application of modern quality tools, the HSEQ performance of all business units is being measured and linked to internal business processes. The company's progress in this area has already received recognition in the form of National Environmental Excellence Awards for the last four years consecutively, and other Safety and Fire Prevention Awards as well.

"We Care" Our Health Philosophy

Employee's health and well-being remained a top priority. A new dimension was added to our vision of safety when its scope was enhanced to include the families of employees under the "We Care" programme. The programme was aimed at providing preventive vaccination and medication against leading causes of diseases in Pakistan. Improved health resulted in lower absenteeism and more efficient employees.

Our "We Care" project, contributed towards national health programmes through the launch of a number of vaccination campaigns providing employees and their families with immunisation, at their doorsteps, against Hepatitis-B and highly infectious diseases. The vaccination drive was in line with WHO health programmes conforming to the National Health Programme and Expanded Programme for Immunisation (EPI). A total of 2478 vaccinations of staff and families was carried in 2011-12, resulting in **Employee Hepatitis-B cases being reduced by 60%, whereas infectious diseases amongst children were reduced by 40%. No case of polio was reported last year.**

Six-monthly Health and Hygiene inspections of workers and the workplace remained in focus for improving their general well-being. Inspections were integrated with awareness sessions on "First Aid" and "Ways to improve personal hygiene". These efforts were major contributors in reducing work-hour loss through the "We Care" programme.

"Nobody Gets Hurt" Our Safety Philosophy

Our "Nobody Gets Hurt" philosophy is centred on the safety of both employees as well as the public. To achieve this end, a comprehensive Safety Management System (SMS) was formulated and implemented through a multi-pronged approach comprising consolidated existing reactive techniques while introducing proactive risk management techniques of Hazard Management. We improved our safety standards and were able to integrate safety into the company culture and actively participate in public safety. A safety culture cannot develop without the involvement of employees across the board. A very significant action towards developing a robust Corporate Safety Culture was to promote the concept of shared responsibility towards safety to permeate throughout all operations. This was achieved by formally aligning safety responsibilities and accountabilities of each management staff member with their Business and Leadership performance to become a part of each individual's Annual Performance Review.

Safe behaviour was acknowledged through various awards, whereas zero tolerance for violations was demonstrated through reprimands. The tiered system of rewards included cash and recognition for "Safety Man of the Month" for individual acts, "Safety Team of the Month" for team efforts. A total of 12 Employees and 13 Teams were awarded in 2011-12. The "2nd Annual Safety Leader Award" was announced for the Business Unit demonstrating the best safety performance. A new category of Safety Excellence Certificate was also introduced for Support Service departments.

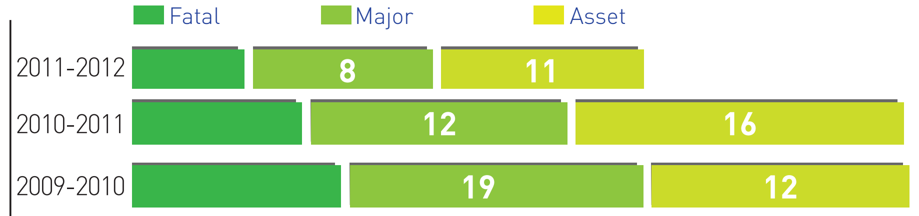
To monitor and measure the effectiveness of the safety management system in KESC's licensed area of 6,000 square kilometres, a spot check and survey system was established to perform random safety audits of field activities performed at grid stations, power plants, transmission corridors, HT and LT distribution networks, new connections, etc. Through this system, unsafe actions by staff and unsafe conditions present in the system were highlighted and mitigated by ensuring proper line isolation, use of SPE & PPE, work permits and effective supervision to prevent occupational accidents. This year, more than 950 such audits conducted by corporate HSEQ teams

were closed and recommended corrective measures were implemented by the concerned departments.

Emergency Response Plans have been prepared for all locations of strategic importance, such as power plants, head offices, grids, IBCs, etc, and periodic evacuation drills are being conducted to ensure awareness amongst all staff members on the action required during emergency situations.

Business Units were also encouraged to take safety initiatives, such as near-miss reporting, tool-box talks, evacuation drills, job specific trainings, internal audits, and safety walks to name a few, which resulted in a significant reduction of occupational incidents throughout the Organisation. An increase of 1344% in safety initiatives (training from 673 to 1,530, near-miss reports from 189 to 3,802, safety walks 5,321 to 45,540 and tool-box talks 14,163 to 242,957) resulted in bringing down the accident rate of **1.5 accidents per hundred thousand interruptions to 1.29 accidents per hundred thousand interruptions.**

Accidents 2009/2012



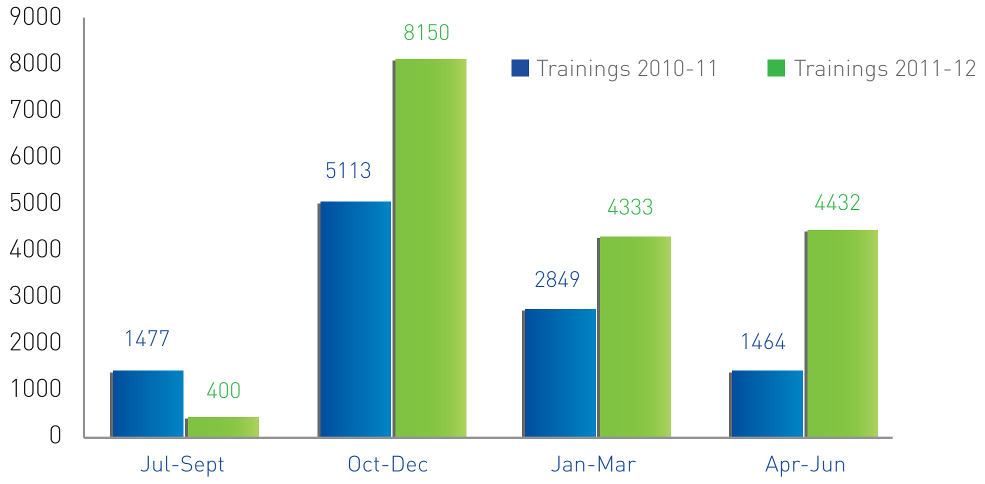
Trainings

An aggressive training programme was launched under the stewardship of HSEQ master trainers, which offered training at work locations. These sessions literally brought safety to the employees without impeding their normal operations. So far, 26 training modules for different business operations and systems have been developed in-house, and both formal and informal trainings were conducted across all BUs. **Since 2009, 35,390 staff members have been provided with 100% in-house HSE training** with 17,315 staff members being trained over the last year alone. These trainings have positively contributed towards KESC's safety culture.

Investigation of all occupational accidents of fatal, major, minor and asset nature have been conducted by HSEQ investigation teams, along with concerned departmental representatives. They identified the root causes and other contributing factors of the accidents, so they could be mitigated through the implementation of recommended actions, and recurrence of such incidents could be prevented.

Our basic theme for the safety of employees, contractors and assets was rewarded in 2011-12 with accidents declining from 53 to 37, including the assets damaged. Employees' major and minor accidents went down by 33% (12 to 8) and 30% (20 to 14) respectively.

Our vision of becoming a **"Green Company"** is on track, as we surpassed conditions put forth by IFC & ADB regarding our social and environmental responsibilities. Our pursuit for best practices bore fruit when we won the "National Environment Excellence Award" for the fourth year running in 2012 which places KESC amongst the top ten companies recognised for their environmental achievements. Environmental Impact Assessment (EIA) for every new project is being carried out regularly. Public consultations for new investment projects are being conducted and included in the EIAs. Another award won, for the second consecutive year, was the **"Fire & Safety Award 2012"** sponsored by the National Forum for Environment and Health (NFEH) in Dec '12. This coveted award recognises the advancements made by KESC in adopting and implementing a robust Fire & Safety Management System throughout its network.



We Won "OHS&E" Encouragement Award - 2010

For the first time in the history of the organisation, the "Employer's Federation of Pakistan awarded KESC with "OHS&E Encouragement Award 2010" in recognition of effective implementation of OHS&E management in the organisation and setting up of best safety practices for employees in a very short period of two years.

Reaching Out to Customers – Public Safety

For the first time in Pakistan, a power utility invested marketing dollars to ensure that everyone is safe. On an annual basis, we launch marketing awareness campaigns on general public safety, especially during the monsoon season, through extensive coverage in electronic, print and outdoor media. Public outreach activities like stall activation in malls and other public places are also organised on an annual basis. Although authentic public fatality and accident figures are not available officially, feedback from the campaigns has been positive, and the number of fatalities reported has gone down.

Our "Public Safety" initiatives included various measures to safeguard the public by pole grounding, pasting of safety warning stickers on poles, different media campaigns through newspapers, TV and pamphlets and safety hazard reporting button on KESC's official website to facilitate the public to report electrical hazards in their vicinity. Quick response to resolve reported issues is being ensured by an efficient team that is available around-the-clock. We are also printing a Safety link on our monthly bills, which should be reached during times of emergency.

Going a step further, KESC strongly felt that the safety and health culture should be promoted at the grassroots level, and should instill the same in our future generation. With this vision, KESC organised a **"Safety Awareness Campaign for Schools"** and reached out to 63 schools to convey life saving tips on Electrical and Fire Safety. **The very crucial and important Safety message was passed on to 26,131 students and school staff, which through them reached out to 26,131 homes.**

KESC, in collaboration with all its employees and stakeholders, reiterates its commitment towards developing and maintaining a robust safety-embedded organisation. In order to become a responsible corporate citizen and a partner of choice worldwide, KESC shall remain committed to upholding the highest standards of Health, Safety and Environment management - an intrinsic value system which forms the core of the company's corporate governance.

Khuli Katchery

A novel concept of "Open Katcheries" has been introduced for the first time by any utility in Pakistan. The objective is to establish a face-to-face interaction platform for the masses and the leaders of KESC.

Our Stakeholders

KESC is committed to creating mutual benefit and shared progress with its stakeholders. Partnership with all our stakeholders is a value that we try to honour every day, wherever we operate, from our business to our social investments. We seek to create this two-way partnership with our stakeholders through open, interactive, transparent communication.

Building bridges towards a mutual goal of uninterrupted power for the city requires enlightened minds and strong leadership to understand the different dimensions of the problem and work towards a mutual solution. Collaboration and active interaction has helped us over the last three years to develop an understanding amongst our stakeholders of the challenges being faced by the power sector and KESC in particular. We believe that this partnership has helped us explore different avenues of opportunity for long-term solutions of our problems and has facilitated us in creating a thought leadership platform for the sector.

We have actively engaged stakeholders in energy efficiency collaborates, organised dialogues among industrial associations and academia, actively participated in provincial and federal discussions and on media to raise the issue of GSA, circular debt, electricity theft and reasons behind tariff hikes. We have provided opportunity to the masses to connect with KESC's leadership through Khuli Katcheries, seminars and media engagements.

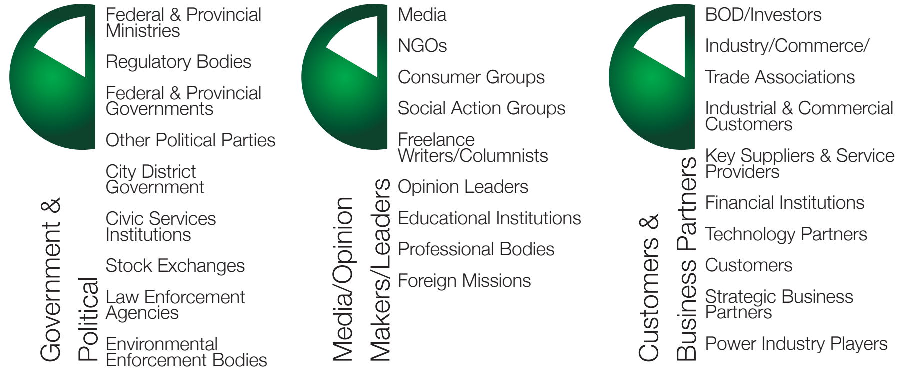


Figure 1: KESC's Stakeholder Universe

Stakeholders' Engagement Platforms

Structured platforms have been created to actively engage with our stakeholders' universe. Some platforms are designed to engage specific sets of stakeholders and some apply to all. The dilemma of KESC's history has been its inability to create two-way communication bridges. We have tried to formalise two-way interactions with all our key stakeholders.

Our regional heads and CEO secretariat are in direct dialogue with all key trade associations and industries in order to keep them informed about the real time challenges and problems faced by KESC.

Industries & Trade Associations
Our regional heads and CEO secretariat are in direct dialogue with all key trade associations and industries in order to keep them informed about the real time challenges and problems faced by KESC. They are engaged through various trade association platforms on various power sector issues like fuel shortages, energy efficiency and tariff hikes, etc. Their advice is solicited in advance for any issue that will have an effect on their performance.

The Movers & Shakers Of The Energy Sector
KESC management and leadership are engaged in an ongoing dialogue with all key stakeholders, be it ministries, regulatory bodies, power sector players or key suppliers. This ongoing interaction has emerged as a mutual partnership to focus on critical policy issues of the overall power sector. We have requested and initiated review of the NEPRA Act, review of the Electricity Act, and have also raised a voice on inconsistencies between these two Acts. Electricity theft, electricity conservation, fuel supply constraints, tariff rationalisation and circular debt are issues brought forward for the first time by KESC.

KESC is the only power sector organisation which is on the Prime Minister's commission constituted through the Ministry of Water and Power on elimination of subsidy and finding solutions to the power crisis in the country.

Media
We maintain an open, accessible and transparent relationship with media. Since the last few years, we have been playing an active role in educating the media about the real time challenges and problems faced by the energy sector. We have continued to hold interactive dialogues with media and over the last few years, media's role in the power sector has evolved to become more critical and responsible towards the issues related to the sector.

KESC has played a critical role to educate media on different micro and macro aspects of the power crisis and the issues revolving around it. We arranged a three-day workshop for the media to update and train them on sector oriented issues, regulations and systems.

KESC also holds media engagement events to reach out to the broader public and inform them of our business and social investment activities and issues related to load shedding, fuel supply, tariff and unavoidable operational circumstances. We have participated in numerous talk shows, provided online views, written articles in newspapers in order to propagate our stance on key issues and updates on development and keep our stakeholders informed on real-time basis. Media is one the most critical stakeholders and we believe that it can play a key role in raising relevant issues and lobbying for the desired solutions related to the energy sector. A dedicated information portal was also launched for our media beat reporters and with hourly updates. Press releases, press conferences, information tickers and our leadership's interaction through print and electronic media are some of the tools through which we inform and interact with media and the public on a virtually daily basis.

Shareholders
Annual and quarterly financial reports are printed regularly for the shareholders and overall stakeholder universe. This Sustainability Report is our initiative to report in detail the economic, social and environmental initiatives of our organisation. By providing a more detailed perspective of our operations to our stakeholders, we feel that we are fulfilling our promise of open, transparent communication. An Annual General Body Meeting is held to address and clarify developments and conflicts of interest.

Employees
Emails are a general mode of communication that the KESC management uses to interact with all employees. Any general information, development, announcement or issue is communicated through email memos in English and Urdu. The employees can also access the KESC management through emails to express their viewpoints and give feedback.

KESC Intranet
The purpose of the portal is to keep business units updated with the most recent activities taking place within the Organisation, along with a secure place to share and access documents when required.

Internal Newsletter
AZM is our bilingual monthly internal newsletter, which updates and unites the community of our 11,000 plus employees. It is the first vehicle launched to drive "AZM", our internal cultural change programme. The objective is to reach out to the non-management employees and keep them abreast of all the recent developments taking place in the Organisation. The major focus of the content is on our heroes in the field and their accomplishments.

Interacting with the Customer
Three years back, KESC held virtually no communication with its customers. For an ordinary Karachiite, it was a redundant, slow and inefficient monopoly, with non-existent customer orientations. One of the initial goals of the new management was to create platforms and avenues to facilitate and inform the ordinary Karachiite and reach out to all stakeholders. The following communication avenues and platforms were created to initiate a perception change in the ordinary customer of Karachi. We wanted to particularly reach out to the social sector, the academia, the intellects and the youth to participate in the rebuilding of KESC.

Khuli Katchery
A novel concept of "Open Kacheries" has been introduced for the first time by any utility in Pakistan. The objective is to establish a face-to-face interaction platform for the masses and the leaders of KESC.

Under the initiative, an open-house is held periodically in various towns where customers can meet with KESC's senior management, including the CEO, to provide feedback and discuss any grievances. The initiative has emerged as a great portal for on-spot resolution of issues and information sharing. Eighteen Open Katcheries have been held in the year 2010-11 in all towns of Karachi. So far, some 4,500 customer complaints and queries have been resolved.

Community Engagements
Building partnerships with communities is critical for KESC, whether they are neighbourhood communities around our generation plants or operationally high loss, underprivileged communities. We believe that it is only through collaborative mutual social and operational partnerships that we can bring a sustainable change in these communities. Regular community meetings and community women forums are created to interact and understand a specific community better.

Social Media
In a strategic effort to strengthen and develop communication platforms at the social media front, KESC is aggressively engaged in text-based messages and email-based updates. On average, 3 million messages are sent on a monthly basis. KESC also has its official presence on Facebook, Twitter, YouTube and various blog sites, as well as participation in the Youth Festival-2010.

External Electronic Newsletter
Another major initiative is the external electronic newsletter "Umeed," which reaches out to over 300,000 stakeholders. This newsletter is emailed on a monthly basis and covers the major events and updates of the current month. The objective is to communicate to the citizens of Karachi the sector related and KESC related issues and developments. It also encourages customers to send feedback and suggestions to benefit our ongoing performance enhancement endeavours.

Website
Our website, www.kesc.com.pk, showcases our operational, environmental and social investments and provides updated reported information. It also acts as a major facilitation tool as KESC customers can now download their bills online, get information related to new connections and register their complaints. In addition to this, an updated investor relations section that furnishes all related content relevant to our institutional stakeholders is also online.

Corporate Events
Energy related events and conferences are regularly sponsored and organised in order to reach the opinion leaders and key stakeholders. Through these events we have been able to raise several power sector issues and involve key opinion leaders:
- Energy Efficient Lifestyles – Dawn Lifestyle Exhibition June 2010;
- Pakistan Energy Conference – Sponsorship, participation with stall and interaction with Government functionaries, Chief Guest Prime Minister of Pakistan;
- Dawn Energy Exhibition and Conference;
- Alternate Energy Exhibition and Conference;
- UAE Investor's Conference

Our Marketing Campaigns

In an environment where theft of electricity had become socially acceptable and was not considered a crime by the common man, one of KESC's biggest challenges has been to battle theft in all its forms, including illegal 'kunda' connections, meter tampering and non-payment of dues. To bring about a lasting change, KESC had to focus on educating the consumers and shifting their perception... thereby leading to a shift in behaviour.

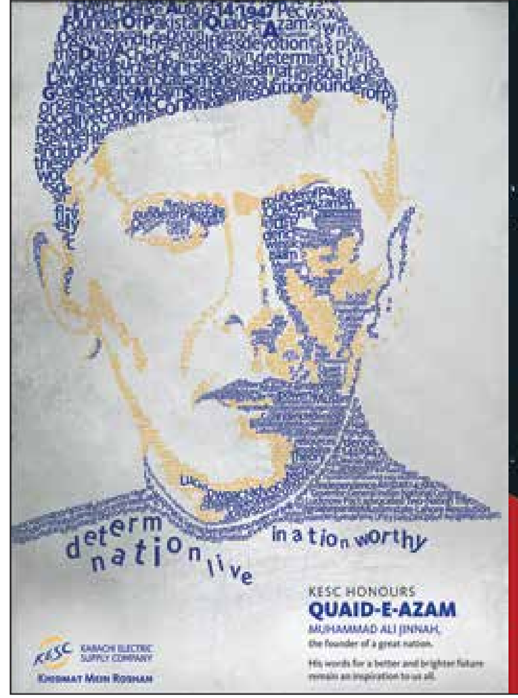
The first step in this regard was the Name and Shame campaign, which linked electricity theft to social stigma by publicly announcing the names of private and commercial consumers with extraordinarily large outstanding amounts.

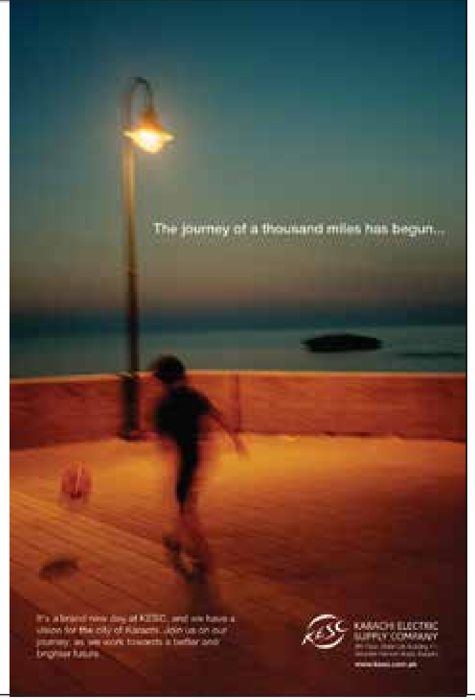
The next step was the Speak-up campaign, which countered the prevalent myth and created a realisation that most consumers were honest, but had to suffer because of a minority of miscreants. The campaign invited honest citizens to join hands with KESC in policing the city against power theft.

But the single strongest initiative was still to come. A 30-day countdown campaign was launched in December 2010, which clearly conveyed that electricity theft would no longer be tolerated, and thieves would be met with severe action.

However, a grace period was given to all defaulters and electricity thieves in which they could come forward voluntarily to clear outstanding bills and report their tampered meters. But once the deadline was crossed, anyone caught in the act of theft would face "disconnection, public defamation, up to 3 years imprisonment, or a fine of up to Rs. 5 million."

KESC has adopted an open, transparent and forthcoming communication and marketing strategy. We are mindful of our responsibility towards compliance with the rules and code of conduct criteria set by media and advertising bodies, including: all Pakistan Newspapers Society, Pakistan Broadcasters Association and Pakistan Advertisers Society.





Customer Feedback

Brand Equity is determined by the total brand experience. Every progressive and customer focused organisation needs to know, understand and manage the Brand Equity of its products and services on a quarterly basis. KESC undertakes a periodic brand equity tracking study which focuses on tracking respondents' perceptions in the areas of organisation image, perceived equipment quality, billing and pricing, customer services, corporate social responsibility, theft, energy conservation, and electricity safety. KESC's response centre has also been a recent addition to the tracker, which now consists of a total of 49 selected perception attributes.

We also do regular focus groups and quantitative studies and surveys to get feedback on our various developments or future plans. The feedback provided through the tracker has been very encouraging so far.

Summary Of Nielsen Brand Tracker

Nielsen Brand tracker to measure consumer perceptions was put into place in October 2009 and since then Five waves have been concluded. Our image improvement is a reflection of our cosolidated progress.

Organisation Image

Key Perception Indicators	Oct '09	Feb '10	Aug '10	Dec '10	Dec '11	Change +/-
Is a caring organisation	2%	11%	18%	12%	28%	16%
Is a trustworthy organisation	3%	6%	18%	16%	28%	12%
Is a socially responsible organisation	6%	9%	13%	17%	26%	9%
I will give KESC a chance to improve things in Karachi	24%	31%	25%	46%	63%	17%
KESC is a contemporary / modern up-to-date organisation	15%	19%	16%	29%	31%	2%
I would like to work for KESC	10%	14%	22%	14%	26%	12%
KESC is being run by a management who know what they are doing.	17%	33%	41%	35%	48%	13%
Is concerned for the wellbeing of Karachi	5%	12%	21%	19%	23%	4%
Is an international organisation	7%	19%	16%	25%	31%	6%

Service and Billing

Key Perception Indicators	Oct '09	Feb '10	Aug '10	Dec '10	Dec '11	Change +/-
Timely delivery of Bills	30%	57%	54%	52%	54%	2%
Monthly bills are always accurate	7%	17%	15%	21%	23%	2%
Timely/Regular staff visits for meter reading	26%	42%	37%	32%	43%	11%
Up to date vans / trucks with latest technology	22%	32%	17%	27%	34%	7%
Have efficient customer service centeres	6%	8%	10%	16%	30%	14%
Very prompt in resolving complaints	6%	8%	10%	15%	26%	11%
Easily accessible helpline	11%	17%	18%	31%	45%	14%
Widespread of customer service centeres	18%	36%	33%	32%	52%	20%

Theft

Key Perception Indicators	Oct '09	Feb '10	Aug '10	Dec '10	Dec '11	Change +/-
The organisation motivates us to steal electricity	29%	24%	14%	30%	33%	-3%
Theft of electricity and non-payment of bills causes load shedding and affects me		82%	80%	81%	79%	-2%
I will join hands with the people of Karachi and KESC to end electricity theft in the city		63%	60%	71%	68%	-3%
This organisation's own employees steal from them		60%	59%	51%	56%	-5%

SEEDS:
Stakeholder Engagement & Enrichment Drives for Sustainability

We firmly believe that KESC's own turnaround and sustainability is fundamentally linked to the economic, social and environmental values that we create for a diverse set of stakeholders whom we serve and engage on a daily basis.

SEEDS is a holistic approach that fully recognises the impact of our performance in sustainable development across our stakeholders' universe. A 360 degree value creation model, SEEDS essentially drives four distinct programs – ESG Initiatives, Social Investment Programs, Stakeholder Engagement and Thought Leadership.

A major portion of the credit for our achievements thus far goes to our dedicated and selfless Employees who have gone over and above their calling time and again, playing a pivotal role in KESC's efforts to help the country in its time of need. We encourage such values and aim to instill them into the fabric of this organisation.

Social Investment Programs

Playing our part by giving back to society with the help of our Partner Organisations and our Employees in any and all areas where the need arises.

ESG Initiatives

In line with global ESG values, we, as an organisation, have made a conscious effort to not only encourage the best Environmental, Social and Governance Practices, but to ensure they are implemented by adhering to various international standards.

Thought Leadership

Bringing progressive minds together and promoting enlightened thoughts aimed at sustainable development has been what KESC has set out to achieve with this initiative.

Stakeholder Engagement

Communicating with key stakeholders on a continuous basis for long-term value creation in the environment within which we operate. This engagement does not only extend to our consumers in the city of Karachi, but, directly and indirectly, to all citizens of Pakistan.

Our Partners

- Indus Hospital
- Marie Adelaide Leprosy Centre - MALC
- Sindh Institute of Urology & Transplantation - SIUT
- The Citizens Foundation - TCF
- Layton Rahmatulla Benevolent Trust - LRBT
- INJAZ Pakistan
- The Aman Foundation
- EDHI Foundation
- Geo Super
- Fatimid Foundation
- The Heritage Foundation
- AURA
- Network of Organisations Working for People with Disabilities - NOWPDP
- Pakistan Fisher Folk Forum
- SOCH Foundation
- IBA
- NED
- University of Karachi
- Indus Valley School of Arts
- Institute of Engineers
- Architects Institute of Pakistan
- Mehran University
- SZABIST
- Various respected school networks

KESC's Social Investment Programs are channeled through our Partner Organisations in conjunction with our Employee Involvement Programs, often times both complimenting each other.

Social Investment Programs

Vision

Ever since the present management has taken over, we have seen our role as going beyond that of just supplying electricity to over 20 million people of Karachi. We have recognized that KESC's reach has to extend much further. We must devote our efforts to sustainable projects across the City, wherever, and when ever, the need arises.

Our Social Investment Programs aim at investing our time and resources into projects that can change the social and economic landscape of our country. Under this uniquely developed model, we are committed to maintaining and bettering our partnerships to ensure that public welfare institutions are enabled and empowered to create even higher value for the communities that they serve.

With our focus on the provision of adequate health-care and an enriching education to those not fortunate enough to have access to these basic human rights, we work closely with a large number of purely welfare-driven institutions in the health and education sectors, offering relief in billing and infrastructure development projects.

Employee Involvement on a multitude of levels is essential and often the driving force behind our efforts and initiatives. During the last few years, our employees have invested around 150,000 hours into various social causes under our Employee Involvement Programs.

We strive to continue building on this legacy of selfless service. At KESC, we always look for ways these interconnected communities can be harnessed to have direct sustainable economic and social impacts beyond just one-dimensional financial and shareholder value.

Our Guiding Principles

Sustainability
Delivering lasting benefits that enable self-sufficiency in our Partners even long after KESC's involvement ends.

Operational Alignment
Ensuring our interventions are aligned perfectly with the operational goals of the organisation.

Grass-Root Development
Making sure our initiatives take into account the basic needs of the community and are designed in consultation with them, with the hope our efforts have multiplied effects.

Creating Strategic Partnerships
Building lasting relationships while making our programs inclusive, taking into account a range of stakeholder opinions from NGOs to community groups.

Dr. Abdul Bari Khan, CEO of Indus Hospital, said in his remarks: "This step taken by KESC allows us to save money spent on utilities and spend on the poor and needy patients. It has a direct impact on our ability to deliver quality healthcare. As we expand our hospital infrastructure and move towards a University model in the coming years, we hope to develop a long term relationship with KESC. The Indus Hospital thanks the KESC leadership for such an empowering initiative."

Dr. Ruth Pfau of MALC said in her message: "MALC is extremely thankful to KESC and highly appreciates its contribution for the un-served communities in the country. It would not have been possible for us to sustain the Leprosy Centre without the help of benevolent organisations like KESC. There is surely a great need for such initiatives for the NGO sector that is providing valuable support to the underprivileged in society. The savings generated through subsidised electricity from KESC would help us in better serving the patients and providing them better medicines to live in a society where they are usually treated as outcasts."

Dr. Rizvi in his message said: "The Empowerment Program partnership initiates a new chapter in the history of SIUT, as KESC is the first corporate from the private sector to come forward as a partner in progress with SIUT. We welcome this partnership whole heartedly and we hope that going forward more corporate entities replicate KESC's example. SIUT is based on the premise that every human being has the right to get the best in healthcare free of charge and that too with dignity. Against all economic odds SIUT since the last 40 years has been expanding, not only the patient's population increases by the day but we also try to upgrade our expertise in the most sophisticated healthcare facilities and modalities. Our dream is to make SIUT an exemplary model institution for the world to follow and KESC now shares that dream with us."

Mr. Mushtaq Chhapra, founder member and Chairman TCF: "The organisation feels privileged to have partnered with KESC, which is providing monetary relief to TCF schools, all geared towards providing quality education to the less privileged children of Pakistan." He also commented that valuable support from partners like KESC helps "take our mission further to address the cause. This will go a long way to ensure a prosperous and enlightened Pakistan".

Our Social Investments

PARTNER ORGANISATION COLLABORATIONS

Empowerment Program

Aiming to provide relief to social welfare organisations in the health and education sectors, KESC, under this ongoing initiative, will bear the electricity costs, either up to a certain percentage or in their entirety, for charitable organisations that meet a certain eligibility criteria. So far agreements have been signed with the Layton-Rahmatulla Benevolent Trust, the Mary Adelaide Leprosy Centre, The Citizens' Foundation, Indus Hospital & the Sind Institute of Urology & Transplantation. With this ongoing program we have reached 2.1 million individuals and hope to keep increasing this figure.

On Sept. 27, KESC signed the first memorandum of understanding under the Empowerment Program with Indus Hospital, agreeing to bear 50% of their cost of electricity every month.

As per the agreement signed on Sept. 30, KESC will be paying 100% of the electricity bill of MALC every month.

An agreement was reached on Oct. 6 whereby KESC will bear 100% of the cost of electricity consumed by approximately 320 school units and The Citizens' Foundation head office in Karachi, while providing meters to an additional 46 schools in the city.

KESC will be bearing 100% of the electricity charges of two hospitals operating under LRBT located at Korangi and North Karachi respectively as per the MoU signed on Oct. 3.

Karachi Electric Supply Company (KESC) signed its fifth Memorandum of Understanding, with Sind Institute of Urology and Transplantation (SIUT), to provide absolutely free-of-cost electricity to its three dialysis centers in the city and new connections for two more.

PMT Donation To Edhi Mortuary Sohrab Goth

A Pole Mounted Transformer (PMT) worth PKR 2,049,621 was donated to the Edhi Mortuary located in Sohrab Goth.

The project, starting from submission of application and completion of execution work, was accomplished in record time of only 4-days.

AZM Scholarships

With the aim to help the spread of education and to create stronger links between Management and the workforce, KESC is offering scholarships to the children of deserving Non-Management Employees. So far, in collaboration with Aman Tech, 300 individuals have benefited from this scheme and have been awarded full scholarships for technical trainings. We hope to encourage more of our Employees to take part in this scheme for the greater good.

Vital Organs – 24 Hour Load Shed Exemption & System Up-gradation

Access to uninterrupted power is crucial for the healthcare sector, as is consistent power quality, especially with the sensitive and power-demanding equipment being used today. In such an environment, even the slightest glitch in the power supply can lead to tragically devastating consequences.

With this in mind, KESC has undertaken various initiatives to provide uninterrupted power supply to the significant health institutes of Karachi. Some of them have even been assigned dedicated feeders and Pole-Mounted Transformers in order to ensure quality of supply, while others are completely exempted from load shedding to ensure immaculate health services. KESC has also ensured provision of generators to major hospitals, in cases where provision of uninterrupted power is technically not feasible.

System up gradations of Sobhraj Maternity Hospital, Marie Adelaide Leprosy Center and Civil Hospital were undertaken and funded by KESC. Subsidized new connections were provided to Karachi Institute of Heart Diseases, a school at Shireen Jinnah and a new exclusive feeder was provided to SOS village, Karachi's largest orphanage.

KESC will continue to undertake further steps to guarantee uninterrupted power supply to other vital institutions of Karachi.

Vital Organs:

- Civil Hospital
- MALC
- AKUH
- Liaquat National Hospital
- NICVD (Cardio Vascular Hospital)
- Pak Navy Army Depot/Hospital
- Jinnah Hospital
- Lyari General Hospital
- PNS Shifa Hospital
- Kiran Hospital
- CMS Hospital Malir
- Abbasi Shaheed Hospital
- K.B Valika Hospital
- Medicare Hospital
- KIHD (on Industrial Feeder)
- Tabba Heart

Emergency Response Initiatives

Relief For Baldia Town Industrial Fire Victims

Considered one of the most devastating and deadly industrial accidents in the history of our country, the Baldia Town Industrial Fire on 11th September claimed close to 200 lives, directly and indirectly affecting many more.

On purely humanitarian grounds, KESC announced that it would waive all existing and outstanding electricity bills of the affected families. The bereaved families have also been given an extended 'Electricity Bill Payment Exemption' for the following 6 months.

Our prayers are with all those affected by this tragedy and we hope that our humble contribution alleviates some of their burden and helps them through this trying time.

Flood Relief Efforts - 2010 & 2011: Our Finest Hour

In response to the disastrous flooding during the Monsoons of 2010 & 2011, particularly in NWFP and Punjab, KESC, as part of the Emergency Response Initiative, launched a massive relief campaign managed exclusively by the utilities employees, from collection to distribution, in order to help the 15 million Internally Displaced People.

In collaboration with the Aman Foundation and the overwhelming support from the Citizens of Karachi, KESC's Employees established five gathering points for relief supplies in the City and opened a bank account for monetary donations. The utility established KESC Care Camps in Sind to provide humanitarian aid to the thousands of individuals displaced and affected by the country's worst-ever natural disaster, providing medical treatment, preventive medical care, emergency medical evacuation, food, shelter, safe drinking water and other basic necessities.

To raise moral, KESC sponsored various educational, recreational and sports activities at the Camps which included football and cricket workshops and an Eid Carnival.

The Flood Relief Program turned out to be a huge success and was rated as the fourth best governed community program by the Overseas Investors Chamber of Commerce and Industry.

In collaboration with the Sind Provincial Government, KESC continued support to flood affected areas in 2011.

ARSON ATTACKS, KHARADAR

In order to provide relief to the arson attack victims of Kharadar, KESC came forward to join hands with The Heritage Foundation to safeguard the various historic buildings which were affected by the attacks. KESC played a significant part in the initial restoration of a few high-risk buildings.

KESC waived off payment of four months' electricity bills for the affected shops. We also created partnerships with Kharadar Wholesale Association, and distributed 16,000 free energy efficient light bulbs to the affected shops.

2010

- PKR 73 million raised
- Reached 30,000 IDPs
- 8 Camps established
- 117 trucks of Food Packages & 9 trucks of Daily Usage Items
- 3,000 Tents distributed
- 2 Water Purification Plants set up
- Free Medical Treatment for over 18,500 Patients; 18 babies born at Thatta camp
- 250 KESC Employees directly involved and more than 1,000 indirectly
- 28 External Volunteers
- 45 days worth of ration & coverage of transportation costs upon departure

2011

- PKR 6 million raised
- Reached 5000 IDPs
- Collected & Distributed 5,000 Food Packages, 1,200 Tents & 1,000 Mosquito Nets

Community Development

Community Drive at Ibrahim Hyderi

KESC launched an extensive community development campaign at Ibrahim Hyderi, a town adjacent to our Power Station in Korangi, KGTPS. Ibrahim-Hyderi is one of the largest slums in South Asia and has a population of more than 150,000 people. The community lacks basic infrastructure and facilities like access to education, healthcare and clean drinking water. Upon initial assessment we realised that the community was faced with a prevalence of avoidable water-borne diseases.

In addition to installing 2 Water Purification Plants with the capacity to provide 50,000 gallons of drinking water every day, KESC initiated a 'Clean Water Awareness Drive' to reinforce the importance of this project within the locals, specifically women and children. A 10-day campaign was conducted in collaboration with the Pakistan Fisher-folk Forum (PFF) and the Sehat First Foundation, organising daily school visits during the campaign to educate children about personal hygiene and clean water.

Interactive community sessions were conducted where women belonging to various sub-localities actively participated and discussed the challenges they faced in working towards living a clean and healthy lifestyle. Literature was also distributed and Female Health Workers were sent on a door-to-door campaign covering even remote areas to ensure adequate coverage.

Simultaneously, KESC also initiated 'The Clean-up Movement' in collaboration with the Ibrahim-Hyderi Union Council. Water tanks/reservoirs were sanitised and garbage heaps were disposed-off properly. Green Zones were also created in the area surrounding KGTPS and Ibrahim Hyderi to curtail the effects of carbon emissions and provide the residents of Ibrahim Hyderi with a healthier and cleaner environment. KESC also made commitments to re-invest 10% of revenue generated from the area back into the community.

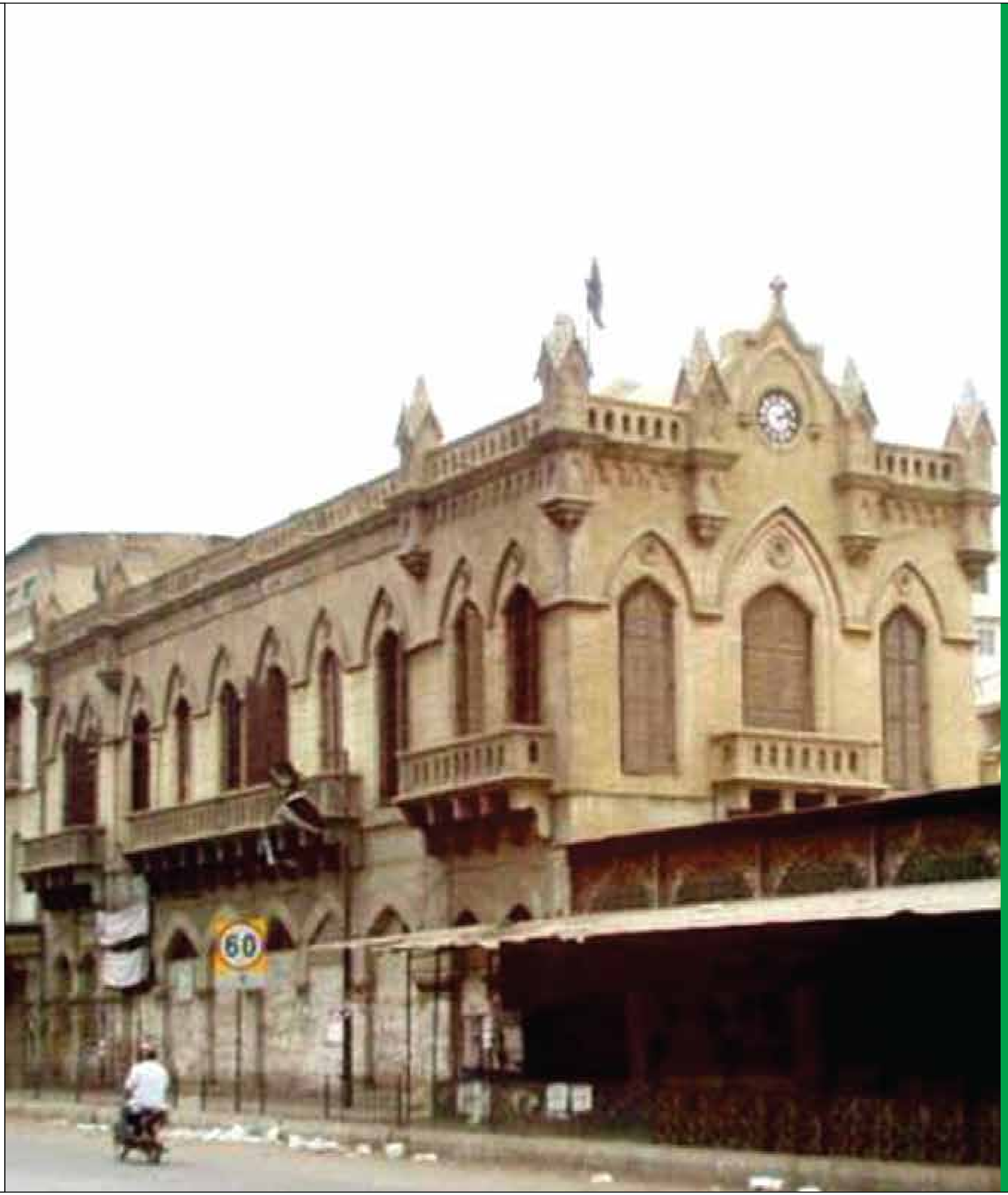
We hope to replicate such campaigns in other deprived communities in the future as we maintain our efforts towards a sustainable future.

Eye Camp Bin Qasim Town

Bin Qasim Town holds immense importance to KESC as one of our biggest power generation plants is situated in the area. We owe a lot to the inhabitants of the area and to work for their betterment has always been one of our top priorities.

KESC started off with the Community Development Drive at Lath Basti. The community constitutes mainly fishermen and has a population of 10,000-12,000 residents. This area is located adjacent to Cattle Colony and various health/environmentally hazardous activities impact the lifestyle of local residents. KESC, in collaboration with the Layton Rahmatulla Benevolent Trust (LRBT) and the World Wildlife Fund for Nature (WWF), set up a free eye camp for local residents. Many patients registered at the camp and benefited from on-the-spot treatment and diagnosis.

In the future we plan to undertake various initiatives in other parts of Bin Qasim Town pertaining to community development, focusing on education and health primarily.



Denso Hall Facade Cleaning Project

The Heritage Foundation has demarcated a number of historic districts of Karachi which require attention and conservation. Among the most significant is the historic district of the landmark Denso Hall. The newly titled 'Denso Hall Virsa Shahr' or Denso Hall Heritage Precinct stretches from Marriott Road to Serai Road including the hall itself and several adjoining buildings. These structures are among the oldest historic sites of the city, with the area itself being part of the original 'Old Town' of the city of Karachi. KESC signed a Memorandum of Understanding with the Heritage Foundation for restoration of the 123 year old Victorian-age building to its past glory. The Denso Hall was designed by James Stratchan and constructed in 1886 with local Gizri sandstone, originally in memory of Max Denso, a prominent Karachi resident who was the President of Karachi Chamber of Commerce in 1870-71. It was built as the first library and hall for the natives of Karachi during Colonial times and as such carries immense significance, making its preservation important to capturing the culture of 19th century Karachi.
KESC will undertake the project as sole sponsor, which includes cleanup of external façade, a general cleaning and improvement of sewerage and water lines and electricity cables and removal of encroachments. KESC and the Heritage Foundation in partnership with CDGK have worked tirelessly on this project and hope to promote the precinct as a significant tourist destination in times to come.
Under this initiative, KESC joined hands with The Heritage Foundation, Karavan Pakistan and Hamara Karachi to commemorate our City's history with the 'Mera Karachi-Mera Virsa' event on the 23rd of March. The event included talks from various dignitaries, performances by local artists and a 'Façade Cleaning Workshop'.
We consider this the first step and are keen to restore historically valuable assets in Karachi and reinforce their position as vital cultural monuments.

Subsidised and legalised connections have been established in 1,200 homes and impacted more than 10,000 people.

4 water purification plants have been installed providing clean drinking water and ensuring a healthier and safer lifestyle for the residents.

Awareness campaigns on the safety hazards of hook connections (kunda).

Women from the community are employed through a local NGO as KESC representatives, giving them a voice and allowing them to be active participants in the community.

Power In The Community – Creation Of Theft-free Communities

In partnership with Local Government bodies and the SOCH Foundation, KESC is working on three communities in Karachi – Korangi Sector 10, Lyari and Mehran Town – to create model communities that are free of electricity theft. KESC's programs within the communities also extend to achieving improvements in health, education and employment creation, along with the provision of subsidised, legalised connections. The hope is that this model will inspire other communities in Karachi to adopt and emulate similar community empowerment initiatives.

Power Up: Employee Involvement Initiatives

In order to inculcate a sense of community within our employees, KESC, since the recent management change, has made a conscious effort to involve the workforce more actively in various sustainable causes.

KESC's approach has been top-down in this respect, with us looking to our Leadership to set an example for everyone else.

Our aim has been to develop a culture of giving back and we are happy and proud of the fact that our employees have whole-heartedly risen to the occasion when ever called upon by investing their time and resources towards the betterment of others.

Mentoring Programs:

In collaboration with our Partner Organisations, INJAZ & The Citizens Foundation, KESC Employees enthusiastically participate in programs to mentor the youth.

TCF Rahbar Youth Mentoring Program – 4,000 hours invested in Partnership with INJAAZ Pakistan – Commitment of 1,000 hours

Sports Engagement Platforms

KESC believes that the best way to serve the society through sports is to inspire the youth to get hooked on to healthy sporting activities. Creation of powerful platforms is critical, as it does two things: it allows young and upcoming players to display and harness their talents, and provides us a communication platform to engage the youth segment and build a strong positive association with them.

KESC has always had a strong affiliation with sports. KESC has been responsible for developing the underprivileged youth and giving them a platform to perform on. KESC has been looked at as a centre for nurturing these youths and turning them into world-class sportsmen. Some sportsmen who have been nurtured by KESC are:

- Cricket: Shahid Afridi and Younus Khan (Ex–Captains of Pakistan Cricket Team); SaleemJaffer (Ex-Player of Pakistan Cricket Team); Safaraz Ahmed, Asad Shafiq & Rameez Raja Jr. (Players of Pakistan Cricket Team)
- Boxing: Hussain Shah (only Pakistani to win a Bronze medal at the Olympics and winner of 6 gold medals at the Asian Games); Ali Bux (Asian Gold Medallist and current Coach of Pakistan Boxing Team).
- Football: Essa Khan (Ex-Captain of Pakistan Football Team and winner of Pride of Performance Award); Lal Muhammed, Hanif Baloch & Samad Baloch (Ex-Players of Pakistan Football Team); Munir Ahmed (Captain of Pakistan U-16 Football Team)
- Hockey: Zeeshan Ali (Player of Pakistan Hockey Team)

Key Achievements During 2009-2012

- KESC–Lyari League recognised 11 underprivileged children who were selected for the Pakistan Under 14 team.
- 9 players went on to represent the Pakistan team at the U14 championships held in Iran, where the team finished 3rd.
- Five of these players then went on to win the U16 SAFF Championship held in Nepal, where the team defeated India in the final.
- Two players from the KESC cricket team went on to represent the Pakistan Cricket Team.

Football As Our Core Platform

In order for KESC to excel in the field of sports, we realised that we must expand our reach to the youth through the creation of powerful platforms and promote sports in a manner that would inspire future sportsmen.

This is a significant strategic shift from our past approach and would make sports management a serious business going forward. This approach would demand adequate resources and sufficient management time in order for us to justify our presence in this domain and execute our plans with total professionalism. It is, therefore, important that we focus on fewer initiatives and do an outstanding job there, rather than spreading ourselves too thin, doing too many things with moderate or no success. Keeping that direction in mind, we decided to limit our interests to two sports internally, Football and Cricket, in order for us to achieve excellence in these two. KESC decided to dedicate all available time and resources to these two games with complete focus.

KESC has first decided to sponsor football and focus on the underprivileged youth of Karachi in order to channel the energy of the youth in a positive manner, keep them away from negative activities and give them a platform to perform on.

Shake The Net: Global Youth Football Project, 2012

Following the success of the KESC Lyari League, our parent company, Abraaj Capital, looked to initiate similar projects globally. This project, under the name 'Shake the Net', was taken to Cairo, Egypt in the Ain-el-Sira district to start off with. It was based on the findings and outcomes of KESC's youth development program in Lyari and implemented under the supervision of a KESC employee.

Abraaj Captial hopes to adapt this program in its other concerns in various countries where the need exists and in doing so, emulate the success of KESC's efforts in this domain.

KESC Lyari League

In partnership with the Pakistan Football Federation & Geo Super TV Channel, KESC undertook a major initiative with the introduction of this youth-based football project. A total of 16 teams of under-14 children entered, 12 from Lyari and 1 each from Utal, Hub, Vinder & Bela.

32 games were played and broadcast live on Geo Super from January 8th to the 24th, 2011. KESC covered all expenses incurred for the 350 underprivileged participants. This tournament showcased the abilities of many talented youngsters, 11 of whom were selected for the Pakistan Under-16 team, from which 9 got an opportunity to represent the Country.

11 Children Selected For Pakistan Under-16 Team, 9 Selected for Pakistan First Team

Super Football League Powered By KESC

In May 2010 KESC joined hands with the Pakistan Football Federation and GEO SUPER to promote football all over the Country by organising the biggest ever football league tournament in Pakistan. Trials were conducted across Karachi, Lahore, Islamabad, Quetta and Peshawar and one team was selected from each city for the league. All the matches were shown live on Geo Super.

Football Camp At Ibrahim Hyderi For Underprivileged Children

A football camp was held at the locality where one of our Combined Cycle Plants is located. This camp was held for 50 children from the area and run by Hassan Baloch, Manager of the KESC football team and an AFC qualified coach.

The purpose of this football camp was to support the underprivileged youth at Ibrahim Hyderi and encourage them towards healthy activities.

KESC Youth Camp & Football League

KESC organised a talent hunt competition in June 2009. A large number of underprivileged children participated from five districts of Karachi (East, West, South, Central and Malir), of which 50 were selected from each district to participate in the KESC Youth Football Camp. The Camp was supervised by AFC qualified coaches.

The Youth Camp led to the formation of the KESC Youth League, with every district entering two teams in the league. The 10 teams played against each other, with a total of 20 games, including home and away matches, which lasted 2 months.

Our Vision for the Future

We need to ensure we keep the underprivileged youth engaged in positive activities, to carry and build upon the momentum we have gained so far. Some progress has been made in bringing forth inspiration from the youth, but the sports arena needs to be further developed as a platform to achieve even better results for our underprivileged youth in future.

As is evident from our youth projects so far, our focus has been on football. The reason being that the localities we wished to target initially have a very strong following for the sport. However, going forward we do hope to initiate similar programs for youth cricket, the most popular sport in Pakistan, and in doing so achieve the same levels of success.

The following programs have been planned for 2013:

Football

- KESC Street Football Tournament: to be held in the month of Ramazan during the evenings in Lyari
- All Karachi Girls Football League: to provide girls with a platform to perform on as well
- KESC Lyari Football League: Under 14: based on the KESC Lyari League held in 2011
- KESC All Karachi Football League: Under 16: based on the All KESC Karachi League held in 2010

Cricket

- Youth Cricket Tournament: Under 16: to give the cricket hungry youth of Karachi a platform to perform on

ESG Initiatives

In line with global Environmental, Social & Governance values, we, as an organisation, have made a conscious effort to not only encourage the best Environmental, Social and Governance Practices, but to ensure they are implemented by adhering to various international standards, in the process having achieved various honours, certifications and awards for our efforts. Through sustainable reporting we are striving towards a model of transparency and ethical standards via multiple and regular interaction with all concerned stakeholders, implementing best global practices with our 'Holistic Compliance and Governance Framework'.

Sustainability Report

In our efforts to transform KESC into a recognised economic and social entity, and in order to comply with the world-recognised Global Reporting Initiative (GRI) G3.1 Standards of reporting, we completed work on an extensive Sustainability Report that tracks the recent evolution of KESC into what can be considered, a responsible member of society and a financially stable organisation.

The report, a first of its kind for the organisation and the power sector in Pakistan, analyzes the organisation's performance over a three-year period, ending June 2012. In November 2012, upon submission of the report to GRI, we were awarded an 'A' Rating, making KESC the first utility sector organisation in Pakistan to accomplish this feat, while also placing KESC amongst one of the very few organisations that have been rated 'A' by GRI in the very first attempt globally.

Thought Leadership

KESC's aim with these initiatives is to bring progressive minds together and promote enlightened thoughts aimed at sustainable development. To this end we have created platforms that facilitate the spreading of intellectual opinions.

Thought Leadership Forum

In September 2012, on the 99th anniversary of KESC, the first Thought Leadership Forum was held with Dr. Ishrat Husain as the key-note speaker. He spoke on The Impact of Privatization on Sustainable Development. The event was attended by several high profile professionals and dignitaries.

The follow-up event took place in December 2012, focusing on 'Social Entrepreneurship and its Impact of Sustainable Development', where we were graced with the presence of Dr. Abdul Bari Khan, CEO of Indus Hospital, Mr. Mushtaq K. Chhapra, Founder and Director of The Citizens' Foundation and our key-note speaker for the event, Dr. Adib Rizvi, Founder and Director of the Sindh Institute of Urology and Transplantation.

With plans to make this forum a regular event, a series of seminars related to key economic issues and opportunities will be organised periodically focusing on logical, implementable and contemporary perspectives aimed at sustainable economic and social development. KESC hopes to invite respected and established thought leaders who would present their in-depth analyses on various economic and social issues, and their solutions.

Knowledge Sharing

In order to create strategic links with academic institutions for mutual value creation, long term partnerships have been created with all major educational institutes of Karachi, sensitising the youth, specifically engineering & business students, to the issues faced by the Power sector.

26 interactive sessions have been held which also include sponsorship of IBA's Leadership Conference & NED's Innovation Conference. 18 field trips to our generation plants for almost 1,200 students have also been arranged.

E-Force Program

KESC conducted the E-Force School Awareness Program as an Energy Conservation initiative focusing on bringing about a first-hand realisation in children about the energy crisis in Karachi and the Country at large.

KESC sensitised around 25,000 school children from 150 schools in Karachi about energy conservation through talks and presentations. Students were involved in an exercise to monitor and reduce energy bills in their homes by adopting the energy conservation methods suggested. Creative outlays were provided to children in order to exhibit their ideas. A grand finale was organised to recognise the overall performance of the schools.

This program is a continuous initiative and continues to reach children and the citizens of Karachi with our most recent session held at the Beaconhouse School System's A-Levels Campus.

Roshan Karachi, Roshan Pakistan

With hopes to engage the youth of Karachi to create awareness among them regarding energy conservation, KESC partnered with Geo TV.

Under this initiative 50 Brand Ambassadors were recruited from different universities and colleges of Karachi to sensitise their social circles and distribute 2,000 Energy savers in around 2,000 households.

School children were also involved to create mini RKRP day at their school through art, tableaus and other creative outlets.
A mega event called 'Roshan Karachi Roshan Pakistan Day' was also held at the Bahria Auditorium involving celebrities to reinforce the idea behind this drive.

The Way Forward

Going forward, KESC will remain focused on creating strategically sound, bi-directional links with our stakeholders maintaining a long-term approach. We hope to provide our Employees with platforms to make contributions towards the creation of vibrant, educated and healthy communities.

We hope to instill the same sense of sustainability within KESC's Partner Organisations in efforts to achieve our shared goals consistently by working on structured social and environmental investments that remain fruitful even after KESC's direct involvement ends.

In the last few years our efforts have been commended and we have been the recipients of a plethora of awards and accolades. However, we are more concerned with the impact we have had. Not ones to rest on our laurels, we strive to achieve so much more and hope that our efforts serve as a catalyst for change.

GRI, G3 Disclosure Table

Following standard GRI disclosure practice, this section presents summary tables for the relevant disclosures on Management Approach, organisation profile, and performance. These disclosures are divided over two main tables—one addresses the information related to KESC's "Management Approach," while the other combines the indicators related to KESC's profile and performance, dividing the latter over the various performance areas that GRI covers.

Disclosure on Management Approach and Strategy

The KESC Management Approach to the material areas of GRI performance indicators is captured here and throughout the content of this report. In the table below excerpts from the report are noted against specific GRI indicator areas.

Focus/Performance Area	Approach
Economic	Until recently, the organisation's investment philosophy was very much based on reforming its management systems and finances to overcome the inefficiencies that it inherited from the past. KESC attained the highest Profit in its history, overshadowing years of gross loss. In order to improve the value that it delivers to society, and its shareholders, KESC's focus during the last three years on improving its generation and transmission efficiency, as well as expanding its generation capacity and its relations with its customers. Thus far all investments were shifted into this direction. However KESC is now moving into the implementation of new higher-cost and higher-energy efficient mega projects, signaling the advent of a new era and a new type of post-reform investment. This way KESC has been able to attract external finance from reputable international organisations, including the IFC, exceeding $1 billion. This required KESC to undertake massive finance and operations, and society related reforms. We regard such investments to be the strongest testimonies to our financial and overall sustainability at the moment, indicating a $1 billion level of confidence in our financial wellbeing. Such is expected to translate into enormous direct and indirect economic gains in our community and the Pakistani industry at large.
Society	Our operations have a direct impact on the socio-economic development of Pakistan; hence we understand the long-term direct and indirect impact of our sustainable actions towards the sustainability of the country. Sustainable development helps govern the way we develop new projects and try to improve our facilities, how we manage our distribution network, our customer service delivery and above all how we share benefits with our 20 million stakeholders in Karachi. As an organisation we are cognizant of our social, economic, environmental and governance responsibilities and we attach a very high value to responsible policies and actions in these areas. Thus KESC has played a leading role in implementing a multi-stakeholder engagement strategy in a partner organisation context. This has been achieved by integrating the business strategy with social considerations to deliver long-term value for the business, its customers and the community. By democratising community initiatives and creating strong partnerships, KESC has achieved truly powerful results. In the absence of an easy remedy for power outages, KESC has also played a parallel role in the social landscape of the city in the past 3 years. The urgency in establishing a successful social investment programme within KESC was driven by a historic legacy of neglect in community engagement, compounded by our consciousness of our overall impact on the social sector of Karachi, be it powering the vital organs of the city like hospitals, universities or schools or facilitating Not for Profit organisations.
Labour	Human Resource Management was one of the biggest challenges that the new management had to address after Abraaj's take-over three years ago. The workforce was not properly organised and the management and non-management structure was lopsided. There was also lack of cohesion within the work groups. Absence of ownership was further leading to de-motivation, which was complicated by the fact that a performance oriented culture was missing. KESC thus focused re-structuring its human resource as they are the critical conduit in the final delivery of results. Over the last three years, the people management situation has improved. An emphasis on performance, reinforced through a Performance Management System, has led to improved motivation, while promotions and transfers through internal hiring, keeping in view the individual's skills and capabilities, has led to greater ownership and reversal of brain drain. Infusion of new blood and management professionals has enriched the cultural harmony, while transparency in systems and operational efficiencies infuse the energy and trust needed to take us forward towards a sustainable future. In so doing, KESC had to completely revamp its Human Resources policies and systems. As the report details, what KESC achieved in these few years was nothing less than revolutionary. Our reforms rested quite deliberately on rewarding talent, performance, and on doing so very transparently. It goes without saying that the old organisational culture tried to impede this change, but KESC's commitment to reform overcame all barriers.
Human Rights	Human rights in KESC are highly appreciated and honoured. The fact that most of KESC's staff is composed of permanent, contracted labour means that the most basic human rights are well honoured and monitored by the state and the labour unions active in the organisation. On top of that, the organisation abides by offering a minimum wage that is twice the national minimum; retirement benefits; decent early retirement packages, which in practice proved to be quite popular; and a decent working environment. Quite importantly, child labour is out of the question in KESC. At the moment the organisation is trying to improve its gender-related performance. While we generally offer gender-neutral wages, and do not tolerate any discrimination by gender, religion, or ethnicity, we would like to see our minute female workforce grow in number in the future, especially in management positions. This is a situation that the current management inherited from the past management, but we are adamant to change it.
Environmental Footprint	In a matter of three years, KESC moved from a poor to a moderate environmental performer to one of the top performers in its field in Pakistan. Our environmental approach focuses on energy conservation, reduction of generation and losses, and reduction of detrimental emissions, especially CO_2. We are currently an award-winner in the area of environmental protection in Pakistan, and as a result many power companies have come to seek our expertise in improving their system.
Product & Client Responsibility	Although we deal with a standard product, our focus on quality still permeates every aspect of our business. In developing an extraordinary network of contacts and business relationships over the years, KESC seeks to identify ways to improve both the reliability and efficiency of the power that it delivers to the homes, businesses, and industries of Karachi. Client safety and privacy is taken for granted in KESC, and his or her interest represents the basis of our advertising strategy. Management applies a zero tolerance policy with regards to this aspect, and strives to create direct communication channels with customers to be able to gain their feedback on the spot.

Focus/ Performance Area	Strategy
ESG	• Ensuring compliance on all ESG-driven best practices across all our operations and activities
Thought Leadership Forum – TLF	• Bringing progressive minds together and promoting enlightened thoughts on sustainable development in diverse sectors of the economy
Social Investment Programme - SIP	• Free Electricity for NGOs in health & education sectors • Infrastructure enhancement plan for vital organs • Community engagement & partnership Programmes • Youth engagement
Stakeholder Engagement Programme – SEP	• AZM – Internal Change Management Programme • Media Engagement & public relations • Brand communication • Public information and engagement services • Key stakeholder engagement

Report definition and formulation

KESC's business model is based on continuous value creation by investing in ESG driven initiatives ensuring that we transform KESC into a sustainable entity that thrives on social and economic value creation for all our stakeholders. During the past 3-4 years, the sustainability team at KESC have consciously worked on understanding critical needs of our stakeholder and responded to them within our constraints. The nature of our business and our values based on transparency and openness makes regular stakeholder engagement an integral part of our business model. Sustainability report is thus an outcome of these regular engagements, especially, with our financing and technical partners like IFC, ADB, GE etc.

With the aim of enhancing our stakeholder engagement, we embarked on producing an integrated report. Considering the significance of this report and its potential to define our business in line with international best practices, the entire organisation (every group) was involved in a formal process to provide information and participate in discussions aimed at identifying materiality, stakeholders' interest as well as opportunity areas and gaps. Once all inputs were compiled, the report team, supported by an external think tank (Ahead of The Curve) drafted a detailed materiality concept (Check Disclosure table, column 3 for details) for the company, upon which the report topics were prioritised and featured accordingly. Upon finalisation, the report was signed off by all group heads verifying that all that was contained in it was factual, material and a true representation of our business and operations. The report also featured data from a formal consumer perception trackers study that is conducted by an independent research firm (AC Nielsen) with the objective to constantly track customer expectations and use these findings as a source of guidance for alternations in our processes and/or improvement in our service delivery to our customers.

Disclosure on Profile and Performance

The table below summarises KESC's Materiality position in relation to each of the GRI 3.1 indicators and guidelines.

- Indicates an indicator that are Not Material to KESC
- Indicates an indicator that are Material to KESC

Disclosure indicators are further highlighted according to the reporting level of each indicator, as follows:

- Not Reported (Indicates cases that are relevant to KESC, cases that are commercially confidential, and/or cases where KESC lacks relevant information at the moment and is committed to address this lack for future reporting)
- Partially Reported (Indicates cases where only part of the indicator may be relevant, and/or cases where KESC compiles some but not all relevant information and is working towards reporting fully on them in the future)
- Fully Reported

Standard disclosures part i: profile disclosures

1. Strategy and Analysis

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
1.1	Statement on Sustainability from the most senior decision-maker of the organisation.	•	Pages: 4-5	•
1.2	Description of key impacts, risks, and opportunities.	•	Pages: 37-43	•

2. Organisational Profile

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
2.1	Name of the organisation.	•	Karachi Electric Supply Corporation (KESC)	•
2.2	Primary brands, products, and/or services.	•	Page: 19	•
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	•	Page: 31	•
2.4	Location of organisation's headquarters.	•	Karachi, Pakistan	•
2.5	Number of countries where the organisation operates, and names of countries with either major operations or those that are specifically relevant to the sustainability issues covered in the report.	•	Pakistan	•
2.6	Nature of ownership and legal form.	•	Page: 16	•
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries).	•	Page: 16	•
2.8	Scale of the reporting organisation.	•	Page: 16	•
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	•	None, this is the first report	•
2.10	Awards received in the reporting period.	•	Page: 22	•

3. Report Parameters

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
3.1	Reporting period (e.g. fiscal/calendar year) for information provided.	•	Unless otherwise stated, the information provided are for years 2009-2012.	•

3. Report Parameters

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
3.2	Date of most recent previous report (if any).	•	This is the first report; See Page: 11	•
3.3	Reporting cycle (annual, biennial, etc).	•	Biennial; See Page: 11	•
3.4	Contact point for questions regarding the report or its contents.	•	KESC's CSR manager; See Pages: 11-12	•
3.5	Process for defining report content.	•	Pages: 11, 100	•
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	•	Page: 12	•
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	•	Page: 12	•
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	•	Page: 12	•
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	•	Page: 12	•
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	•	None; This is the first report; See Page: 11	•
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	•	None; This is the first report; See Page: 11	•
3.12	Table identifying the location of the Standard Disclosures in the report.	•	This table	•

3. Report Parameters

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
3.13	Policy and current practice with regard to seeking external assurance for the report.	•	Page: 12	•

4. Governance, Commitments, and Engagement

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	•	Page: 27	•
4.2	Indicate whether the chair of the highest governance body is also an executive officer.	•	Page: 27	•
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	•	Page: 27	•
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	•	General shareholders' recommendations and suggestions come through the forum of AGM and EGM of the organisation. Shareholders represented in BOD. Feedback from employees is gathered through emails and surveys on policies. Open email access to the leadership is available to all employees.	•
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).	•	KESC has gone through many reforms to link performance and compensation; see page: 61-63 for an analysis of such linkages and respective commitments; also See Pages: 27-29.	•

4. Governance, Commitments, and Engagement

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	•	Issue controlled by BOD charter and compliance requirements; See Pages: 27-29; For commitments see Page: 29.	•
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics.	•	Issue controlled by BOD charter and compliance requirements; See Pages: 27-29 For commitments see Page: 29; Job descriptions are in place that determines the job competencies for all top managers. This process that led to the compilation of this report is part of the process for creating BoD ESG commitment. Certain fundamental eligibility conditions and disqualification criteria have been defined for the directors of a listed organisation in Code of Corporate Governance (CCG), Companies Ordinance 1984 and MEMARTS of the organisation. However educational qualification,	•

4. Governance, Commitments, and Engagement

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
			experience and expertise are decided by principal shareholders keeping in view the business needs and area of specialisation.	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	•	General, Page: 26 Area specific, policies related to each are discussed in respective chapters above.	•
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	•	Department policies; This evaluation, the commitments that it develops, and the respective exercises that led to its formulation and the formulation of the commitments ensuing from it.	•
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	•	KESC has to abide by external ESG standards; is regularly audited by relevant authorities and external auditors against these standards.	•

4. Governance, Commitments, and Engagement				
Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	•	BCP - Business Contigency Plan in the approval stage by the board - Will be applicable by next financial year. Broken down per area in each of the chapters above; Each chapter targets one specific area, and is labeled accordingly.	•
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	•		•
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	•	Page: 79	•
4.14	List of stakeholder groups engaged by the organisation.	•	Page: 79	•
4.15	Basis for identification and selection of stakeholders with whom to engage.	•	Page: 79	•
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	•	Annexure A: Disclosure on Stakeholders engagement by type and frequency.	•
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	•	Pages: 79-84	•

STANDARD DISCLOSURES PART III: Performance Indicators

Economic

Performance Indicator	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
Economic Performance				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	•	Pages: 45-50	•

STANDARD DISCLOSURES PART III: Performance Indicators

Performance Indicator	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	•	Not Calculated	•
EC3	Coverage of the organisation's defined benefit plan obligations.	•	Partially covered on Pages: 45-50 and 69.	•
EC4	Significant financial assistance received from the government.	•	None	•
Market Presence				
EC5	Range of ratios of standard entry-level wage by gender compared to local minimum wage at significant locations of operation.	•	Generally KESC provides salaries that are well above minimum wage salaries. We maintain a minimum entry wage for our "workmen" that is twice the national minimum wage. This is the case for both men and women.	•
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	•	Predominantly National due to nature of business. Only Strategic technical partners which provide world class state-of-the-art technology like GE, Oracle, etc, are foreign.	•
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	•	Predominantly National due to nature of business . Hiring Policy based on Merit without any ethinic or geographical bias.	•
Indirect economic impacts				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	•	None	•
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	•	Pages: 37-43	•

Environmental

Performance Indicator	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
Material				
EN1	Materials used by weight or volume.	•	Pages: 53-54	•
EN2	Percentage of materials used that are recycled input materials.	•	KESC's operations are based on burning most of its material input (fuel); other material used are of lesser materiality to the organisation's operations and have less of an impact on its environmental foot print; See Pages: 53-54 for a fuller discussion.	•
Energy				
EN3	Direct energy consumption by primary energy source.	•	See Page: 54	•
EN4	Indirect energy consumption by primary source.	•	Indirect energy is of low materiality in KESC's case.	•
EN5	Energy saved due to conservation and efficiency improvements.	•	Approx 167 MVA capacity enhanced. It helps in reduction of system technical & commercial losses besides the improved quality of power supply.	•
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	•	Initiatives are covered in Pages: 57-58. These initiatives led to	•

Environmental

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	•	Approx 19.05 MW total load optimised In-House. Energy Review & load optimisation of mostly lighting & auxiliary load of KESC offices and installations. Initiatives are covered in Pages: 57-58 Approx 149.1 MW total load optimised Out-Reach These led to load being optimised through ATL & BTL Mass Awareness activities, Energy Review and Industrial Counseling **Upcoming Load Optimisation:** Approx. 107 MW load optimisation from NCFL.	•
Water				
EN8	Total water withdrawal by source.	•	Page: 54	•
EN9	Water sources significantly affected by withdrawal of water.	•	Sea Water used in two combined cycle plants. Water is treated and used in steam turbines and waste water is disposed in sea again after treatment.	•
EN10	Percentage and total volume of water recycled and reused.	•	Pages: 54-55	•
Biodiversity				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas	•	N/A	•

Environmental

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
	and areas of high biodiversity value outside protected areas.			
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	•	N/A	•
EN13	Habitats protected or restored.	•	N/A	•
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	•	N/A	•
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	•	N/A	•
Emissions, effluents and waste				
EN16	Total direct and indirect greenhouse gas emissions by weight.	•	Emission rates are provided on Page: 54.	•
EN17	Other relevant indirect greenhouse gas emissions by weight.	•	Same as EN16	•
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	•	See Pages: 53-58; Approx. 45.70 (Mn) Metric Ton Carbon Emission reduction (In-House) Approx 147.01 (Mn) Metric Ton Carbon Emission reduction (Out –Reach).	•
EN19	Emissions of ozone-depleting substances by weight.	•	Significant emissions are declared on Page: 55.	•
EN20	NOx, SOx, and other significant air emissions by type and weight.	•	Emission rates are provided on Page: 55.	•

Environmental

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
EN21	Total water discharge by quality and destination.	•	Page: 54	•
EN22	Total weight of waste by type and disposal method.	•	Pages: 54-56	•
EN23	Total number and volume of significant spills.	•	There were no spills	•
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	•	Hazardous substances are neither imported nor exported directly by the organisation.	•
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.	•	N/A	•
Products and services				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	•	N/A	•
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	•	N/A	•
Compliance				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	•	None	•
Transport				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	•	See Pages: 54-56	•

Environmental				
Profile Disclosure	**Description**	**Materiality**	**Disclosure Page number/ reference**	**Level of Reporting**
Overall				
EN30	Total environmental protection expenditures and investments by type.	•	Other than the costs of the environmental department staff; KESC has conducted 2 Environmental Impact Assessment Studies of new projects, costing Rs. 1800000 = US$ 20,000; and Environmental monitoring of 5 power plants, costing Rs. 18,40000 = US$ 22,000.	•

Social: Labour Practices and Decent Work				
Performance Indicator	**Description**	**Materiality**	**Disclosure Page number/ reference**	**Level of Reporting**
Employment				
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	•	Pages: 61-64	•
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	•	Pages: 63-64	•
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations.	•	See Page: 68 for pay differential & for differences in benefits.	•
LA15	Return to work and retention rates after parental leave by gender.	•	There is no concept of leaves for fathers in Pakistan. Our retention	•

Social: Labour Practices and Decent Work				
Profile Disclosure	**Description**	**Materiality**	**Disclosure Page number/ reference**	**Level of Reporting**
			rate is 100% for all the female employees who have availed maternity leaves.	
Labour/management relations				
LA4	Percentage of employees covered by collective bargaining agreements.	•	57%	•
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	•	N/A	•
Occupational health and safety				
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	•	0.404%; total no. of employees in HSEQ Department (46) divided by total no. of workforce.	•
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region, and by gender.	•	General trends on Pages: 73-76; No such cases were reported for female workers.	•
LA8	Education, training, counseling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.	•	Pages: 73-76	•
LA9	Health and safety topics covered in formal agreements with trade unions.	•	(Not Covered). For safety KESC has an independent policy.	•

Social: Labour Practices and Decent Work

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
Training and education				
LA10	Average hours of training per year per employee by gender and employee category.	•	See Page: 54	•
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	•	Pages: 54-55	•
LA12	Percentage of employees receiving regular performance and career development reviews.	•	Over 75%	•
Diversity and equal opportunity				
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	•	See Page: 27 for a for a discussion on re-governance at KESC; See Pages: 63-64 for a breakdown of employment by gender and age group, ethnicity not tracked.	•
Equal remuneration for women and men				
LA14	Ratio of basic salary and remuneration of men to women by employee category, by significant location of operations.	•	Page: 62	•

Social: Human Rights

Performance Indicator	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
Investment and procurement practice				
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns or that have undergone human rights screening.	•	Almost 80% of KESC financing entails adhering to respective IFC	•

Social: Human Rights

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
			regulations in this field; See Page: 29.	
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	•	Altogether 15 firms are operating as third party contractors at KESC. These firms have not been scrutinised for HR & subsequent actions; No actions based on human rights performance were needed before.	•
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	•	None; Such practice does not exist in KESC.	•
Non-discrimination				
HR4	Total number of incidents of discrimination and corrective actions taken.	•	No such incidents were reported during the reporting period.	•
Freedom of association & collective bargaining				
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	•	For KESC, Ex-CBA (Union) impeded distribution operations from May 2011-July 2011 on the pretext of freedom of speech/demonstrations.	•

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
			KESC went to court and got a restraining order against ex-CBA; Current supply chain policies support these rights.	
Child labour				
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	•	As per Factories Act KESC only employs adults above 18 years. KESC does not enter into supplier agreements where child labour is employed.	•
Forced and compulsory labour				
HR7	Operations or significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	•	Does not apply to KESC in the direct sense as we adhere to Factories Act (labour laws); It is therefore assumed that all of the supplier organisation adhere to the local labour law under which forced or compulsory labour is prohibited.	•
Security practice				
HR8	Percentage of security personnel trained in the organisation's policies or procedures	•	None;	•

Social: Human Rights

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
	concerning aspects of human rights that are relevant to operations.		Security personnel outsourced through 3rd party contracts; KESC does not monitor respective 3rd party actions.	
Indigenous rights				
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	•	N/A	•
Assessment				
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	•	Impact Assessment which includes social impact is done for all our operational insulations (grid stations and plants); Our relationship with the IFC requires extensive monitoring of our Human rights impact; See Page: 21.	•
Remediation				
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	•	None	•

Social: Society

Performance Indicator	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
Community				
SO1	Percentage of operations with implemented local community engagement, impact	•	Pages: 53-58	•

Social: Society

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
	assessments, and development programmes.		Percentages not monitored	
Corruption				
SO2	Percentage and total number of business units analysed for risks related to corruption.	•	Monitoring not conducted systematically; But the organisation signals out the distribution businesses, which involves public dealing, billing and complain handling as more prone to corruption.	•
SO3	Percentage of employees trained in the organisation's anti-corruption policies and procedures.	•	None; KESC doesn't hold anti-corruption training.	•
SO4	Actions taken in response to incidents of corruption.	•	Direct communication with customers reduced corruption in speeding up or delaying electric connections. Set up "Speak up" mechanism for consumers to identify corruption within the system (without giving their names) and corrupt employees. Speedy disciplinary action (inquiry) is taken and if found guilty, the employee is exited.	•

Social: Society

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
Public policy				
SO5	Public policy positions and participation in public policy development and lobbying.	•	Pages: 79-81	•
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	•	None; KESC doesn't fund any political organisations.	•
Anti-competitive behaviour				
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	•	None	•
Compliance				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	•	None	•
SO9	Operations with significant potential or actual negative impacts on local communities.	•	Our Environmental Audit tackles this issue; See Pages: 53-56.	•
S10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	•	Local communities are engaged / consulted on regular basis. They are engaged during the environmental Impact assessment studies of our new projects. Our community consultation is based purely on discussions with local stakeholders and interested parties during	•

Social: Society

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
			preparation of the EIA / IEE documents for local permitting requirements. Eleven Impact assessment studies have been conducted so far since KESC's privatisation.	

Social: Product Responsibility

Performance Indicator	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
Customer health and safety				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	•	We do not report on this as we have thus far been unable to gather the data because our product's nature doesn't follow any direct consumer interaction or normal product life cycle but regular public safety sessions are held at schools and through advertising awareness campaigns as a general policy. Yet we will be able to report on this in 2013.	•
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	•	N/A	•

Social: Product Responsibility

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
Product and service labelling				
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	•	N/A	•
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	•	N/A	•
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	•	Pages: 40-44	•
Marketing communications				
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	•	KESC has been involved in a number of community activities that entail raising awareness regarding KESC's business, but the organisation has not formulated programmes that regulate its marketing communications yet; See Pages: 82-84 for a discussion on these community programmes.	•
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	•	N/A	•
Customer privacy				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	•	None	•

Social: Product Responsibility

Profile Disclosure	Description	Materiality	Disclosure Page number/ reference	Level of Reporting
Compliance				
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	•	None	•
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	•	It will be ensured by the next reporting cycle that all security personnel are trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	•
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	•	An overall analysis will be carried out to calculate the financial implications and other risks and opportunities for the organisation's activities due to climate change.	•
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes.	•	Percentage of operations with implemented local community engagement, impact assessments, and development programmes will be calculated and reported in the next reporting cycle.	•
Corruption				
SO2	Percentage and total number of business units analysed for risks related to corruption.	•	Systematic monitoring will be conducted maximum operational units to analyse risks related to corruption.	•

Annex A: Disclosure on Stakeholders' engagement by type and frequency

Stakeholder group	Type of engagement	Frequency of Engagement 2009-12
Federal & Provincial Ministries	Meetings and written communications on various issues	Ongoing on day-to-day basis/ Regular particiaption in all Energy Conferences held annually
Regulatory Bodies (NEPRA - SECP)	NEPRA - meetings for tariff/ meeting for customer compliant resolution / Annual Report	Bi-monthly / Monthly meetings / Annual performance report
Federal & Provincial Governments	Meetings and written communications on various issues/ SMART Programme report	Ongoing on day-to-day basis/ Montly Environmental SMART report
Stock Exchange	Financial reports	Annual / Half-yearly and quarterly Financial reports
Enviromental Enforcement Bodies	SMART Report	Monthly
Media	Press Releases	1050
	Press Conferences	85
NGOs	Meetings on Various issues / Written communications/ Umeed/ Emails/ SMS	Ongoing
Consumer Groups	Meetings on Various issues / Written communications/ Umeed/ Emails/ SMS	Ongoing
Social Action Groups	Meetings on Various issues / Written communications/ Umeed/ Emails/ SMS	Ongoing
Opinion Leaders	Umeed (newsletters) emails / SMS / Thought Leadership Forum /	Monthly newsletter/ bi-monthly thought leadership forum / emails - SMS as per need
Educational Institutions	Youth Engagement Interactive Forum	350
	Educational visits to Plants	39
	Sponsorship of various educational events	16
Strategic Business Partners	Meetings on various issues / Written Communications	Ongoing on day-to-day basis
Professional Bodies	Meetings on various issues / Written Communications	
Foreign Missions	Meetings with strategic leadership level	As per scheduled visits
BOD/Investors	BOD meetings / KES Power meetings	Quarterly/ Annual
Industry/Commerce/Trade Associations	Corporate Advisory Panels / Written Communications /Meetings	Ongoing written/verbal communication/ 12 Structured Advisory Panels on strategic leadership level
Industrial & Commercial Customers	Corporate Advisors/ Written Communications /Meetings	Ongoing written-verbal communication/ Meetings with strategic leadership level as per need
Key Suppliers & Service Providers	Meetings on various issues / Written Communications	Ongoing on day-to-day basis
Financial Institutions/ Partners	Annual Performance Reporting to IFC / ADB and other financial partners	Annual Reports /Ongoing Written Communication / Meetings
Technology Partners	Meetings on various issues / Written Communications	Ongoing on day-to-day basis
Customers	Khuli Katcheri (Open Forums with the customers to resolve customer complaints and queries)	18 forums - 4500 customers directly served by the leadership team
	SMS	28 Million
	Emails	4.36 Million
	Electronic Programmes (News Ticker updates)	3100 Tickers
	Electronic Appearance in various programmes / News beepers	200 appearances / 180 beepers
	Social Media	10,000 tweets / 3,100 followers
	Website	Daily Updates / Bill payment facility
	Print Ads in the newspapers /Radio and TV spots	9897 spots
Community	Community Panel Meetings	23 Panel Meetings

روشنی کی صدی
1 9 1 3 - 2 0 1 3
Century of Light

3rd Floor, KESC House, 39-B Sunset Boulevard Ext, Phase – II, DHA, Karachi
Tel: +92-21-99205117-9920514
Fax: +92-21-99205192

KARACHI ELECTRIC SUPPLY COMPANY

KHIDMAT MEIN ROSHAN